



**DIRECTORATE-GENERAL FOR EXTERNAL POLICIES
POLICY DEPARTMENT**



EU -RUSSIA RELATIONS AND THE SHARED NEIGHBOURHOOD: AN OVERVIEW

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DIRECTORATE-GENERAL FOR EXTERNAL POLICIES OF THE UNION

DIRECTORATE B

POLICY DEPARTMENT

STUDY

**EU -RUSSIA RELATIONS AND THE SHARED
NEIGHBOURHOOD: AN OVERVIEW**

Abstract

This study summarises the current situation in relations between the European Union and Russia. It shows, that despite the difficulties in the EU-Russia relationship, engagement, and even partial convergence, reached within the four Common Spaces signals acceptance by Russia of the need to implement standards of governance directed towards sustainable development, social stability and prosperity - elements which form the basis of security in the broader sense promoted by the EU across its Eastern borders through the Eastern Partnership. The study points out, that the key drivers of the relationship are, for Brussels, securing binding Russian commitments on energy, trade and security, particularly through the new EU-Russia agreement; and for Russia, securing Europe's contribution to the modernisation programme and achieving the goal of a visa-free travel regime. The study analyzes Moscow's position towards the Eastern Partnership too. It provides recommendations, how the EU should coordinate crisis response decision-making with Moscow and how the EU could align its policy on the Eastern Partnership with its Russia policy, as the two sides share an interest in regional stability; It analysis how the EU approach to the issue of resource nationalism and seek political solutions to Russian concerns over security of supply should be re-evaluated.

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EXECUTIVE SUMMARY

Russia's political class perceives its country as a global power and the major regional power - and consequently as the main guarantor of security - in its immediate neighbourhood. On one hand this leads to conflicting positions between Brussels and Moscow, which often perceives itself as being excluded from the European mainstream, even though the EU recognises Russia as an important geopolitical actor. On the other hand, the agenda underpinning the EU-Russia Common Spaces framework holds out the prospect for a genuine partnership based on trade, technology, energy, infrastructure and greater mobility for Russians in Europe; this may eventually lead to Russia's inclusion within the European mainstream. Despite the difficulties in the EU-Russia relationship, engagement, and even partial convergence, reached within the four Common Spaces signals acceptance by Russia of the need to implement standards of governance directed towards sustainable development, social stability and prosperity - elements which form the basis of security in the broader sense promoted by the EU across its Eastern borders through the Eastern Partnership. Both sides have an interest in the stable development of the neighbourhood countries.

The key drivers of the relationship are, for Brussels, securing binding Russian commitments on energy, trade and security, particularly through the new EU-Russia agreement; and for Russia, securing Europe's contribution to the modernisation programme being promoted by President Dmitrii Medvedev and achieving the goal of a visa-free travel regime. Moscow is intent on using the opportunities presented by the EU-Russia Partnership for Modernisation to establish favourable conditions for Russia's development, including gaining access to European financial, industrial and energy markets. Brussels hopes that the Partnership may also encourage Moscow to play a greater role in global governance by encouraging shared views and joint action on global challenges. A genuine partnership must, however, involve Russia's governing elite's dealing with corruption, criminality and bureaucratism and establishing a more transparent and democratic political and economic system based on the rule of law. Currently, Moscow places the emphasis on a gradual, evolutionary approach to reform, and there are still concerns over the path Russia is taking. Nevertheless, Russia does have a vision of itself as a modern state, and deeper engagement with the EU will be a key factor in establishing the basic principles of modern statehood. Closer bilateral relations between Russia and EU member states should be encouraged as they provide a valuable alternative channel for cooperation based on common interests. The EU also needs to coordinate more closely its policy towards NATO in dealing with Moscow on security issues.

Although negotiations have been slow and painstaking at times, Brussels and Moscow now have a common view on an eventual visa-free travel regime, potentially a powerful tool for Russia's modernisation. The EU's assistance in modernising Russia's economy is also bearing fruit. Moscow has accepted approximation to EU regulatory standards in numerous policy areas relevant to the internal market, and is now ready to back Russia in its negotiations for WTO membership. There are still differences between the two sides over certain trade and investment issues, however, which have slowed progress in establishing a successor agreement to the 1994 Partnership and Cooperation Agreement.

Russia represents a major supplier of energy for the EU, but differences over security of energy supply and transit have highlighted the lack of an efficient legal and political framework to regulate relations with energy-producing and transit countries. Russia will not accept the Energy Charter Treaty as it currently stands and has expressed reservations over the Third Energy Package. However, Moscow is aligning itself with EU competition law and has become a reliable supplier to EU member states. Brussels should reevaluate its approach to the issue of resource nationalism and seek political solutions to Russian concerns over security of supply.

The Eastern Partnership has prompted suspicion in Moscow that the EU seeks deeper involvement in security governance in the neighbourhood, although it welcomes the presence of the EU Monitoring Mission in Georgia and the EU's contribution to regional development. Brussels should thus seek to

coordinate crisis response decision-making with Moscow and to align its policy on the Eastern Partnership with its Russia policy, as the two sides share an interest in regional stability; multilateral initiatives based on the modernisation concept could contribute to stability. Regarding regional conflicts, there is scope for cooperation between Brussels and Moscow to solve the Moldova/Transnistria issue, though progress has recently stalled due to Moscow's concerns over the political status of Transnistria. Nagorno-Karabakh and Georgia's disputes with its separatist territories are less promising, with Moscow unwilling to retract its recognition of the latter's independence.

Cooperation in the Common Space of internal security, particularly on migration and border management, is positive and is leading to common approaches to policy and to institutional reform in Russia; Moscow is prepared to accept the *acquis* where it meets its interests, and there is a shift from regarding Russia as part of the problem to considering it as a partner. Progress is also being made in the Common Space dealing with research and education; these are important aspects of the relationship and in the EU's assistance to the Partnership for Modernisation.

Moscow understands that the 'post-Soviet space' is fragmenting and is faced with rethinking its policy approaches to respond to the challenges that arise. The Eastern Partnership countries, including even Belarus, recognise the attraction of closer political and economic engagement with the EU but Russia can also offer valuable assistance in their modernisation. Moscow has recently shown greater interest in cooperation as a third country within Eastern Partnership initiatives. A positive dynamic in the EU-Russia relationship would reinforce common positions towards these countries and allay mutual concerns over 'spheres of influence'.

1 INTRODUCTION

1.1 Current state of play in EU-Russia relations

This introduction attempts to summarise the current situation in relations between the European Union (EU) and Russia. It cannot of course capture the complex political and institutional history of the relationship; readers are referred to a previous European Parliament (EP) Committee on Foreign Affairs paper by the leading Russian commentator Fyodor Lukyanov² and to the communication *Review of EU-Russia Relations* published by the European Commission in November 2008³ for background. Both these papers were issued shortly after the conflict between Russia and Georgia over South Ossetia, which marked a low point in the putative 'strategic partnership'. Over the last two years relations have, in the words of a senior Commission external relations official, become 'more sober, pragmatic and interest-based'. Paradoxically – perhaps because both sides have shed some of the illusions that have characterised relations in the past – the current mood is one of positive engagement.

There remains a fundamental disjunction in relations between Europe and Russia, however, between 'high' politics agenda and the 'low' politics which characterises much of the real business transacted between the EU and Russia - or to put it more simply, between security and economic development. The former receives much more attention from Russia's political class and the media; it largely driven by Moscow and is encapsulated in President Medvedev's proposals for a European Security Treaty (EST), which reflect the central concerns of Russian foreign policy thinking. This agenda focuses on complex and challenging, in some respects intractable, issues of the European security architecture and the fundamental – and widely contested - principles of relations between states. It inevitably impacts on relations with the EU, which has been prepared to discuss the EST proposals bilaterally but has emphasised that the current European security architecture does not require wholesale change and that the appropriate forum for discussion should be the OSCE.

² *The future of EU-Russia relations: a view from Russia*, 2 February 2009.

³ Communication from the Commission to the Council, COM (2008) 740 final, 5 November 2008.

Apart from a small group of liberal elites sympathetic to the idea of deeper engagement with the EU, the political class perceives Russia as both a global power and the major regional power, and constructs its foreign policy assumptions on this basis – including that Russia is the main guarantor of security and stability in its immediate neighbourhood. Russia's foreign policy officials openly question the EU's values agenda and draw a distinction between Moscow's view of the international order – strong sovereign states cooperating within a multipolar world system – with what they present as the failed 'postmodernism' of the European project. The focus is thus on Russia as a sovereign great power and on its *exclusion* from the 'European project', if not from broader European civilisation. The Common Space of External Security has remained largely a fiction.

The 'low' political agenda which underpins the other three EU-Russia Common Spaces format requires a quite different conceptual framework. Here, the prospects for a genuine partnership based on trade, technology, energy, infrastructure and greater mobility for Russians in Europe may eventually lead to Russia's inclusion within the European mainstream. Russia enjoys extensive institutional mechanisms with Brussels; inter-parliamentary dialogue and business and civil society contacts are also developing. Moscow has shown itself ready to accept the *acquis* and EU standards where they meet its interests, and has had leverage in shaping EU norms in areas such as migration policy. Engagement, and even partial convergence, arguably signals acceptance by Russia of the need to implement standards of governance directed towards sustainable development, social stability and prosperity. Indeed, these elements form the basis of security in the broader sense promoted by the EU across its Eastern borders through the EaP. The conclusion should be that both sides have a common agenda which may, given careful handling, contribute to the stable development of the region as a whole.

Overall then, the accent is on closer relations between Russia and Europe. Even in the aftermath of the South Ossetia crisis the *Review of EU-Russia Relations* emphasised that 'Russia is a key geopolitical actor, whose constructive involvement in international affairs is a necessary precondition for an effective international community'. Baroness Ashton caught the mood when she spoke at the Munich Security Conference in February 2010 about European security: 'that we do it together - the US, Europe and Russia... My sense is that the European response should be more generous — in making space at the top tables of global politics.' However, she called for a responsible approach by Moscow: 'Rights and responsibility go hand in hand. The rising powers have a big stake in upholding global security. And it is appropriate that we ask for a fair contribution from their side to provide what are global public goods'.

1.2 Key drivers of the relationship

The key drivers of the relationship at present are, for Brussels, securing binding Russian commitments on energy, trade and security, particularly through the new EU-Russia agreement to succeed the 1994 Partnership and Cooperation Agreement (PCA); and for Russia, securing Europe's contribution to the modernisation programme being promoted by President Dmitrii Medvedev - the EU-Russia Partnership for Modernisation was launched at the November 2009 Summit and fleshed out in a rolling work plan in December 2010 - and achieving the goal of a visa-free travel regime. Moscow is intent on using the opportunities presented by the Partnership for Modernisation to establish favourable regulatory and legal, investment and education and training conditions for Russia, including to gain access to European financial, industrial and energy markets.

The importance of Europe, as the major potential source of investment and technology, is huge. Medvedev's keynote Address to the Federal Assembly in November 2010⁴ targeted three key areas for EU-Russia interaction: mutual exchange of technologies, the harmonisation of technical regulations and standards and practical assistance by the EU for Russia to join the World Trade Organisation (WTO); a simplified visa regime with the prospect of introducing visa-free travel in the near future; and expanding academic and professional exchange programmes. WTO membership

⁴ 30 November 2010, at <http://eng.news.kremlin.ru/transcripts/1384/print>

and visa-free travel are the two core policies aimed at opening Russia up to the world. Measures are being introduced to facilitate the use of EU technical standards in Russia without their immediate passing into domestic legislation.

However, the Partnership for Modernisation goes beyond economic and trade issues. In his Federal Assembly address Medvedev also spoke of a wide-ranging programme of economic and social renewal underpinned by a 'political strategy [...] to modernise our economy and give impetus to all areas, based on democratic values; to raise a generation of free, well-educated and creative people; to raise the living standards of our people to a fundamentally new level; to confirm Russia's status as a modern world power whose success is based on innovation'. Russian foreign policy is aimed at creating favourable circumstances for Russia's modernisation; while this results in a measure of competition, there is a concurrent narrative focusing on cooperation within transparent and stable global markets and achieving 'security through development'⁵. Indeed, foreign minister Lavrov has spoken of Russia's modernisation as the basis for it becoming a 'development provider'⁶, playing a more substantive role in broader global governance. A positive EU-Russia partnership is thus seen as contributing to meeting global challenges.⁷

Medvedev has repeatedly emphasised that modernisation requires 'smart policies that create the conditions for an extensive renewal of society. We need new standards in governance and public services, a higher quality of courts and law enforcement, modern ways for people to participate in the development of their city or village... we need to make day-to-day interaction between the state and its citizens transparent, clear and simple. The understanding that government officials serve the people rather than control their lives is the foundation of democracy.' Curbing corruption, criminality and bureaucratism and establishing an open and democratic system based squarely on the rule of law is, as Medvedev acknowledges, a massive task; he has put the emphasis very much on a gradual, evolutionary approach to modernisation given the 'fragile balance' in a country still facing enormous challenges: 'perhaps the biggest challenge is that our people are not ready to accept a fully-fledged democracy in the true sense of the word'.

There is scepticism among both foreign observers and more liberal elites in Russia about whether Medvedev has the political will or the power to effect transformation and reverse the conservative and corporatist agenda of the governing elite. Since the modernisation programme was initiated early in his presidency, the emphasis has shifted towards technological innovation. Nevertheless, a space is opening up for debate over the fundamentals of Russia's political, economic and social life. The argument that substantive change is needed to underpin future prosperity and Russia's role in the world is accepted by responsible political and business elites alike. So too is the proposition that without such changes Russia's future will be dire. This has evidently become a constant source of discussion between Brussels and Moscow; at the December 2010 EU-Russia Summit Van Rompuy stated that the EU 'wishes to be Russia's partner in this historic endeavour'. At the same forum Barroso stated that 'we have agreed in Rostov that it is not just about technology, but also about a world organisation, including the very important issues, already mentioned, of rule of law'.⁸

The democracy and human rights dialogue, consistently raised by Van Rompuy and other EU officials, is naturally a concern for the EU. The recent conviction for the second time of Mikhail Khodorkovskii and repeated attacks on journalists have tarnished Russia's image in Europe. The current Russian state-bureaucratic system is perceived as incorrigibly authoritarian and brutal. But the problem arguably lies more in its inefficiency, informality and lack of transparency and of a clear, overarching direction. The perception that Russia in the 1990s was in transition – to something resembling the West – can no longer be taken for granted. The Russians are still trying to find a way forward, making it hard to formulate and implement a strategy for Russia. However, some Russian elites, particularly at

⁵ www.mid.ru, 30 April 2010.

⁶ www.mid.ru, 28 December 2010.

⁷ www.mid.ru, 14 September 2010.

⁸ <http://eng.news.kremlin.ru/transcripts/1435/print>

the less politicised level of government agency professionals dealing with technical aspects of planning and implementing reforms, are by no means impervious to the attraction of EU and broader European norms for Russia's own political, social and economic modernisation. In short, Russia does have a vision of itself as a modern state.

Modernisation, social renewal and reforming the Euro-Atlantic security framework and global governance thus lie at the heart of Moscow's current concerns and are fundamental to Russia's future security.⁹ This is a huge agenda, one in which much policy detail remains to be filled in and the competing ideas and interests of various groups will make it difficult to achieve systemic transformation. The onus is squarely on Moscow, but opening up deeper engagement with the EU is a key factor in establishing the basic principles of modern statehood on which Russia can build.

1.3 Problems in EU foreign policy-making

Problems stemming from how the EU organises its foreign and security policy (FSP) machinery constantly surface with regard to the relationship with Russia. As commentators have pointed out, as a regulatory power the EU has global reach but, in light of the intergovernmentalism that predominates, it 'punches below its weight' in the world when what is needed is a unified FSP fit for a global power. Following the Lisbon Treaty there is a huge agenda facing the European External Action Service and grey areas persist regarding shared competences between EU and member states, as well as conflict between the Commission and member states in the Council.

Russia's political elite perceives that the foreign policy influence of the EU is waning in the international arena as a result of not tackling these problems and that the core member states, especially France and Germany, are moving away from a common FSP to seek their own bilateral political, security and economic solutions. A leaked Russian Ministry of Foreign Affairs (MFA) document which appeared in 2010 emphasised the importance of using friendly countries, especially the French-German 'tandem' within the EU, to achieve progress in major security issues; popular in the Russian press is the idea of a French-German-Russian 'troika' pulling Europe along in place of a Commission incapable of acting according to strategic vision. The Meseberg Memorandum following a meeting between Medvedev and Chancellor Merkel in June 2010, which contains a commitment to explore the establishment of a ministerial EU-Russia Political and Security Committee to deal with crisis management, has reinforced this perception.

Concern that Russia will engage in wedge-driving to split the EU by pursuing bilateral talks with influential member states is understandable. Quite apart from the argument that, in a states-based international order, a major power will inevitably want to engage in political and security negotiations with other major powers and organisations, such arrangements allow Moscow an important alternative channel to raise matters of mutual interest. In fact Moscow does not always want to 'divide and rule' among its Western partners. Senior policy figures such as Vladimir Chizhov, the head of the Russian Permanent Representation in Brussels since 2005, and Konstantin Kosachev, the moderate chairman of the State Duma International Affairs Committee, have bemoaned the EU's lack of cohesion in decision-making on external policy and have called for Europe to speak with one voice and not hand FSP over to NATO and the US. In the same vein, Lavrov has welcomed the signing of the Lisbon Treaty. The EU should seek to capitalise on Russia's current warmer relations with the member states, particularly Germany, France and – of potentially considerable significance – Poland. Poland's Presidency of the EU Council in the second half of 2011 provides a good opportunity to tackle issues both on EU-Russia agenda and on the agenda of the shared neighbourhood. The author's recent contact with Polish officials suggests that Poland is prepared to try to initiate significant progress in EU-Russia political and security relations.

⁹ See Adrian Pabst, 'Medvedev's "third way": the unrealized potential', *Russia in Global Affairs*, no. 3, 2010.

1.4 Institutional coherence in security matters

A final concern should be how to build on the 'reset' in relations between Russia and NATO. As the experienced diplomat Alyson Bailes has pointed out, the European Security Strategy, drafted in the EU's Council Secretariat, had to steer clear of the 'hard' security issues that the EU sees as NATO's province and the 'soft' issues which are the province of the Commission; the diverse views of member states also played a part. The continuing confusion of the Russia strategies of NATO and the EU, and divisions within both organisations, have been aggravated by procedural blocks in the way of direct and frank discussion (although Baroness Ashton has signalled her intention of establishing greater coordination between the two organisations). In many areas of security Europe is protected by EU and global regulation and cooperation frameworks rather than by NATO, including in quite 'hard' aspects of border and migration control, crime fighting and antiterrorism (NATO's ability to safeguard energy and trade routes are an exception). The Lisbon treaty also pledges the EU to raise attention to terrorist attacks and natural disasters and to take on a stronger role as a security provider. With the attention of the U.S. directed further afield, the EU is likely to have to take on increasing responsibility for regional security.¹⁰ This would appear to make it all the more urgent for some kind of closer coordination between the EU, NATO and Russia.

2 FREE MOVEMENT OF GOODS, PEOPLE AND SERVICES

2.1 The visa-free regime

As mentioned above, a key Russian concern focuses on negotiations over a visa-free regime with the EU. Lavrov recently described it as a 'test of the strategic character of our relations' and stated that most of the issues outstanding can be agreed in 2011. At the December 2010 EU-Russia Summit Van Rompuy announced that the EU and Russia now have 'a common view on how to move forward towards an eventual visa-free travel regime'; Barroso reported that a list of common steps are being elaborated to open the way for talks on a EU-Russia visa waiver agreement. According to Russian sources, visa waiver is especially important for businessmen in small and medium enterprises. The Russian foreign ministry has argued that lifting visas would not lead to wave of a illegal migration and criminality. This has been backed up by independent assessments by Russian specialists, who contend that the external EU border with Russia is secure and cooperation between EU and Russian law enforcement agencies, which has been developing for some time, will continue (see section 6 below).

One responsible Russian commentator¹¹ argues that the EU should operationalise 'the most powerful instrument in its toolbox for the modernization of Russia: the gradual liberalization and eventual elimination of the visa regime', since travel to the EU for commercial, scientific, tourism or personal purposes can help to instil in Russians modern European civic values. A substantial number of Russians currently work and reside in the EU, of course, but Europe should avoid further exclusion of Russia by the 'Schengen curtain' which does not protect Europeans from criminals from the East but might limit the opportunities for those who may become 'Russian Europeans'.

3 TRADE BETWEEN THE EU AND RUSSIA

3.1 Russia's current economic situation

The global economic crisis hit Russia hard in comparison with many transition economies, including in terms of foreign direct investment (FDI), and recovery is likely to be slow. A return to a growth model based on capital inflows and buoyant domestic demand, which generated external deficits, is

¹⁰ Alyson Bailes, 'NATO and the EU in the north: what is at stake in current strategy development?', *Lithuanian Foreign Policy Review*, no, 23, 2010.

¹¹ Dmitri Trenin, 'Adding the Union to Russian-European relations, Carnegie Moscow Center, 17 June 2010, at <http://www.carnegie.ru/publications/?fa=show&id=41007>

unlikely. However, reversals in net capital flow were mild compared with previous crises and, although there has been a slowdown in economic reform, it has not hitherto resulted in a major reversal; Russia possesses more mature economic institutions and political decision-making on economic issues than it had at the time of its default in 1998. The recovery has been supported by higher oil prices and a fiscal stimulus package centring on social transfers and support for selected industries and companies in one-company towns. Predicted growth in 2010 of 4.4 per cent, down on the impressive growth rates in the years prior to the economic crisis, is expected to be sustained and may even increase in 2011; FDI is still at a low level (especially compared to the other rising economies) but is picking up after the crisis.

In the European Bank for Reconstruction and Development's (EBRD) transition indicator scores, the main areas in which Russia still needs to make progress are governance and enterprise restructuring and competition policy; its overall performance lies somewhere between that of the new EU member states and Turkey on the one hand, and the EaP partners and Central Asian countries on the other. The Russian government is placing increasing emphasis on modernising industry and the service sectors and diversifying the economy away from excessive dependence on energy and raw materials. There remains a marked imbalance in the structure of reciprocal trade with Europe; an unsophisticated mix of exports is accompanied by Russia importing a higher proportion of consumer goods than would be expected from a developing economy, reflecting a relatively low rate of domestic investment. The state continues to play a substantial role in strategic sectors of the economy and banking; however, the Russian government has announced the revival of the privatisation programme and amended legislation to allow investment banks and private consultants to become involved, with assets in around 5,000 enterprises earmarked for sale. The development of special economic zones and the planned innovation centre in Skolkovo, Medvedev's flagship programme, have attracted interest in Europe. Progress in establishing Moscow as an international financial centre has also been made; further strengthening of banking sector regulation and supervision and upgrading the legal infrastructure are key tasks for the coming period. Effective interaction between the state and private sectors, establishing high-quality state institutions, promoting more effective competition and following best practice corporate governance and business standards are central to ongoing reform.¹²

3.2 The EU-Russia Common Economic Space

EU Council Conclusions in December 2010 reemphasised Europe's aim to deepen trade and economic aspects of its strategic partnership with Russia. Europe, which has a substantial interests in reciprocal trade¹³ in what is a key emerging market, needs to understand the challenges Moscow faces in restructuring and modernising the economy while guaranteeing social provision for the population. Dialogues within the Common Economic Space have substantially deepened mutual understanding of policies and rules, and underpin the future negotiations on the new EU-Russia agreement. The most recent (2009) Progress Report noted the effects of the global economic crisis and the negative impact of the introduction by Moscow of some protectionist measures (estimated to have cost the EU around €600 million), the gas dispute with Ukraine and Russia's withdrawal from the Energy Charter Treaty. A number of trade and investment dialogues have slowed due to organisational difficulties and lack of interest on the Russian side, and have hindered progress in establishing a successor agreement to the 1994 Partnership and Cooperation Agreement.

The political will in Moscow to incorporate agreements reached within the sectoral dialogues in the Common Economic Space into a far-reaching programme of internal reform has thus been erratic. Nevertheless, Russia has accepted approximation to EU regulatory standards in specific policy areas relevant to the internal market such as competition policy, company law and consumer protection, and work is continuing on intellectual property rights. The gradual, incremental consolidation of bilateral contacts constitutes a vital mechanism for coordinating trade and seeking convergence in

¹² See EBRD Transition Report 2009 and 2010.

¹³ For trade data see http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113440.pdf

numerous areas. Russia has thus drawn on EU experience, though constraints exist in the complex interplay of state and sectional interests. The Russian foreign ministry has, from its side, identified problems arising from Brussels' introduction of restrictive investment measures which impact on Russian business and from the EU's Third energy package which threatens Russian investments in the EU's energy sector. Overall, however, these disputes have not derailed the dynamic of EU-Russia trade, which remains considerable. The involvement of the business community, notably through the EU-Russia Industrialists Round Table, has also generated a positive effect.

3.3 Russia's WTO accession and the modernisation programme

A key driver in the trade relationship is Russia's WTO accession. At the December 2010 EU-Russia Summit Van Rompuy announced that the two sides have concluded their bilateral negotiations on the WTO and should now focus on multilateral negotiations, in which several issues remain to be settled, so that Russia can become a member of the WTO as soon as possible. One potential hurdle appears to have been negotiated, with Russia agreeing to accede to the WTO individually and not in a bloc with Belarus and Kazakhstan, its partners in the Customs Union. As long as Russia is outside the WTO, it is perceived as not being part of the world trade community and suffers from not maximising FDI; accelerated WTO accession is thus vital to any modernisation plans. The Partnership for Modernisation progress report of December 2010 also raises the issue of Russia's joining the OECD. Barroso has said that Russia's accession to the WTO in 2011 is now a realistic prospect; it 'should also have a positive impact on our ongoing negotiations on a New EU-Russia Agreement. We want this to be a solid, ambitious agreement, with substantive provisions in all key areas, including trade, investment and energy'. Medvedev responded to this by stating that the basic outlines of the new Agreement, which reflects the Common Spaces format, have been agreed, with a number of articles fully settled. The 13th round of negotiations was due to start in February 2011.

The future pattern of Russia-EU economic relations will be influenced to a significant degree by the rapidity of Russia's recovery and whether progress can be made in implementing Medvedev's modernisation programme. The EU is the majority investor in Russia, giving its member states an important interest in the continuing expansion of the Russian economy, which will need European investment even more in future, given Russia's quest for diversification and modernisation. A significant share of the Russian foreign exchange reserves are held in Euros, making Russia one of the largest holders of Euro-denominated assets in the world. The structure of the EU member states' exports to Russia, in particular a switch from consumer goods to capital goods, may become a benchmark of modernisation, and should in turn prompt a shift in the composition of Russian exports to the EU. Economic interaction will, however, depend on Russia guaranteeing the rule of law, with a truly independent judiciary, able to ensure the enforcement of contracts.

4 ENERGY ISSUES

4.1 Gas disputes

The EU wants legally-binding commitments from Russia on energy, one of the most contentious areas of dialogue on the new EU-Russia agreement. It has been particularly difficult to separate the perceived geopolitical aspects of the issue – Russia's use of its rich energy resources to guarantee its status and independence and sustain its influence in neighbouring countries – and the trade aspects, which concern private business as much as political relations between states. The gas disputes in recent years between Russia on the one hand and Ukraine and Belarus on the other – in which the share of the blame cannot be wholly directed at Russia – have compounded this difficulty. The North Stream (construction of which was launched in April 2010) and South Stream projects, both bypassing Ukraine, initiated by Russia as part of a possible long-term energy exporting strategy – the South Stream project competing with the EU-sponsored Nabucco project – have found support among leading EU member states. The risk involved on the EU's side is in guaranteeing stable long-

term supplies of gas from Turkmenistan and Kazakhstan as an alternative to these countries continuing to export gas via Russian pipelines.¹⁴

4.2 The regulatory problem: Russia and the Energy Charter Treaty

On the one hand Russia represents a major source of EU gas imports; on the other, differences between the EU and Russia in what constitutes security of energy supply have made clear that the lack of an efficient legal and political framework to regulate relations with energy-producing and transit countries, which the EU depends upon, renders the creation of a common European gas market extremely difficult, if not impossible. Intensive discussions have been held at recent Summits on major European energy projects and, importantly, the regulatory framework. Regulatory advancements at EU level have been made by the adoption of the Third Energy Package and the strengthening of sanctions against anti-competitive behaviour in the energy sector. An early warning mechanism was signed with Moscow to anticipate disputes; Russia is cooperating on some projects, for example an agreement with Poland, which are in line with EU law. However, Russia's official withdrawal from the Energy Charter Treaty in 2009 has deprived EU-Russian energy relations of the framework to establish legally-binding provisions for both parties. Medvedev has stated that 'previously adopted decisions in the European Union do not seem to us to promote a reconciliation of our positions'. Russia is prepared to work only under an amended version of the Energy Charter Treaty and has expressed reservations over the Third Energy Package and its insistence on unbundling the production and transport of energy carriers.¹⁵ There is thus a need to find ways to protect of the legal rights of energy exporters, transit and importing countries.¹⁶

Despite withdrawing from the Energy Charter Treaty, Russia continues to heed European competition policy, however. EU competition law has already been applied to the regulation of the EU internal gas market, as well as to several energy contracts between Gazprom and various European companies; the use of competition policy tools appears to be the main vehicle for the legal regulation of EU–Russia gas relations in the absence of the Energy Charter Treaty.¹⁷ While Russia appears ready to align its competition law and policy to European practice, problems still exist in establishing domestic legislation.

Commentators have identified two main types of risks, source risks and transit risks, and argued that the EU needs to reevaluate its politicised approach to the issue of resource nationalism and not perceive it as threat; the main problem lies not in supply but in transit risks which can only be solved using political solutions. Indeed, Gazprom can justifiably ask what guarantees the EU can give regarding longer-term supplies. It should also be noted that Europe's major energy companies' policies also need to be taken into consideration when assessing the energy partnership. Russia should be considered as a partner and the focus should be on ensuring that the necessary upstream investments are made by Gazprom. Diversification away from Russian sources of energy is not necessarily the best option in the medium term. Elaborate EU-sponsored efforts to build pipelines bypassing Russia are not a complete solution; a strategy is needed to make interdependence work, establishing the rules of the game and a long-term trilateral agreement on transit via Ukraine. In the short term, developing the energy early warning mechanism should be pursued by the EU (indeed, agreements between Brussels and Moscow were recently signed to this effect).

4.3 Focusing on commercial arrangements

The EU's energy relationship with Russia, a major if not monopoly supplier, thus encompasses a number of problems - unlikely to be solved wholly to the satisfaction of Brussels - which demand a

¹⁴ See Arnaud Dubien and Jordi Vaquer i Fanes, *Security and Energy Security in the Black Sea Region*, European Parliament Committee on Foreign Affairs study, September 2010.

¹⁵ See press conference following meeting between Barroso and Prime-Minister Vladimir Putin, 24 February 2011, at <http://premier.gov.ru/eng/events/news/14257/print/>

¹⁶ <http://eng.news.kremlin.ru/transcripts/322/print>

¹⁷ Monica Bajan and Ekaterina Islenteva, unpublished conference paper, November 2009.

coherent policy and will involve painstaking negotiation over a long period of time. The interests of EU member states, transit states (not only Ukraine but in South-East Europe), the supplier states of Central Asia and private business will continue to compound the problem. Efforts to minimise the political tensions that the situation generates and focus attention on long-term commercial arrangements, based as far as possible in transparent regulation and mutually profitable joint projects – for example, in electricity infrastructure and civilian nuclear energy – will demand a greater measure of coherence in EU and member states' policies.

5 SECURITY IN THE COMMON NEIGHBOURHOOD

5.1 Russia's negative response to the Eastern Partnership

While EU-Russia security cooperation has often been positive further afield – the deployment of a small number of Russian troops in the EUFOR mission in Chad/Central African Republic and cooperation with the EU Atalanta counter-piracy operation off the Somali coast, shared approaches (helped by EU financial assistance) to the Global Partnership against WMD proliferation, coordination of policy over Afghanistan, the Middle East and Iran – this has been less the case in the wider Europe, and especially in the neighbourhood. Despite shared concerns over common threats and challenges emanating from the neighbourhood, Moscow has resisted external political-military involvement in regional security governance in the CIS.¹⁸

Europeans might protest that Moscow deliberately misrepresents EU policies in the neighbourhood; however, the EU must take its share of the blame. First, an image of Russia as a revisionist neo-imperial power has been peddled by some European politicians and policy commentators who have a superficial understanding of Russian foreign policy-making (which is admittedly often difficult to interpret) and the perceived interests on which it is based, contributing to the proverbial 'dialogue of the deaf'. Second, the EU has promoted the idea that it shares a 'strategic partnership' with Russia; a partnership exists, certainly, but a strategic partnership implies strategic aims, which are difficult to discern. Brussels launched the EaP, in its own words, 'responding to the need for a clearer signal of EU commitment following the conflict in Georgia and its broader repercussions'. It is hardly surprising that Moscow's response to the EaP has been negative; the conflict over South Ossetia was a political-military crisis first and foremost, so what exactly Brussels is prepared to take on 'in response' to it was bound to prompt suspicion.

The EaP reflects the EU's traditional security culture, emphasising governance and confidence-building as a means of ensuring security over the longer term.¹⁹ Experts have suggested that the EaP may well reproduce the shortcomings of the European Neighbourhood Policy (ENP): a lack of overall coherence; a low profile in conflict resolution in the Eastern neighbourhood; and limited impact of strategies to establish democratisation and good governance in many of the partner countries. The mobility and security pact is one area where there might be a positive effect; however, the regional dimension of the EaP is likely to have limited influence on cooperation between partner countries, especially where there are long-lasting conflicts. The conclusion is that the EaP is unlikely to mean a sea-change in the EU influence as a security provider, even more so as it is disconnected from the EU-Russia partnership and it does not address Russia's role in security developments in the Eastern neighbourhood.

It is not yet clear to Moscow what part the EaP plays in EU foreign policy. Foreign minister Lavrov has recently outlined Russia's position: 'We respect the EU's interests in the CIS space and are inclined to cooperate with it in assisting development in the region... in the preamble to the third EU-Russia "road map" the principle is fixed of the mutual reinforcement of integration processes in the East and West

¹⁸ Derek Averre, 'Competing Rationalities: Russia, the EU and the "Shared Neighbourhood"', *Europe-Asia Studies*, 61, 10, December 2009.

¹⁹ Laure Delcour, 'The European Union, a security provider in the eastern neighbourhood?', *European Security*, No.4, vol.19, December 2010.

of Europe. That means that EU policy should not have as its aim to “squeeze out” Russia from the region but is called upon to promote the strengthening of economic and political stability in our common neighbourhood. The “Eastern Partnership” initiative remains insufficiently transparent, both from the point of view of the decision-making process and in terms of concrete fulfilment.²⁰ Lavrov has, however, stated that Russia is ready to examine concrete proposals, and specifically mentioned energy and infrastructure as possible areas for cooperation.

5.2 Security cooperation in the Eastern neighbourhood

The EU appears to have reached the point that it will not consider further substantive enlargement – for example to offer membership to Ukraine or Georgia – since to enlarge further would involve major strategic choices it is not prepared to make. It thus faces having a very limited role in resolving conflicts in the neighbourhood. The alternative is to coordinate crisis response decision-making with Moscow. Responsible Russian commentators have argued that possibilities within the framework of ESDP for cooperation in areas such as peacekeeping and peace enforcement - rooted in international mechanisms, legally enshrined in an agreement, for monitoring and mediation, and perhaps even a rapid reaction force - represents a goal which would provide ‘absolute gains’ and increase the foreign policy influence of both sides. This is, however, a longer-term vision; in the short-medium term, cautious handling of potentially contentious issues is needed to build up trust and confidence in the two sides’ ability to work together. This will demand political will on the part of both Brussels and Moscow; the problem in the relationship lies less in a conflict of values than in a clash of political cultures, a core issue that both sides need to address.

The recent development, described earlier, of quite intensive bilateral relations between Russia and leading EU member states in the field of security – while unlikely to please the European Commission in its attempts to forge common European positions – has led President Sarkozy to talk of an eventual ‘common security concept’ with Russia; he has mentioned that France is working on convincing Moscow to allow European observers on the breakaway territories.²¹ Chancellor Merkel stated at the Meseberg meeting that the EU needs to work together with Russia on laying the foundations for conflict resolution mechanisms covering both civilian and military aspects.²² Lavrov has reacted favourably to Sarkozy’s proposals for a new format of interaction between the EU and its neighbours, including Russia, Turkey and the Balkans. The apparent attempt of influential EU member states to drive security cooperation with Russia is, in the present writer’s opinion, not necessarily a bad thing, provided that concerns over compromising core EU values in its policy towards the shared neighbourhood can be allayed. Bilateral security negotiations have in fact not as yet produced much in the way of tangible results, and the issue of shared decision-making is likely to be problematic in any future agreements.

5.3 Addressing common challenges through ‘soft’ security cooperation

A vital complement to engagement over crisis management and conflict resolution in the neighbourhood is cooperation over reconstruction and development projects. This is something that Moscow appears ready to consider, and it forms an important part of the EaP’s aims to support long-term change via a multilateral dimension and ‘policy platforms’ which address common challenges focused on democracy and good governance, economic integration and convergence with EU policies, energy security and enhanced contacts between people. The EaP declaration refers to a ‘shared commitment’ of the EU and the partner countries ‘to stability, security and prosperity of the EU, the partner countries and indeed *the entire European continent* [emphasis added]’. The involvement of Russia may be decisive in achieving this aim. The EaP Civil Society Forum has identified Russia and Turkey as third countries which have a shared role to play in security and peace-building and recommended the establishment of a parallel EU-Russia Civil Society Forum. Russian

²⁰ www.mid.ru 28 December 2010.

²¹ <http://eng.news.kremlin.ru/transcripts/1168/print>

²² <http://eng.news.kremlin.ru/transcripts/356/print>

proposals for involvement in the EaP may represent a start in avoiding the 'subregionalisation' of the 'post-Soviet space'.

5.4 The Moldova/Transnistria conflict

The settlement of the Moldova/Transnistria conflict should represent a key opportunity for EU-Russia cooperation. However, Moscow wastes no opportunity in reminding Brussels that, if in 2003 it had not undermined an agreement based on the Kozak Memorandum, Russia and the EU may now be working in a peacekeeping mission together; it also emphasises that the EU has not proposed any alternative measures acceptable to the two parties to the conflict. Recent uncertainties about the stability of the pro-European Moldovan coalition government and divisions within the political spectrum in the country have slowed progress in negotiations. Russia continues to play a mediating role and is examining specific proposals by Brussels, mentioned at the December 2010 EU-Russia Summit by Van Rompuy, for formal negotiations on the Transnistrian settlement process within the revived '5 + 2' framework, which would involve the final withdrawal of a residual Russian troop presence on Moldovan territory; however, Moscow insists that withdrawing its troops would spark a secessionist war, and wants guarantees regarding Transnistria's political status prior to withdrawal. Experts have argued that a wider international agreement on demilitarisation and Moldova's neutrality, rather than an agreement between Chisinau and Tiraspol, is needed.²³ Joint EU-Russian sponsorship of such an arrangement would be an important step forward in cooperation over conflict resolution, and may pave the way for an international civilian peace monitoring mission. Again, a solution to the political-military conflict via confidence-building measures needs to be accompanied by attention to the 'softer' end of conflict resolution, including institutionalising governance based on power-sharing, assistance to reform law enforcement agencies and projects aimed at attracting international investment in the country.

5.5 The Armenia-Azerbaijan conflict over Nagorno-Karabakh

Prospects for an early settlement of the conflict over Nagorno-Karabakh are much more remote, with the potential for further military confrontation between Armenia and Azerbaijan. At the December 2010 EU-Russia Summit Van Rompuy restated the EU's commitment to the Madrid principles established by the OSCE Minsk Group as the best option for a settlement and welcomed Russia's sponsorship of direct talks between the conflicting sides, notably through Medvedev's personal efforts to find solutions. Minimal progress has been made, however; with France acting as a mediator through the OSCE there is little in the way of a direct role for the EU other than through the EaP Action Plans, which are virtually silent on conflict resolution. Establishing greater coordination between the EU, Russia and Turkey, as the other major regional power with an interest in resolving the conflict, and again focusing on post-conflict reconstruction, should contribute to longer-term progress in finding a peaceful settlement. Prospects for EU and Russian contributions to a peacekeeping force are uncertain in view of the current potential for renewed military hostilities.

5.6 Georgia and the separatist territories

The EU's efforts to resolve the Russia-Georgia conflict and the deployment of the EU Monitoring Mission (EUMM), which gave Brussels the chance to demonstrate that it is the only international actor willing and able to play a conflict resolution role in the region, have received a cautious welcome from Moscow, which perceives the EUMM as a restraining influence on further 'adventures' by the Saakashvili regime. Minor successes have been achieved, such as the removal in October 2010 of the Perevi checkpoint by Russia, which was monitored by the EUMM. However, Moscow has placed limits on the EUMM's mandate and has criticised the EU for demanding a role in the separatist territories of South Ossetia and Abkhazia and over its clear commitment to Georgia's sovereignty and territorial integrity in EU-Georgia Cooperation Council documents and European Council conclusions.

²³ Stefan Wolff, 'A resolvable frozen conflict? The domestic and international politics of self-determination in Moldova and Transnistria', draft paper, 2010.

Brussels has thus not been able to influence a compromise between the conflicting parties and prevent what is in effect the partition of a European country. At the December 2010 EU-Russia Summit Van Rompuy, while calling for restoring a meaningful OSCE presence in Georgia and restating the EU's full respect for territorial integrity and sovereignty of the country, stated that 'close cooperation with Russia on the above is the key to success. Progress in this field will create momentum for EU-Russia cooperation in general.' This comes more in hope than expectation; with Moscow's insistence that the matter of independence for the separatist territories is closed (even though they are recognised by no European state) and, with the Geneva crisis management talks stalling over key issues, it is not clear what kind of settlement can be reached. Moscow has reacted with scepticism to Saakashvili's pledge not to use force and has demanded that such commitments be enshrined in a legally-binding agreement.

Any solution lies a long way in the future and demands a joint approach with Moscow. An initial joint proposal on repatriating internally displaced persons and refugees and providing humanitarian assistance may help to defuse the situation. The EU should avoid marginalising the breakaway territories and seek to engage with them, particularly with Abkhazia as the more state-like entity, on specific political, social, economic and cultural issues, though this has to be balanced with not being seen to compromise the principle of Georgia's sovereignty. A recent article²⁴ proposes five principles for a longer-term settlement: the primacy of negotiated solutions over imposed settlements; inclusive negotiations to bring in all interested parties; comprehensive agreements to take in security, economic and cultural as well as political concerns; building broad coalitions of interested stakeholders, including civil society, regional and international organisations; and long-term external assistance such as has been provided in the Balkans.

Russia is not against an international presence in this unstable region on its borders. The fact remains, however, that the resolution of this complex conflict is remote; Moscow does not appear ready to concede the key issue of independence while the EU refuses to accept the post-August 2008 status quo. Whether EU member states ultimately possess the political will to push for a solution which might affect relations with Russia is uncertain.

6 INTERNAL SECURITY AND THE FIGHT AGAINST ORGANISED CRIME

6.1 EU-Russia cooperation on internal security

As the 2009 Progress Report on the Common Spaces makes clear, with concern on both sides of the EU-Russia border over criminal activity 'Cooperation in this area [the Common Space of Freedom, Security and Justice] has become a key component in the EU's efforts of developing a strategic partnership with Russia'. Overall implementation of this common space takes place at ministerial level, with biannual meetings of the EU-Russia Permanent Partnership Council for Justice and Home Affairs; joint monitoring committees have been established. Four blocks of issues are being negotiated: document security (including the introduction of biometrics); illegal migration (readmission issues); public order and security; and external relations (assessment of progress towards a visa-free regime).

There has been progress in numerous areas. A joint cooperation plan for 2007-2010 was established between the EU's FRONTEX and the Russian Border Service, covering risk analysis and information exchange, as well as work on management of border check points. There is also cooperation with third countries; Operation Mercury, the first operation between FRONTEX and Russia, involved several member states as observers. There has also been cooperation between EUROPOL and Russian law enforcement authorities on illegal migration, human and narcotics trafficking (drugs trafficked through Russia from the south and synthetic drugs manufactured in Russia are both a source of substantial concern to Moscow), currency crimes and cyber-crime. There is ongoing dialogue on data

²⁴ Richard G. Whitman and Stefan Wolff, 'The EU as a conflict manager? The case of Georgia and its implications', *International Affairs*, vol. 86, no. 1, 2010.

protection, building on the adoption of a Russian Federal Law in 2006 which brought Russia in line with the 1981 Council of Europe Convention for Protection of Individuals with Regard to Automatic Processing of Personal Data. On the margins of the 2010 Rostov summit an agreement was signed between the EU and Russia on the protection of classified information. There has also been exchange between EUROJUST and the Russian Procurator's Office and judicial cooperation in civil and commercial matters. A Memorandum of Understanding on control over the circulation of drugs between the European Monitoring Centre for Drugs and Drug Addiction and the Russian Federal Service for the Control of Circulation of Narcotics has been signed. There have also been contacts between the European Police College (CEPOL) and Russian agencies, as well as expert-level meetings on counter-terrorism also involving some member states, and consultations held under a EUROJUST agreement with Russia.

Although these initiatives are progressing steadily rather than spectacularly, they are leading to common approaches to policy and to institutional changes in Russia. Russian experts²⁵ have expressed optimism that the agenda, based on common values, equal responsibility within the partnership, mutual respect for human rights and cooperation on freedom, security and justice is making a difference. Boosting personal contacts and freedom of travel, counteracting illegal migration and the visa facilitation and readmission agreements are important steps forward. While there are still numerous problems to be overcome, Russia is prepared to accept the *acquis* where it satisfies mutual interests; there is a shift from regarding Russia as part of the problem to considering it as a partner.

Regarding cooperation over migration, the institutionalisation of a package deal covering readmission and visa facilitation agreements, signed in June 2007, has proved positive. Perceptions of migration as a controversial issue complicate progress in this area; policing of Russia's southern borders does need to be much stricter, but in fact drugs trafficking rather than illegal migration is the main problem – there are relatively few illegal immigrants into Russia who then try to migrate across EU-Russia borders. The readmission agreement has been observed by Russia, though there is some disagreement regarding readmission of transit migrants and stateless people. Empirical analysis suggests that the EU and Russia converge largely on bilaterally agreed norms and that Russia has some leverage in shaping the EU's migration approach towards eastern European countries; there is thus an evolving migration partnership despite Russia not being part of the ENP.²⁶ There appears to be scope for bringing together EU policy on internal security with Russia and policies within the ENP and EaP; the EU's approach towards Russia is very similar to the ENP in terms of bilaterally agreed norms, and in fact the model agreed with Moscow has been transferred into Brussels' relations with Ukraine and Moldova, though it has been taken a step further with the 'mobility partnerships'.

6.2 The EU Internal Security Strategy

The Commission Communication *The EU Internal Security Strategy in Action*²⁷ focuses on key strategic areas in which, as outlined above, there has already been promising cooperation with Russia: the fight against organised crime, the prevention of terrorism, cyberspace security, strengthening of external borders management and increasing the EU's resilience to natural disasters. The document explicitly refers to 'third countries and regions which may require EU and Member State support'; there should thus be scope for further engagement with Russia in these areas aimed at establishing legal and normative convergence.

²⁵ Olga Potemkina, 'EU-Russia cooperation on the common space of freedom, security and justice – a challenge or an opportunity?', *European Security*, vol. 19, no. 4, 2010.

²⁶ Raul Hernandez I Sagrera, 'The EU-Russia readmission-visa facilitation nexus: an exportable migration model for Eastern Europe?', *European Security*, vol. 19, no. 4, 2010.

²⁷ COM(2010) 673 final, 22 November 2010.

7 RESEARCH, EDUCATION AND CULTURE

7.1 President Medvedev's desire, described above, to expand technological cooperation and academic and professional exchange programmes as a key part of his modernisation programme makes research and education an important area of interaction. The Common Space on Research and Education, including cultural aspects, has impressive achievements to its name. Research cooperation is governed by the EC-Russia Science and Technology (S & T) Cooperation Agreement, which was renewed for a further 5-year period in 2009. The Joint S & T Russian Cooperation Steering Committee also approved the establishment in 2009 of a new joint working group on information and communications technologies, adding to existing working groups on health, food, agriculture and biotechnology, nanotechnology and new materials, energy, aeronautics and environment. Several of these fields are central to Russia's innovation plans and priority fields for national support for research and development. Russian institutes and organisations have participated in all thematic and sub-programmes of the 7th Framework Programme on Research and Development (FP7), Russia having the status of an International Cooperation Partner Country, attracting a Community contribution of some €38 million by the end of 2009 and making Russia the biggest third country participant in the Programme. Further cooperation includes agreements between Euratom and Russia in the fields of nuclear safety and controlled nuclear fusion, both concluded in 2002 for an initial period of 10 years. Russia has signalled its interest in associate status to the FP7. Importantly, the EU and Russia have coordinated parts of their research programmes with a view to pursuing a more ambitious research agenda, and greater emphasis is being placed in Russia on improving the legal and regulatory framework for the development of science.

7.2 In the field of education Russia is committed to reform within the framework of the Bologna process and participates in several EU-funded programmes. An important project is the European Studies Institute (ESI) in Moscow, co-financed by Russia and the EC under a €3 million grant until September 2010, which aims to promote involvement of a broad range of audiences in the debate on EU-Russia relations. Difficulties have been encountered due to differing administrative and accreditation procedures, corruption and language barriers, which the two sides are working on. Cooperation is supported through the TEMPUS programme for reforming higher education through cooperation between universities and through the Erasmus Mundus programme for comparable higher education degrees and quality assurance and for academic mobility. The Partnership for Modernisation work plan provides for these programmes continuing until 2013. A Jean Monnet Centre of Excellence at the Moscow State Institute of International Relations was established in 2009.

7.3 Cultural cooperation started with the Kajaani process launched in 2006, with the first Permanent Partnership Council on Culture taking place in October 2007 and a joint working group on culture established. Follow-up since then has been limited, although Russian responses to EU proposals on a Cultural Action Plan (now being developed by the working group) demonstrated commonality of views in some areas; other areas remain to be negotiated, in particular regulatory dialogue and the UNESCO Convention on the Protection and Promotion of Diversity of Cultural Expressions. A €2.5 million programme on minorities in Russia together with the Council of Europe is being funded under the European Neighbourhood and Partnership Instrument. The EU has a keen interest in this area since it is seen as an opportunity to strengthen a European identity based on common values as a basis for developing civil society without dividing lines.

8 COMPETING INTERESTS OF THE EU AND RUSSIA IN THE EAP COUNTRIES

8.1 The Eastern Partnership

The Eastern Partnership was designed to enhance the EU's engagement with the Partnership countries on a bilateral and multilateral basis, primarily via an emphasis on 'low' politics and

technocratic engagement, encouraging domestic reform while dealing with the institutional and structural weaknesses of modernising countries. As outlined in the EaP Implementation Report of December 2010, there is a substantial amount of activity within the four thematic platforms (democracy, good governance and stability; economic integration; energy security; and contacts between people). The five Association Agreements (Belarus being the exception) being negotiated are at various stages of progress, and there are talks on deep and comprehensive free trade agreements (DCFTAs) with Ukraine, as well as dialogue on enhanced mobility, energy, institution-building and strengthening of human rights. Financial allocations through the European Neighbourhood and Partnership Instrument are set to increase steadily in the coming three-year period.

However, the Implementation Report emphasised that a stronger political steer will be needed to support reform in the partner countries. There remains uncertainty over the extent of their political commitment to far-reaching partnership with Brussels and to what extent conditionality will produce rapid results. Brussels has struggled to commit them to the implementation of painful and costly reforms, which have largely been left to middle-ranking officials with limited influence. In addition, the readiness to embark upon a DCFTA, which will constitute a key component of the new Association Agreements, differs among the partner countries depending on to what extent the structural shock of liberalisation is likely to affect their economies. Azerbaijan is not yet interested in full integration with the EU. Armenia is motivated more by easing its political isolation; Georgia is seeking trade and visa liberalisation with the EU, but its most important rationale for association with the EU is internal security. Although negotiations on a new Association Agreement with Georgia and Armenia have been launched, these countries are still at an earlier stage of the required reform process compared to Ukraine and Moldova.²⁸ Russia's political and economic interests in the EaP countries are extensive; while relations with Brussels are too valuable to ignore, Moscow can offer them deals on trade and investment which potentially provide a counter-influence to that of the EU. Indeed Moscow is attempting to expand to Ukraine the Customs Union, which currently involves only Russia, Belarus and Kazakhstan.

As suggested above, Moscow has been suspicious of the EaP, an initiative in which it had no say in forming and which tends to be seen by Russian elites as 'anti-Russian'. There has been insufficient coordination of the EU's Russia policy and the EaP. This is an important omission, as Brussels needs to examine more closely Russia's legitimate economic and political interests in the EaP countries: these interests do not necessarily constitute an attempt to recreate a 'sphere of influence' in the traditional, political-military sense of the term. The present writer's opinion – which may not reflect the views of some commentators and policy-makers – is that Moscow understands that the 'post-Soviet space' is fragmenting and is seeking policy approaches to respond to the challenges this generates. Russia's negative attitude to the EaP has softened in the recent period and Moscow is now taking a more pragmatic approach. The Ministry of the Economy is studying the likely impact of the EaP on Russia's business interests in the Eurasian Economic Community. As mentioned above, Moscow has made several suggestions for participating as a third country in some EaP initiatives and establishing agreements under the European Neighbourhood and Partnership Instrument.

8.2 Belarus

Belarus represents a special case among the EaP countries. It is currently not negotiating an Association Agreement and has not signed a MoU on a Comprehensive Institution Building Programme; the Joint Interim Plan for EU-Belarus relations has been put on ice, though not abandoned. Following the elections in December 2010, which were marred by violence and irregularities in the electoral process, travel restrictions on a number of Belarusian officials were extended. Nevertheless, Minsk has shown itself willing to participate in EaP initiatives such as the border management programme and Belarusians have been actively involved in the EaP Civil Society

²⁸ Evghenia Sleptsova, *Shedding light on the ongoing EU-Moldova trade liberalisation*, 27 January 2011, at <http://www.easternpartnership.org/community/debate/shedding-light-ongoing-eu-moldova-trade-liberalisation>

Forum. The EU has avoided economic sanctions and softened its stance towards Minsk in the recent period, continuing to offer a 'normalisation' of relations through participation in the EaP, for example in negotiations over visa facilitation.

In its turn Russia has provided continuing support to Belarus, if not to Lukashenka himself (in the run-up to the December 2010 elections Russia ran an anti-Lukashenka programme on state-controlled TV), partly due to fears of an 'Orange' style revolution and partly due to Russian economic interests in the country. Also, Lukashenka remains popular in Belarus as he represents stability, despite the lack of political freedoms. One expert²⁹ has described the situation as a 'Ukrainisation' of Belarusian relations with the EU and Russia; Lukashenko recognises that the old political system cannot meet modern socio-economic demands and so is attempting to open up the EU as a foreign policy alternative to dependence on Russia, as it perceives that EU is not pursuing regime change.

Lukashenka's re-election is unlikely to change Brussels' preference for 'soft conditionality' and limited engagement; EU leaders know that isolation and pressure will not yield reforms and may push Minsk closer to Moscow. Election violence was a signal failure, however, and the challenge remains of how to work towards basic human rights anchored in pan-European principles. The initial aim should be a strong EU dialogue with Minsk, together with further engagement with civil society in Belarus. There will be limited support from Moscow due to its traditional mistrust of the EU's 'democratisation' agenda and of external interference in the affairs of countries in the region. There is a common interest in stability, however, and so Belarus should form a regular part of EU-Russia dialogue. In the longer term, positive changes in the EU-Russia relationship may reinforce common positions over Belarus.

9 CONCLUSIONS AND RECOMMENDATIONS

Shared security approaches

Russia's statehood and society are evolving. Due to the traditional nature of politics in Russia, there is a strong tendency towards great power rhetoric; however, Russia's national identity as 'post-imperial' rather than 'neo-imperial' in nature and a majority of Russia's governing elite accepts that Moscow – while not prepared to forego its national interests – does not have exclusive rights in its traditional areas of influence, and indeed cannot control events in a fragmenting post-Soviet space. This brings with it important changes in how security is perceived and in how Moscow conducts relations with neighbouring states and with the EU. A longer-term vision – based on the concept of a security community' – is needed for Moscow and Brussels to devise a joint approach to the region in order to mitigate conflict and cement a genuine common security space.

Russia's potential as a 'force for good'

Engaging Moscow under this longer-term vision should involve acknowledging Russia's potential as a responsible actor in European and global affairs, effectively making it part of the solution rather than part of the problem, in order to deliver 'global public goods'. The principle of 'joint ownership', with incremental progress on joint decision-making, should underpin engagement; Brussels should make it clear that equal decision-making implies equal responsibility for backing and implementing policies.

Coherent and effective policy direction from the EU and its member states

The complex and resource-intensive EU-Russia agenda demands the involvement of key decision-makers on both sides, as well as political commitment by the leading member-states with which Moscow has warm relations, especially Germany, Poland and France. Poland's presidency of EU in the second half of 2011 is an early opportunity to move the agenda forward. With due regard for the

²⁹ Arkady Moshes, 'Avenue of independence', *Russia in Global Affairs*, no. 2, 2010.

teething troubles being experienced by the European External Action Service, EU policy towards Russia requires greater coordination.

Working together in the shared neighbourhood

Both the EaP and Moscow's 'CIS project' are likely to meet with limitations and challenges in the foreseeable future; the neighborhood is undergoing fundamental changes and will remain a key item on the agenda of EU-Russia relations. Brussels should continue to support reform and use its economic and normative power to effect the transformation of its Eastern neighbourhood; a weak commitment to the EaP would send the wrong signals to the Eastern neighbours, as well as to Moscow. However, a too robust approach, particularly in promoting elites unsympathetic to Russian influence and in interfering in frozen conflicts or energy policy, might encourage Moscow to try to obstruct political and economic developments there in pursuit of its perceived interests. The political tight-rope which Brussels must walk will be easier to manage if it develops a more coherent strategy which coordinates the EaP countries and its Russia policy, seeks Russia's contribution to debates on its Eastern policy and encourages regional security and development initiatives; essentially, a strategy which unites a top-down approach of negotiating with governments and a bottom-up approach of engaging civil society. This will mean commitment and compromises from all sides; a community of practice based on the rule of law and good governance, with incremental regulatory provisions across a range of issues, should guide their actions.

The Partnership for Modernisation

There is considerable scope for assistance from the EU to support Russia's modernisation. The Partnership for Modernisation could generate a paradigm shift in EU-Russia relations, reducing Moscow's emphasis on differing developmental models and mitigating Russia's political culture and structural economic weaknesses. A recent report by leading Russian commentators argues that 'it is in the long-term interests of Russia to reverse the trend towards curtailing democratic freedoms, which has obviously begun to deteriorate the efficiency of state governance, impede economic modernization due to the systemic proliferation of corruption, and worsen the country's positions in international competition [...] Russian society is interested in foreign assistance, even if it is a legally valid political pressure, for improving the human rights situation and restraining the arbitrariness of uncontrolled bureaucracy'.³⁰ However, it is unlikely to have much added-value if it remains merely an incremental version of the technocratic exchanges within the Common Spaces format. Ultimately, the outcome is in the hands of the Russians. The Russian leadership appears to realise that genuine modernisation cannot remain the preserve of political and economic elites but must put down deeper roots into socio-economic life. The Russian model of development need not copy the EU wholesale but will still depend significantly on European political, economic and civic influence, based in transparent governance, rule of law and civil rights. Security through development and modernisation across the neighbourhood could reinforce the bilateral EU-Russia modernisation partnership.

Contacts between people

Many Russians already live or work temporarily in the EU. However, the importance of a visa-free or visa-waiver regime to small businessmen, educational groups and tourists is considerable, and the potential feedback into Russian civic awareness immense. The Common Space of research, education and culture can have a reinforcing effect in this respect. These issues already form part of the Partnership for Modernisation work plan and should be developed as far as possible.

³⁰ Report for the Session of the European Panel of the Valdai International Discussion Club, London, 8-10 December 2009.

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