

Hanna Smith  
Aleksanteri Institute  
University of Helsinki

## **Engaging Russia**

**A Major Challenge for the European Union**

The year 2006 has been very interesting. It has been the year when Russia entered into world politics as an integrated part of it. Russia held the presidency of the G8 and the Council of Europe. The G8 is a modern format for Great Powers to deal with world affairs, and those included in the organisation are seen as the countries which set the trends in world politics. The Council of Europe is an organisation guarding the exercising guardianship over democratic norms and values in the area of “Great Europe”, the Europe of 46. The power of the energy exporter also became especially evident for the European Union due to the gas crises between Russia and Ukraine. Russia’s growing economy, and especially its energy resources, have also strengthened Russia’s position as a Great Power actor in Europe as well as globally. Russia also completed the last big WTO membership negotiation round with the US in November 2006 after record long negotiations. WTO membership would indicate that Russia is willing to operate in a multilateral framework and also to follow rules laid down for members by the organisation.

At the same time as conducting high level respected politics where Russia has been able to maintain the air of a rising Great Power, there has been a series of less flattering events for Russia, which give us a different kind of picture. The Russian Federation has descended into an all time low relationship with its small neighbouring country, Georgia, first over wine and mineral water and then over spies, leading to the deportation of Georgians from Russia and a Russian embargo of Georgia touching various sectors. Diplomatic rhetoric has been very harsh and in the West was more resonant of the Soviet Union than the sophisticated Russia that is a strategic partner for the West. Developments inside Russia have also led to questions regarding Russia’s aims and motives in its international cooperation. The growing tendency in Russia to make trouble for Western companies through different means by limiting, delaying or totally banning companies from functioning has been noticed with increasingly worried feelings in the West and also elsewhere. Good examples of this are the case of Sakhalin-2 where environmental concerns and the Russian authorities’ suspicions over violations of environmental decrees have caused trouble, especially to Shell and Japanese Mitsui and Mitsubishi as well as Italy’s Eni and the case of IKEA’s new megastore in Nizhny Novgorod, where suspected violations of fire regulations have led to the closure of the store for the Christmas season. State Duma Deputy Alexander Khinshtein has even threatened the possibility that the courts could still order the Nizhny Novgorod Mega Mall to be demolished, citing the traffic problems it had caused and other “irreparable complaints”.<sup>1</sup> The trend

---

<sup>1</sup> Simon Shuster, “Duma Deputy Says IKEA out for 2006”, *Moscow Times*, December 8, 2006. Issue 3557. p.1.

towards keeping foreign companies at arms length and making problems that are quite unfamiliar to Western business practices and increasing state control in various branches of the economy are perhaps not the most worrying internal matters. In autumn 2006 there has been a marked increase in murders that have either a political or a financial background. Anna Politkovskaya was the thirteenth murdered journalist in Russia during Putin's rule. Deputy head of the Russian central bank Andrei Kozlov's killing in September 2006 started a wave of murders that raises certain questions: what is happening in today's Russia? Is Russia a stable country? And is Putin in control of the country?

From the EU's point of view these are important questions to be asked, especially at the time when the EU is preparing for its mandate to start negotiations with Russia over a new Partnership and Cooperation agreement.

Two ways of approaching Russia can be identified either see the current situation as a window of opportunity, start from a new base to build up Russia-EU relations and on the basis of a future common economic space and freedom of movement without visas involving common norms as clear goals of Russia's closer integration with the EU; or see Russia as a game that was lost in the 1990s and build the Russia-EU relationship purely on the strategic interests of both actors without any long term goals, and approach problems as they occur.

From the Russian side, even if their motives and aims are sometimes very hard to identify, it seems that they do have three main aims regarding Russia-EU relations: a free economic space, a visa-free regime with the EU and some part in the decision-making process of the EU (NATO-model).

## **Russia-EU relations: an overview**

Something that is often lacking in writing and analysis of current Russia-EU relations is relating it to Russia-EU relations since 1992. By examining the longer term context it is possible to get a better picture of current trends. Which issues are old ones and which are new can better be identified by looking at the long term overall picture.

The longer term  
context of  
Russia-EU  
relations

### **Idealism, Expectations and Contradictions – 1992-1997**

This period was full of expectations and idealism that guided decisions on both sides but bore very little fruit since attempts to cooperate were based upon false concepts. In Russia there was even the idea of becoming a member of the EU. They saw Europe as the Gorbachevian “Common European Home” and NATO’s role would diminish and the OSCE would take over NATO’s role in Europe. Since Russians had overturned communism the expectation was that the West and Europe would reward them. In the summer of 1994 Russia signed a Partnership and Cooperation Agreement (PCA) with the EU in Corfu. Yeltsin declared “Our country has made a strategic choice in favour of integration into the world community and, in the first instance, with the European Union”. In Russia, Russia’s future in the international scene was seen as that of a Great Power and regional leader, that would become a Great Power with global significance. In May 1992 Russia submitted an application to become a member of the Council of Europe and in 1996 Russia became a full member. Somehow in Russia membership was seen as a first step towards Russia’s EU membership.

Russia’s positive expectations of the EU, 1992-1997

All the positive signals that came from Russia were heard in Europe, but the Russian reality was badly misjudged. The view in Europe was that since communism was defeated, Russia would become a democracy overnight and that a market economy, achieved by the shock therapy that worked for some formerly communist East European countries, would be the best thing for Russia too. Russia was expected to follow all the Western advice and the attitude was in the West; “we know best what is best for them”. Russia’s instability was recognised and the reaction was to keep Russia at arms length from Europe. Engage enough, but not too much.

Europe expected Russia to follow rapid market reforms

This policy of talking and expecting more than reality would allow to be delivered on both sides set the tone for future relations and still

casts a shadow on current Russia-EU relations.

### **Reality check, disappointments and difficulties – 1997-2004**

Once the situation started to reveal its real nature, relations between Russia and the EU did not improve – quite the opposite.

From the Russian side several issues appeared to lead to the storm clouds gathering. NATO enlargement in 1997 was a kick in the teeth for the Russian foreign policy establishment. Russia's membership in the Council of Europe did not bring any advances to Russia and the Russians felt that Western aid fell short of expectations. In autumn 1998 Russia fell into monetary crisis and at the same time as this loss of state confidence Russia was trying to be an important player on the Kosovo issue. Russia's international significance was questioned and the US and NATO for the first time took unilateral action without UN approval. Russia started its own second Chechen war in the same year. In short, by 1999 EU-Russia relations were very icy despite high level documents from both sides stressing each others importance to one another.

NATO, Council of Europe, financial crisis, Kosovo, Chechnya

Vladimir Putin's presidency should have made things better and the war on terror had the potential to become a bridge builder between Russia and the West. However, especially as far as the EU was concerned, Russia's transformation was frustratingly slow both in the economy and in politics. Even if Russia did come up with three coherent foreign policy documents in 2000, telling much more than before about Russian foreign policy priorities and aims, the feeling of Russia's unpredictability remained. The changeover of power from Yeltsin to Putin did not happen in a way that would increase confidence on the EU side. Russia openly declared its Great Power ambitions but the methods and even aims were questioned. Putin did stress that Russia was a European country but at the same time a lot of emphasis was put on sovereignty, Russian patriotism and Russia as a strong state that stands on its own feet. At the same time the EU's

Russia and EU lost confidence in each other, 1997-2004

own internal developments, simultaneous closer internal integration and enlargement, affected the EU's foreign and security policy. More emphasis was put on common values and norms that became an issue of real arm wrestling with Russia.

### **The search for balance - 2004-2006**

By the year 2004 most of the unrealistic and idealistic expectations had disappeared. Russia had a new found confidence. Differences became clearer and expectations more realistic. The EU enlargement in 2004 was very significant for the EU. At the same time Russia became a “closer” neighbour for the EU and also a more complicated one. These years were also marked by the use of the past. It can be argued that never have any second world war celebrations caused so much controversy and public international debate as the May 2005 celebrations in Moscow. Furthermore, it was clear that the Russian “near abroad” and for the EU “the former Soviet Union” had become a “common neighbourhood” for both with interests that coincided and crossed each other. The orange revolution in Ukraine showed that there was still some “old thinking” alive. Arguably it was easier for the EU to react to and get involved in the Ukrainian crisis when all the cards were laid openly on the table. The crisis made it possible for the EU to act in a united way and it was able to play a moderating role with regard to Russia. This was proof that the EU can act in a united manner if there is a common understanding of the situation, although this is less likely to happen when it is not a time of crisis. Regarding Russia this was a real opportunity for the EU to act on that common understanding in a united manner. But more generally the EU's ability to read Russia is still limited and split.

EU enlargement and the Orange Revolution affected the EU's relations with Russia

Despite the fact that Russia-EU relations cannot be described during the years 2004-2006 as being warm and positive, some things have gone forward slowly but surely, building new foundations for the future. The areas where some success can be claimed are education and regional cooperation. The best concrete examples of regional

cooperation can be found inside the Northern Dimension environmental partnership's framework. The waste water plant opened in St.Petersburg in autumn 2005 might seem only a little step forward but it is an achievement that benefits all the countries that have a Baltic Sea coast line and it is a proof that the EU and Russia can work together when a big enough common interest is found. Common interest is not a guarantee that issues will not be politicised and when they become politicised the steps forward become more difficult. Environmental issues and education have so far at least been carrying the sign of non-politicised issues. On the education side, the opening of the European University in Moscow in 2006, the cross-border university project across the Finnish-Russian border and the exchange of students in the framework of Tempus can be counted among the success stories.

Successful cooperation between Russia and the EU over education and the Northern Dimension

Both the environmental and education projects deal with one of the most important tasks that can be achieved in Russia-EU cooperation - increased interaction and joint projects have led to all partners working together on an equal footing to break stereotyping and false perceptions. These experiences can be then translated into higher politics and they will also strengthen Russia's civil society.

Joint projects break down stereotypes and false perceptions

There are a number of things we can learn from this examination of the past when it comes to the development of the relationship in the future. It is a mistake for both the EU and Russia to make far-reaching idealistic assumptions about each other; the attitude that the EU has adopted towards countries negotiating for EU membership can not be effective in Russia's case; the EU needs to recognize Russia's aspiration to great power status as a reality and not talk down to it like a defeated power; personalizing relations with individual leaders will not benefit EU-Russia relations in the long-run, since even if institutions are weak the emphasis on cooperation should be on institutions. On the other hand, bilateral relations, regional cooperation and working together on single issues shows what can be done.

Lessons of the past relationship for today

## Energy

The centrality of energy is not a new phenomenon in Russia-EU relations: “The construction of an East-West energy bridge has been a European strategy goal since Russian gas first entered Western Europe amid great Cold War controversy over twenty years ago”.<sup>2</sup> The EU’s growing dependency on Russian energy together with a Russia which is getting stronger and more confident has lifted energy to the forefront of the Russia-EU dialogue.

The central place of energy in Russia-EU relations

The EU-25 is dependent on Russia for 25% of its gas and 25% of its oil. Conversely, sales of raw materials to the EU provide most of Russia's foreign currency and contribute to over 40% of the Russian federal budget.<sup>3</sup> It is clear from the numbers that Russia is as much dependent on a secure European market for its energy as the EU is dependent on Russia’s energy supplies, and in need of a secure source.<sup>4</sup> However, within the common interest that Russia and the EU share, the difficulties of a united policy inside the EU in the Russia-EU energy dialogue are also clear. Energy brings out the national interests of nation states.

Mutual dependency in energy relations

Energy is the greatest export resource of Russia. Russia has become recognised as an important source of energy supplies for Europe. The Russia-EU energy dialogue was set up in 2002. There has also been an attempt from the European side to get Russia to ratify the Energy Charter Treaty, but so far it has remained at the level of attempting and Russia has grown increasingly hostile towards the whole issue. Poland’s attempt to link the ECT issue to her own dispute with Russia and to the ratification of the EU’s own mandate to start PCA talks with Russia, failed and only caused problems to the united line of the EU without getting anything out of Russia. Since the gas crisis

Russia's failure to sign the Energy Charter Treaty and the Ukraine gas crisis led to tensions over energy

---

<sup>2</sup> Debra Johnson, “EU-Russia energy links” in Debra Johnson and Paul Robinson (eds.), *Perspectives on EU-Russia relations*, Routledge 2005, p.188

<sup>3</sup> “EU-Russia Energy Dialogue”, 28<sup>th</sup> November 2005, <http://www.euractiv.com/Article?tcmuri=tcm:29-150061-16&type=LinksDossier>

<sup>4</sup> Johnson, p.177



between Russia and Ukraine, Russia's reliability has been in question and the EU has tried to get some insurance from Russia that energy deliveries are and will be reliable.

Here, internal developments in Russia, especially in the area of economics, have given rise to concern among those who import energy from Russia.

Two cases in the field of Russian energy are quite illustrative of what kind of a partner the EU is dealing with. The Shtokman case, where Russia for a long time negotiated with possible partners to share the development of the field and then decided in the end to go solo, and the Northern European Gas pipeline (NEGP), where a bilateral deal was made between Russia and Germany. In the Shtokman case the foreign companies hoping for a share in the Shtokman field's development were French Total, Norwegian Norsk Hydro and Statoil, and the US owned companies Chevron and ConocoPhillips. The Norwegians in particular had been very confident that they would be cooperating with Gazprom on the Shtokman developments.

The Shtokman  
gas field and the  
Northern  
European Gas  
Pipeline

A common pattern in Russian energy policy can be identified through these cases - frequent unanticipated changes of direction in policy. There has been a growing tendency in Russia and especially in the case of Gazprom to monopolise markets. This in itself would not be such a problem, but when combined with the trend to encourage foreign cooperation at first, to open negotiations and even in some cases agree contracts, only then to review and withdraw from earlier understandings, it puts foreign companies and countries on their guard. The Shtokman process echoes the process of the NEGP, where Russians were for some time holding talks with several EU member countries about the gas pipeline crossing the Baltic Sea as a joint project including Finland, Great Britain and the Netherlands. In the end it was announced as a purely bilateral deal with the Germans, to the surprise and annoyance of many. Politics and geopolitics are and were very much connected with the NEGP.

The two cases  
display Russia as  
an unpredictable  
partner

In both the cases of Shtokman and the NEGP, it can be asked whether this represents pure indecisiveness on the Russian side or whether Russia is using energy politics as a foreign policy tool? In the longer term, can Russia show that it will be a secure delivery man for Europe? What can be said for certain is that after the Shtokman process and its outcome Russia's reputation as an unpredictable country and a difficult negotiating partner will remain. The EU will increasingly question whether Russia can be relied upon in physical terms to secure the promised supply. As long as Russia remains outside any multilateral agreements in both economic policies and energy policies the uncertain atmosphere will remain, leaving room for politics to play a larger role than needed and intended. This presents a challenge for the EU in its relations with Russia, and the question 'what kind of a multilateral framework?' also has to be examined. Since the Energy Charter Treaty, as things stand, does not seem to move things forward, and given the problems that have occurred with the transit protocol talks, something else should be worked out. Russia's membership in the WTO, once it is confirmed, will help a little bit, but if the EU wants to have an effective framework for the Russia-EU energy dialogue it has to create something that will be only between Russia and the EU in the first instance, and then create something between Russia, CIS countries and the EU. Either an energy dialogue needs to be built into the new normative PCA, or a special energy charter needs to be drawn up between Russia and the EU without the involvement of any other partners.

How can the EU build an energy dialogue with Russia?

### **The Council of Europe**

The Council of Europe stands as something of an anomaly in Russia's relationship with Western organisations, since Russia has seen its membership in the organisation as very important and has also invested a lot of effort into maintaining its membership of the CoE. At

Russia has

the same time, however, it is among the organisations which have most frequently expressed criticisms of Russia and raised the most sensitive questions relating to Russian democracy, the viability of the rule of law in Russia and the human rights situation.

With the founding of the European Union and especially since its expansion in the 1990s, less attention has been focused on the CoE and its role in European cooperation. The EU has included on its agenda many of the issues that are at the core of the CoE's functions. This has created an interesting situation. The EU has 25 members dealing with many of the same issues as the CoE. The CoE has 46 members, 21 of which do not belong to the EU, most of them countries from the former Eastern bloc. This has opened up the possibility of dialogue between countries of the EU on the one hand and those that have an interest in close cooperation with the EU, and who aspire to join it. On some occasions the EU has been accused of seeking to impose its norms and rules on other countries, and as long as there has been the possibility of membership on offer, the EU has succeeded in this and it has proved a fast track way of promoting the democratisation process. However in the case of Russia the problem remains, since Russia is not at the moment actively seeking EU membership. Russians have more and more frequently accused the EU of acting like a "teacher" and not treating Russia as an equal partner. The CoE framework has proven quite successful in this respect, since there not only Russia but other countries in the process of democratisation - Georgia, Armenia, and Azerbaijan, to name a few - are members and so also have equal status. With that kind of starting point, it seems that even Russians, who are particularly sensitive to outside criticism, tolerate the criticism better.

Russia is a special member of the Council of Europe, not only according to themselves but from the viewpoint of the other members as well. Russia does have a strong feeling and need for belonging to something and the CoE has given it a platform where it feels that it is truly working in the European context. It has invested a lot of political prestige in the CoE and the Russian delegation has been put together

invested a lot of effort in the Council of Europe in spite of its criticisms

The CoE is a useful forum for dialogue with Russia is on an equal footing with the EU countries and other countries are also involved

The significance of the CoE to Russia

from politicians that represent the highest ranks in their parties but are also professional diplomats by training. In Russian foreign policy multilateral cooperation is a very central theme but at the same time it does include a line of thought that Russia should also belong to the group of "big" members that have enough influence to protect themselves.

The situation today, of Russian membership in an organisation like the CoE and the organisation's stand towards Russia, is defined by three main factors:

3 factors define Russia's place in the CoE

The first factor is that the very start of the organisation in 1949 did create a precedent for the way in which it functions in the Post-Cold War environment. Russia sees the CoE in the way that Churchill envisioned it, as a multilateral setting where difficult issues could be discussed but where nobody's national interests could be threatened.

Russia views the CoE as it was in 1949

The second factor is the time and the way Russia joined the CoE. Since the accession process was filled with false expectations on both sides, the reality has also hit harder today. Russia is disappointed that it got so little out of its membership and that the EU pulled out of cooperation after Russia's membership, as well as smarting from the criticism it has encountered from the CoE side. There remains a feeling that the rest of the CoE demands and expects from Russia more than from other countries with weak democracies. The CoE side is disappointed that the process of democratisation in Russia has gone so slowly, that in some points it has reversed its course, and that the record of implementation of CoE conventions is weak. The success in Russia adopting the new Criminal Code, a new Code of Criminal Procedure and new legislation restructuring the prison administration and the judicial system are positive trends but not seen as enough for a good result of a decade of Russian membership.

Disappointed expectations over membership

The third factor is the Chechen wars. With the Chechen wars, the "war on terrorism" has become a reality in Russia as well, in fact it affected Russia before the rest of the world. The wars brought with them a big question mark over Russia's democratic development. The Chechen wars have been the cause one of the biggest disputes

The Chechen wars

between Russia and the rest of the CoE and will continue to remain so as long as there are still disappearances and violence in Russia.

The Putin era has confirmed that Russia is quite firm in its commitment to its membership in the CoE. Now and then the Putin administration has used the CoE as an advisor to its legislation. One good example is the new Russian NGO law, which is within the framework of CoE norms and was redrafted after consultations with the CoE. However, doubts remain as to how well the new laws are really implemented and work in Russian society. Putin's personal stand on the death penalty issue is an important one, thinking of the future, but as long as public opinion polls continue to show majority support for the death penalty, its abolition will not be a reality. The Russian presidency of the CoE shows clearly the Russian way of looking at the CoE as an international organisation. It does respect the organisation and wants to see an even bigger role for it in European cooperation. However, the Russian attitude is also very pragmatic and guided by what can be defined as the national interest.

The CoE has demonstrated its usefulness in pulling Russia closer to the European sphere of norms and values. It is one of the only organisations that is able to monitor developments in Russia in a way that is acceptable for all partners. It has had an impact on Russian legislation and provided support on regional development projects. It has acted as a learning forum for both Russian diplomats and Europeans, to get to know each other's way of thinking and acting. However it is quite clear that the assumption that the CoE or any other Western based organisation could promote and push issues like democracy, human rights and the rule of law in Russia is false. The CoE has many mechanisms it can use to support the processes started by Russians - the court of human rights, regional programmes, an advisory role in drafting laws etc. - but it cannot impose on Russia something that it is not yet ready for. The process in Russia does have set backs from the Western point of view but steady involvement, open dialogue and continued monitoring will slowly but surely pull Russia even closer to Europe.

The attitude to CoE under Putin: the NGO law and the death penalty

The benefits of the CoE as part of a learning process

This is a fact that should also be taken into account in the Russia-EU dialogue. Too many arenas for similar issues can sometimes be good – more fronts on which to push the same issues - but also, and in particular in the case of Russia, results will be more effective when a mechanism is used that is approved by both sides. The EU should unite its own opinions but bring it out in the framework of the Council of Europe. This does not only apply to the case of Russia but also to ENP countries.

## The Future

To engage Russia with the EU is a challenging task for the EU's foreign and security policy, together with the Eastern direction of the CFSP. The EU's East is still in an evolving stage. Russia will play a very significant role the EU's external policy.

Russia wants to be one of the big powers in Europe but also equal with the EU as a global player. This creates a tension between Russia and the EU at the moment. The challenges should be tackled through all possible kinds of cooperation– bilateral, regional, sectoral and multilateral. Bilateralism has had a bad name in the EU's Russia policy but the fact is that most of the EU countries that have close ties with Russia do use bilateralism and without that many things would move forward even slower than they do at the moment. Bilateralism should be taken into account in the internal policy making of the EU and so it could benefit the united line without any element of surprise or bad feelings. Regionalism is an aspect that has not been emphasized enough in the EU's CFSP, but it definitely has a future. Using sectoral approaches in a regional framework (a good example is the Northern Dimension with its partnership programmes) can really be the way forward in practical issues with Russia. The multilateral level is the highest level of EU-Russia cooperation. This has proven good in the sense of opening up discussions, correcting misunderstandings and providing a meeting point of ideas, but it is not the level where the successes of Russia-EU cooperation can be

The EU needs to cooperate with Russia on bilateral, regional, sectoral and multilateral bases

claimed.

The upcoming PCA negotiations will take a long time, but they do provide the opportunity to develop Russia-EU relations in a completely different atmosphere from the 1990's. They should focus on fewer issues but with in more detail. The issues that require a general framework between Russia and the EU are education, energy, environment, freedom of movement (visas) and the idea of a possible free trade zone. Human rights, questions of norms and values, should be dealt with in the framework of the Council of Europe with the EU's stand negotiated in advance. Both organisations would then focus on common norms and the rule of law in their dealings with Russia. Furthermore the example of the OSCE can be used in the difficult question of the "Common neighbourhood" of Russia and the EU. In the cases of the Council of Europe and the OSCE, cooperation with Russia within those frameworks would also involve other countries (CIS countries and countries that are included in the EU's ENP) in discussions so that they can not complain about deals done over their heads.

Now is the time to rethink the Russia-EU relationship, to learn from the past and use the mechanisms which are to hand in order to get forward and create new ones in those places where old ones are past their "best by" date. There is only one way and it is forward, even if it is long, painful and sometimes frustrating.

The new PCA negotiations need to focus on fewer issues but in greater detail