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Moving out of the doldrums?

Perspectives on Change in Russia-EU Relations

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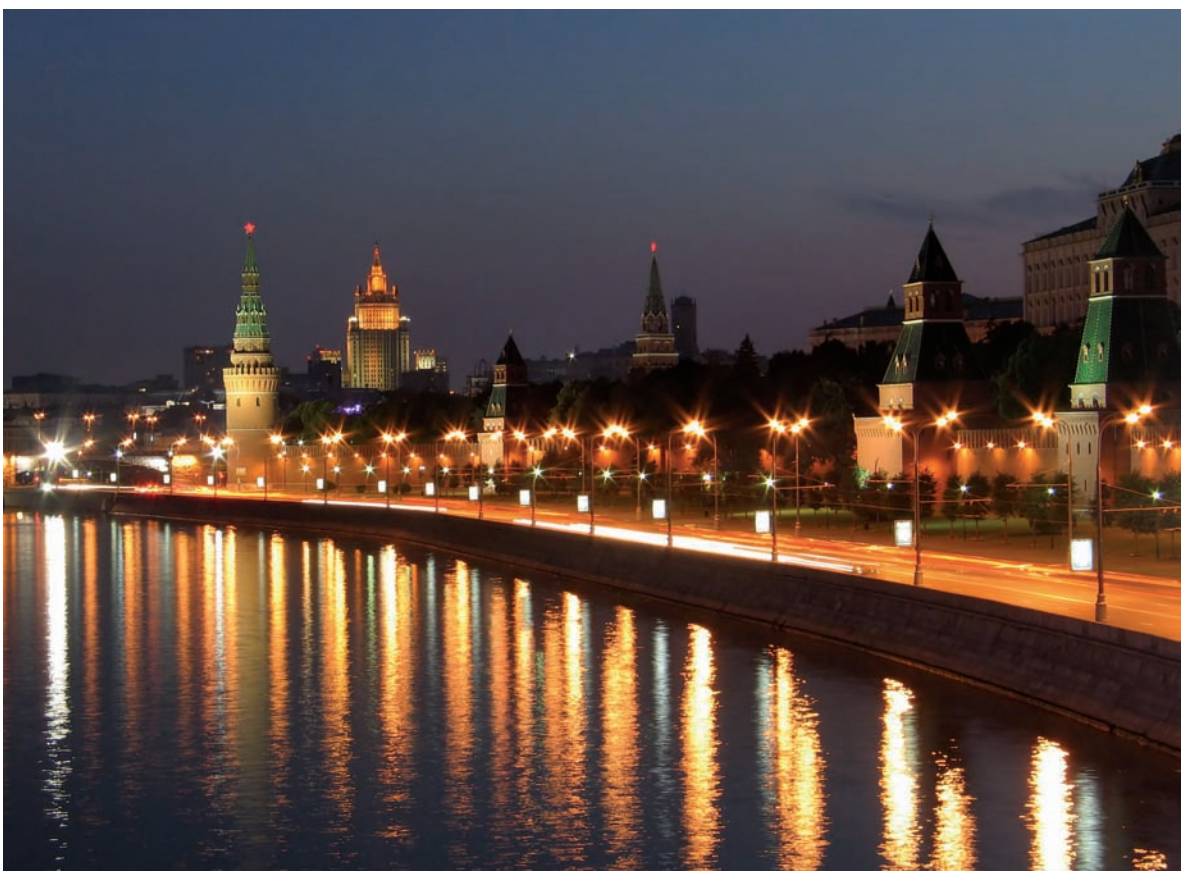

MOVING OUT OF THE DOLDRUMS?
PERSPECTIVES ON CHANGE IN RUSSIA-EU RELATIONS

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Foreword

Russia and the European Union are increasingly bound together – if not by common values, then by virtue of their interdependence and intertwined interests. The EU is Russia's most important trading partner and the source of half of all foreign investment, while Russia provides the EU with 40 percent of its total gas imports. Beyond these strong economic ties, both actors have a mutual interest in maintaining international stability and a secure neighbourhood, whether with regards to international terrorism, the proliferation of nuclear weapons, the trafficking of narcotics, climate change or stable energy markets.

In spite of this, EU-Russian relations are at their lowest point since the end of the Cold War. The relationship has been marred by competing interests in the 'shared abroad', irritations about anti-democratic tendencies in Russia's domestic policy, energy conflicts and bilateral problems between Russia and several EU member states. In this context, negotiations on a new, wide-ranging EU-Russia Partnership and Co-operation Agreement (PCA), which expired in December 2007, have been blocked, with the latest EU-Russia summits only serving to highlight the continued deadlock between the two.

The domestic situations of both actors are partially responsible for the lack of progress in the relationship. While Brussels has entered a period of self-consolidation after its eastwards enlargement and the failed referenda on the Constitutional Treaty, Moscow has been pre-occupied with ensuring a smooth transition to a post-Putin presidency.

More importantly, however, relations are in the grip of a new configuration of forces which profoundly differs from the 1990s. Russia has come a long way since the Yeltsin era: President Putin restored a strong and centralised state authority, the Russian economy is experiencing rapid growth thanks to rising energy prices, Russian investment abroad has entered a new dimension, and the country has a strong international profile, leading to renewed and at times overweening confidence. The EU, on the other hand, recently expanded to 27 member states, encompassing a population of over 450 million, and now shares a 'near abroad' with Russia. Adapting to these new realities understandably expands the potential for conflict. As such, it will take time for both sides to find a mutually satisfactory modus vivendi and come up with a new agreement that replaces the outdated PCA.

This timely publication aims to elucidate the views of both actors with regards to their relationship. It provides succinct analyses of the current status quo and examines the potential for positive change. We hope that it can be a contribution to the debate on a more fruitful relationship between the EU and Russia that fulfils its responsibility to tackle today's international problems and promotes a stable and prosperous Europe.

Ralf Fuecks
Co-President, Heinrich Böll Foundation

Not yet at the crossroads*

Is there hope for positive change in Russia-EU relations?

by ARKADY MOSHES

Relations between Russia and the European Union are not yet at the crossroads. Russia's recent presidential elections, which brought to power Dmitry Medvedev, do not promise an automatic change in the country's foreign policy in general or in its line *vis-à-vis* Europe in particular. Medvedev ran the campaign as the designated successor of Russia's super-popular leader Vladimir Putin, whose legacy will inevitably affect the new president's freedom of manoeuvre. Moreover, Putin himself has agreed to stay in power in the prime ministerial position. Although it remains to be seen how foreign policy competencies will now be divided within the *duumvirate*, and even if the Kremlin, in accordance with Russian tradition, may eventually take over most of the control of this portfolio, Vladimir Putin has already publicly presumed that his successor would be no less "a nationalist" than him.[1] Furthermore, it is hard to imagine that Russia's foreign policy elites, which have consolidated in support of a tougher line towards the West, successfully pursued so far, would easily give way to new approaches.

Continuity in bilateral relations can hardly be in the interest of those in Europe who would like to promote a genuine partnership with Russia. For them, current trends must be worrying. The list of disputes becomes longer and "thicker", with Moscow and Brussels re-opening issues thought to have been agreed upon years ago, so that the failure of several consecutive summits to produce tangible results is not surprising. Insightful observers frequently and openly speak about "stagnation" growing into "depression",[2] or even "disillusionment transformed into antagonism",[3] some remaining official optimism notwithstanding.

Moscow does not appear to feel uncomfortable with this situation. Just like the EU, it has little reason to fear that the relationship can unravel into a real confrontation – which Russia neither seeks nor can afford. Energy interdependence and well-established and institutionalised bureaucratic interaction do serve as safeguards to prevent this dramatic scenario, which could be really painful personally for those Russian elites that have private interests in Western Europe. Furthermore, Russia is not short of evidence that it is no longer a recipient of EU policy but an agenda-setter, which in its own self-perception it was not during the preceding period, usually viewed in Europe as that of better mutual understanding and co-operation.

Therefore, it is today both too late and apparently too early to ask what Russia could do to improve the situation. To the Russian foreign policy community at large it is far from obvious that Russia should work for a compromise at all.

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* The author is the Director of the Russia in the regional and global context programme at the Finnish Institute of International Affairs in Helsinki. The views expressed in the paper are solely those of the author

1 Press-conference after the meeting with Angela Merkel in Moscow on March 8, 2008. Reported in Vremya Novostei, March 11, 2008

2 T. Gomar. Paris and Russia-EU dialogue, a new impulse after arrival of Nicolas Sarkozy (in Russian). Russie.Nei. Visions No. 23, IFRI, Paris, October 2007, p. 6

3 J. Sherr. Russia and the West: a Reassessment. Shrivenham Papers, No. 6, UK Defence Academy, November 2007, p. 14

During former President Vladimir Putin's second term EU-Russian relations stagnated

As for the European debate, it would seem worthwhile to come up with a vision of circumstances under which this incentive could be felt in Russia. Europe may, of course, hope that re-assessment in favour of a new *rapprochement* would happen thanks to internal factors, be it the need to secure economic modernisation, the demographic situation, or the challenges of a globalising world. Better, though, would be for Brussels to take a more proactive stance, as with Europe inactive and unable to speak with one voice, hopes for a fresh start may well be futile.

This paper does not seek to propose recommendations for Europe's Russia policy. Instead, it will briefly deal with Vladimir's Putin legacy in Russian-European relations, examine perceptions of the EU in Russia, outline some reasons for optimism and set out the context in which the new framework agreement might eventually be negotiated, in order to help define the contours of the possible.

What's on the plate?

It would still be correct to start the analysis of Russia-EU relations by emphasising their dualist character, where co-operation goes hand in hand with competition, both in economics and in politics, and where success stories (like the Kaliningrad transit, the visa readmission agreement and soft security arrangements) co-exist with sensitivities and even open conflicts. An optimist's story, easily found in almost every official speech, would normally cite the indispensable role that the EU plays in Russian foreign trade (over 50 percent) and investment (about 70 percent of accumulated foreign capital in Russia), and the fact that Russia is the EU's third trading partner after the US and China. Russia's role in EU energy security is also crucial. But more importantly – as was once again demonstrated in February 2008 when *Gazprom* lifted the embargo on the supply of gas to Ukraine less than three days after it was introduced, having failed to reach its goals – Russia is unable to stop selling gas to its consumers due to the shortage of storage capacity and should be, therefore, no less interested in the security of Europe's demand than the latter is in security of supply. The importance of energy interdependence as a factor of stability is, in this regard, hard to overestimate.

But a pessimist's story would today possess stronger credibility. A pessimist would point out that energy interdependence alone can probably guarantee the respective interests in the field, but does not equate to a true common interest. As a result, what was once seen as the potential core of the Russia-EU partnership even at the beginning of Vladimir Putin's second presidential term, by its end has become just another stumbling block. Instead of moving towards a joint energy system, the Russian side protects its upstream market from Europe and Europe its downstream market from Russia. New Russian legislation is essentially aimed at allowing only *ad hoc* and individually negotiated investments in the so-called "strategic sectors", where energy features at the top of the list. In turn, the European Commission's initiative on "unbundling" the energy business in the EU, with its provision known as the "Gazprom clause", is also anything but an invitation for the Russian gas giant to invest in the EU. Russia enjoys a near monopoly on the transit of Central Asian energy resources and has resisted, fairly successfully, EU attempts to secure alternative access to the region. An accompanying problem here is that,

faced with growing doubts as to the ability of Russian state-owned gas and oil companies with their stagnant production and unimpressive financial situation to increase exports to Europe, the latter has no other choice but to diversify supply.[4]

If in the energy sphere the relationship is not progressing, in several other areas it is clearly moving backwards. The value gap is growing. Several years ago one influential European school of analysis rather successfully promoted the line that Russia is an imperfect democracy and lobbied for the prioritisation of "pragmatic interests" over liberal principles in mutual relations. But after the 2007-2008 electoral cycle and Moscow's conflict with the ODIHR, whose monitoring mission was not allowed to observe the elections and finally did not arrive at all, the label of "imperfect democracy" ceased to be sustainable in the European debate. Russia's image has worsened in the European media, and although this fact is not bound to have a direct impact on daily business, ignoring it completely is hardly possible either. In turn, Russia has adopted the concept of "sovereign democracy" and the primacy of sovereignty more broadly, and is no longer willing to accept the right of other countries to lecture it on its internal affairs. Under these circumstances, the Western negotiators who would write in the preamble of any agreement with Russia the phrase about adherence to the same values, might find it very difficult to submit the document for ratification in national parliaments.

At the same time, it should be noted that many in Russia do not seem to believe that values really matter for Europe; they are expected to be used simply as a bargaining chip to be traded for economic concessions when the moment arrives.[5]

The common neighbourhood has become a powerful irritant. If it wants to stabilise its eastern periphery, the EU simply has no other choice but to step up engagement with its neighbours, particularly with Ukraine since the EU's interaction with Ukraine, which has become an electoral democracy, is increasingly value-based. Moscow views and will continue to view this engagement with enormous neuralgy – not least because the Orange Revolution was Russia's worst foreign policy debacle of the last four years, and its implications have yet to be overcome.

Since Kosovo became independent, the potential for foreign policy co-operation has shrunk – although, to be fair, it has not yet been fully exhausted and can continue on Iran, the Middle East, North Korea and some other dossiers. The problem is not whether Moscow will soon recognise the breakaway entities in the post-Soviet space, but that it now believes it has the moral and political right to act unilaterally when necessary, in light of EU and US actions in Kosovo, when Russia's protests and the legal norms of the UN had been ignored.

Finally, Russia-EU relations do not develop in a vacuum. They are part and parcel of the general dynamics between Russia and the West, which are also becoming more complicated. On such issues as the Conventional Forces Europe (CFE) treaty, democracy promotion, and the future of the OSCE, Moscow seems to be no longer willing to see a difference between the once "good" EU and the "bad" NATO.[6] The prospect of NATO enlargement to include Ukraine and Georgia renders a hugely negative effect on Russian-European relations.

4 Vladimir Milov, head of the Russian non-governmental Institute for Energy Policy, has recently expressed concerns that both "Gazprom" and "Rosneft" might soon default on their debts, which have reached 85 billion USD (36 billion due to be paid back in 2008), unless directly credited by the state. See V. Milov. Hidden Default, http://www.gazeta.ru/comments/2008/03/10_a_2664037.shtml

5 S. Sokolov. Russia-EU: preparing for the negotiations (In Russian). Russia in Global Affairs, Vol. 5, No.2, 2007, p.215

6 For exemple, Deputy Foreign Minister Alexander Grushko in an interview expressed regrets that on the CFE issue "EU countries followed NATO policy". Interview to the Kommersant, October 17, 2007, available at http://www.mid.ru/ns-dos.nsf, visited March 10, 2008

To sum up, one has to compare these developments with the ambitious idea of the four "common spaces" between Russia and EU, agreed in 2003 and supplemented by their respective "road maps" as late as in 2005. Instead of moving towards an open and integrated market, which would imply the application of the "four freedoms", Russia and the EU are instead becoming mutually protectionist. To promote external security co-operation after Kosovo is difficult, and to establish a common space on justice and home affairs, given the value gap, is probably impossible. What is left is culture, science and education, but even these are in jeopardy because of the ideology of complete sovereignty spreading in Russia. The old platform of incremental *de facto* integration, which drove bilateral relations from the early 1990s, is dead and it is not known for certain what will come to replace it.

A weak zero-sum gamer

All of these controversies are on the surface. There is, however, a fundamental underlying problem, which does not yet seem to have been fully recognised by European policy-makers, even though it has been properly diagnosed by some experts. Sabine Fischer from EU-ISS concluded that "Russia has less respect for the EU", [7] whereas British analyst James Sherr went even further to state that "the occupants of the Kremlin do not care what we think". [8] Most Russians would now agree that just like in relations between people, in international relations respect is awarded either for friendliness and like-mindedness or for power/strength. The famous phrase from Vladimir Putin's post-Beslan address to the nation that "the weak get beaten" may in this context receive a broad reference.

Individual EU countries, as well as Brussels, may have a differing view as to what degree the Union fits these criteria. But in the Russian debate (even though there is no clear consensus and the dualism referred to above is duly noted) it can be easily sensed that the EU does not qualify to either – that is to say as a like-minded actor or as a powerful one.

Long gone are the days when the EU was seen in Russia predominantly through the prism of partnership. Today, even in the expert community, its policy is often seen as aimed at securing unilateral Russian concessions in trade, economy and politics. It is argued that the European Commission, when negotiating the new framework agreement, would strive to gain unrestricted access to Russian oil and gas fields and energy transportation infrastructure, to open Russian markets for European goods, to put Russia's internal affairs under the monitoring of European organisations and to force it to follow their recommendations. Europe's primary aim in the eyes of many is to limit Russia to the role of Europe's energy appendage, export market and political satellite.[9]

Since the EU enlargement of 2004 and the Orange Revolution in Ukraine, when EU involvement in the settlement of the crisis left Russia only with the role of a passive observer, Europe's actions on its eastern periphery have been met with extreme sensitivity. The EU is considered as playing a zero-sum game in the common neighbourhood. Even the European Neighbourhood Policy (ENP) and initiatives in the Black Sea region, with their very limited potential, raise concerns because they create new circles of solidarity, new forums of which Russia is not a member, new divisions between insiders and outsiders. There are apparently no signs of over-dramatising the results of the work so far, but it is clear that the prospect of re-formatting the system of Europe's energy security to make Ukraine directly responsible for the transit before European consumers and not before Russian suppliers would cause a very heated reaction in Moscow.

7 S. Fischer. The EU and Russia: Stumbling from Summit to Summit. Russian Analytical Digest 26/07, p. 11

8 J. Sherr. Op. cit., p. 34

9 S. Sokolov. Op. cit., pp. 215, 218. Noteworthy here, the author is former director of the Department of International Cooperation at the Russian Ministry of Transportation, and earlier – an MFA official. See also D. Suslov. To defeat Russia: EU is trying to dictate the conditions to RF. Smysl, No. 8, 2007. Available at http://cceis.ru/rus/41.html, visited March 6, 2008

It is well-known that Russia to a large extent attributes the change of its perception of the EU to the inclusion of several new member-states from Central Europe with a difficult common history and complicated bilateral relationships with Russia. To challenge the validity of this conclusion after Poland's 2006 veto of the start of negotiations on the new framework agreement would be simply counter-factual. No doubt, it would have been much easier for Moscow and Brussels to manage the relationship had the 2004 enlargement not taken place and had the Union not found itself on the borders of the post-Soviet space. But today bilateral disputes easily find their way to the top of the common agenda, for which Moscow holds the EU accountable. As the 2007 crisis around the Bronze Soldier, in the words of the European media, or the Liberator, as Russians see it, has demonstrated that the negative perceptions can easily worsen further – not only among more conservative elites but also among the Russian public in general.

At the same time it follows from the Russian discussion that the current dynamics in the development of the EU do not seem to be challenging Russia. In recent years, it has become the norm to point to the slow growth of EU economies, the delays in the implementation of the Lisbon Strategy (aiming to make the EU the most modern, competitive and knowledge-based economy in the world), the paper character of the Common Foreign and Security Policy (CFSP), which lacks even the prospect of common defence policy, and the inability to agree on crucial issues of today's world (such as Iraq or Kosovo). Even though the Reform Treaty partly compensates for the failures of the Constitution project, the EU is expected to face a lot of problems, remaining an economic giant but not really becoming a political actor of the first rank. Some experts argue that Europe's development towards federalism would contradict Russia's interests.[10] Consequently, the current situation provides enough opportunities for promoting bilateral ties, which is also officially declared a priority of Russian European policy.[11]

Against this analysis, which portrays the EU as weak, Russia's complacent self-perception in the bilateral context is hardly surprising. After all, it is not only based on technically accurate explanations but also on the fact that it was the EU which failed to approve the mandate to start negotiations with Russia and thus revealed the depth of its internal problems.

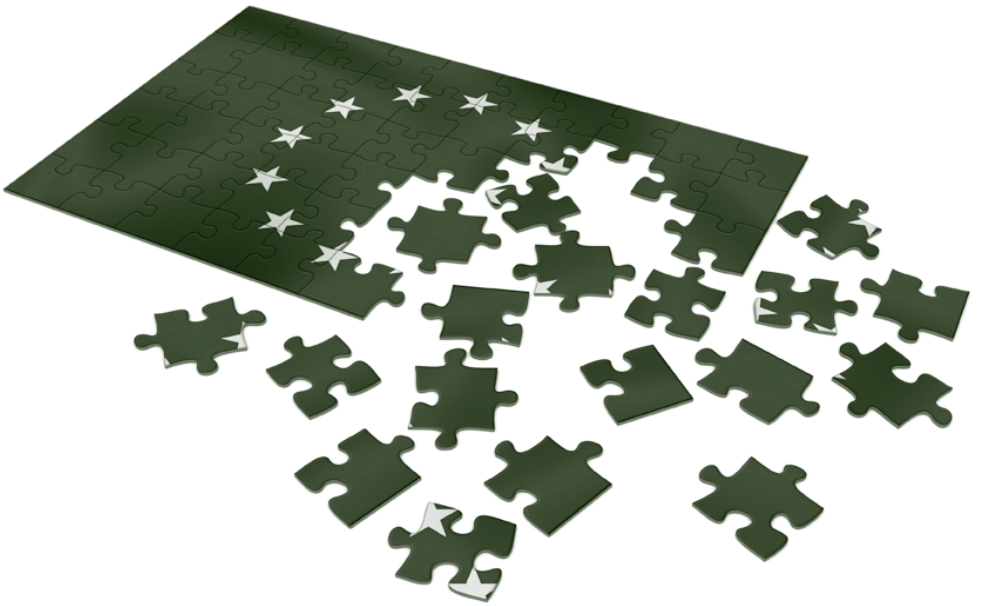
Is there any good news?

Hypothetically, there are reasons for cautious optimism. Some of them are material. In today's Russia, as proven by Dmitry Medvedev's campaign pronouncements, there is a growing realisation that the country is facing serious economic challenges, both internal and emanating from other regions of the world, chiefly Asia, which cannot be met without modernisation. In a sense, Medvedev is returning to Putin's early ideology of modernisation which later disappeared amidst the euphoria and uncritical attitudes to the oil-based growth. Modernisation is hardly possible without European technology, European investment, European markets where the goods with high value added could be exported and even European education and training. Whether and how this logic can be transformed into specific agreements and actions remains to be seen (Russia's inability to join the WTO until now is a serious warning sign in this regard), but it is able to provide Russia with at least an incentive for reassessment.

Worthy of separate note: today's consumerist standards of both Russian elites and a nascent middle class are a considerable centripetal factor. Those people can easily live without liberal values, but not without property, holidays or schooling in Europe. Thanks to his age, education, family background, and also his link with *Gazprom* with its higher than average European exposure, the

10 T. Bordachev. "European Union: challenges and development scenarios" (in Russian). S.Karaganov (ed.) Rossiya i mir. Novaya Epokha. Olimp, Moscow, 2008, p. 382

11 Russian Federation Foreign Policy Review 2007, http://www.mid.ru/brp_4.nsf/sps/3647DA97748A106BC32572AB002AC4DD , visited April 2, 2007



EU foreign policy making: A puzzle

new Russian president seems to be closer to this strata than his predecessor. Unless the economic situation worsens, this group will be pushing for progress in specific areas (freedom of travel, access to European education grants etc.). It is extremely important for the EU to respond positively and pick up the momentum.

Other factors are ideational. While today's Russia may not have a European identity similar to that existing in the EU, it displays no other clear identity either. There is a school of thought concluding that "Russia's identification as a European country, as a part of broader uniting Europe is the most promising", [12] and that "the EU is and will remain the main civilization orientation point and major economic partner" for Russia.[13] Somewhat surprisingly after years of official propaganda depicting the EU as ineffective and unfriendly to Russia, public opinion displays positive attitudes to the EU, which are unparalleled when compared with other states or organisations. According to the opinion polls carried out by one of the country's most respected institutions, the Levada-Center, in January 2008 70 percent of respondents viewed the EU very positively or generally positively, whereas only 17 percent had a very negative or generally negative view. Between 2003 and 2008 there was only one short period, in Autumn 2007, when the difference between these positions fell below the mark of 40 percent. As of November 2007, 23 percent of respondents believed that Russia should definitely, and another 29 that it rather should seek EU membership in future. Only 7 per cent responded "definitely not". [14]

At the moment it is impossible to say whether and how these factors could be translated into policy. Much will depend on the last weeks before Medvedev's inauguration, namely, whether or not he will inherit the confrontational trend of Vladimir Putin's Munich speech of February

12 V. Lukin. Russia's global role and European identity (in Russian). Russia in Global Affairs, Vol. 6, No. 1, 2008, p. 12
13 T. Bordachev. Op. cit., p. 362
14 http://www.levada.ru/interrelations3.html

2007. But these features of today's Russia are fundamental and long-term, and may become the basis for a new *rapprochement* in future.

Towards a new framework agreement?

The launch of negotiations on the new framework agreement, increasingly possible in the light of Poland's indication that it might lift the veto imposed in 2006, is often perceived as a symbolic start of the new phase in Russia-EU relations. However, in reality the negotiations may bring new problems, resulting from the two sides' inability to find common ground.

Firstly, neither party seems to be ready for a really strategic conversation. Following the tradition, embodied in the still formally enforced Mid-Term Strategy of Relations with the EU of 1999, Moscow knows what it does not want from the EU (in that document it was the intention not to seek EU membership), but can hardly formulate even for itself why it would strategically need Europe. Respectively, the EU does not have a vision of the common future of an integrated entity and can hardly say how "the strategic partnership" will differ from "partnership and co-operation". The formula "everything but institutions" will not stand serious testing as it would lead to a diminution of Russia's sovereign rights without the benefit of participating in EU decision-making. So, one might expect a tactical tit-for-tat talk which, even if successful, would in a sense discredit the whole idea.

Second, at the moment the EU will be a *demandeur*. Moscow is quite comfortable with the old Partnership and Cooperation Agreement (PCA), with which it is not obliged to fully comply and from which it can "cherry-pick" at will. Furthermore, it is a general rule of diplomacy that strengthening powers (which Russia is, both in reality and even more in self-perception) do not seek binding international arrangements; the longer they wait – the better the deal may become. In this situation, the EU may face an unpleasant choice – to give the initiative to Russia and agree with whatever is offered or not to have an agreement at all.

During the Putin years, the whole paradigm of Russia-EU relations changed. Russia is no longer simply a recipient of EU policies, decisions and assistance that occasionally resorts to strong rhetoric not expecting a reaction. Rather, it is a country whose demands for equality, parity and reciprocity cannot be ignored, and which has reclaimed the ability to say "No" firmly and without any difficulty.

It is a country which no longer wants to integrate into or even with the EU. At best, it does not equate the EU monopoly with Europe and sees itself as "another Europe", but more global ambitions are not alien to it either.

It is a country which has taken its internal order off the Russian-Western agenda. And given the fact that this order includes "legal nihilism", rampant corruption and low implementation discipline, even stepping over notorious "values" may not necessarily help to secure "pragmatic interests".

It is a country which does not need a treaty-based relationship with the EU, because a political declaration, which would not have to be scrupulously implemented, would offer it the flexibility to promote specific economic deals it might seek. It may or may not be ready for "the grand bargain", but in any case that could only be concluded on conditions determined by Moscow and including predominant rights in the post-Soviet space.

And it is a country which has prioritised bilateral ties with several EU member states so openly and transparently that it has almost legitimised its right to circumvent Brussels, when necessary.

How all this could happen within such a short period of time is worthy of serious self-critical analysis in Europe. And, perhaps, without this homework, and without a readiness to change its past behaviour, the EU will find the task of building a truly strategic partnership with Russia to be mission impossible.

EU-Russia Relations: Views from Brussels*

by SABINE FISCHER

Over the past 16 years the EU has developed and deepened its relationship with Russia. Economic relations have been growing ever since Russia became independent in 1992, but especially since the beginning of the current decade. The EU quickly became Russia's most important trading partner. During the 1990s it was the biggest source of external aid and technical assistance for Russia. Bilateral trade between Russia and the EU is still characterised by significant asymmetry, ascribing to Russia the role of an energy supplier. However, slow but steady growth of production and export of manufactured goods and services in Russia is starting to slowly shift this (im)balance. Growing purchasing power makes Russian markets increasingly attractive to EU companies.

Political exchange with Russia is extraordinary compared with the EU's relations with other third countries. The legal foundation of the relationship is formed by the Partnership and Cooperation Agreement (PCA), which entered into force in 1997. The initial period of validity of the PCA ended on 1 December 2007, but since the agreement is being extended every year for one year if neither of the sides rescinds their participation the PCA remains valid until it is replaced by a new agreement. In 2003/2005 the PCA was flanked by the concept of the Four Common Spaces and so-called Roadmaps for their implementation. The EU and Russia hold two summits per year, and conduct numerous dialogues and working groups on different issue areas. Exchange between societies has also grown steadily. Russia has become a more attractive place for companies in EU countries, but also students and tourists. Russian economic elites have strong links with Western Europe, and many of them send their children to schools and universities there, especially in the UK. With the emergence of a Russian middle class, more and more Russians can afford to travel to tourist destinations within the EU.

Hence, the EU's relations with Russia are characterised by growing interdependence on all levels. At the same time *rapprochement* in everyday economic, societal and political life has been accompanied by increasing tensions in recent years. In 2006 and 2007 relations between the EU and Russia seemed to have hit rock bottom: Negotiations about the PCA were blocked by a Polish veto in autumn 2006, there were numerous disputes between Russia and single member states, and the Russian leadership repeatedly shocked the EU and the world with bellicose statements on international issues. Domestically the ruling elite 'prepared' for the election cycle in 2007/2008 without even making much effort to hide manipulations designed to secure a 'safe' succession of power. Brussels and EU capitals watched and repeatedly criticised these developments, but the EU did not find a common position on the issue.

Russia is a country of central importance for the EU and its member states. As the EU's biggest neighbour, largest energy supplier and a regional great power it has a decisive impact on political and economic stability and security in Europe. The same holds true for global politics, where Russia's weight as a (veto) player in many issue areas has been on the increase in the past few years. Therefore for the EU, which is working on

* The author is a Research Fellow at the EU Institute for Security Studies (EU-ISS). The views expressed in this paper are solely those of the author

Kremlin and Lenin's tomb, Red Square, Moscow, Russia

strengthening its profile as a global player, Russia is an indispensable but difficult partner. As will be discussed below, the EU's main dilemma in its approach towards Russia is the interrelationship between interests and values. The EU is a community of states based on democracy, rule of law and human rights. These values also provide the basis for its foreign policy, which is devoted to the promotion of democracy and stability outside the Union's borders. Since the values underlying the EU's external relations form an integral part of its identity, it is very difficult if not impossible for the Union to dismiss them in its relations with third countries. In recent years, however, the EU increasingly faces external partners of (growing) international weight with whom it needs to have close relations but who do not necessarily share the EU's world views and values.[1] Russia is not the only such player. The same can be said of China, India and even the US on certain issues. However, from an EU perspective Russia is a special case since it is the EU's direct neighbour, and interdependence has been growing ever since the demise of the USSR. It is therefore of the utmost importance for the EU to devise a common policy towards Russia which is able to bridge the gap between converging (economic) interests and diverging (political and societal) values. To date the EU does not speak with one voice, and a consensus on an appropriate approach towards Russia does not seem to be on the horizon. At the same time the upcoming negotiations on a new partnership agreement and the changeover of power between Vladimir Putin and Dmitri Medvedev in the Kremlin might open some windows of opportunity.

The EU's policy towards Russia – paradigms in transition

As outlined on the homepage of the European Commission's website, the 'EU has a strong and genuine interest in working together with Russia to foster political, social and economic stabil-

1 Álvaro de Vasconcelos, Giovanni Grevi (ed): Between multilateralism and multipolarity: Enhancing the EU strategic partnerships, EU ISS Chaillot Paper 109 (forthcoming)

ity *in Russia*, in the region, and worldwide.'[2] The European Union Security Strategy, adopted by the European Council in 2003, states: 'We need to pursue our objectives both through multilateral cooperation in international organisations and through partnerships with key actors. [...] We should continue to work for closer relations with Russia, a major factor in our security and prosperity. Respect for common values will reinforce progress towards a strategic partnership.'[3] In the preamble to the Common Space of Freedom, Security and Justice both sides 'reconfirmed [their] commitment [...] to further strengthen their strategic partnership on the basis of common values, which they pledged to respect.'[4] These quotations serve as illustrations of the interests and motivation which guide the EU in its relations with Russia, as well as the approach it applies to reach its objective: It is acknowledged that Russia plays an increasing role for European economic prosperity, and that the EU and Russia face similar political and security challenges. Therefore, the EU strives for a 'strategic partnership' with Russia, which has to be based on common values.[5] At the same time, EU policy aims at domestic transformation in Russia and supports Russia's development into a consolidated and prosperous democracy.

It was these two paradigms, 'strategic partnership with Russia' and 'democratisation of Russia', which dominated the EU's policy towards Russia since the breakdown of the Soviet Union. As will be discussed below, they complemented each other for most of the 1990s. Since the beginning of the current decade, however, the two paradigms have increasingly got in each other's way. With the 2004 enlargement a third paradigm, 'containment of Russia', grew stronger in the European debate. Since it was rather marginalised throughout the 1990s, this paradigm is not yet reflected in the official documents, since they were all signed and adopted before enlargement. However, it is very likely to have an impact on the upcoming negotiations.

THE EU AND RUSSIA DURING THE 1990S: DEMOCRATISATION FIRST

In the early years of relations with independent Russia the EU's policy was dominated by the 'democratisation of Russia' paradigm. The term 'strategic partnership' is not used in the PCA, which identified Russia as a state in transformation. The text of the document outlines that the objective of the bilateral partnership was 'to support Russian efforts to consolidate its democracy and to develop its economy and to complete the transition into a market economy.'[6] Article 55 of the PCA, which focuses first and foremost on trade, explicitly suggests that Russia should bring its legal system into line with the *acquis communautaire*. The EU provided technical assistance in the framework of TACIS and direct support for democratisation via other programmes, such as the European Initiative for Democracy and Human Rights. The main goal of this policy was to enforce Russia's democratic transformation and by doing so to create the precondition for its gradual political and economic integration in Europe.[7] Hence, the EU pursued a sequential approach presuming that domestic transformation would be followed by the deepening of the bilateral partnership and Russia's eventual *rapprochement* and integration with the EU.

During most of the 1990s, Moscow complied with this approach for several reasons. Firstly, Russia had emerged from the ruins of the Soviet Union with a strong (verbal) commitment to political and economic reform and European

2 www.ec.europa.eu
3 A Secure Europe in a Better World. The European Security Strategy, www.consilium.europa.eu
4 EU/Russia: The four "common spaces", www.consilium.europa.eu
5 See also Sabine Fischer, 'The EU and Russia. Conflicts and Potentials of a Difficult Partnership', SWP Research Paper, Berlin, January 2007
6 Agreement on Partnership and Cooperation, www.ec.europa.eu
7 Sabine Fischer, 'The EU and Russia: Democracy Promotion in a "Strategic Partnership"?', in: Annette Jünemann/Michèle Knodt (eds), *Externe Demokratieförderung durch die Europäische Union*, European External Democracy Promotion (Darmstadt: Nomos 2007), pp. 247-69

integration. The idea of Russian membership in the EU and even NATO, although never seriously pursued, regularly popped up in the Russian debate during this period. It was articulated not only by experts and publicists, but also repeatedly by high-ranking officials, including the Russian president. Secondly, the EU's image in Russia was mainly that of a benign economic 'soft power'. Other than NATO, which was still perceived by many as a potentially anti-Russian military unit, the EU did not seem to pose a threat to Russia. Thirdly, Yeltsin and his surroundings were in desperate need of political and particularly financial support from the outside. Domestic turmoil and recurrent economic crisis weakened the Russian state during the whole period. The EU was among Russia's most important external donors. Thus, Russia's conciliatory policy was not only a consequence of the above-mentioned political commitment, but also necessary for the ruling elite to stay in power. The fact that the 'democratisation of Russia' paradigm remained unchallenged by Russia throughout the 1990s spared EU Member States the uncomfortable situation of having to decide between the two paradigms mentioned above. Relations with Russia were largely 'managed' by those member states who had a strong strategic interest in them, particularly Germany and France. Critical discussions took place, for example during the first Chechen war – but there was no real disagreement about the necessity to keep Russia close and to work for its democratisation. Basically, relations with Russia did not have the same potential to split the EU that they have today.

2000-2004: TOWARDS ENLARGEMENT AND DIFFERENTIATION

Between 1999 and 2004 the context of the EU's policy towards Russia changed considerably. NATO's war in Kosovo brought the first serious political crisis between Russia and 'the West' since the end of the Cold War. The EU did not initially appear to be too affected by the chill in relations. It was at the EU Summit in Cologne in June 1999 that the German Presidency managed to get Russia back to the negotiating table, following which a compromise on Kosovo and the peacekeeping forces was hammered out a few weeks later. Furthermore, the new Russian President Vladimir Putin focused a great deal on the EU when he launched his '(re)turn towards the West' in 2000/2001. Despite disagreements over the second war in Chechnya, the EU was proclaimed by the new Russian government as Russia's most important modernisation partner.

During the same period, Russia experienced quick economic recovery thanks to rising revenues from energy exports which profoundly changed its self-perception as an international actor. It also affected the rationale behind the attitudes of those member states purchasing energy from Russia. Furthermore, the early Putin years saw political stabilisation and reform processes which were largely welcomed by the EU and its member states. As a result, the 'Russia as a strategic partner' paradigm became stronger, without, however, replacing the 'democratisation of Russia' paradigm.

Simultaneously, the EU entered the last stage in the process of Eastern enlargement, in the course of which it developed the European Neighbourhood Policy. Despite Brussels' repeated affirmation that the ENP was not directed against Russia's position in the region, its emergence was observed with great suspicion in Moscow. The Four Common Spaces, created as a special framework for relations between the enlarged EU and Russia, could not ease growing frictions, which became painfully visible in the dispute over the Orange Revolution in Ukraine at the end of 2004. Until that moment there was not much awareness within the EU of Russian apprehension regarding Brussels' growing role in the 'common neighbourhood'. The dispute over events in Ukraine made it clear that even if such an outcome was not intended by the EU the Russian side increasingly perceived it as a geopolitical rival in the region.

Many of the new member states entering the EU in 2004 brought with them a negative attitude towards Russia, rooted in their socialist and pre-socialist history. These states' considerations are shaped by two assumptions. Firstly, there are strong doubts about Russia's potential to develop

a fully-fledged and consolidated democracy. Secondly and closely linked with the conviction that Russia is deeply entrenched in its anti-democratic, authoritarian tradition, it is assumed that Russian foreign policy is and will remain imperialistic and potentially aggressive. Such perceptions inevitably lead to the desire for containment. Similar ideas had existed in the Western European discourse before enlargement as well, but they did not shape the EU's policy to the extent that Polish or Estonian attitudes came to influence it as of 2004. The 'containment' paradigm introduced a strong geopolitical component to EU discourses on Russia which had been characterised by post-modern ideas of transformation through integration and soft power policy for most of the time since 1992.

THE EU'S POLICY TODAY – CO-EXISTENCE OF PARADIGMS

Today, the three paradigms described above co-exist and pull the EU's policy towards Russia in different directions. Developments since 2004 exacerbated the fragmentation of positions within the EU. While the adoption of the Roadmaps to the Four Common Spaces after long and difficult negotiations in May 2005 seemed to bring some progress, 2006 and 2007 were characterised by the deterioration of relations between single member states and Russia and the stagnation of bilateral relations between Brussels and Moscow.

The veto with which the Polish leadership intended to draw the EU's attention to grievances in its relations with Russia, particularly a Russian ban on the import of Polish meat, had significant consequences. It was the first demonstration of the fact that new member states could and would efficiently block relations with an important third country. This came as a surprise not only to Russia, but also to some of the older and bigger member states. A similar development took place in the run-up to the EU-Russia Summit in Samara in May 2007, when the dispute between Russia and Estonia about the removal of a war monument from the city centre of Tallinn prompted the German EU presidency to sharply criticise the inappropriateness of the Russian reaction. This again undermined the start of the negotiations.

European Commission Berlaymont Building, Brussels

The stagnation of political relations between the EU and Russia caused by the veto complicated the situation of the European Commission *vis-à-vis* Russia. The European Commission (EC) had prepared and submitted the negotiation mandate in July 2006, before the veto brought the process to a standstill. Only the recent cautious détente in Polish-Russian relations paved the way for first steps being taken on the elaboration of the mandate and preparations for the negotiations. Although work in the numerous EU-Russian dialogues and working groups continued, the stalemate seriously limited Brussels room of manoeuvre on the political level. This trend went hand in hand with the simultaneously increasing bilateralism in Moscow's policy towards the EU. While focusing on relatively well-functioning relations with some member states, Russia bullied others and demonstrated disinterest in Brussels' positions. Russia's rapidly decreasing dependence on foreign aid and technical assistance, administered by the European Commission and its Delegation in Moscow, seemed to allow for this increasingly dismissive attitude. Furthermore, the EC and

Moscow find themselves on opposite sides of the political fence on one of the most important issues in EU-Russia relations: energy. The Commission's proposals to liberalise and unbundle European energy markets and to limit the access of state-owned foreign companies were perceived in Russia as a direct attack against Gazprom and were greeted with fierce criticism in Moscow.

The stagnation of political relations with Russia in addition to Moscow's changing behaviour on the international stage (most visibly demonstrated by Putin during his appearance and speech at the Munich Security Conference in 2007, which sent a shockwave through the international community) marked the beginning of a period of reflection on the future course of relations with Russia. The debate is shaped by the three paradigms discussed above. At the same time the paradigms themselves underwent certain changes in the course of the debate.

Given the weak results of Western democracy promotion in Russia and increasing Russian resistance to any 'interference from the outside', the 'democratisation of Russia' paradigm has been considerably weakened and transformed. Democratisation (or rather the state of Russia's democracy) still has a prominent place in EU statements. However, direct democracy promotion and conditionality are no longer considered realistic political strategies in relations with Russia.

The 'strategic partnership' paradigm has been strengthened in reaction to Russia's re-emergence as a global player. The way in which it has developed is certainly also a result of Russian bilateralism in relations with the EU. At this point it becomes very visible how outside actors can influence internal EU debates and decision-making processes. However, this strategy did not succeed in completely de-linking the 'strategic partnership' and the 'democratisation' paradigms. The current debate in Brussels and EU capitals features three basic options for the future of relations with Russia. They all attempt to accommodate European values and interests in relations with Russia, but balance them in different ways:

Strategic partnership: The option of a 'strategic partnership' starts from the assumption that Russia is too important to be ignored or sidelined by EU policies. It implies that the EU continues to seek comprehensive partnership relations with Russia. Proponents of this option call for the continuation and deepening of EU-Russia economic cooperation in all possible fields and hope for a spillover of European norms, rules, and eventually values through progressing economic integration. Proponents of the option assume that Russia has an equally strong interest in close relations, since the EU is and will remain Russia's most important and accessible partner for modernisation. They favour a comprehensive new agreement encompassing all relevant issue areas and aiming at the deepest possible integration with Russia.

Selective partnership: This option also starts from the assumption that Russia remains a crucial partner for the EU. It envisages close, but less comprehensive relations with Russia. Its proponents argue that cooperation should be intense in areas of common interest. Like advocates of a strategic partnership, they hope for spillover effects. However, the option of a selective partnership also implies the possibility to slow down cooperation or abstain from it where EU values are violated or interests threatened. This concerns bilateral relations between Moscow and Brussels as well as Russian attempts to put pressure on single EU member states or to interfere with EU internal affairs. Hence, other than supporters of a strategic partnership, they envisage a relationship in which the EU can offer advantages, but also apply sanctions and pressure if needed. From this viewpoint a new overarching agreement with Russia is a plausible option. However, the emergence of a series of legally binding sectoral agreements would be more important than becoming involved in a most likely tedious and very difficult debate about a strategic partnership agreement with Russia.[8]

8 Recommendations formulated recently by Mark Leonard and Nicu Popescu in 'A Power Audit of EU-Russia Relations', ECFR Policy Paper, November 2007, can serve as an example for this kind of thinking

Containment and self-protection: This option emphasises threats emanating from Russia rather than its economic or political importance for the EU. Cooperation with Russia should be pursued where possible, but at the same time be limited to the necessary minimum. Instead the EU should strive to reduce its dependence on Russia and protect its values and interests against Russian assaults. Consequently, proponents of this option are much more critical of the idea of a strategic partnership and of its explicit institutionalisation in an agreement.

Conclusion

As outlined in the introduction, the EU faces a dilemma in its relations with Russia. Against a background of growing interdependence, the EU and Russia disagree on many issues which, from an EU perspective, are closely linked with core elements of its identity. Instead of pursuing a concise policy based on a clear-cut strategy towards this important but difficult neighbour, the EU today is more rather than less divided on the issue internally.

The EU will undergo significant institutional change with the implementation of the Lisbon Treaty. Apart from the creation of a single legal personality of the Union in its external relations, the most important changes in the realm of foreign and security policy will be the establishment of the post of High Representative for Foreign Affairs and Security Policy (HR) and of the European External Action Service (EEAS). Both the HR and the EEAS are designed to overcome the two-pillar structure of the EU. The office of the HR will be separated from the role and function of the Secretary-General of the Council of the European Union. He/she will chair the newly created Foreign Affairs Council, which will deal exclusively with foreign and security policy. He/she will also be a Vice-President of the European Commission, which is supposed to lead to more coherence between the Council and the Commission. This also has the potential to strengthen the Commission in the EU's foreign policy, particularly in relations with countries such as Russia who pursue a bilateral approach and tend to play actors and institutions in Brussels off against each other. The EEAS will be staffed by the Council, Commission, and diplomatic services of the member states which make it a joint project and could enforce coherence and continuity from below. Thus, the Lisbon Treaty gives new impetus both for stronger leadership and more coherence in the EU's foreign and security policy. At the same time, it maintains and partly even strengthens the intergovernmental character of CFSP/CSDP by emphasising that the competences of the member states will not be affected by the Treaty, and by reiterating the norm of unanimity for most decisions to be taken in this realm. Much will depend, furthermore, on the concrete implementation of the Treaty. Essentially, the Lisbon Treaty has the potential to bring about more coherence in the EU's approach towards Russia, particularly with respect to the cooperation of the Brussels institutions. As concerns dividing lines between member states and their impact on relations with Russia, the outlook is less promising. In any case such developments will become visible only in the medium term, since the Treaty is still in the process of ratification, and implementation will start in 2009 at the earliest – assuming that all member states agree.

Therefore the Lisbon Treaty is unlikely to ultimately solve the EU's coherence problem in relations with Russia. That leaves Brussels and the member states with the difficult task of finding compromises on their diverging positions and attitudes towards Russia. The changeover of power in Moscow and the unblocking of the negotiations on the partnership agreement seem to be a good point in time to re-open the debate on Russia. As concerns domestic politics in Russia, one should not expect radical democratic changes from the future President, Dmitri Medvedev. However, there is some reason to believe that he will restart reform policies which have been neglected during Putin's second term in office. The new administration will therefore most likely be more interested in a dynamic relationship with the EU than its predecessor. This could provide windows of opportunity, but for the EU to be able to efficiently exploit them an open and frank reassessment of policies and positions is necessary, in which values and interests find a reasonable balance.

It's all psychology!

by JENS SIEGERT & RALF FUECKS

It is commonplace to say that states have no friends but only interests. If this is true, then many arguments speak for closer co-operation between the European Union and Russia. Accordingly, it is not difficult to find quotations from politicians within the EU and Russia who name all of the common interests: continuously increasing trade, dealing with refugee and border issues, education, combating organised crime, the trafficking of women and drug smuggling, and fighting international terrorism. In all of these fields – and a lot more if one digs a little bit deeper – Russia and the EU are already co-operating on a daily basis. Sabine Fischer, for example, has named all of these links in economy and politics between both actors. These links are tight and are becoming more so every day.

But it is equally easy to find dividing issues. Astonishingly, most of these have already been on the table since the end of the last century and are still in dispute today: Kosovo, the expansion of NATO to the East, the equilibrium of conventional armed forces in Europe, and relations towards the common neighbourhood. There have been ups and downs within these disputes but no fundamental changes. Only the common neighbourhood issue has become more problematic after EU enlargement in Central and Eastern Europe and the so-called 'coloured revolutions' in Georgia and Ukraine.

So, how do EU-Russia relations differ between the end of the 1990s and today? Back then, Russia felt rather weak and the EU dreamed of becoming a sort of civil superpower. Today, however, Russia's government and most Russians are convinced that their country has recuperated a large part of its old strength, while the poorly understood EU is in deep crisis after enlargement, not knowing how to proceed. Russia has got a little bit richer and quite a big bit more self-confident. The EU has become much larger but less confident due to the problems in managing this 500 million people colossus solidly and sustainably.

The most problematic issue in the EU's relationship with Russia is its 'becoming more East'. There are two parts to this:

- The new member states with experience of being Russian colonies or living under Russian rule holding (historically justified, but not always very practical) grievances towards the former oppressor;
- 'Becoming more East' means to get closer to what the Russians perceive to be their zone of vital interest. Without judging the legitimacy of this perception, it is not difficult to see how this inevitably makes conflicts more likely.

Neither Russia nor the EU has today a coherent vision of their common future. In his congratulation on the 50th anniversary of the Rome Treaty last year, President Putin made an attempt to picture how far co-operation and integration between Russia and the EU might go: 'Everything but institutions'. However, this in particular cannot be in the interest of the EU. As it suggests, that Russia wants to meddle and have a say in internal EU affairs without taking responsibility for anything. Russia is demanding for itself a position towards the EU similar to that of the US. The US is the big brother from the West; Russia wants to be the big brother from the East. But there are two significant and decisive differences:

- The relation between the US and the EU is based on shared common values. There is nothing similar in EU-Russia relations;

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A common future for the EU and Russia?

— On the basis of these common values, the US is defending the EU with its nuclear weapons arsenal under the institutional umbrella of NATO. Russia in turn demands that the EU accept its claim to be a superpower, with its *cordon sanitaire* and regions of rightful interest and influence (which is partially made up of EU member states).

Psychology

There are very few material reasons for hope or optimism that the Russian attitude towards the EU will change in the near future. Arkady Moshes mentions them all. Having this in mind one can fold his or her arms and wait for better times to come – or look in another direction. The most promising things in there relate to soft power. The EU must try to change the momentum.

As the last decade showed, economic relations are developing and working well with or without good political relations. Adequate relations are sufficient to realise the comparative advantages. 'Advantage Russia,' the referee may say, because the Kremlin seems not to want more than China has. But this is also an advantage for the EU as well. As it means that demanding democratic reforms, criticising human right violations and supporting democratic developments won't hurt the wallet. But there is another reason why Russia will not put at risk good economic relations towards the EU. Despite the success of its economy over the last eight to ten years, Russia remains a rather weak country with an oil and gas addicted economy, fragile state structures and an average per head GDP far less than that of the EU. This will continue to be so for decades to come. The EU is needed for the inevitable modernisation of the country and as a reliable buyer of Russian oil and gas, a buyer who is able and willing to pay high prices – and who pays the whole amount, and in time. The oversized admirations towards Russian economic success are rooted more in hope and, sometimes, pure greed than in cool and rational calculation.

The Clinton campaign, when running for the US presidency at the beginning of the 1990s, coined the phrase 'It's the economy, stupid'. For EU policies towards Russia we must paraphrase today: 'It's all psychology, stupid!' It is simply not true that Russia is now strong and the EU is weak, that Russia is free to sell its oil and gas to other buyers and that the EU is dependent on its goodwill. Yes, Russia is getting stronger, but it started from a relatively low point. And yes, the EU has to mobilise a substantial part of its energy and resources to manage the enlargement process and climb up to a new level. But Russia's strength is rather an effect of European self-mortification and the relative weakness of the EU and the US together. The biggest problem of the EU (and indeed of the West as a whole) in its approach to finding a common and coherent policy towards Russia is that it underestimated the country in the 1990s and is overestimating Russia's potential today. Remarkably, most Russians did and do the same. Two waves are producing heavy interferences. Russia's münchausanian reinvention from a collapsing former superpower to a member of the club of emerging powers like China, India or Brazil (BRIC) is perhaps the biggest success of Putin's presidency.

What we see today is Russian hard play and bluffing. The results are quite explicit, as presented in the Power Audit of EU-Russia relations issued by the European Council on Foreign Relations in autumn 2007. This analysis is no excep-

tion; it is a realistic picture of the current nature of the EU's Common Foreign and Security Policy (CFSP). One can see this not only in EU-Russia relations, but also in relations with other powerful states like China and even the US. This tells us more about the state of the CFSP than about Russia. But that is the way the EU works today. The EU has to improve this, but it will take a long time. And the EU will probably never become a centralised state with a hierarchic power structure. There is no institution or individual in the EU who has the ultimate power, the right to decide in a state of emergency.

The Russian policy of dividing the EU and dealing bilaterally with member states or small groups of countries separately is not exceptional or outstandingly hostile. The EU is facing this problem not only in its relations towards Russia, but in fact towards all states, who consider themselves to be strong enough. So it is an EU problem and not something to blame the Russians for. This does not set the game in favour of the EU. At first sight, the Russian centralised and democratically unbound political system enjoys a big strategic advantage in this power play over the pluralistic EU, where every member has the ultimate say in many, often decisive, political fields. Maybe the world is not safer but more dangerous than at the time of the Cold War. Undoubtedly, however, it is more complicated and the de-centralised EU-system may turn out better prepared for future challenges in the long term.

Map of Central and Eastern Europe - 'The same history, the same events do not necessarily mean the same thing to the people affected'

History

Because of their historical experiences with both Russia and Germany, Poland, the Czech Republic and the Baltic states pushed particularly hard to become members, first of NATO and then of the EU as soon as possible. As a result, this history united a part of Europe on one side and drew a dividing line on the other. There are many different perceptions of what happened when the Cold War ended and the Soviet Union collapsed. Most inhabitants of the EU would probably say that this was a victory of freedom; the freedom of nations who had been under the rule of a Russian empire for decades or even longer, and freedom of all the people who have lived under dictatorships. But within Russia this opinion is shared only by a rather small minority. Most Russians and in particular the political elite of the country perceived the end of the Soviet Union as a defeat and bear a huge narcissistic hurt from being downgraded from citizens of a superpower to citizens of a rather weak country which had to obey the prescriptions of the International Monetary Fund (IMF) in the 1990s. Freedom for them is associated with the 'chaos' of President Yeltsin's rule.

The same history, the same events do not necessarily mean the same thing to the people affected. The quarrel about the Bronze Soldier in the Estonian capital Tallinn in Spring 2007 and the inadequate, partly hysterical reaction in Russia (only partly managed by the Kremlin's spin doctors) say a lot about the strength of the forces behind national narratives. Here is not the place to argue, who was right or wrong. Different and dividing perceptions and interpretations of what has happened in Europe in the last century are increasingly determining discourses about history and identity in domestic and international politics, particularly in Central and Eastern Europe.

Did the Soviet Union liberate Estonia, Latvia and Lithuania from German occupation? The answer is certainly yes. Was it simultaneously an occupation of these countries by the Red Army? The answer is again yes. For many Estonians, Latvians and Lithuanians it is very difficult to admit the first. Most Russians deny the second. Or another example: Was the big famine in the South of the

Soviet Union in 1931, the *holodomor* as Ukrainians name it, a genocide, a deliberate attempt by Stalin to annihilate Ukraine and the Ukrainian people as a nation? The answer is again yes and no, depending on the point of view. Most reputable Western historians nowadays tend to the conclusion that the famine was, in the first instance, a consequence of the forced and brutal Stalinist industrialisation and collectivisation. The famine affected Ukraine, the 'granary' of the Soviet Union, more than any other part of the country, but many people in southern Russia or on the Kazakh steppes were dying of starvation as well. But historians also argue that the fact that many of those who died were Ukrainian nationals was a 'side effect' which was very welcomed by Stalin if not intended.

Such different national narratives of history or 'national images of the past', as the Moscow-based Memorial Society put it in an appeal this spring to set up an International Historic Forum as a platform to discuss them, can also be found in Western Europe, for example between Germany and France. But there are two important differences. First, it is acknowledged in both countries that these contradictories have to be solved on the basis of common democratic and liberal values. Second, Russia was over centuries a colonial and imperial power and a number of new EU member states were under its often harsh rule for some time. These countries now try to secure their newly-gained full independence and this means naturally in the first case independence from Russia. Most of them found this protection in the EU and NATO; others like Ukraine or Georgia are looking forward to it. This is leading to new disputes.

As a result of these processes, many Russians within the political and economic elite as well as among the general public, are developing deep feelings of exclusion. This exclusion has a dual character:

- Most of the countries which have been under Soviet rule exclude themselves from the common responsibility towards the history of the Soviet Union by "russifying" it, thus taking up the position as victims of Russian oppression (which they have been without doubt). Moreover, these national narratives tell history mostly as a collective history. For Russia, and more importantly the Russians, there remains often only the role of the perpetrator. And this has a spill-over effect to old EU member states which tend to be in solidarity with the new ones.
- Russia is not a member of the EU and will not be for quite a long time, if ever. Within the EU there is a strong tendency to equate itself with Europe as a whole. This tendency is especially strong when it comes to values. The enlargement criteria openly state that only democratic, liberal and free societies are worthy to join the Union. But not all new member states, never mind present and future candidates, meet these standards. Nevertheless, for other reasons they are already in or are given a good chance to get there. And whoever is in the EU is on the bright side of life, with a world-class certificate proving their democratic credentials. The people in Russia rightly conclude that there must also be other reasons that facilitate EU membership. At the same time, however, Russia is excluded from a possible entry into the EU. There are many good and astute arguments why Russia should not become an EU member and Russia contributed its utmost to this. But the widespread myth that Russia and democracy are not compatible makes the country and its people prisoners of their own authoritarian and non-democratic history with no way out.

Critics of Russia and its political course say that this is all a consequence of Russian behaviour. That is true. But is not the whole story. NATO was once founded 'to hold the Americans in, Russians out and the Germans down'. This often-repeated joke refers to Europe. Cynically speaking, the purpose of the EU follows similar rules, especially if one approaches the Russian border. This does not excuse the lack of democracy in Russia and Russia's harsh and often appalling foreign policy, but it does explain some of the reactions in Russia towards its critics in the West. One could say that this is a Russian problem and a problem

of the Russians. But it makes it quite easy for the Kremlin to manipulate public opinion within Russia against the EU.

There is another historic contradiction between the EU and Russia which makes mutual understanding more difficult. The respective perception of state and nation are fundamentally defined by two totally different and partly contradictory historic traumata. In brief (excuse the simplification):

- The EU is the answer to 300 years of war between Europeans, which led, under German guidance, to catastrophe in the middle of the 20th century. This answer means that Europe can survive and live in peace only if all European nations – and especially the big ones – voluntarily give up a part of their sovereignty. This has worked now for more than 50 years, and in the eyes of most people living in the EU it works quite well.
- Russia recently suffered from the collapse of the Soviet (read Russian) empire. And there was and is a great fear in the country that Russia may fall apart as well. Putin prescribed the concentration of sovereignty in one centre, in one hand, as a remedy. And in the perception of today's Russians, Putin is the right doctor and his remedies are really working.

These two conceptions are not only different; they are contradictory and threatening to each other. The EU actively, and sometimes involuntarily, promises its neighbours that if they follow its way they will reach the prosperous safe side of life. The EU is a value empire with huge centripetal forces. These forces are also taking effect within the Russian neighbourhood, which goes against the predominantly geopolitical thinking of the Russian political elite. They attempt to counter this by trying to divide the EU and deal rather with member states separately.

How to deal with the renewed Russia?

Russia is neither a friend nor an adversary of the EU. The problem is, as Lilia Shevtsova from the Carnegie Moscow Center puts it, that Russia is not able and not willing to decide whether it will be a friend or an enemy of the West. Russia's foreign policy is, with the exception of energy issues, much less active than reactive. But as long as the EU and the West as a whole do not develop a coherent policy towards Russia, Moscow is able to reap the benefits.

The EU is facing three main problems which are exacerbating the difficulties to develop an adequate and successful policy towards Russia beneath the structural problems of the development of the CFSP:

1. An increasingly self-confident and assertive Russia;
2. The eastward enlargement with new member states who hold historical grievances towards Russia;
3. The lack of a coherent and, perhaps even more importantly, common strategy.

Let us begin with the last.

Sabine Fischer identifies three basic strategic options available to the EU:

- Strategic partnership;
- Selective partnership;
- Containment and self-protection;

None of these options gives a sufficient answer. Russia today is not an ideological opponent to the West as was the Soviet Union. The Russian political elite has no competing ideological project to spread throughout the world (although the Kremlin tries to develop a kind of surrogate, and we will come back to this point below). It is the other way around. Russia's negation of the democratic and liberal values the EU is promoting is almost totally self-protective. The elite is defending its political power and often personal economic wealth. Most Russians reject the so-called 'western model' because of their bad experiences in the Yeltsin years. Democracy and liberalism are for them inseparably linked with chaos, uncertainty and humiliation – which is likely to remain so for quite some time to come. This value gap excludes a strategic partnership as an option.

The selective partnership describes more or less the current situation and lacks any advantages for the EU. Russia would be able to cherry-pick without taking any responsibilities. While the third option, that of a policy of containment, is not in the interests of the EU either. It needs co-operation with Russia in many fields. It may be possible to solve many but not all conflicts in Europe or other regions of the world without the help of Russia, but it is certainly not possible to do so against it. No-one should underestimate the potential of Russia to interfere and mix things up.

So, what then? Let us paraphrase Yitzhak Rabin, then foreign minister of Israel, who spoke long before the Oslo talks about Israel's approach towards the PLO and Arafat: The EU should trade with Russia and co-operate on security issues, as if there were no shortcomings in Russian democracy, violations of human rights or harassment of small neighbour states, some of them even members of the EU. And at the same time the EU should complain about these shortcomings, as if there were no trade and co-operation.

The EU cannot do without either. It needs Russia as an economic partner; as one if not the most important distributor of oil and gas; as a partner to solve the many international conflicts such as in the Balkans, with Iran or in the Middle East as a whole. But it also needs a Russia that constitutes no threat to its neighbours or to the EU. Such a Russia, a reliable Russia, can only be a democratic Russia. For the EU, what happens in Russia is of great importance. But we must be aware that our ability to somehow convert Russia to pluralism and liberalism is very limited. This does not mean that there are no possibilities.

The new member states in the East are right to call for EU solidarity. But they have to be very careful to refrain from using the EU to amplify their own particular criticisms of Russia. This is a give-and-take between the new, mostly smaller EU members and the old and often bigger ones. Inside the EU, this balancing of interests between small and big members supported by various forums and mechanisms works quite well. But when it comes to Russia the EU mostly fails. These mechanisms are mainly built on experience and mutual trust, which obviously is lacking in the Russian case. That there is a historical record of Russian-German partnership to the disadvantage of many small countries makes the situation no easier.

As we already mentioned above, Russia is not so strong as it seems. The problem is not that Russia has got too strong to handle. The problem is that it remains too weak to be a reliable partner. This weakness refers to both domestic and foreign policy. This is why it bullies its neighbours and this is why its imperialistic attempts often look so clumsy, like in Ukraine. Russia is not trying to spread an anti-Western ideology around the world. But, in a way, it is working on a substitute. Communism was a Western idea and the Russians made Bolshevism out of that. Now they are trying to create another challenge to the Western liberal democratic model. The so-called 'steered' or 'sovereign' democracy sounds strange only to Western ears. For many Russians this hybrid construction seems to be quite a logical answer to the costs of the freedom they experienced in the 1990s.

This Kremlin concept is not only a dirty trick to neutralise critics from abroad and inside the country. It is a clever mix. Beneath the bad experiences of the 1990s it contains often valid criticisms of the democratic shortcomings inside the EU. It criticises double-standards towards Russia on one hand and its former Soviet neighbours like Ukraine or Georgia, who avow Western values without meeting the standards, on the other hand. It refers to often clumsily and sometimes ruffianly interference in Russian domestic affairs and effectively addresses the distinct patriotic feeling in Russia as well as the above-mentioned narcissistic hurt. In the end, it tries to show the Russian people that they are 'not wanted' there in the EU, pointing to Gorbachev's dictum of 'our common European home' and showing what came out of it. From a common contemporary Russian viewpoint, Europe, that is to say the EU, is ready to let everybody in, 'even the Turks' (though from a Russian point of view their 'Europeanness' is disputable), but not the Russians. Russia tries to

hollow out the value-based democratic and liberal system by shouting out that the king is in reality naked. The newly-founded Russian 'Institute for Democracy and Co-operation' in Paris and New York are part of this attempt to fight the West with its own soft powers. These attempts have so far been somewhat inexpert, but no-one should underestimate the Russian ability to learn.

A newly-important word in the Kremlin's lexicon is reciprocity. It is mainly used in economic disputes, such as the question of investments in the so-called strategic economic sectors. But it was also one of the main Russian arguments when enacting the new law on NGOs. The Kremlin's men and women often made the point that foreign NGOs should only be allowed to do in Russia what Russian NGOs are allowed to do in other countries. The EU should take the Russians at their word. How, if not by openness and soft skills, can the EU prevail in the competition between democracy and 'steered-democracy'?

This brings us to our last point. Although a growing number of Russian politicians believe that the EU cannot be taken seriously, the majority of Russians see the country's future with the EU. A poll conducted by the Levada Center, the most independent Russian opinion research centre, recently found that more than half of those surveyed hope that one day Russia will be a member of the EU. These people are a big asset for any EU policy towards Russia. The EU must do its utmost not to disappoint their expectations too much. The easiest way to win their favour would be to improve the Schengen visa system. The embassies and consulates of the EU member states are the first place of encounter between Russians and the EU. And this encounter does not make them feel welcome within the EU; on the contrary, all signals send out the message that the EU is a stronghold which lifts its bridges only for the chosen ones.

To open the EU and especially the Schengen borders as wide as possible is maybe the most valuable thing the EU can do to support the democratisation of Russia. In contrary to common assumptions, realpolitik for the EU towards Russia consists today more of soft measures than of hard ones: co-operation where possible, open borders, real reciprocity (that means to take the Russian people seriously as the Europeans they are), the avoidance of double standards and, maybe most importantly, to live up to its own.

The EU and Russia must treat themselves as equal partners – 'That means to take the Russian people seriously, avoid double standards, and live up to ones own'.

Russia and the European Union are increasingly bound together – if not by common values, then by virtue of their interdependence and intertwined interests. In spite of this, EU-Russian relations are at their lowest point since the end of the Cold War. The relationship has been marred by competing interests in the 'shared abroad', irritations about anti-democratic tendencies in Russia's domestic policy, energy conflicts and bilateral problems between Russia and several EU member states. The domestic situations of both actors are partially responsible for the lack of progress in the relationship. While Brussels has entered a period of self-consolidation after its eastwards enlargement and the failed referenda on the Constitutional Treaty, Moscow has been pre-occupied with ensuring a smooth transition to a post-Putin presidency.

More importantly, relations are in the grip of a new correlation of forces which profoundly differs from the 1990s. Adapting to these new realities understandably expands the potential for conflict. As such, it will take time for both sides to find a mutually satisfactory modus vivendi.

This timely publication aims to elucidate the views of both actors with regards to their relationship. It provides succinct analyses of the current status quo and examines the potential for positive change. We hope that it can be a contribution to the debate on a more fruitful relationship between the EU and Russia that fulfils its responsibility to tackle today's international problems and promotes a stable and prosperous Europe.

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