

Russia and the EU Ten Years On: A Relationship in Search of Definition

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Almost ten years have passed since the Partnership and Cooperation Agreement (PCA) between Russia and the EU entered into force. The PCA, signed on June 1994, went into effect in December 1997 and will expire on 30 November 2007. Brussels and Moscow are now expected to take stock of what has been achieved in their relationship and agree on whether and how to update the PCA.¹ While there has been significant progress in several areas of technical cooperation, the relationship has suffered from too many political ups and downs and a growing and mutual distrust. The failure at the 24 November 2006 Summit to agree on the launching of negotiations for a new comprehensive agreement – even though this was mostly due to a Polish veto² – is however indicative of the patchy character of the EU-Russia relationship.

Two questions await a clear and urgent response: (a) are Russia and the EU real partners and if so, what kind of partners are they? and (b) where exactly is their relationship headed? These questions have remained unanswered so far, creating some uncertainty in their relationship. Difficulties in predicting both what direction Russia will take after its 2008 presidential elections and what the EU has planned after it absorbs the shock of its constitutional crisis add to that uncertainty.

The EU-Russia relationship has to find a clearer strategic rationale to put their partnership on more stable ground, taking into account the changes that have occurred inside Russia, within the EU and in the international system.

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¹ For the prospects of renewal of the agreement, see the article by Fabrizio Tassinari and Marius Vahl in this issue, p. 17.

² Poland conditioned its consent to the launching of the negotiations for a new agreement between the EU and Russia on Russia's decision to ratify the European Energy Charter and its lifting of the import embargo on Polish meat products.

A new context

Although the EU-Russia partnership has made significant progress in different sectors over the last ten years, the trajectory of the relationship has been anything but linear. The endgame of the partnership remains largely undefined. Moreover, the conditions within Russia and the EU have changed dramatically. Ten years ago Russia was, both politically and economically, at the nadir of its post-communist transition. After the end of the Cold War, Moscow found itself at the margins of a “unipolar” system. In the nineties, its relationship with the EU served mainly to escape isolation and re-enter the international mainstream. On the contrary, the EU was at the zenith of its development. With the accomplishment of the post-Maastricht constitutional reform (Amsterdam Treaty), the move toward a single currency and the prospect of enlargement, the EU was looking at its future optimistically.

Ten years later, the situation looks very different. Somehow the tables have been turned. Oil rich Russia feels more self-confident today, with a larger number of foreign policy options and, therefore, less in the need to woo Europe and the West: like Brazil India and China, Russia feels a part of that group of fast-growing, independent and globally-minded countries now known by its own acronym, “the BRICs”.³ Europe, on the other hand, has lapsed into a profound depression as result of both its internal crisis and enlargement-related problems.

Throughout the 1990s Russia perceived the double eastward enlargement of NATO and the EU as a dangerous continuation of the policy of containment, or even a sort of roll back in disguise. This made the relationship with these two institutions absolutely central for Russia. However, other factors, including 9/11, the primacy of the fight against global terror, the war in Iraq and the new centrality of the Greater Middle East, Asia’s economic rise and the EU’s (and partly also NATO’s) “enlargement fatigue” have all to a certain extent diminished the importance of Europe and its institutions for Russia. After the US debacle in Iraq, it has become less urgent for Russia to try to counterbalance American hegemony through a preferential partnership with Europe. And, in addition to that, an EU paralysed by the constitutional stalemate could hardly appear the ideal ally. For the EU-27, on the other hand, after the completion of enlargement to the east, Russia has ceased to be *the* major problem, as it was during the Cold War, but has not yet become an opportunity. If on Turkey the EU members’ opinions are divided – some see it as a problem, others as an opportunity – when it comes down to Russia, the prevailing view is that, although it cannot be ignored, Moscow remains mostly unpredictable and problematic.

These changes do not mean, at least not yet, that the EU-Russia relationship is becoming less important. They mean, rather, that the number of internal (within Russia and the EU) and external challenges to this relationship

³ Barysch, *The EU and Russia*.

have increased. In order to remain crucial, a clear and strategic direction for the relationship for the future must be defined.

Russia and the EU under Putin: pragmatism *über Alles*

Under Boris Yeltsin, the EU-Russia relationship went through a schizophrenic alternation between antagonism and cooperation. Nobody doubted that it was Yeltsin's genuine desire and priority to be accepted by Europe and the West. Yeltsin, however, remained fundamentally constrained by his bipolar worldview. He believed that Russia's international standing hinged mostly on its relationship with the US and particularly on his friendship with "Bill".⁴ Europe and the EU were seen mostly as "surrogate" partners in those days when relations with Washington went sour (as in the case of NATO enlargement). Furthermore, there was little time for Yeltsin to develop a deep relationship with the EU – he left office less than two years after the PCA entered into force – nor did his Foreign Minister Yevgheny Primakov's emphasis on multipolarism and Russia's Eurasianism encourage an EU-first policy.

In contrast, Vladimir Putin does not share his predecessor's feeling that Russia should belong to the West. He is driven to restore Russia's status as a world power. True, during his first mandate, and particularly after September 11, he found a common language with the West in the fight against global terrorism. The post 9/11 honeymoon was however short-lived. As time went by, Putin made it clear that his policy would not be based on any pre-set body of principles or ideology, but rather aimed at securing Russian national interests. In order to enhance its status Russia should rely mostly on its own forces. It has to recover internally first; through the restoration of its state authority and economic power. Russia's inner strength – and not its identification with the West – will legitimise the country's international status ("our place in the world will only depend on how strong and successful we are"⁵). Under Putin, the idea of a future integration of Russia in the EU (and NATO) has been unequivocally ruled out. The emphasis has instead been put on practical, pragmatic cooperation with European and Western institutions.⁶

Although limited to "pragmatic" terms, the relationship with the EU was given – during Putin's first mandate – more importance than during Yeltsin's years. Putin realised that close and practical relations with Europe and the EU were even more crucial to Russia's modernisation than the "strategic" relationship with Washington. Negotiations with the EU over Russia's accession to the World Trade Organisation (WTO) were successfully concluded in 2004, followed by Russian ratification of the Kyoto Protocol. Things have changed – and certainly not for the better – during Putin's second

⁴Talbott, *The Russia Hand*.

⁵Address to the Federal Assembly by President Putin, 25 April 2005, President of Russia website, <http://president.kremlin.ru/eng/index.shtml>.

⁶Karaganov *et al.*, *Russia-EU Relations*.

mandate, particularly after the 2004 *annus horribilis* (Beslan, Yukos, Ukraine). On the one hand, Europe has become increasingly worried about Russia's neo-authoritarianism and, on the other hand, Russia has become increasingly assertive to counter EU and Western criticism of its own democratic record. President Putin's aides have stressed the concept of "sovereign democracy" (Surkov⁷), aimed at reconciling democracy with Russian political and cultural traditions and the need to preserve the country's territorial integrity. Just before taking over the Chairmanship of the Council of Europe, Russian Foreign Minister Sergei Lavrov, significantly stated that the Council of Europe could not "become a place where just one out of many models of democracy would be made a criteria to judge each and every other state. The world is much more complicated. It's not black and white."⁸ More recently, referring specifically to the EU-Russia relationship, Putin wrote that "it would be useless and wrong to try to force artificial standards on each other".⁹ Nevertheless, practical and technical cooperation between the EU and Russia has continued quite regularly.

Russia's new pragmatism somehow contrasts with Moscow's concern over its status recognition. Russia resents being faced with positions already EU-agreed as well as with what it perceives as the "diktat" of a supranational "rule-making" body such as the Commission. With its Westphalian mindset, Moscow would prefer to sit with the 27 EU member states in a format similar to the NATO-Russia Council which, however, reflects the purely intergovernmental nature of the Alliance.

The European "disunion" and Russia

The 2003 European Security Strategy defines Russia as a "key player" on security issues at the global and regional levels. In fact, despite the end of bipolarism, Russia still remains a permanent member of the UN Security Council, a nuclear superpower, a member of the G-8, and a member of the Middle East Quartet. However, the EU-27 has proved incapable of agreeing on a common policy *vis-à-vis* Russia. The common EU strategy on Russia approved in June 1999 died silently in 2004 without being renewed.

The main EU players have been reluctant to sacrifice their bilateral interests with Russia in the name of European collective interests, the definition of which has in any case remained too abstract. The Union's enlargement to 12 new members (ten from central, south and eastern Europe) has further exacerbated the existing divisions in the EU policy toward Moscow. On the one hand, the EU big states (in particular Germany, France and Italy) tend

⁷ Vladislav Surkov's Secret Speech, 12 July 2005, <http://www.mosnews.com/interview>.

⁸ "Russia Takes Over as Chair of Council of Europe", *Deutsche Welle*, http://www.dw-world.de/popups/popup_printcontent/0,2025969,00.html.

⁹ V. Putin, "Europe has nothing to fear from Russia's aspiration", *Financial Times*, 22 November 2006.

to have a more articulated and nuanced approach to Russia; the medium-sized and small central-eastern European states (including the Baltic states and some northern old EU members, such as the Netherlands and Denmark), on the other hand, tend to be particularly critical and defensive. The memories of the Cold War still bear a strong influence on the EU new members' attitude toward their former "Big Brother". In general, whereas the EU big states accept Russia as a big power and to a certain extent see it as an element of stability in the Eurasian landmass, the new EU members and former communist states remain suspicious of Russian power and sceptical about their possibility of forging "normal" bilateral relations with Russia. Moscow's democratic retreat and new assertiveness have since 2004 further deepened these differences within the EU.

The big EU states have somehow found a way to "reconcile" principles and interests in their dealings with Moscow. At the October 2006 EU Summit in Lahti, Finland, French President Jacques Chirac openly called for separating morality and economics in dealing with Moscow. Angela Merkel's criticism of Chechnya and human rights violations did not call into question economic and energy cooperation between Germany and Russia. Similarly, Italy's new government has worked to promote the consolidation of energy relations between the two countries.¹⁰ Unlike the EU big states, principles and interests reinforce each other in a negative way in the case of relations between central-eastern European countries and Russia. At the Lahti summit, the Estonian Prime Minister Andrus Ansip said, in response to France, that "it is totally wrong to pay attention only to economic interests", while dealing with Moscow.¹¹ The Polish President Lech Kaczynski, in turn, stated that because Russia does not always "play straight" one should talk to Moscow, particularly when it comes down to energy issues, in a way that is "firm, resolved and strong". Earlier, the North European Gas Pipeline (NEGP) Agreement between Germany and Russia was compared by the Polish Defence Minister, Radek Sikorski, to the Ribbentrop-Molotov Pact. The Latvian President, Vaira Vike-Freiberga also warned Europeans against "blackmail" by Russia and made it clear that her country also objects to the Russo-German NEGP on the grounds that the project ignores the other six countries located on the Baltic Sea.¹²

Trust deficit

These intra-European divisions obviously undermine Brussels' efforts to work out a common policy towards Russia and its energy supplies. It should be said, however, that despite these divisions, Europe as a whole sees Russia as

¹⁰ "Italy's ENI Reaches Gas Supply Pact with Gazprom", *Financial Times*, 15 November 2006.

¹¹ *RFE/RL*, vol. 10, no. 198, Part I, 26 October 2006.

¹² *Frankfurter Allgemeine Zeitung*, 8 November 2006.

increasingly losing its sympathy and “soft power” as a result of its democratic retreat. The murders of the Central Bank deputy chairman Andrei Kozlov and of Russian journalist Anna Politkovskaya, who had revealed embarrassing details of Russian army abuse in Chechnya, shocked many in Europe and reinforced their misgivings about the nature of Russia’s political system. Finnish European Minister Paula Lehtomaki stated that Politkovskaya’s murder was a “major setback for freedom of expression in Russia”. The mysterious poisoning and death of the former spy, Alexander Litvinenko, cast a further shadow on Russia’s political direction. There is a widely shared feeling in Europe today that, despite the rhetorical calls for a genuine partnership founded not only on common interests but also on shared values, in terms of democracy and human rights, the EU and Russia do not feel and do not act alike.¹³ Significantly, the EU Parliament passed a non-binding resolution in Strasbourg on 25 October 2006 calling for democracy and human rights (and not only economic relations) to be placed at the core of any future agreement between the EU and Russia.¹⁴

In the eyes of both the West and Europe, the problem with Russia’s political system has to do not only with freedom and democracy, but also with the rule of law. Transparency International in its 2006 Corruption Perception Index placed Russia in the group from 121st to 129th, alongside Rwanda; and in its 2006 Report, the World Bank ranked Russia 151st among 208 countries (on a level between Swaziland and Niger) in terms of accountability, quality of regulatory bodies, rule of law and control over corruption. These figures would therefore suggest that Putin’s limitations to freedom and democracy have not brought about any significant improvement in terms of order and legality. Moscow’s response that such criticism only reflects Western and European uneasiness, if not envy, *vis-à-vis* a resurgent Russia, does not help to fill what has become a “trust deficit” between the two.

The four spaces: a means rather than a goal

Trade and energy still remain the crucial glue of the EU-Russia relationship. The EU accounts for 50 percent of Russia’s foreign trade; Russia accounts for 7.6 percent of the EU’s imports and 4.4 percent of the EU’s exports. On the whole, Russia ranks fifth among the EU’s trading partners (after the US, Switzerland, China and Japan). It is Europe’s second biggest oil supplier and provides a quarter of the continent’s gas.

¹³The 1999 EU Common Strategy on Russia embodied the idea that EU and Russia would seek “to build a genuine, strategic partnership, founded on common interests and shared values...in particular democracy, human rights, the rule of law and common market principles”. European Commission, “EU-Russia relations”.

¹⁴*RFE/RL Newslines*, 23 October 2006.

At the 2003 St. Petersburg summit, the EU and Russia decided to reinforce their multi-sector cooperation already established under the PCA by creating four “common spaces” in the long term:

- a common economic space;
- a common space of freedom, security and justice;
- a common space of cooperation in the area of external security; and
- a common space in the fields of culture and education.

During the Moscow summit of 10 May 2005, Russia and the European Union adopted joint “Road Maps” for the realisation of these four common spaces.

The declared objective of the Common Economic Space is to create an open and integrated market between the EU and Russia. Dialogue has been launched in a series of areas (competition, investments, telecommunication, transport, financial services, energy). The idea of creating an EU-Russia free-trade area in the long run has also been circulating, though it is understood that it will take some time to realise this kind of close economic integration between the two. Concrete conditions have to be in place first. A preliminary condition would be for Russia to become a member of the WTO.

The second space, cooperation in the area of justice and home affairs, seems the most promising. Agreements on visa facilitation and re-admission were signed at the EU-Russia summit in Sochi (May 2006); a new trilateral format (US, EU and Russia) has been set up to deepen cooperation in the fight against organised crime and terrorism; the EU is supporting border management and reform of the Russian judiciary system and Russia, in turn, has established technical cooperation with EU specialised bodies, such as Frontex, Europol, Eurojust.

High politics (external security) is the subject of cooperation in the third space. The goal is to strengthen dialogue and cooperation on international issues including conflict prevention and crisis management. The five priority areas that have been identified so far are: dialogue and cooperation on the international scene; fight against terrorism; non-proliferation of weapons of mass destruction; and crisis management and civil protection.

The limit of such dialogue on external security lies in the fact that EU-Russian cooperation on any major international crisis would hardly be decisive anyway, either because Russia does not always play a central role or because the EU is not a member of the UN Security Council. Above all, without the direct engagement of the US or China (as in the case of North Korea), even well-intentioned EU-Russia direct dialogue on major foreign policy issues can hardly produce significant results. Moreover, on sensitive international issues such as the Middle East and Iran, Russian and EU views do not coincide. The EU has included Hamas in its list of international terrorist groups and, unlike Russia, has refused to transfer money directly to the Hamas-led Palestinian government. The Lebanese crisis provided an opportunity for closer EU-Russian cooperation, given also the relatively minor role played by the United States already over-stretched in Iraq.

The opportunity was however missed on both sides: in the end the European governments (but not the EU) played a crucial role in ending the war, whereas Russia engaged itself only reluctantly. Iran is going to be the next major foreign policy test for the EU-Russia relationship. Things are not promising there either. While the Europeans, after three tiring years of fruitless negotiations, seem to be ready to endorse UN economic sanctions against Teheran, Russia, in the mean time, is obstructing the UN Security Council from adopting serious economic measures, particularly those that would jeopardise its own economic interests in Iran (Busher). Russia is also torn between the goal to prevent Iran from going nuclear and its interest in bolstering Iran's role in the region in order to contain US influence.

In addition, Russia still prefers to deal with foreign policy issues bilaterally with the main EU states or within directories (5+1, Quartet, Contact Group), where it can sit on a par with the others.

Where EU-Russia dialogue would make more sense, for example, is on those matters that concern their "common neighbourhood" (Belarus, Moldova, Ukraine, Caucasus). But here Russia and the EU do not share the same approach. Both are interested in the stability of the area, but while stabilisation means Europeanisation and democratisation for the Europeans, for the Russians it means keeping this area under its influence (more on this later).

In the fourth space, the declared goal is strengthening cooperation in the areas of research and science and developing people-to-people contacts between Russia and Europe. The creation of a "co-funded" Moscow Institute of European Studies is a concrete result of cooperation in this field.

The four spaces (and Road Maps) provide a useful framework that permits the EU-Russia relationship to develop concretely in all fields. There is an intrinsic value in such comprehensive interaction. Familiarisation with EU rules and standards is likely to have some long-term impact on the modernisation of Russia's economy and administration. The regular interaction between Russian and European politicians and officials at all levels encourages mutual understanding. However, quantity does not imply quality. Moreover, the documents on the four spaces are fundamentally a means of cooperation rather than an end: they are not legally binding and there is no set timeframe for making progress. It will be difficult to define as strategic a relationship simply based on the four spaces, where the two partners do not share the same values and have not agreed on certain strategic priorities and common goals.

Spoilers and opportunities: energy and the "overlapping neighbourhood"

Two are the issues which have become crucial and have the potential of either turning the relationship into something at least similar to a strategic one or

causing its deterioration: energy security and stability in the overlapping neighbourhood.

The energy conundrum

The President of the EU Commission, José Manuel Barroso has confidently stated that there will be, at the heart of the EU-Russia relationship, a new energy partnership. European and Russian energy interests are complementary. Russia needs secure, long-term European demand for energy products, as well as more European investments to develop its energy resources, while Europe needs secure, long-term access to Russian oil and gas.

In 2006, however, energy has mostly been a spoiler in their relationship. The Russian-Ukrainian gas conflict at the beginning of the year was a watershed: it strengthened the voices of those in Europe who distrust Russia and do not think Europe should count on it as a reliable energy supplier. They warn that Russia is using energy as a weapon to coerce its neighbours and former satellites and is ready to bully Europe in the same way. Gazprom's threat that it could create an "OPEC-like" alliance of gas suppliers and/or look to China and North American markets if its expansion plans in Europe (downstream) were blocked has further reinforced such negative attitudes in Europe.

To its critics, Russia objected that they failed to see the "economic aspects" of the conflict with Kiev: in particular, the fact that Ukraine had for many years paid a quarter of the market price for Russian gas and that it was Ukraine that siphoned off the Russian gas transported to Europe. Mistrust toward Russia led the European Union (and NATO) to hastily put "energy security" at the centre of its agenda, where security has become synonymous with "diversification" of its energy resources and supply sources in order to become less Moscow-dependent. Although the EU has yet not endorsed any concrete plans in this direction – and it is unrealistic that anything concrete will be decided in the short term – the European long-term ambition leans more toward energy independence than interdependence with Moscow.

Europe's anxiety over Russia's energy policy has further deepened as a result of Moscow's suspension of contracts with foreign companies operating in Russia. In September 2006, a Russian high court ordered the suspension of operations at the Sakhalin-2 oil and gas development project due to "environmental considerations". The Sakhalin consortium is controlled by Royal Dutch-Shell (55 percent) and the Japanese trading firms Mitsui and Mitsubishi (25 and 20 percent, respectively). Western suspicions of Russia's ulterior motives behind the suspension were fuelled by the fact that this and other operations had been authorised in the early nineties, when Russia was weak, desperate to attract Western investments and ready to accept particularly generous terms for foreign firms. Moreover, Gazprom seemed eager to get its hand in the Sakhalin project in order to meet growing energy demands across East Asia. Putin himself confirmed that Russia wishes to

increase energy exports to East Asia from a current 3 percent to 30 percent over the next decade. Needless to say, the reaction in Japan and Europe to the suspension of those contracts was one of dismay.

At the same time, some Western European governments are still uneasy about the prospect of Gazprom acquiring shares in their national gas distribution companies, though Germany, France and Italy have played the role of trailblazers, allowing Gazprom to enter the downstream market in their respective countries.¹⁵

In retrospect, Europe might have overreacted to the Ukrainian gas crisis, but it is also true that Russia did nothing to reassure its partners about its benign intentions. On the contrary, Russia's subsequent threats to re-direct its exports towards Asia only created further anxiety in Europe. The problem is that there is a basic disagreement on the "rules of the game" of the energy partnership. Europe pushes Russia to open up and deregulate its energy market and wants access for its companies to Russia's gas export pipelines. Russia is reluctant to meet these demands and in turn asks for unconditioned access to Europe's retail market. Europe also insists that Russia should ratify the Energy Charter Treaty¹⁶ (which would require Russia to grant freer access to its energy resources and energy-transit infrastructure), but Russia objects that the Charter does not take its interests into account.

There are other problems too. The EU does not yet have a unified energy policy. Though the Ukrainian crisis precipitated new EU activism in this area, European governments and energy companies mostly deal bilaterally with Russia. Moreover, the very close personal and political connections between the Kremlin and Gazprom make the relationship between the latter and European energy companies too vulnerable to the vagaries of politics.¹⁷ If anything, Russia has taken several steps in recent months to tighten state control over energy resources and their exports.¹⁸ Last but not least, even if Russia may be willing to secure oil and gas exports to Europe, it might no longer be able to do so in the future unless it re-energizes its output capacity. To do so, however, it badly needs to open up its energy sector to foreign investors.¹⁹

¹⁵The British government took specific countermeasures (changing legislation on foreign ownership of strategically important UK companies) to prevent Gazprom from buying UK's largest utility company, Centrica, which angered the Russian government. France and Italy have however provided a different example. According to the deal signed by Gazprom and ENI (November 2006), the former will be able to sell up to 3 bn m³ of gas in Italy per year from 2010, equivalent to 3 percent of the market (in return Gazprom will continue to supply gas to ENI until 2035). In November 2006 Gazprom opened up its own branch in France allowing it to sell its gas directly to French industries.

¹⁶Russia signed the Energy Charter in 1994, but never ratified it.

¹⁷Milov, "The EU-Russia Energy Dialogue". In November 2006, the vice-president of Gazprom, Alexander Ryazanov, regarded as too independent a figure, was fired and replaced by a former KGB officer, Valeri Golubev.

¹⁸See article by P. Hanson in this issue, p. 29.

¹⁹J. Dempsey, "Problem for Europe: Russia also needs gas", *International Herald Tribune*, 22 November 2006.

“A strong energy partnership is in our interest”, EU Commissioner Benita Ferrero Waldner recently stated, and this “requires security and predictability for both sides”. It remains to be seen if a genuine energy partnership based on transparency and reciprocity can be established in the future. Given the existing complementarities, however – and despite the intra-EU divisions and Gazprom’s peculiarities – energy could be turned from a spoiler into an opportunity in the EU-Russia relationship. The pre-condition for this, however, is mutual trust: something that is presently lacking, as EU Energy Commissioner Andris Piebalgs has candidly admitted.²⁰

The overlapping neighbourhood

In 2004, the EU launched the European Neighbourhood Policy (ENP) directed at its eastern and southern (Mediterranean) neighbours. The focus of the ENP policy is on active engagement and cooperation, short of full integration (“everything but institutions”). Russia, however, remains diffident toward such increased EU engagement in an area it regards as its main sphere of influence. While Moscow still has significant levers to promote its security and foreign policy goals in its neighbourhood (it is an essential trade partner and energy supplier to all these countries), it fears that the ENP countries might progressively gravitate into the EU and NATO orbit (given also the US activism in the region), thereby causing a further roll back of Russian influence in the Eurasian space. The faster those countries democratise, the more Russia feels insecure about the foreign policy direction they will take. Moscow heatedly insists that these countries should not have to choose between the EU and “other” integration processes (referring to Moscow-sponsored initiatives, such as the Commonwealth of Independent States, the Single Economic Space, the Collective Security Treaty Organisation, etc.). As a result, there are divergences between Russia and the EU (and NATO) over Belarus, Ukraine, Moldova, and the Caucasus. Unlike Russia, which acknowledged the regularity and legitimacy of the electoral process, the EU criticised the March 2006 presidential elections in Belarus as blatantly flawed and, in response, froze the assets of Belarusian leader Alexander Lukashenko and over thirty other politicians who Brussels considers to have been involved in violence and intimidation at the polls. In Moldova, the EU stands firmly for territorial integrity and calls for a shared solution of the Transnistrian conflict. It has criticised as farcical the referendum organised last September by the pro-Russian Transnistrian leadership. And in the Ukraine tensions with Russia abated only after Ukraine’s new pro-Russian government decided to forgo the previous government’s plans to join NATO and opted rather for EU

²⁰ “I have to be frank, there is some work to be done in building up mutual confidence,” Piebalgs said at an EU-Russia energy conference in Moscow on 30 October 2006, *Associated Press*, 12 November 2006.

membership, but only as a very long-term objective. In general, on all these issues, the positions of Moscow and the EU are diametrically opposite.

But it is in the Caucasus, and particularly in Georgia, that the active presence of Europe and the West worries Moscow the most. It is there that Moscow, not unreasonably, fears that if it lowers its guard, uncontrollable processes could be set in motion that would eventually threaten its internal stability and territorial integrity, and the security of pipelines transporting energy to the Caspian.

The “NATO-first” policy of the current Georgian leadership has particularly alarmed Russia. Moscow, in turn, has continued to encourage and exploit the secessionist movements in Abkhazia and South Ossetia in order to weaken the Georgian government and to deflect its pro-Western plans. The escalation of tension in Fall 2006 between Russia and Georgia over the arrest by Georgian authorities of four Russian army officers on espionage charges is symptomatic of Moscow’s particularly acute sensitivity in this area. In a disproportionate response to Georgia’s move, Russia banned imports into its territory of Georgian products, cut off transport and postal links with Tbilisi, deported hundreds of Georgians, closed down several Georgian restaurants and casinos and evacuated most of its diplomats from its southern neighbour. Moscow accused “foreign sponsors” and NATO for encouraging Georgia’s anti-Russian attitudes and actions.

Moscow has also been ready to flag the threat of secessions in its near abroad, from Transnistria to Abkhazia, in order to keep NATO and the EU at bay in the Caucasus. Russian leaders and President Putin himself have repeatedly called for “universal principles” on separatism and use the prospect of Kosovo independence as a possible precedent: “If people believe that Kosovo can be granted full independence, why then should we deny it to Abkhazia and South Ossetia?”²¹

The common neighbourhood is today an area of disagreement and tension between the EU and Russia. But need it always be this way? Would it not be possible to reconcile the ENP with the EU’s policy toward Russia and Moscow’s role in the region? Yes, in theory at least. Some new rules of the game could be agreed upon by the EU and Russia to turn the common neighbourhood into an opportunity for their strategic partnership. Europe and the West need to understand Russia’s legitimate geopolitical concerns and Russia, in turn, should seek stability in the region through cooperation rather than pressure. The EU and NATO should reassure Russia that their engagement with countries of the common neighbourhood is not aimed at rolling back Russia’s influence. The West should avoid trying artificially to accelerate NATO membership for countries in Russia’s “near abroad” with poor democratic records. Full membership for these countries in either NATO or the EU could be taken off the agenda, at least for a certain period of time,

²¹ Putin’s interview on Russian television, 30 January 2006, <http://www.EUobserver.com>.

provided that Moscow agrees not to obstruct their democratic and sovereign development and genuinely contributes to the solution of the “frozen conflicts” in the interest of regional stability.

Commonly agreed confidence-building measures between the EU, Russia and countries of the common neighbourhood could also help to overcome zero-sum logics and consolidate stability in this area in the interests of all. This could be a step-by-step process, starting with the solution of the easiest problems, such as Transnistria (where it is hard to see how the frozen conflict can serve Russia’s interests) and Belarus. A democratic Belarus could well become a bridge between Russia and the West, rather than simply being a buffer.²² Stable and democratic states in the common neighbourhood would result in a win-win situation for Russia and the Union.

Full EU-Russia understanding on the common neighbourhood would also help Russia’s economic interests. In fact, after the positive conclusion of bilateral negotiations with the US, Russia’s entry into the WTO now depends on Moldova and Georgia. Given the existing tensions with Moscow, they will be tempted to veto or delay Russia’s entry into the WTO.

A possible way ahead

Until recently the common opinion was that, at least economically, the EU was more important to Russia than vice versa. But the EU’s increasing energy dependence and the emergence of Russia as an energy superpower have re-balanced the economic relationship. Politically the relationship has also been rebalanced: a stronger, pragmatic and more confident Russia thinks today more in terms of tactical alliances than strategic ones and prefers to keep its hands free and options open in order to maximise its economic and geopolitical interests. The EU-Russia relationship still has to adapt to this new context. Europe has not yet learned how to live with a strong Russia; Russia, in turn, still has to learn how to use its new strength in a reassuring rather than threatening way. The situation is made more difficult by the fact that trust is missing on both sides and the partnership lacks clearly defined strategic goals.

Repeated European criticism of the retreat in democracy in Russia is unlikely to produce changes and, if anything, will only further aggravate Russian’s anti-Western suspicions.²³ Putin has firmly returned Russia to its national traditions, based on the subordination of individuals to the state. Yeltsin’s so-called period of liberal pluralism is over and Europe and the West had better not over-idealise it: more than a Western-like democracy, Yeltsin’s system was a mix of monarchy, oligarchy and democracy. Above all, a large majority of Russians support Putin’s policies and perceive the Yeltsin years as

²² Grant and Leonard, “The EU’s awkward neighbour”.

²³ Trenin, “Russia leaves the West”.

a “time of troubles”, characterised by economic and political weakness and moral humiliation. Europe is right to condemn, when necessary, Russia’s undemocratic practices. Eventually, however, it has no choice but to accept Russia for what it is: after all Moscow does not intend to fully integrate in the EU, hence, it does not feel the obligation to democratise in the same way EU members do.

EU relations toward Russia should therefore be refashioned in a more realistic matter. This, however, does not mean *Realpolitik*. Russia should be aware that there is a threshold in terms of respect of human and democratic rights below which it should not go if it wants to preserve that modicum of trust with Europe and the West which is also needed to pursue its practical interests. Moreover, improving the rule of law and the quality of governance will serve, above all, Russia’s own interests if it wants to integrate in the global economy and compete successfully. Russia’s future accession to the WTO will create new economic opportunities, but also more accountability to the EU and its other economic partners.

How then to maintain a sort of strategic sense to the EU-Russian relationship? To this end, “neo-functional” progress on the technical issues embodied in the four spaces cannot suffice. The yardsticks of the future EU-Russian relationship will be energy security and the common neighbourhood. Only a full and positive partnership in these two areas will be able to define the future EU-Russian relationship as strategic. Strong EU engagement will be necessary to make this happen and to discourage Russia from becoming internationally introverted and overly nationalistic. On energy cooperation, Russia must first come to terms with its own contradictions. If it wants to be a credible and trustworthy energy partner for Europe it should try to play as much as it can according to the principles of transparency and fair competition and should apply them consistently both within and outside Russia. The EU-Russian meeting in Lathi on 20 October 2006, however, indicated that Moscow is not yet ready for that.²⁴ The European states on the other hand should also decide once and for all whether they want to deal with Moscow bilaterally or as one (at least in the area of energy): only in the latter case can they expect to influence Moscow. If, instead, they continue to knock bilaterally at Moscow’s doors they will continue to be more vulnerable to Russian unpredictability.

In order to engage constructively in the common neighbourhood, a new and more regional approach from both sides – EU and Russia – could be tried. Instead of focussing exclusively or mainly on specific countries, some of which have particularly controversial relations with Russia, the EU and Russia should try to address together in an “enhanced” bilateral dialogue, the horizontal issues in the Eurasian space, from drugs and human trafficking to

²⁴The *Financial Times* (21 October 2006) described the meeting as “tense”. According to the article, President Putin did not agree to guarantee Russia’s international contracts, open up its energy market or ratify the Energy Charter.

border security, weapons smuggling, economic and social development. There is a lot that could be done together and constructively in order to make the common neighbourhood more prosperous and secure, rather than arguing over whether or not this or that country should belong to the Western camp or remain in the Russian sphere of influence. A plan of joint EU-Russia initiatives to solve concrete problems in the common neighbourhood would cement the partnership and mutual trust.

The EU more than NATO (which Russia still views suspiciously because of the US role in it) has the potential to become Russia's partner in the common neighbourhood. But in order to be effective in its policy toward Russia, the EU itself should have a clear vision (which is not yet the case today) and be able to speak politically with one voice, streamline its common institutions and define its own mission: "It is difficult to entertain a dialogue with the EU if it has no precise, clear structures and while Europe is still in the process of taking shape." Guess whose words those are? President Putin's.²⁵

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²⁵ Valdai Discussion Club Meeting, 13 September 2006, <http://russiaprofile.org>.