



The EU-Russia Relationship: A Flawed Strategic Partnership

Russia's relations with the EU and the US have reached an important but difficult stage. Moscow considers EU and US policies to be threatening to Russian domestic and foreign interests. The EU and the US also have concerns about Russia.

Indeed, they hold comparable views of certain Russian developments, particularly in terms of the consolidation of a new power structure, the slowing of reform (and evolving counter-reform in some areas), and the more unilateral foreign policy approach Moscow is adopting. They also recognize that their potential for leverage over Russia is decreasing, as Russian economic strength (in the shape of the income provided by energy exports) grows. This reduced leverage highlights the need for greater coordination between the EU and the US to achieve their goals with regard to Russia.

The EU and US need to understand how Russia fits into key political agendas such as security, the spread of democracy, and energy security. Whilst globalization means that there is a triangular relationship between the US, EU and Russia, it remains low-key and at the stage of initial dialogue. Indeed, there are a number of key differences in the nature of the relationship between US-Russia and EU-Russia that will be highlighted in this brief. Russia no longer dominates US foreign policy considerations, and America's interest in Russia has been narrowed to a few areas of direct security or economic relevance to the US.

The EU-Russia relationship is of key importance for both sides, and the agenda is very broad. Economic ties between the two are strong: over 50% of Russia's external trade is directed to the EU, and the EU is the major foreign investor in Russia. Russia supplies large shares of EU oil and gas imports. The political relationship is highly institutionalized, with a dense network of ties from Presidential level down to expert and grass-roots level. The EU's enlargement has significantly lengthened the common border and created a common neighborhood, increasing the range and urgency of issues to be addressed, particularly border control and migration management, organized crime and crisis management in the new common neighborhood. This dense network of links means that both sides officially consider it a Strategic Partnership.

However, the EU-Russia relationship has many high-profile problems, and of late it has been beset by friction. Since 2002, frustration with the failure to develop coherent plans and convert them into practical substance has grown on both sides. Negotiations to develop Four Common Spaces (Economics; Freedom, Security and Justice; External Security; and Research, Education and Culture) as an umbrella for the development of the relationship were difficult – the disagreements resulted in the delay of the November 2004 presidential summit in The Hague (although the official reason was to introduce the new European Commission to the proceedings of the relationship). Practical progress in the relationship has also been sporadic. For instance, a recent evaluation by the European Court of Auditors found that of 29

TACIS (Technical Aid to the Commonwealth of Independent States) projects completed by the end of 2003 in Russia, 12 had not achieved their objectives at all, and only 5 were sustainable. The court therefore found that although the dialogue and cooperation between the Court and the Accounts Chamber of the Russian Federation was rewarding, the effectiveness of TACIS funds in these projects has been very low.

This dissatisfaction has combined with clashes of interest in the common neighborhood to sour the atmosphere. The EU and Russia found themselves on opposite sides on all the “Color Revolutions” in the newly independent states (NIS), most notably during the elections in Ukraine in 2004/5. Following enlargement, the Russian region of Kaliningrad was surrounded by EU member states, raising problems for “internal” travel for Russian citizens who needed an EU visa. The relationship has also been troubled by differences over human rights issues, particularly exemplified by the Chechen conflict. Moscow reacted angrily to EU criticism about Moscow’s approach to the North Caucasus, particularly when questions were raised about Russia’s handling of the terrorist outrage at Beslan, accusing Brussels of double standards.

A Fresh Start?

Nonetheless, since 2005, the relationship has been improving. Both sides considered the Luxembourg (January until June) and UK (June until January) presidencies of the EU’s Council as having a positive impact on the relationship. The Four Road Maps of the Four Common Spaces were finally agreed and signed in May 2005 and illustrate the more realistic and systemic approach both sides have adopted. The Road Maps, although in some senses rather vague, do offer a broad framework for the development of every dimension of the relationship. Importantly, they are considered by officials on both sides to be an opportunity to start the relationship afresh.

The agreement on easing visa regulations and readmission were negotiated during the UK presidency in 2005, signed at the Presidential summit in Sochi on 25th May, and should be ratified by the end of 2006. The agreement has the potential to resolve a long-standing problem. It will reduce the cost and bureaucracy for those with valid reasons for frequent travel. The EU will contribute to Russian border infrastructure and passport security initiatives, and Russia will work to improve its porous Southern borders.

One of the Austrian presidency’s key goals was also achieved with the commencement of EU-Russia-US joint dialogue in internal security. Discussions focused on terrorism, organized crime, trafficking of drugs and humans and illegal migration and the definition of the key principles and specific themes. An expert meeting will follow in the autumn, with a formal meeting taking place in the first half of 2007.

Most importantly, the structure of the relationship has been improved. The sub-committees which formed the basic working-level structure of the relationship have been replaced by specialized mini dialogues, which both sides consider to be more effective, particularly in the Economic Space Road Map. These highly technical

dialogues include exchanges on product standards, intellectual property, transport and investment.

The Permanent Partnership Council (PPC) format, which meets at Ministerial level, now works more effectively. This format has broken the relationship down into more manageable parts. The meetings are now between the appropriate authorities, enhancing their effectiveness. They are also less repetitive, since they introduce new contacts with specific and positive vested interests in making cooperation effective. PPCs have begun to meet with increasing frequency to discuss foreign policy, justice and home affairs and energy. The energy PPC in October 2005 particularly provided a positive stimulus to the development of the EU-Russia energy dialogue.

Three Human Rights Consultations have taken place since March 2005. Both sides have expressed concerns about human rights – the EU about rights in Chechnya, Russia about the treatment of Russian minorities in the Baltic States. This new PPC format provides a depoliticized forum for more developed discussion of such issues. The discussion to date has been nonexistent, or has merely consisted of an exchange of accusations. Indeed, Chechnya is now being discussed in a more positive way. Although the EU is still critical of Moscow's approach, the context of engagement on this issue has been altered, with the focus now on the EU providing assistance for the socio-economic development of the North Caucasus – it has allocated some 20 million Euro for investment in the region. The sides have also agreed to discuss the issue of brutality and abuse in the Russian military.

Political Problems

Serious political differences remain, however. The mutual lack of trust and confidence is clearly exemplified by the exchanges over the energy relationship since January 2006. Outside the specific energy dialogue, which both sides consider to be evolving positively, the energy relationship is beset by a lack of confidence on both sides. Indeed, diversification, one of the key tenets of energy security, is beginning to undermine the EU-Russia relationship, as both seek to diversify away from each other in an effort to enhance their energy security. On the EU side, two main problems lie behind calls for greater diversification of hydrocarbon supplies away from Russia. First, some argue that the EU's dependency on Russian energy undermines its ability to negotiate with Russia: the Europeans need to be tactful because of their energy dependence. Unease has also been voiced at the possibility that the EU could find itself increasingly at the mercy of an ever more authoritarian Russia, which might use its control over a large share of the EU's energy imports as a diplomatic lever to blackmail it.

Russia also has concerns. Revenues from European exports effectively maintain the Russian gas and, to a lesser extent, oil industries. Worries include continued access to the EU market, and concerns that the EU's energy liberalization policy will mean that (distant) Russian resources become uncompetitive with the produce of states closer to the EU. Moreover, some in Russia argue that the objective of the energy dialogue is to pressure Russia to initiate domestic energy sector reform, particularly aligning its domestic prices with those of the world market. Moscow argues that it would be

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politically unrealistic to raise prices sharply to poor domestic consumers, and also difficult for Russian industry to be competitive should prices be so raised.

Both sides therefore now seem intent on telling the other that they will diversify away from each other. In March, senior Russian executives criticized the EU's double standards in energy security and rejected criticism of Gazprom's actions towards Ukraine in January as "Cold War rhetoric". Then in April, Alexei Miller, Gazprom's CEO, stated that Russia should diversify its energy flows away from Europe by building pipeline capacity to the Far East. (There are reasons why Gazprom cannot carry out such threats in the short-to-medium term, including a lack of infrastructure and concerns in Moscow about depending on a Chinese energy market in the Far East). The EU rejected these statements, and warned Gazprom both to stick to its contractual commitments and against threatening EU energy supplies, arguing that they provide grounds for the EU's belief that it needs to diversify away from Russia.

Strategic vision for the development of the EU-Russia relationship is also lacking: both sides have internal issues which distract attention from making progress. Thus, neither side has a clear strategy for developing the relationship. The Road Maps provide an agenda for short-to-medium term cooperation (officials hope that the important elements of them will be completed in three years), but there is no commonly developed strategy for the long-term evolution of the relationship.

The key legal document is the Partnership and Cooperation Agreement (PCA), due for renewal in 2007. The PCA will be automatically prolonged on a yearly basis unless one party disagrees, but there are concerns, particularly in Moscow, that without a new agreement the relationship lacks a solid legal foundation. President Putin noted the importance of such an up-to-date and modern legal base to develop the relationship further and that Russia was ready begin developing it, although there is little consensus on the desirability of this in the wider Russian body-politic.

The EU and Russia have similar positions on the Middle East and in UN cooperation, but they have differing views of the common neighborhood. Conceptually, Russia sees two poles emerging in Europe, one based around Brussels, the other around Moscow. However, the gravitational pull is more towards Brussels. Tension over differing values also continues. The EU, similar to the US, has sought to support democratic change and values in the NIS, which Moscow sees as destabilizing and potentially threatening to Russian interests. As both sides have become more forthright in their foreign policies in this area, this issue has become increasingly problematic.

The sides differ over how to approach the conflicts in the new common neighborhood, particularly in Moldova/Transdniestria and in Georgia. Moscow argues that EU policy in the area is negatively affecting Russia's relations with the states, and considers the new EU-supported border observation mission in Moldova tantamount to a blockade on Transdniestria. For its part, the EU is concerned that Moscow no longer supports the principle of territorial integrity. This will affect cooperation on conflict resolution in Georgia should Moscow support South Ossetia's secession.

A perceived lack of equality also affects cooperation in crisis management in the new neighborhood. Although Russia contributed on a small scale (5 militia men) to the EU mission to Bosnia Herzegovina, problems are two-fold. First, Moscow does not accept that the “crises” are only in the NIS area. Russia wants to be involved in Cyprus, but the EU considers this to be an internal issue and will not discuss it with Russia. Second, Moscow maintains that the EU should show willingness to include Russia as an equal rather than simply an observer or junior partner. Moscow wants to be involved in command and planning. These problems have meant that Moscow has rejected EU offers to join other missions, and Bosnia Herzegovina remains the only example of practical cooperation. Indeed, reflecting its disappointment in the situation, Moscow will not replace its commitment to the Bosnia Herzegovina mission, which is being decommissioned.

Despite the improvement in structure, problems in the decision-making chains on both sides affect the implementation of projects. On the Russian side, the relationship is essentially driven by the Presidential Administration. Outside this institution, there is little capacity to formulate effective policy towards the EU. The Ministry of Foreign Affairs (MID) has limited resources for engaging the EU effectively, as the ministry has few EU specialists. There are also few coordinated links between non-governmental expertise and official decision-making structures.

Neither is the implementation of policy consistently effective. MID has not been an efficient coordinator of the various Russian ministries and has impeded progress in some areas, particularly in establishing cooperation in the North Caucasus. Although there are military contacts in the shape of the Russia-EU Political and Security Committee format (the PSC is the main organ for coordinating decision making in ESDP), large sections of the Russian military do not actively seek cooperation. The Russian military needs doctrinal and structural reform for meaningful cooperation with the EU, but such reform is blocked by vested interests in the military. Finally, some Russian business interests – e.g. Aeroflot – have also acted to block progress in the relationship, since they will lose significant income or face unwanted competition.

On the EU side, the member states lack unity on how to deal with Russia. Two main groups of member states exist. The “Russia realist” group pursues a more critical approach to relations with Russia. This group has been strengthened by enlargement, with many of the new member states from Eastern and Central Europe being particularly critical of Moscow. The growing influence of this group is reflected in the less optimistic view of Russia’s democratic transition and role in Europe. The “friends of Russia”, which includes France, Germany, Spain and Italy, are more willing to overlook problems to ensure a positive relationship with Moscow. The inability of the EU to pursue a unified line towards Russia undermines its ability to develop the relationship practically. The different organizations of the EU have acknowledged this problem – in 2004 the European Parliament, Commission and Council all issued reports on EU-Russia relations emphasizing the need for greater EU unity in dealing with Russia. However, the diversity of interests within the EU undermines the coherence and slows progress. (Moscow has been adept at playing these diverging interests against each other). There is a greater urgency for some states (those with common borders or who depend significantly on Russia for energy imports) to

develop relations with Russia, while other states simply have different priorities. This makes real progress in EU-Russia relations to a certain extent dependent on which member presides over the European Council.

Conclusions

Unlike the US-Russia relationship, which has been weakened under the Bush Administration, the EU-Russia relationship is more complex. It is, however, currently long on dialogue and short on major practical progress, although some bureaucratic breakthroughs are being made, and some highly technical fields have seen progress. The tension between political vision and bureaucratic progress will continue, however, meaning that any concrete progress will continue to be slow, and the quick renegotiation of the PCA is unlikely. Indeed, the political flaws in the relationship mean that the positive bureaucratic progress being made is vulnerable to a change in the political wind or leadership in Russia, which could render much of it irrelevant. Therefore, the increasingly forthright foreign policy positions of both sides and the elections in Russia in 2007 and 2008 take on added significance for the long-term development of EU-Russia relations. Nonetheless, the Finnish Presidency (June until January 2006) will continue to promote the steady improvement in EU-Russia relations through the renewed dialogue frameworks, particularly the energy dialogue and the Northern Dimension.