

## **ASSESSMENT OF THE COOPERATION BETWEEN THE EU AND RUSSIA**

The end of the critical period of the Cold War opened a new era of partnership between Russia and the EU. Russia is today a ‘strategic’ partner for the EU, but also an independent player which is not currently a party to the EU integration process, nor does it wish to become so, at least in the near future. This partner is also an unpredictable one because it goes through an uncertain era of political, economic, demographic, social and geopolitical transformation, thus deviating from the model proposed by European democracies, and it seems at times to be heading for a centralised and autocratic system<sup>1</sup>. Developments in the European Union are also unpredictable, after the failed referendums in France and the Netherlands. And yet this partnership is essential for both actors. Both the European Union and Russia want to be taken seriously as global actors and they need to rethink their external priorities. The EU is a strong partner for Russia which can help it to face up to its challenges<sup>2</sup>. For both actors, the dialogue between Russia and the EU must be intensified in the interest of political stability, lasting security, and economic prosperity in the whole region.

Yet many obstacles remain on the way to deeper cooperation. At present, “the main factor that prevents Moscow and Brussels from overcoming the ambiguity and the crisis of confidence in their mutual relation is the lack of a long-term strategic vision”<sup>3</sup>. The relationship remains uncertain despite a well-developed system of bilateral ties at various levels. The main sign of this uncertainty is the incapacity of both parties to jointly formulate their strategic goals in their relations and to define common values, interests and tasks.

### **1. A COOPERATION BASED ON A WIDE RANGE OF LEGAL, POLITICAL AND ECONOMIC INSTRUMENTS**

#### **1.1. THE PARTNERSHIP AND COOPERATION AGREEMENT (PCA)**

The legal basis for EU relations with Russia is the PCA<sup>4</sup> which came into force on 1997 for an initial duration of 10 years. It will be automatically extended beyond 2007 on an annual basis, unless either side withdraws from the agreement. It is a ‘mixed’ agreement which covers a wide range of policy areas, sets the principal common objectives, establishes the institutional framework for bilateral contacts, and calls for activities and dialogue. In 2004, the EU and Russia signed a Protocol<sup>5</sup> to the PCA ensuring the application of all of its provisions between the enlarged EU and Russia.

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<sup>1</sup> See Global Europe 2020 Website.

<sup>2</sup> “The country faces the task of not only sustaining economic growth, but also diversifying the economy away from oil and gas, as well as stimulating investment and innovation, to modernise its system of governance, to build a civil society, to integrate growing numbers of immigrants, and to alleviate the economic effect of Russia’s dire demographics”. See Article ‘Russia, the EU and the common neighbourhood’, Dmitri Trenin, CER, September 2005.

<sup>3</sup> ‘Russia-EU Relations, The present situation and prospects’, CEPS Working Document No. 25/July 2005.

<sup>4</sup> See [http://europa.eu.int/comm/external\\_relations/ceeca/pca/pca\\_russia.pdf](http://europa.eu.int/comm/external_relations/ceeca/pca/pca_russia.pdf).

<sup>5</sup> ‘Protocol to the Partnership & Cooperation Agreement’, Brussels, 27/04/04, IP/04/549. See [http://europa.eu.int/comm/external\\_relations/russia/russia\\_docs/protocol\\_0404.htm](http://europa.eu.int/comm/external_relations/russia/russia_docs/protocol_0404.htm).

## 1.2. THE COMMON STRATEGY FOR RUSSIA

Adopted in 1999 and not extended beyond June 2004, this Common Strategy<sup>6</sup>, like others, was a failure. This unilateral document led to a purely bureaucratic exercise with empty regular reports on implementation.

## 1.3. THE EC TECHNICAL ASSISTANCE TO RUSSIA - THE TACIS REGULATION

Launched by the EC in 1991, the Tacis programme<sup>7</sup> provides mainly grant-financed technical assistance. Since 1991, more than € 2.6 billion have been allocated to Russia. Tacis budgets for the period 2004/2006 have been cut by about 50 %, given Russia's GDP per capita<sup>8</sup> and budget surplus.

## 1.4. THE ROAD MAPS FOR THE CREATION OF FOUR COMMON SPACES

At the Moscow summit of May 2005, both sides agreed on four 'Road Maps'<sup>9</sup> aiming at the creation of four 'Common Spaces' for deeper integration i.e. the Common Economic Space, the Common Space of Freedom, Security and Justice, the Common Space of External Security and the Common Space on Research, Education and Culture. Those 'Road Maps' are not legally binding documents: they are political commitments.

## 2. THE INSTITUTIONAL FRAMEWORK

The PCA established an institutional framework for regular consultations at five different levels: Summits of Heads of State/ Heads of Government, the Permanent Partnership Council (Foreign Ministers), the Cooperation Committee and PCA sub-committees, Troika Meetings and the Parliamentary Cooperation Committee. In practice subcommittees and the cooperation committee, whose task should be to coordinate the positions and the implementation of all dialogues and all aspects of the cooperation are not effective. In fact coordination is done at Summit and Foreign Ministers levels.

It is the opinion of the Commission<sup>10</sup> that in the perspective of a new agreement with Russia, the institutional framework should be reorganised in view of bridging the gap between meetings at high level and at experts' level.

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<sup>6</sup> Common Strategy of the European Union of 4 June 1999 on Russia (1999/414/CFSP).

<sup>7</sup> Council Regulation (EC, EURATOM) concerning the provision of assistance to the partner states in Eastern Europe and Central Asia , n° 99/2000 of 29 December 1999 and Country Strategy Paper 2002/2006, National Indicative Programme 2002/2003, Russian Federation, 27 December 2001.

<sup>8</sup> GDP per Capita – Russia in 2004: 3291 €, Real GDP % Growth in 2004: 7.1 (IMF, World Economic Outlook)

<sup>9</sup> See [http://europa.eu.int/comm/external\\_relations/russia/summit\\_05\\_05/finalroadmaps.pdf#ces](http://europa.eu.int/comm/external_relations/russia/summit_05_05/finalroadmaps.pdf#ces).

<sup>10</sup> According to the Commission, "*the framework should also define the institutional provisions for its implementation*". Indeed, the institutional framework should be revised "*to provide for Summits (annual basis?), PCs and appropriate formats of meetings at Senior Official and Expert level*". ('The EU-Russia PCA – Content of a New Framework for Relations', Commission - Meeting Document 025/06, Eastern Europe and Central Asia, 26.01.2006).

### 3. MAIN AREAS OF COOPERATION

#### 3.1. RUSSIA-EU TRADE AND ECONOMIC RELATION

The EU-Russia trade relationship can be summarised in two words, namely energy and asymmetry. The EU is Russia's main trading partner accounting for above 50% of its total trade. Having more than doubled between 1995 and 2004, total EU trade with Russia (imports and exports) in 2004 amounted to € 125 billion with an EU trade deficit of around € 35 billion<sup>11</sup>. Bilateral negotiations for Russia's accession to the WTO have been successfully concluded in March 2004<sup>12</sup> but negotiations at multilateral level are still ongoing. In May 2001, the possibility of creating a Common Economic Space between (CES) Russia and the EU was launched and is now examined in the framework of the Road Maps. The basic idea would be to give Russia better access to the EU's single market, provided that Russia brings its standards and regulations in line with the *acquis communautaire*<sup>13</sup>. This CES covers the main economic issues including industry, competition, investment, financial services, transport, telecommunications, etc. However, Russia considers that the EU is using it to make unrealistic demands on Russia. Finally, the PCA opened the perspective of a 'free trade agreement' (that means the abolition of customs duties) between Russia and the EU. However, there is no single mention of the words 'free trade' in the Road Maps. In practice, both sides agree that Russia should join the WTO before talking about further liberalisation between the EU and Russia<sup>14</sup>.

#### 3.2. THE ENERGY DIALOGUE

The EU-25 is highly dependent on Russia for energy. Russia accounts for some 50% of total gas imports and for over 30% of oil imports. It is predicted by 2030, the EU will be dependent for over 70% of its energy needs on Russia. In order to address the implications of such a situation, the EU and Russia launched a bilateral energy dialogue<sup>15</sup> in 2000. It involves regular meetings of experts, as well as high-level political discussions. The main issues addressed by this dialogue are the opening of Russia's domestic energy market to competition, security of energy supplies, technology transfer, energy saving, and climate change including the Kyoto Protocol.

There has been some progress but on many of the more important issues there are still big obstacles. Meanwhile, bilateral deals between Russia and separate EU states continue to prevail over a specific EU approach. To tackle this lack of a common approach and address the main issues concerning the 'Energy Sector', the Commission has recently launched a

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<sup>11</sup> Total EU imports from Russia: 80,476 billion €, total EU exports to Russia: 45,712 billion €. Balance: - 34,764 billion €. Source: EUROSTAT (Comext, Statistical regime 4).

As regards Foreign Direct Investment (FDI), European FDI in Russia is still low and far below its potential: € 2.2 billion in 2002.

<sup>12</sup> See 'Russia - WTO: EU-Russia deal brings Russia a step closer to WTO membership', IP/04/673, Brussels, 21st May 2004.

<sup>13</sup> See 'The EU and Russia; Strategic partners or squabbling neighbours?', Katinka Barysch, CER May 2004.

<sup>14</sup> This assertion has been confirmed by the Commission in its internal note 'The EU-Russia PCA – Content of a New Framework for Relations' (Commission - Meeting Document 025/06, Eastern Europe and Central Asia, 26.01.2006), having stated that "*negotiations* [in this area] *will only begin once Russia joins WTO*".

<sup>15</sup> For a general overview of this dialogue, see the official website of the Commission; [http://europa.eu.int/comm/energy/russia/overview/index\\_en.htm](http://europa.eu.int/comm/energy/russia/overview/index_en.htm).

European Strategy for Sustainable, Competitive and Secure Energy<sup>16</sup>. The Commission proposed to enhance the EU-Russia Energy Dialogue and subsequently integrate the results of the dialogue into the framework of EU-Russia relations due to replace the current EU-Russia Partnership and Cooperation Agreement in 2007. Some Russian and Commission officials have proposed that a specific EU-Russia Energy Treaty be negotiated. However, this does not seem necessary as such an agreement already exists at the international level with the Energy Charter Treaty, which contains trade, investment and transit provisions regarding energy products. Nevertheless, this treaty still needs to be ratified by the Russian Duma. According to the Green Paper of the Commission<sup>17</sup>, efforts should be intensified in the G8 to secure rapid ratification by Russia of the Energy Charter Treaty<sup>18</sup> and conclusion of the negotiations on the Transit Protocol.

### **3.3. INTERNAL SECURITY, FREEDOM AND JUSTICE (FSJ)**

The main areas of cooperation in that field are terrorism, non-proliferation of weapons of mass destruction, organised criminality, police cooperation and cooperation on immigration. There have been specific instruments of cooperation in this field<sup>19</sup>. Recently, the 'Road Maps' launched the project of a Common Space of FSJ. But the common commitments to fight international crime, drug trafficking and terrorism have to be materialised in concrete cooperation between Russian security agencies and the growing number of EU agencies, such as Europol, Eurojust and the anti-terrorism special representative.

### **3.4. EXTERNAL DIMENSION OF THE EU-RUSSIA PARTNERSHIP**

The EU and Russia discuss in that area a wide range of issues, from the Middle East, Iraq, Afghanistan and Iran, to the Western Balkans, Moldova, South Caucasus and Central Asia. However, the political dialogue has rarely gone beyond the stage of mere consultation. Joint action in that field is mostly absent. Russia is still trying to exert some control over the development of an EU defence policy by asking to be involved at the various stages of the decision-making. The EU has rejected such demands and has consistently dismissed Russian calls for an EU-Russia Council similar to the Permanent NATO-Russia Council. As regards the European Neighbourhood Policy<sup>20</sup>, Russia perceives it as too condescending and as too competitive with its own interests in this common neighbourhood. In 2000, the French EU presidency launched a political and security dialogue with Russia. Since then, there have been meetings, commissions and agreements in the political and security area<sup>21</sup>. Nonetheless, the dialogue has remained weak on substance, partly because of disagreements about the form and the scope of co-operation.

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<sup>16</sup> 'A European Strategy for Sustainable, Competitive and Secure Energy', Green Paper of the Commission, COM (2006) 105 final, Brussels, 8.3.2006.

<sup>17</sup> See Ibid. note 11.

<sup>18</sup> See Final Act of the European Energy Charter Conference on the website <http://www.encharter.org>.

<sup>19</sup> Negotiations for a Visa Facilitation Agreement and a Readmission Agreement were concluded in October 2005. However, the EU clearly stated that it was not ready for the moment for a visa free regime. See 'EU-Russia relations: next steps towards visa facilitation and readmission agreement', IP/05/1263, 12 October 2005.

<sup>20</sup> It is only recently that the EU devised its European neighbourhood policy' to forge closer ties with the countries beyond its eastern border, namely Ukraine, Belarus, Moldova, Georgia, Azerbaijan and Armenia, without offering the prospect of any eventual membership.

<sup>21</sup> In a highly symbolic move, Russia sent a small handful of officers to take part in the ESDP's first autonomous mission, the EU police mission in Bosnia and Herzegovina, at the start of 2003.

**Thus many obstacles remain on the way to deeper integration. Russia-EU relations have been hit by a crisis of confidence and systemic differences, which seem to prevent raising these relations to a higher integration level.**

#### **4. PROSPECTS FOR THE COOPERATION BETWEEN THE EU AND RUSSIA**

The relations between the European Union and Russia are currently in a phase of transition. The Partnership and Cooperation Agreement (PCA), which is the basis for Russia EU relations, is due to expire in 2007. Adequate in the very beginning, this legal basis has now become outdated. Certain of its key elements will no longer have any relevance after Russia joins the WTO<sup>22</sup>. Therefore some effort should be devoted to the elaboration of a specific model for EU Russia relations and yet neither Russia nor the EU is giving much attention to preparing an adequate substitute for the PCA.

It is important to take into account the timeframe and the constraints of both Russian and European agendas. Several events could influence the debate around the renewal of the PCA: the G8 Russian presidency<sup>23</sup>, WTO accession<sup>24</sup>, Russian presidential elections of 2008<sup>25</sup>, the arrival of new leaders in EU member states, etc...

##### **4.1. NO ACCESSION AND PROBABLY NO ASSOCIATION TREATY**

Russia's accession to the EU is a hypothesis which can be excluded for the foreseeable future. Russia has clearly stated that it does not apply for full-scale EU membership which would damage its long-term interests as a global player. Russia's mentality and political culture prevent it from "accepting the idea of becoming 'one of the numerous leaders' inside the European Union". Russian accession would also create huge problems, and internal tensions, for the EU.

The conclusion of an association treaty could be envisaged but it does not solve the question of the contents of the treaty because the concept is vague. Association treaties come in a wide variety of forms, some are highly significant in terms of business or trade, others are much less relevant. Moreover we have to take into account the fact that association treaties concluded with neighbouring European countries have generally been associated (in past practice and in public opinion) with ultimate accession. That is an impression neither party would presumably want to create in present circumstances.

##### **4.2. EXISTING MODELS CANNOT BE TRANSPOSED TO RUSSIA<sup>26</sup>**

None of the present models of the EU's relations with external partners (EU-US, 'New Neighbourhood', 'Swiss' or 'Norwegian' model, etc.) can be fully applied to the case of Russia. Each of these models is based on a unique historical, economic, political and cultural platform and cannot mechanically be transposed elsewhere.

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<sup>22</sup> Most of the provisions regarding Trade in Goods and Services and economic Cooperation (PCA Arts. 10-22, 28-51, 52-55, 56-61, 64-77, 78-80, 83, and Protocol 2) will be fundamentally affected by Russia's WTO accession and need to be revised, simplified and supplemented, also in the light of the first Common Space.

<sup>23</sup> Russia took over the G8 Presidency on 1 January 2006 for one year.

<sup>24</sup> Bilateral negotiations for Russia's accession to the WTO have been successfully concluded in March 2004 but negotiations at multilateral level are still going on.

<sup>25</sup> The Russian Presidential election of 2008 is scheduled to be held in March 2008.

<sup>26</sup> See 'Russia-EU Relations, The present situation and prospects', CEPS Working Document No. 25/July 2005.

Of the various models of relations which the EU has built with its external partners, the most unacceptable for Russia would be ‘integration without membership’. Such a model (used, for example, in the EU-Norway relations) would provide for the harmonisation of Russian and EU legislation, but would deny Russia the right to participate in the drafting process of that legislation. The ‘Swiss’ model might be somewhat more acceptable, as it provides for borrowing only those EU norms and standards that the recipient country finds advantageous. Something similar might be conceived to cover at least part of EU-Russia relations but the historical and geographical specificities of Russia are such that they exclude in practice the mechanical transposition of any model.

#### **4.3. INADEQUACY OF THE ROAD MAPS AS A SOLID BASIS FOR THE FUTURE PARTNERSHIP**

The ‘Road Maps’ and the concept of ‘Four Common Spaces’ can be interpreted as a ‘light’ version of preparation plans for eventual EU membership or as just a list of good intentions. In any case they cannot be viewed as an adequate replacement for the existing agreement (PCA). They are not legally binding texts but only political commitments. The ‘Road Maps’ may have served a useful purpose in masking the vacuum in Russia-EU relations, but they have failed to solve the main problems arising from a lack of strategic vision. To make the Road Maps the basis of EU-Russia relations could well take this relation out of the political context, reduce public interest in the issue and bring about stagnation in relations between the parties. However, taking into consideration the time required to draft a new EU-Russia treaty, this presentation might serve as a transitional framework for EU-Russia relations<sup>27</sup>. This would suppose that both parties display enough political will, which is presently lacking, in order to fill the framework with specific moves and projects.

As a preliminary conclusion, we should recognise that we have in fact **no conceptual framework which suits the situation**. To create such a conceptual framework would not be at all impossible if we had a clear strategic vision of where we want our relations with Russia to go, but we do not have that vision.

#### **4.4. THE LACK OF A STRATEGIC VISION**

At present, the main factor that prevents Moscow and Brussels from overcoming the ambiguity and the crisis of confidence in their mutual relations is the lack of a long-term strategic vision. The relationship remains uncertain despite a well-developed system of bilateral ties at various levels. The main sign of this uncertainty is “the incapacity of both parties to jointly formulate long term goals in their relations and to define common values, interests and tasks”.

Part of the problem is due to the fact that Russia is changing, without great clarity on the final outcome of that change. The Union is also in a period of change and uncertainty, illustrated by the debate round the constitutional treaty. Periods of uncertainty are not favourable to the

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<sup>27</sup> This idea is supported by the Commission. Indeed, the Commission goes further, considering that the “*broad areas of the substantive content of a new framework for the relationship should be set out and defined under the headings of the four Common Spaces*”. Thus, “*it will be important to establish an appropriate relationship between the new framework and the Common Spaces Road Maps. There could be a joint declaration by the parties reaffirming their commitment to implement the road maps as the short-to-medium instruments for the implementation of the relationship*”. (‘The EU-Russia PCA – Content of a New Framework for Relations’, Commission - Meeting Document 025/06, Eastern Europe and Central Asia, 26.01.2006)

definition of long term goals. Moreover the fact is that the Union has never been very effective in defining clear strategic visions for its external political relations. The concept of 'Common Strategies' introduced by the treaty of Amsterdam has, for that reason, practically disappeared from the map.

In the case of relations with Russia there are additional objective and subjective limitations. These limitations are imposed by the nature of the European Union and the logic of its functioning, especially when interacting with external partners. The internal agenda tends to dominate the activities of the Union, in particular when it needs to adapt to its 10 new members plus, in a short future, Bulgaria and Romania. The European Union tends to enforce, or try to enforce, its own legislation and standards on neighbouring industrialised countries as a condition for cooperation and this integrationist nature of the EU is difficult to reconcile with Russia's view of its own sovereignty.

Two further complications arise:

- Central and eastern European states have (and will keep for a long time) a different strategic appraisal of Russia than the one prevalent in Western Europe. Fifty years of Soviet occupation have left scars that will not disappear in the near future<sup>28</sup>. To try to define a meaningful common strategy in those circumstances might well create strong tensions within the Union.
- Russia itself does not seem to have a clear strategic vision of its relationship with the Union. Up to now Moscow has tended to react to Commission-prepared projects. Russia does not seem inclined to propose and draft its own variant of a new 'major' treaty with the EU for the period after 2007, or agreements on individual areas of cooperation and specific projects.

#### 4.5. MUDDLING THROUGH

The accumulation of difficulties described above may explain why, for the time being, neither Russia nor the EU is preparing an adequate substitute for the PCA. The elaboration of a specific model for EU-Russia relations should be determined not by the basic need for 'rapprochement' nor as a result of administrative inertia, but by the analysis of the EU's and Russia's long term goals in their relation. The formulation of clear goals should precede the drafting of the treaty and determine the nature of the legal instrument.

The Commission has proposed<sup>29</sup> that both parties should aim for a more ambitious text than the existing one, including, for example, "*commitment to deepen political dialogue in order to work together for peace, security and stability on the European continent notably in adjacent regions; and forward-looking language on deeper EU/Russia economic integration*". The Commission is also convinced that, "*in addition to maintaining commitments on human rights and democracy, provisions should be added on good governance and rule of law, effective multilateralism, fight against proliferation of WMD and terrorism, and sustainable development*". Finally, the Commission has underlined that a reference to the "*evolutionary nature of the relationship should be included*".

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<sup>28</sup> A concrete example of these tensions is the dispute between Russia and the Baltic States on the fate of the Russian minorities living in those three countries.

<sup>29</sup> The EU-Russia PCA – Content of a New Framework for Relations', Commission - Meeting Document 025/06, Eastern Europe and Central Asia, 26.01.2006.

However, in the present circumstances by far the more probable issue is the prolongation of the piecemeal approach we know at present: we will continue muddling through. This implies that there would not be another agreement to replace the PCA in 2007. Cooperation would remain split over many different agreements and projects, in various specific areas<sup>30</sup>. Both actors would agree in principle to implement the projects we find in the Road Maps for Four Common Spaces. This is not an optimal solution: it would certainly be preferable, and more elegant, to have another agreement<sup>31</sup>, with a new political message. But as a temporary solution, it would not be a disaster.

A positive approach to this situation would be to consider it as a technical pause, not a freeze, in mutual relations, a form of preamble to a future strategic cooperation. This pause could be used to think through and amend negative aspects of the present form of relations, prepare a more stable platform for the future and implement specific projects. It would allow Russia to adapt its legislation and standards to international norms in the economic, judicial and other major spheres (for example through accession to the WTO). Russian government and business leaders, who are clearly unprepared for closer relations with the EU, could make up their lack of knowledge about EU mechanisms. It would hopefully allow both parties to gain a clearer understanding of their respective institutional evolution. However there is a risk that, in the absence of an active dialogue, such a pause could evolve into a decline in the relationship.

In the long run a lasting strategic partnership with Russia would imply that this country moves towards a model of democracy similar to that of the EU. As indicated above, this is not the way Russia is going. Given the present situation, where the elites of Russia and the European Union have different values and views, attempts to push forward specific elements of integration could probably only serve to aggravate a negative atmosphere.

An ambitious EU-Russia policy would be successful only if the parties had a clear, shared understanding of the strategic prospects of their mutual relations. Thus far, Russia and the European Union have not acquired such an understanding. Therefore we have to limit ourselves to more modest goals even if this situation is unsatisfactory both for the Union and for Russia. There is no other solution on offer.

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<sup>30</sup> The Commission already assumes that, whether a new agreement would replace the PCA, and without prejudice to the decision on whether it would be a contractual agreement or a political declaration, “*in either case the framework would be complemented by a series of sectoral agreements which would be legally binding*”. (‘The EU-Russia PCA – Content of a New Framework for Relations’, Commission - Meeting Document 025/06, Eastern Europe and Central Asia, 26.01.2006).

<sup>31</sup> According to the Commission, any framework should indicate the strategic objectives and the principles on which the relationship should be based. The framework should contain a section on financial provisions indicating that EU and Russia would provide financial resources to implement the framework. A final section would contain general provisions. Cross-cutting issues, such as the Northern dimension should also be covered, probably by means of protocols which would set out their place in the relationship and the general objectives pursued. (‘The EU-Russia PCA – Content of a New Framework for Relations’, Commission - Meeting Document 025/06, Eastern Europe and Central Asia, 26.01.2006)