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Policy Paper, September 2007

THE EUROPEAN UNION AND RUSSIA 2004-2007

Marcin Kaczmarek
&
Eugeniusz Smolar
President, Center for International Relations



CENTRUM STOSUNKÓW MIĘDZYNARODOWYCH
CENTER FOR INTERNATIONAL RELATIONS

This Policy Paper was produced by the Center for International Relations, Warsaw within the framework of the project:
"STRENGTHENING CENTRAL EUROPEAN CONTRIBUTION TO THE EASTERN DIMENSION OF EU'S CFSP"

Organized by

PRAGUE SECURITY STUDIES INSTITUTE, CZECH REPUBLIC
CENTER FOR INTERNATIONAL RELATIONS, POLAND
RESEARCH CENTER OF THE SLOVAK FOREIGN POLICY ASSOCIATION, SLOVAKIA
CENTER FOR EU ENLARGEMENT STUDIES, CENTRAL EUROPEAN UNIVERSITY, HUNGARY

Supported by

THE GERMAN MARSHALL FUND OF THE UNITED STATES
THE INTERNATIONAL VISEGRAD FUND

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INTRODUCTION

When discussing Russia, Western diplomats have recently started to refer to its “new assertiveness” . It is clearly Moscow’s intention to realign its relations with the West in a way that would reflect the conviction - prevalent among the Russia’s elites - that the Russian Federation has regained superpower status or is well on the way to do so. Russian elites are convinced that the European Union has hit a cul-de-sac. Incapable of threshing out a common foreign policy, it is gradually becoming a loose conglomerate of nation states, which – given an attractive alternative – will opt for good relations with a powerful Russia - at the expense of certain ‘problem countries’. This conviction has entailed the activation of Russian policy towards Europe and the Euro-Atlantic area. By the same token, Russia is posing an ever greater challenge to the West, and in particular to the European Union, which has recently been preoccupied with its internal affairs - not least with enlargement and adopting and ultimately ratifying a new Reform Treaty. It is the aim of this report to present the process of shaping European Union’s policy towards Russia, both in Brussels and in individual European capitals.

The first part of the analysis is devoted to interests of the European Union as a whole in regard to Russia. Statements by EU politicians leave no doubt as to the necessity to retain the Russian Federation as a strategic partner. This stems primarily from the two players’ immediate proximity. From an EU perspective, cooperation with Russia is indispensable

in order to guarantee security on the European continent, including holding off diverse threats in the domain of so-called hard and soft security, or resolving conflicts in the CIS. Russia also remains EU members’ biggest single purveyor of energy resources, and both this market’s significance and potential is showing a growth trend. Moreover, Russia’s stance can help the EU in the process of buttressing the latter’s role and weight on the international arena as a global player (though the differences between the two actors are underestimated).

In the second part, the report analyzes Russia’s policy towards selected European states: Germany, France, Italy, United Kingdom, Hungary, the Czech Republic, Slovakia, the Baltic states, Romania and Poland. Germany is a country with the closest ties to the Russian Federation, and particularly active in improving EU-Russia relations. France is currently in the process of overhauling its Russia policy. In the case of the United Kingdom, economic ties intertwine with growing political problems. Countries of the so-called ‘New Europe’ evince different models of relations with Russia.

The report’s third section discusses EU-Russia relations. Recently, the most noticeable process in this domain has been the emergence - within the European Union - of a single coherent view of Russia. In part due to processes in internal and foreign policy of the Russian Federation and in part to the accession of New Member States, a perception of Russia among EU members has become more realistic and consequently more uniform. A separate issue relates to the functioning of EU-Russian

institutions, which - as recent summit meetings have shown - seem to have exhausted their potential. Despite the fact that the EU's infrastructure for dialogue with Russia is unmatched by any of the bloc's other bilateral engagements, what is in effect a crisis in EU-Russia relations has not been averted. The sundry problems dogging the bilateral rapport include energy security, policy towards a shared neighbourhood, Russia's domestic policy, its attitude towards conflicts in Europe (especially in the Balkans) and the RF's anti-Western foreign and defence policy. One reason for tensions in bilateral relations is the activation of EU policy in the so-called shared neighbourhood. This has been instantiated by elaborating a new policy towards CIS countries (ENP Plus), creating the so-called Black Sea Synergy, adopting a strategy in regard to Central Asia, all of which have been perceived by Russia as attempts to 'grab' the Russian sphere of influence. The systemic crisis in EU-Russia relations is amply reflected in the stalled negotiations over the PCA2, i.e. a new Partnership and Cooperation Agreement. Poland's move to block the start of talks has but deferred possible further deepening of the crisis in the rapport between Russia and the EU, given the fundamental differences between the two sides concerning the shape of the PCA2 treaty.

EU-Russian relations remain to some extent independent of individual EU members' Russia policies. This is the result both of the elaborate infrastructure for EU-RF dialogue, as well as of the particularity of the problems dealt with. At the same time, the situation means that neither of the models presented in the second part of this report has

dominated EU-Russian relations. The inability of any one country to foist its vision of relations with Moscow on the others may be a good starting point for elaboration of a common EU policy towards Russia. On the other hand EU's inability to engage Russia in a positive manner may lead to the bilateralisation (or nationalization) of relations with Moscow by individual member-states which could weaken the European Union as a whole.

CHAPTER 1

Does Europe need Russia?

The EU's and member states' interests in regard to Russia

“The relationship between the EU and Russia is one of the biggest and most complicated challenges in European politics and foreign policy. It affects every significant European and Russian interest - energy, climate change, trade, security, crime, migration, the Middle East, Iran, the Balkans.”¹

Among European neighbours the Russian Federation stands out as the most powerful, politically, economically and militarily. EU politicians and officials alike have dubbed Russia “the most important strategic partner”, and consider it a key priority “to build a strong strategic partnership with Russia based on a solid foundation of mutual respect.”² Speaking of Russia, Benita Ferrero-Waldner, the EU External Relations Commissioner, indicated its triple role “immediate neighbour; important strategic

partner; important and increasingly self-confident global partner.”³

Such an approach to the Russian Federation, underscoring the necessity of a **strategic** relationship with Russia, has persisted in unaltered form since the early 1990s, despite far-reaching changes to Russia's own situation. Neither politicians nor analysts questioned the importance of the relationship between the Russian Federation and the European Union. On the contrary, there was prevailing emphasis on the indispensability of cooperating with Moscow, with the desired relations defined persistently as a strategic partnership. This indicates that factors determining the EU's intentions and interests in regard to Moscow were durable, the preeminent being immediate proximity, forecast and desired economic symbiosis, as well as like stances on the crucial issues in bilateral relations and in the global situation.

However, the character of this neighbour relationship has undergone significant change with the enlargement of the EU to cover Central European states in 2004 and 2007, and with Russia taking steps to alter the character of mutual relations in practically all domains.

a. Neighbours

Russia's proximity to the European Union and its immediate frontier with several member states determine the basic framework for EU interests in regard to the Russian Federation. The European Security Strategy, adopted as early as December

¹ EU Trade Commissioner Peter Mandelson's Bologna address “The EU and Russia: our joint political challenge,” http://ec.europa.eu/commission_barroso/mandelson/speeches_articles/sppm147_en.htm, April 20th 2007.

² Cf. External Relations Commissioner Benita Ferrero-Waldner's address to the Austrian-Russian Friendship Association “Die EU und Russland: Partner, Nachbarn und globale Akteure,” 15.06.2007, <http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/07/407&format=HTML&aged=0&language=DE&guiLanguage=en>; “EU-Russia Relations”, European Commission, External Relations, May 2007, s. 3, http://ec.europa.eu/external_relations/russia/summit_05_07/2007_eng.pdf.

³ Waldner, op.cit.

2003, named Russia as “a major factor in our [Europe’s] security and prosperity.”⁴ The EU’s principal, or what are viewed as crucial, interests in regard to its Eastern neighbour include:

- Maintaining political and economic stability within the RF;
- Development in the FR of a political model close to that of EU members, founded on the adoption of western values: democracy, respect for human rights and the rule of law, and market economy;
- Constructive approach by the FR towards its near abroad, including, inter alia, respect for sovereignty of former Soviet republics, observance of international law and cooperation in regard to conflicts in their so-called shared neighbourhood (or in effect on CIS territory).

Despite efforts to thresh out the Common Foreign and Security Policy (CFSP) and the European Security and Defence Policy (ESDP), the EU’s most pressing task is to convert these long term vital interest into immediate policy aims and political practice in the event of Russia’s refusal to cooperate.

An additional difficulty the EU countenances in determining its aims with respect to Russia is posed by their internal incoherence, most egregious in the simultaneous promotion on the one hand of stability and on the other, of the rule of law or—more ambitiously—democratization. All the while, the idea that respect for shared values is essential to the EU’s

⁴ “A Secure Europe for a Better World: European Security Strategy”, Brussels, 12 December 2003, <http://www.consilium.europa.eu/uedocs/cmsUpload/78367.pdf>, p. 14.

implementation of the notion of strategic partnership with Russia has always constituted a specific component of the Union’s approach towards Russia. Benita Ferrero-Waldner, EU External Relations Commissioner, has emphasized that Russia has agreed to observe certain rules (as member of the Council of Europe or OSCE) and ought now to stick by them. Here, she pointed to the role of the free media, especially of the electronic variety, as well as to the importance of civil society. According to her, the test shall come with the elections to the Duma in 2007 and the presidential race in 2008, both of which OSCE observers should be invited to watch.⁵ This stance is shared by some analysts, e.g. Fraser Cameron, who underscores that the EU cannot cease its attempts to coax Russia into accepting European values.⁶ Others question such an approach, among them Katinka Barysch, who points to the need to drop the idea of founding a relationship with Russia on shared values.⁷

Another element of EU interests in regard to Russia is the problem of managing and solving conflicts in the European Union’s near abroad, above all in the Balkans and the post-Soviet region. In the former case, the EU wants Russia at least to refrain from blocking processes leading to conflict resolution.⁸ Meanwhile, the conflict in Kosovo presents the

⁵ Waldner, op.cit. p. 3.

⁶ See Fraser Cameron, “Prospects for a New EU-Russia Agreement”, *The Moscow Times*, 19 March 2007.

⁷ Cf. Katinka Barysch, “Russia, realism and EU unity”, *CER policy brief*, July 2007.

⁸ Practically ever since the withdrawal of its troops from Bosnia and Herzegovina in 2003, Russia has shown little interest in the region; only with the prospect of Kosovo’s independence in the offing did the Kremlin notice the possibility of using support for Serbia to its own ends, which lead to its reengagement in the Balkans.

parties with clearly differing interests, as attested to by their divergent stances, with Russia viewing the issue as one not limited to the region.⁹

In the case of the post-Soviet region, Moscow's cooperation is a precondition for resolving the simmering conflicts. Yet with respect to the so called frozen conflicts in the CIS, EU representatives seem unable to find a satisfactory solution to the situation whereby the Kremlin's interests dictate that it conserve the status quo, which provides it with means to pressure other regional players without engendering overt confrontation with the West. At the same time these same EU officials, among them Commissioner Ferrero-Waldner, indicate that their aim is not to limit Russian influence in the post-Soviet region.¹⁰ In a similar vein, Commissioner Mandelson attempted to demonstrate that the EU accepts Russian interests in the former Soviet republics, but rejects the idea of spheres of influence on the European continent.¹¹

Proximity with Russia also impacts decisively on the EU's wish to cooperate in the domain of so called soft security. Here, a large part of the challenges flows either directly or indirectly from Russian territory or that of other countries in the shared region. Cooperation with Russia is evoked in dealing with new security threats, such as terrorism, crime, illegal migration or human trafficking.¹² However, this requires voluntary cooperation, as well as undertaking a series of specific steps, also on the part of the RF (the first of these was the entry into

force on July 1st, 2007, of the readmission agreement).

b. Energy

The second place in the hierarchy of EU interests in regard to Russia is occupied by the question of the RF as supplier of natural resources. The EU depends on Russia for much of its crude oil and gas, and this situation shall not change over the medium term.

The European Union describes its relations in the energy domain as "mutual interdependence of supply, demand, investment and know-how." Russia is the world's biggest gas producer, and is second only to Saudi Arabia in oil production. It boasts 5% of global oil reserves, as well as 20% of the planet's gas. It has a stake in 30% of the EU's oil imports (27% of consumption), and 44% of gas imports (24% of consumption).¹³ Benita Ferrero-Waldner, EU External Relations Commissioner, has indicated that "within the EU we require a predictable and sure supply of raw materials, and Russia requires predictable demand and an attractive market for its products."¹⁴ At the same time, the EU suggests that Russia also needs this market to invest in its existing energy infrastructure. However, it is in Europe's interest to avoid energy dependence on Russia.¹⁵

EU postulates in the domain of energy can be summed up as follows:

- Gaining access to transit infrastructure;
- Gaining access to deposits;

⁹ Cf. Waldner, *op.cit.*, p. 5.

¹⁰ Cf. Waldner, *op.cit.*, p. 3.

¹¹ Mandelson, *op.cit.*

¹² See "EU-Russia Relations", *op.cit.*, p. 3.

¹³ See "EU-Russia Relations", *op.cit.*, pp. 5-6.

¹⁴ Waldner, *op.cit.*, p. 4. She went on to say that Austrian experience in this regard has been good, as Russia always has been and remains a reliable supplier.

¹⁵ Mandelson, *op.cit.*

- Investment security;
- Adopting such general principles of cooperation as transparency, the rule of law, mutuality, non-discrimination, openness and access to markets.

European countries are striving to secure the abovementioned long term interests by prodding Russia to ratify the Energy Charter and to sign the Transit Protocol. In view of the Kremlin's persistent refusal to acknowledge these documents, the EU has moderated its stance and now opts for the incorporation of a number of Energy Charter provisions in the text of a new agreement with Russia, the so called PCA 2.¹⁶

At the same time distinct differences with regard to energy issues endure within the EU. On the one hand, some states remain to a greater or lesser extent dependent on imports of energy resources, and especially gas, from Russia. On the other, some countries are entirely free of such burden. This is complicated further by divergent views of Russia's reliability as a partner—certain states worry that Russia is prepared to resort to “energy blackmail” in order to attain its objectives (Poland, Baltic states), while others perceive Russia as a reliable, and more importantly, more stable supplier than any available alternatives (principally France, Germany and Austria). Evidently, the situation has changed over the past two years, about which more is said in Chapter 2 below.

¹⁶ See *Vedomosti*, October 10th 2006.

Russia is also an important partner in the fight against climate change, which is high on the list of EU priorities.¹⁷

c. Economy

Russia remains an important economic partner of European Union, though the relationship exhibits a distinct asymmetry. The EU market is of far greater importance to Russia than Russia's is to the EU. In 2006, Russia is placed third as regards EU imports (136 bln euros, 10.1%) and exports (71.7 bln euros, 6.2%) alike. It is worth noting, however, that particular countries' attitude and their future plans are determined in part by the fact that Russia is one of the more promising emerging markets, with the EU as its biggest foreign investor, which mitigates the mentioned asymmetry.

The question of opening the Russian market (good investment climate, respect for rights of foreign investors) constitutes the core of EU efforts in this domain. The issue could well be decided by Russia's admission to the WTO, which would certainly improve the RF's observance of international economic standards. Membership of the OECD also carries great importance.¹⁸ In the longer term, it is in the EU's interest to gradually integrate Russia with the European single market.¹⁹ From the standpoint of economic relations, the EU has most to gain by harmonizing Russian and EU law. While Moscow broadly rejects such a conception (regarding it as evidence of inequality within the relationship), it has

¹⁷ See “EU-Russia Relations”, op.cit., p. 3; cf. Waldner, op.cit., p. 5.

¹⁸ Waldner, op.cit. p. 4.

¹⁹ Cf. Mandelson, op.cit.

entertained the possibility of adopting EU legal framework in the economic sphere.²⁰

The EU wants Russia to increase its purchases in the European market—e.g. airplanes from Airbus—at the expense of America. Simultaneously, there is growing desire to defend the single market from expansion by cash wielding enterprises *de facto* controlled by the Russian state. The EU is trying to limit Russia's influence in strategic industries, such as defence. In particular, politicians turned their attention to EADS, where Russian representatives were refused decision rights in the company,²¹ attempts to take over German communications giant Deutsche Telekom, or British retail gas supplier Centrica.

This picture becomes ever more complex if one were to consider the role of economic circles—in recent months those of Great Britain and Germany—concerned about worsening relations with Moscow, which could eventually hurt the interests of myriad European corporations operating in the Russian market. The EU is working towards a PCA2 that would secure both sides' interests and open each others' markets based on the mutually respected principle of free competition, predictability and respect for law, thus laying the foundations for future construction of an EU-Russia Common Economic Space.

On the other hand, particular countries have begun to express concern about increasing financial clout of Russian, Chinese or Arab state enterprises and

government run investment funds capable of taking over controlling stakes in corporations deemed to be of strategic importance. Michael Glos, Germany's finance minister, suggested that any foreign companies wishing to acquire more than 25% of shares in large German firms should be required to win government approval.²² French and Spanish debate has proceeded in a similar direction with talk of defending the so called “national industry champions.” This has raised eyebrows at the European Commission, since such measures not only alienate external actors, but also contravene European regulations on free movement of capital within the EU. Nonetheless, support for retaining control over particular important companies in EU countries has also been voiced by Günter Verheugen, Commissioner for Enterprise and Industry, who proclaimed that “I think the question that must be discussed is how we can defend our strategic interests without violating our most important principles of the freedom of movement of capital in the internal market.”²³

Moscow has already launched a campaign, pointing to unequal treatment of its own enterprises in the EU single market while European governments demand equal treatment of European firms in Russia.

d. The European Union's and Russia's global role

Both president Vladimir Putin's internal and his foreign policy is prompting European elites to revise their relationship with the Russian Federation, albeit

²⁰ See Igor Shuvalov's comment from September 5th 2006 to the RIA Novosti news agency.

²¹ After Vneshtorgbank purchased 5% of EADS shares in September 2006, declaring readiness to increase its stake in the company.

²² See *Financial Times*, 10.08.2007.

²³ *European Voice*, 26.07.2007

often with noticeable reluctance. The period of accepting in good faith suggestions that shifts away from democratic principles are only temporary measures serving to strengthen the state after years of Yeltsinian chaos, has irrevocably drawn to a close. In the wake of president Putin's Munich address, Russia is viewed as a country that has made a choice. And this choice is at odds with European Union members' earlier plans and hopes.

Russian conduct on the international stage demonstrate that:

- Russia wants to occupy the place of a power that can co-decide the fate of Europe and the world;
- The point of reference for Russian foreign policy is the United States, and not the European Union, whose role in foreign or security policy is ignored;
- Russia is aiming to weaken the bond between the USA and Europe through playing EU members against one another and utilising popular disenchantment with the policies of the Bush administration.

Retracing the train of thought apparently dominant in leading EU countries, it seems that there is acquiescence to Russia's rising role, and that opposition to certain aspects of unilateralist and excessively belligerent American policy is regarded as convergent with their own opinions, however discreetly they may now be expressed. Moreover, it is believed that Russia's growing clout may—without overly antagonizing Washington—become the way for the EU to play a more prominent role as a global actor. Arguments in favour of such a hypothesis

include Russia's seat on the UN Security Council, or its involvement in many areas riven by conflicts whose resolution is in the EU's interests. Commissioner Waldner has underscored that Russia "plays a decisive role in all areas of world politics."²⁴ Here, two main spheres are indicated: regional conflict resolution and the drive to halt proliferation of weapons of mass destruction. To this may be added combating international terrorism and arresting climate change.²⁵

Hopes for internal development of the Russian Federation into a liberal democracy and a free market economy and for a rapid external course towards close cooperation founded on shared values, have been durably dispelled. Diplomatic platitudes and declarations of the community of values and interests concealed political reality only for a while. Over the past two years it transpired that Russian and EU interests in many regions of the world do not converge, and as a result the potential for EU-Russian cooperation, both bilateral and global, had been exaggerated. With respect to the most burning Middle Eastern issue there is virtually no appreciation, be this deliberate or not, of how little sway Moscow actually holds over the situation in the region (despite a degree of propaganda presence and delivering weapons to individual countries), and in the case of Iran, of Moscow's interests in prolonging the crisis around that country's nuclear ambitions. The definition of state sponsored international terrorism also set the EU apart from

²⁴ Waldner, op.cit., p. 5.

²⁵ Waldner, op.cit., p. 5.

Russia, as exemplified by the latest British-Russian row.

Today, Russia's foreign policy construes international crises as focusing along the axis "USA-rest of the world," which, in turn, the Muslim world interprets, whether Europe likes it or not, as "West-rest of the world." This provides Russia with the opportunity to demand concessions, present itself as a mediator and demonstrate its indispensability in the smooth functioning of the international order. Economic interests notwithstanding, this either provokes a more positive response or greater wariness in relations with Moscow. Analysis of particular crises shows that as *minimum minimorum* Russian authorities are expected to remain neutral and refrain from shoring up states and forces hostile towards the European Union and its relations with the United States. Meanwhile, Moscow gives the impression that its strategic objectives still target:

1. Strengthening bilateral relations with the larger European states, rather than accepting the European Union as a new actor in global politics;
2. Weakening US presence in Europe and its influence on foreign and security policy of EU member states.

CHAPTER 2

1. Models of cooperation with Russia

In many European countries the question of cooperation with Russia constitutes—besides relations with the United States—the key foreign policy issue. Moscow’s policy, meanwhile, means that approaches to Russia and to ways of constructing relations therewith differ from country to country.

Several of the larger states, in particular Germany, France and Italy gladly accept Russia’s offer, in keeping with a long tradition of forging bilateral “special relationships”. Others, such as the Benelux countries or Spain, take their cue from Germany and France, albeit with smaller economic or political clout. New EU member states, especially those bordering the Russian Federation, are still in the process of establishing stable relations with Moscow and strive for “europeization” of relations between major EU players and Russia, fearing that bilateral “special relationships” of “old” Europe’s heavyweights may prove detrimental to their own position, interests and even security, principally as regards energy supplies. Meanwhile, the Kremlin authorities are having trouble grasping the upshot of these countries’ accession to the European Union and NATO.

a. Germany—draw and bind

In recent years, German policy in regard to Russia can be divided into two stages, closely bound up with the Federal Republic’s chancellors of the day. During the reign of Gerhard Schroeder, Germany’s eastern

policy melded leadership in eastward expansion of the European Union with the forging of far-reaching, long-term and purportedly strategic, and concurrently strongly personalized relations with the Russian Federation.²⁶ German-Russian agenda was fuelled largely by the vision of building a special relationship. This was based above all on economic interests, but also took the form of joint opposition, together with France under president Chirac, against unilateralist American engagement in Iraq. The three countries’ leaders shared a platform in promoting the principle of multilateralism. This alarmed the new EU member states which demand europeization of German-Russian relations. The most conspicuous expression of Russia’s “special relations” with some EU countries was the accord reached with Germany regarding the construction of the Nordstream Gas Pipeline across the Baltic seabed. Concomitantly, certain symbolic gestures underscored the specific links connecting Moscow, Berlin and Paris, for instance inviting French and German leaders to celebrate the 750th anniversary of Kaliningrad, while snubbing those of the neighbouring states, i.e. Lithuania and Poland.

When Angela Merkel (CDU) assumed the office of German chancellor, relation between Germany and Russia experienced a palpable change. While Russia remained Germany’s desired strategic partner, the ambience of mutual relations transformed. The two newly preeminent elements were Angela Merkel’s

²⁶ Iris Kempe, *From a European Neighborhood Policy toward a New Ostpolitik – The Potential Impact of German Policy*, CAP Policy Analysis, No. 3, May 2006, p. 5. Cf. Sabine Fischer, “Die EU und Russland: Konflikte und Potentiale einer schwierigen Partnerschaft”, *SWP-Studien*, 34, Dezember 2006.

more sceptical attitude towards Vladimir Putin and her readiness to voice critical opinions of violations of human rights, and failure to pick up on Russia's proposals to tighten cooperation over energy (e.g. Putin's suggestion in September 2006 that Germany become the gas distribution hub for northern Europe). All the while, Germany has resolved to continue work over the Nordstream gas pipeline.

German policy towards Russia is influenced by the disagreement between the CDU/CSU and the SPD within the "grand coalition" as regards the manner in which this policy is to be conducted. Frank-Walter Steinmeier, the SPD foreign minister, appears to follow in the footsteps of Gerhard Schroeder, though the Chancellery has had relative success in wresting control over policy towards the Kremlin. As early as during the election campaign the CDU stressed the need to maintain good relations with Moscow, while hinting at a potential policy change consisting in placing these relations in a transatlantic context, taking into account Central and Eastern European interests, and at the necessity to consider Russia's internal situation. SPD, on the other hand, tended to avoid the topic of Russia relations. Mr Steinmeier, in contrast to Ms Merkel, did not make any reference to Polish or Lithuanian security worries. According to the coalition agreement relations with Russia are to take into consideration not just shared interests, but also shared values, and present both a bilateral and a European dimension. At the same time support for Ukraine, and especially its independence and

sovereignty (though not necessarily quick EU accession) became a priority.²⁷

German policy aimed to use the double presidency (of the EU and G8) in the first half of 2007 to improve relations with Russia. The conception of "rapprochement through closer ties", elaborated by the German foreign ministry, became the practical expression of this approach.²⁸ According to it Berlin wanted to link Russia with Europe irreversibly. Shared values were not envisaged as a precondition for the partnership, but ultimately as its possible upshot, resulting from multilayered cooperation. The conception's authors are aware of Russia's and the EU's differing paths to development, but recognize the country's role in European security architecture, especially as regards energy, and also in conflict resolution, for instance in the Middle East or the Balkans.²⁹ This foreign office strategy document was blocked by the Chancellery and never saw the light of day.

Signally, in a series of press interviews which appeared in the first days of Germany's EU presidency, Berlin made public several problems besetting relations with Moscow. Chancellor Angela Merkel confirmed the desire to maintain the strategic partnership with Russia and the intention to begin talks on a new agreement to regulate the legal terms

²⁷ Kempe, *From a European Neighborhood Policy...* pp. 12-15. In the author's view the newly formed coalition decided that Germany ought to get Russia to cooperate with the EU, albeit only on certain conditions. Berlin was to assume leadership in the europeization of policy towards Moscow.

²⁸ Although the document was never published, some of its theses were leaked to the press, e.g. Handelsblatt, August 2006, or Honor Mahony in EUobserver.com, 01.09.2006.

²⁹ Evgeny Grigiriev, "Sblizenie putiom perepletenia", Nezavisimaya Gazeta, 5.09.2006.

of the EU-Russia relationship as quickly as possible. Still, she criticized Moscow's energy policy and pointed to the need for reciprocity in economic relations, warning that closing off the Russian market to European firms would result in similar measures on the part of the Europeans.³⁰ In another statement, chancellor Merkel remarked that "we need to make sure that the Baltic pipeline does not work against Poland."³¹ Having picked up on Moscow's resistance towards the proposal to sign a separate Energy Treaty that would include guarantees for transit countries, Germany has resolved to try and incorporate into the planned PCA2 provisions ensuring the stability of Russian supplies of energy resources to Europe. Moreover, as evinced by chancellor Merkel's statement on the Nordstream Baltic pipeline, German government is concerned about the potential threat of Russia's using its energy supplies to political ends.

The meeting between Mr Putin and Ms Merkel in Sochi in January 2007 did not bring any results. Chancellor Merkel underscored the extant "strategic interdependence" between Russia and the EU. However, she evidently expected the Kremlin to lift trade restrictions on Polish products in the name of cooperation. The chancellor made it clear that Russian embargo on Polish meat is not a bilateral spat between Warsaw and Moscow, but an issue involving the entire EU and Russia. German government sources later unofficially confirmed that Angela Merkel was personally disappointed with flagrant lack of goodwill on the part of Mr Putin.

³⁰ *Financial Times*, January 2, 2007.

³¹ *The Times*, January 9, 2007.

In the opinion of Alexander Rahr, Berlin is unable to conduct as autonomous a policy towards Russia during its stint at the EU's helm, as it could in other circumstances, while in the longer run Russia is going to have to talk to the EU as a whole, and not just to individual countries, as is the case at present.³² Andreas Schockenhoff, German government's coordinator in charge of relations with Russia, says that cooperation shall improve when Russia begins to treat the EU as a single bloc. He claims that the EU has every right to "butt in" into Russian affairs, because Russia committed itself to adopting European values when it became member of the Council of Europe.³³

It is also worthy of note that Germany counted on Finland's opening PCA2 talks with Russia during its own EU presidency in the second half of 2006, which would make it easier of the Germans to conclude them. The Polish veto blocking the opening of PCA2 negotiations has meant that Germany had no choice but to concentrate first and foremost on an attempt to reopen stalled talks, putting paid to their earlier plans.

Shortage of anticipated successes in bringing order to relations with Russia during Germany's EU presidency served to deepen CDU top brass's scepticism and made the notion of "rapprochement through closer ties" more realistic. Meanwhile, German government began publically and assertively to raise the issue of protecting its own and the EU's market against dangerous expansion of outside

³² Alexander Rahr, "Na evropekom yazykie", *Rossiyskaya Gazeta*, January 22, 2007.

³³ An interview with Alexander Schockenhoff in *Nezavisimaya Gazeta*, May 29, 2007.

corporations in sensitive industries, which may well scupper Russian designs of economic expansion. The German-Russian summit in Wiesbaden in October 2007 confirmed the existence of divergences between Berlin and Moscow, though at the same time showing that ever closer economic cooperation constitutes a sturdy foundation for bilateral relations.

b. France—crucial partner: from soloist to orchestra

Until Nicholas Sarkozy took over as president the general impression was that French-Russian relations resemble those between Russia and Germany. Summit meetings were just as frequent, both countries willingly declared strategic partnership, with the Paris-Berlin-Moscow axis coming to life in the aftermath of the Iraq war in the years 2002-2005. France under Jacques Chirac remained one of Russia's most important advocates on the European stage. Russia did not need to fear criticism coming from Paris.

The change at Elysées in 2007 was a decisive factor shaping French policy in that French-Russian relations lack a basis for a durable strategic partnership which would make these relations independent of whoever was in charge in Paris. Although some shared institutions do exist, e.g. the security council where foreign and defence ministers meet twice a year, the current level of economic cooperation nowhere near matches the ostensible political partnership.³⁴ Unlike in Germany's case

³⁴ Evidence for this can be found by looking at the volume of Russian-French trade (13 bln USD in 2006) which is below that between Russia and Poland (14 bln USD).

Russia is not France's main partner in the energy domain, though it does remain an important market for French investment. Frayed relations with Washington also meant that France was "resigned" to seek support for its global stature in Moscow, directly and through its role within the EU.

The presidential campaign already saw Nicholas Sarkozy imply that he will alter the way in which policy towards Russia is conducted. The then presidential candidate commented, for example, that Putin had done a lot of good for Russia, but he ought to be asked about Chechnya, Georgia and Ukraine. Sarkozy unequivocally implied that he shall not be as unquestioning towards Russia as his predecessor, while expressing his conviction about the need to cooperate with Moscow. "Russia—great power of the future. A democratic alliance between Russia and Europe is necessary," he asserted.³⁵

The shift in focus as regards the French attitude to Russia became apparent in the August policy address at the ambassadors' conference. President Sarkozy exhorted Russia to desist from using energy as a political tool: "Russia is imposing its return to the world scene by making somewhat brutal use of its assets, especially oil and gas, while the world, especially Europe, is hoping that it will make an important and positive contribution to settling the issues of our time that its regained status warrants."³⁶

³⁵ See Andrei Terehov "Poslie Chiraca", *Nezavisimaya Gazeta*, 19.02.2007, and interview with George Sokoloff, *ibid*.

³⁶ *Speech by Nicolas Sarkozy, President of the Republic, at the opening of the fifteenth Ambassadors' Conference, 28.08.2007, http://www.elysee.fr/elysee/elysee.fr/anglais/speeches_and_documents/2007/*

Russian pundits doubt that the new president is bent on significant and durable change of policy towards Russia.³⁷ All the more so in view of the fact that the Russian market remains an attractive destination for French business. In April 2007 Alstom signed an agreement with Russia's Atomenergoprom to create a joint venture to deliver nuclear energy equipment. On July 13, 2007 oil giant Total was admitted by Gazprom to tap reserves in the Shtokman oilfield. This was Russia's attempt to prevent bilateral relations from deteriorating, improving the climate before a visit by the French president. This took place in October 2007 and although it resulted in practically no agreements, it did show that the new president's manner may not live up to pre-election pledges: Nicholas Sarkozy made no mention whatever of any issues causing tensions in European-Russian relations.

Doubtless France would be keen to retain particularly close ties to Russia. On the one hand Moscow has for decades been regarded as a traditional geopolitical partner and was an important market for French industry. On the other, there is mounting concern over the course of Russian policy. France is perhaps less anxious about Russia's use of energy as a policy tool, since Gaz de France extended the contract for gas supplies due to expire in 2011 until 2030, but still views this tactic as a problem in relations with other EU members.

President Sarkozy's avowed desire to strengthen the European Union as a global power shall in all

[speech at the opening of the fifteenth ambassadors conference.79296.html](#).

³⁷ Yulia Petrovskaya "Sarkozy v poiskah strategy", *Nezavisimaya Gazeta*, 29.08.2007.

likelihood lead him to thrash out a common European policy in regard to the Russian Federation, in which a realistic evaluation of Moscow's conduct shall play an important role.³⁸ It may be assumed that the mostly symbolic value of "geopolitical partnership" will dwindle in Moscow's eyes due to unexpected emergence of entirely new factors in French policy. Breaking with the predominant tradition has pushed Paris closer in the direction of Washington and has led to the declaration in September 2007 that France is considering its return to NATO military structures.

c. Italy—energy above all

Good relations with Russia are a permanent fixture of Italian diplomacy. Silvio Berlusconi's policy did not expire when Romano Prodi replaced him as prime minister. Such bilateral political contacts do not translate into any more ambitious initiatives, be they bilateral or pan-European.

Both countries maintain lively economic ties, with Russia becoming Italy's biggest export market outside the EU.³⁹ Italy, meanwhile, is Russia's third most important trading partner by volume, after Germany and China (27.7 bln USD in 2006).

Rome is preoccupied with ensuring access to Russian natural resources. In November 2006, Eni extended its contract with Gazprom until 2035.⁴⁰ Italy is also more open than other European countries to Russian

³⁸ Such revision of French policy towards greater realism and closer cooperation with EU partners is suggested, among others, by Thomas Gomart in "La politique russe de la France: fin de cycle?", *Politique étrangère*, 72, no. 1/2007.

³⁹ Barysch, *Three questions...*, p. 9.

⁴⁰ Ewa Paszyc, *Gazprom w Europie 2006 – przyspieszenie ekspansji*, Warszawa: Odrodek Studiów Wschodnich 2007.

investment. Thus, for instance, Gazprom was permitted to enter the Italian market for retail gas suppliers. At the same time, Eni is Gazprom's main partner in the domain of southern European investment. On June 23rd, 2007 the two firms signed a memorandum to construct the so-called Southstream gas pipeline. The new 900 km link would run along the Black Sea bed from Novorossiysk to Bulgaria, where it would split into two separate lines: one going to Austria and Slovenia via Romania and Hungary, the other to Italy via Greece. The project is set to commence in 2008. It gained further plausibility when on November 22nd, 2007, the two firms signed an additional agreement.

d. Great Britain—difficult partner

The handover of power in Britain in mid 2007 has not lead to any significant alteration in the broad terms of British policy in regard to Russia, simply intensifying already existing tensions. Prime minister Gordon Brown's assertive response to Russia's refusal to extradite Andrei Lugovoy, charged by the Crown Prosecution Service with the murder of Alexander Litvinenko in London in November 2006, has provoked a diplomatic crisis. Expulsion of diplomats ensued on both sides. London was taken aback by Russia's resumption of the cold war practice of sending strategic bombers on patrol flights close to British airspace. Although the current fraught relations are an immediate consequence of

the Litvinenko murder, tensions have been mounting over the past several years.⁴¹

The United Kingdom was the first big European state to criticize the course of Russian foreign and domestic policy under Mr Putin, following an initial period of high hopes for closer cooperation with Russia. This attitude was reciprocated by the Russian side. In the *Foreign Policy Concept of the Russian Federation*, published in March 2007, the UK was described as an important though difficult partner. Trade, investment and countering terrorism was deemed the most important element of bilateral relations conducive to cooperation, while factors hindering it involved activity of "new political émigrés" and the "messianic tendencies" of a part of the British elite.⁴²

Among the most vexed issues is London's willingness to give political asylum, or even citizenship, to individuals the Kremlin regards as political opponents (the most well-known examples include the oligarch Boris Berezovsky, Akhmed Zakayev, representative of the Chechen government in exile, and Alexander Litvinenko himself).

In turn, the United Kingdom protested against Russian attacks on British investors—depriving Shell of a stake in the Sakhalin-2 project and forcing TNK-BP to sell its share in the Kovykta gas field. Moreover, London has censured Russia for the way it conducts its energy policy, also towards its apprehensive neighbours, and for its internal policy.

⁴¹ Andrew Monaghan (ed.), "The UK and Russia – the Troubled Relationship", *Russian Series 17/07*, Conflict Studies Research Centre, May 2007.

⁴² See *Obzor vneshney politiki Rossiyskoy Federatsiy*, Moscow: MID 2007, www.mid.ru.

At the same time the Russian market remains sufficiently attractive to British firms for London to strive to calm relations with Moscow and limit the negative consequences of the crisis provoked by Litvinenko's death.

From Moscow's vantage point an additional negative factor is the close British-American alliance and London's vocal support for US presence on the European continent. The United Kingdom also supports and is involved in the American anti-missile defence shield project in Europe.

e. Hungary—paragon of new member state

Hungary, especially under the socialist coalition in power since 2002, remains in Russia's view the "model" Central European partner. Budapest does not raise historically tricky issues and responds positively to Russian interests, particularly in the energy domain, making a coherent common EU energy possible all the more difficult to construct.

Hungary's policy is aptly illustrated by prime minister Ferenc Gyurcsány's September 2006 visit to Moscow, where the main topic was Russian-Hungarian economic cooperation, specifically in energy. Among issues discussed was the planned construction of new gas pipelines and underground gas storage facilities. Prime minister Gyurcsány expressed his support for Russia's increased role in ensuring the European Union's energy security. Another topic broached was that of building a rail transport corridor linking Russia and Hungary, and a deal was signed over cooperation in farming and the food industry. Hungary plays a double role in Russian plans to augment gas supplies to Southern Europe:

that of a transport hub and a regional gas distribution centre.

Budapest's policy allows Moscow to portray Hungary as a "paragon of a pragmatic approach" for other Central European states. The Kremlin stresses Hungary's constructive role in the development of Russian relations with NATO and the EU and the decision de facto to refrain from raising historical questions in bilateral contacts. The "reward" for this stance was president Putin's official apology (during his visit to the Hungarian capital in March 2006) for the bloody military quashing of the Budapest uprising of 1956.

f. Slovakia—do not aggravate

Russian-Slovak relations are very good, though several issues remain unresolved—the sale of Transpetrol's stocks and license agreements in the defence industry. Both countries declare that upon expiry in 2008 of the present accords on gas transit new transit agreements shall be signed together with new contracts for the supply of Russian gas to Slovakia. President Putin expressed Russian readiness to participate in the expansion of Slovak nuclear power plants. Information emerges regularly that the Russians are prepared either to sell Transpetrol's shares to Slovakia (49% of the stocks plus management rights constitute a part of Yukos's foreign assets), or to sell them to a Russian firm that would take Slovak interests into account (e.g. by allowing the Slovak side to nominate the majority of voting board members). At the same time Russia wants to settle the license agreement issue, allowing Russian firms to begin modernization of Slovak

military equipment. A transit country, Slovakia, like Hungary, plays a vital role in Russian policy of energy expansion. It is also a valued political partner in Central and Eastern Europe.

g. The Czech Republic—policy shift

Czech Republic has long adopted the policy of not straining relations with Russia. This translated into, among others, good economic relations (the Czech president's visit to Moscow saw the conclusion of contracts totalling some 1.5 bln USD) and conciliatory gestures on the part of the Russians regarding certain unresolved historic issues. Moscow was irked by critical remarks on its domestic policy by the former president Vaclav Havel, notably eschewed by the current president, Vaclav Klaus. In contrast, in the last year or so was the preeminent source of disagreement has been the present government's staunchly transatlantic course and its approval to participate in the American missile defence shield programme, with the possible construction on Czech soil of a tracking radar.

h. Baltic states—stubborn realists

In view of relatively recent historical experience, all Baltic states underscore their sovereignty, NATO and EU membership and participation in the Euroatlantic community. Despite this, there are discernable differences in their policies towards Russia, irrespective of efforts to create a common front. Baltic states' policy in regard to their erstwhile colonial overlord is greatly influenced by contradictory factors. On the one hand, their economies reap benefits from their location as transit

countries. On the other, they are clearly vulnerable to Russian energy blackmail, a problem exacerbated by the prospect of laying the Nordstream Gas Pipeline.

Relations are most frayed between Russia and Estonia, with Lithuanian-Russian contacts being a blend of pragmatic cooperation and spats, for instance over cuts in oil supplies, and Latvia displaying the most far-reaching pragmatism.

LITHUANIA has for years tried to maintain a policy of pragmatic relations with Russia. However, the sale of the Mozejki refinery to a Polish investor, and not a Russian one, has led to the suspension of oil supplies in August 2006, under the pretext of technical glitches. In this matter, the Kremlin continues to pressure Vilnius. In 2007, Transneft representatives who operate the pipeline implied that repairs may take longer than expected, if they were possible at all. Lithuanian-Russian rapport is also shaped by the former's activeness in promoting democracy in the post-Soviet region, and especially in Belarus, as well as supporting its countries' European and Atlantic aspirations.

LATVIA has agreed to sign a border agreement with Russia in March 2007, giving up its efforts to recover the Abrene district, lost in 1944. The Latvian side clearly expects concessions in energy, hoping that cooperation with Moscow will lead to increased security in this domain. Plans are mulled to link Latvia to the Northern Gas Pipeline and to build gas storage facilities on its territory. If successful, both variants would guarantee Latvia energy security whilst improving relations with the Russian Federation. Russia has also hinted that Latvia can expect resumption of oil transit via Ventspils, as well as

trade concessions.⁴³ Meanwhile, the recently adopted citizenship law, requiring Latvians to pass a Latvian language exam, is deemed by Moscow to exemplify nationalistic anti-Russian discrimination, and has met with reservations on the part of the Council of Europe and concerns at the European Commission. Observers have pointed to improvements in the situation over the past few years: Russian youth gladly passed their Latvian exams and accepted Latvian passports, which provided them with an opportunity to travel and work elsewhere in the EU.

ESTONIA's policy is to a large extent dominated by historical and demographic issues. The sizeable Russian minority, which arrived after 1945 as part of Moscow's colonisation drive, is treated as a threat to freshly won independence. Open conflict was provoked by the clash over the removal of a soviet era war memorial from the centre of Tallinn in April 2007. Estonia was decisively backed by the EU, NATO and Washington, especially as the Kremlin tolerated the siege of the Estonian Embassy in Moscow and the Baltic state became the first European victim of a large-scale cyber-attack from the territory of the Russian Federation. Faced with the assertive stance of Estonia's allies, Russia decided to ease the conflict.

i. Romania has made its choice

Romania describes itself as an actively pro-European and pro-Atlantic state, which explains its scepticism with regard to prospects of closer cooperation with Russia. This is especially poignant in two policy

areas. Bucharest supports plans to diversify energy supplies. Even before entering the European Union, Traian Basescu, its president, warned of Russia's over-mighty role in European energy industry.⁴⁴ All the while, Romania is tightening its military bonds with NATO and the United States, as attested to by the building of an American base on its soil. This has resulted in Moscow refraining from any further initiatives in its relations with Bucharest.

j. Poland—good relations, but not at any price

Following a brief period of efforts by Poland and Russia to elaborate a new model for bilateral ties, relations between Poland and Russia Poland remains the exception in the Russian Federation's policy to the extent that Moscow is perceived as trying to maintain icy bilateral relations and to isolate the former soviet satellite.

Under Boris Yeltsin's presidency the rapport warmed somewhat—Soviet troops were withdrawn and responsibility for the massacre of Polish officers in Katyn accepted. In turn, the Polish state assumed material responsibility for estates left in the East by Polish citizens in the aftermath of post-war border shifts and attendant mass relocations. Concurrently, Poland's striving for NATO membership has led to durable tension in Polish-Russian relations.

The advent of president Vladimir Putin brought further regress in mutual relations. Presumably, this is connected with the evaluation of Poland's role on the global stage—both present and future.

⁴³ Joanna Hyndle, Miryna Kutysz, "Lotwa i Rosja podpisały traktat graniczny", *Biuletyn OSW*, no. 5, April 4, 2007.

⁴⁴ Statement from November 11, 2006.

Russian authorities view Poland as impinging their interests through:

1. Polish involvement in the postsoviet region—the country's role during Ukraine's Orange Revolution, including cementing the alliance of EU states for democratic elections, aid to democratic opposition in Belarus and pronouncements of solidarity with Georgia in its relations with Moscow;
2. Active support for Ukrainian and Georgian NATO and EU membership;
3. Emphasis on NATO's traditional defence role in Europe and the purport of Article 5 of the North-Atlantic Treaty;
4. Readiness to participate in allied interventions in various parts of the globe;
5. Efforts to prop up Common Foreign and Security Policy (CFSP) and European Security and Defence Policy (ESDP), including the creation of European armed forces;
6. Efforts to increase American presence in Europe, including approval to house on Polish territory element of the Missile Defence system;
7. Efforts to increase energy security at the expense of Russian gas supplies and opposition to the Nordstream Gas Pipeline;
8. Hampering or blocking Russian consortia from acquiring Polish companies, especially those deemed to be of strategic importance. As a result, Poland remains a blank spot on the map of European investments by

Russian energy firms (such as Gazprom or Lukoil).

Despite all this, economic relations are developing dynamically. Polish exports to the Russian Federation have experienced annual increase of 30% in the years 2000-2005, and of 20% in 2005-2006. Polish entrepreneurs are investing in Russia, without any reports of any significant obstacles to their economic activity.

Subsequent Polish governments—both right- and the leftwing—have frequently declared the wish to improve political relations with Moscow.

The situation worsened on November 10, 2005, when Russia imposed a ban on Polish meat, with another ban on plant based products coming into force four days later, under the pretext of worries over quality and export documents. Numerous talks and negotiations between experts and ministers, including those responsible for agriculture and foreign affairs, have not brought any results. Although on February 21, 2006, Sergey Yastrzhembsky, president Putin's special envoy to Poland declared willingness to resolve the conflict, as did Sergey Lavrov, Russia's foreign minister, on October 4-5, 2006, no steps followed that would lead to lifting of the export ban and improved relations.

The European Commission has declared Russian conduct as a breach of signed accords and has undertaken initiatives to get Russia to lift the embargo. Nor has the involvement of leading European figures, such as chancellor Angela Merkel, had any effect.

Polish government and president have frequently repeated that Moscow's behaviour is tantamount to creating one set of rules for most European countries and a separate one for Poland. This ultimately led to the Polish veto in November 2006 over giving the European Commission the mandate to open negotiations with Russia on a new Partnership and Cooperation Agreement, the so-called PCA2.

In the ensuing situation Poland's policy within the EU has striven above all to change European perceptions of Russia and ensure EU support for Poland and the Baltic states. This met with resistance in some European capitals, mainly due to what many see as "anti-EU" policy of Poland's president and prime minister. There is no doubt, however, that it is Kremlin's policy of the past few years that has finally resulted in Brussels, and individual capitals, accepting that president Putin's administration is trying to cause rifts within the EU and that the EU's internal unity and the bloc's future relations with the Russian Federation require supporting Poland and the Baltic states.

CHAPTER 3

The European Union—hopes and reality

As a result of new forms of cooperation and EU enlargement EU-Russia relations have over the past few years both “broadened” and “deepened”.⁴⁵ On the other hand, however, this growing interdependence has gone hand in hand with a rising number of real and potential conflicts, which justifies speaking not just of tensions, but of a crisis in the rapport between the EU and the Russian Federation. Initially, this crisis of confidence was veiled by the intention to negotiate a new treaty to replace the current Partnership and Cooperation Agreement (PCA), which is theoretically in force, but lacks practical implementation. Inability to open talks finally brought to light this crisis situation and illustrated an increasingly convergent, critical view of Russia in individual member states. This phenomenon was compounded by the exchange of political elites in EU countries normally considered Moscow’s main partners, i.e. in Germany, France and the United Kingdom.

a. Closer to a single vision of Russia?

The differences between individual member states’ stance in regard to Russia sketched in chapter two demonstrate the difficulty lying in agreeing on a shared view of Russian domestic and foreign policy, not even to mention elaborating a joint response to Russian conduct. This problem notwithstanding,

⁴⁵ See Marius Vahl, “A Privileged Partnership? EU-Russian Relations in a Comparative Perspective”, *DIIS Working Paper* no. 2006/3, p. 3.

recent years have witnessed a growing number of EU states expect working out a single stance towards Russia and stressing shared values as an important foundation of any partnership. This is not an attitude confined to “new” members, as it is also present in the Nordic countries and Great Britain. The European Commission and the European Parliament have also been attempting to harmonize EU policy towards the bloc’s biggest neighbour.⁴⁶

One of the more important processes that began approximately with the Russian-Ukrainian spat over gas supplies in January 2006 has been the emergence in Europe of a relatively coherent vision of Russia, plus the dissipation of illusions among European states with regard to Russia’s willingness to institute a real rapprochement. Another powerful signal in this evolution has been the toughening of stance in France and Germany, to wit the countries which Moscow could usually count on to refrain from public criticism of its demeanour. In the run-up to the European Council summit in Lahti on October 20, 2006, also to be attended by president Vladimir Putin, French and German leaders called on Russia to sign the Energy Charter and the Transit Protocol, while on October 17, the EU Council issued a statement rebuking Russian policy towards Georgia. Still, debates within individual EU bodies (the EU Council of foreign and defence ministers, and the

⁴⁶ Vahl, “A Privileged Partnership?...”, pp. 4-5. Dov Lynch shows that the process of change in perceptions of Russia among European elites began as early as 2004, with Ukraine’s Orange Revolution constituting an important turning point. See Dov Lynch “Same view, different realities: EU and US policy towards Russia”, [in:] Marcin Zaborowski (ed.), *Friends again? EU-US relations after the crisis*, Paris: ISS EU 2006, pp. 160-162.

European Parliament) preceding the EU-Russia summit in May 2007 in Samara, threw light on the framework underlying EU policy towards Russia. Despite the EU institutions' critical evaluation, no permission was given to pressure Moscow—for instance, the European Commission denied any intentions to block Russia's entry into the WTO, as earlier leaks to the press had suggested.

Thus, while opinions of what are generally deemed negative trends in Russian policy seem to be converging, the EU lacks a single resolution to the ensuing problems, all the more so given that EU governments still see the need to tread carefully due to their individual economic interests in Russia. Moreover, counting on positive changes in future, they regard dialogue as important in its own right.

The European Parliament remains the EU institution most critical of Russia. In a resolution passed on October 25, 2006, in response to the death of journalist Anna Politovskaya, which also contained a critical reaction to the Lahti summit attended by president Putin, the European Parliament called on the EU to come to a new accord with Russia, based on the principles of democracy and human rights, and to raise these issues in on-going political dialogue. It also condemned policy with regard to the media and the new law on non-governmental organizations (NGOs). In another resolution, dated May 10, 2007, the Parliament sternly rebuked the Kremlin for the way it conducts its domestic and foreign policy. While reasserting that Russia remains an important partner in strategic cooperation, it stressed the importance of EU unity in regard to its neighbour and expressed concern over the state of

human rights in Russia. It emphasised that human rights and democratic values ought to constitute the core of any future agreement, and made financial aid contingent on observance of human rights. It also exhorted the EU to “demonstrate solidarity with Estonia”, denounced the use of force against opposition protesters by St. Petersburg and Moscow authorities in March 2007, and, on security related matters, articulated anxiety over Mr Putin's comments regarding intentions to train missiles on targets in Europe, also calling on Russia not to delay the adoption of the Ahtisaari plan for Kosovo.⁴⁷ Clearly, such stances carry certain weight, but the European Parliament's effectiveness in moulding a uniform EU attitude to Russia, in other words, its influence over government policy in individual member states, remains limited.

The process of creating a single policy, beginning with a shared vision, is still in its infancy. Peter Mandelson, EU trade commissioner, summed it up nicely when he described EU-Russia relations as containing a “level of misunderstanding or even mistrust we have not seen since the end of the Cold War.”⁴⁸ Each side suspects the other of double standards, convinced that the other is using energy policy as a weapon and sensing a lack of respect on the part of the partner.

⁴⁷ European Parliament resolutions, see: <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P6-TA-2006-0448+0+DOC+XML+V`0//EN> and <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P6-TA-2007-0178+0+DOC+XML+V0//EN>.

⁴⁸ Mandelson, op.cit.

b. Functioning of EU-Russian bilateral institutions in recent years

EU-Russian relations are based on solid legal and political foundations for bilateral dialogue. With no other country does the EU have such a wide-ranging and formalized rapport, describe in EU documents and in statements by EU representatives as a strategic partnership.⁴⁹ The basis for this relationship is the Partnership and Cooperation Agreement, or PCA, which was signed in 1994 and entered into force in 1997. Its most important supplement are the so-called Four Common Spaces: economic, external security, internal security and education, science and culture. Additional elements include: industry agreements, Energy Dialogue (initiated in 2000) and institutionalized political dialogue. On the regional level EU-Russian cooperation rests on the so-called Northern Dimension.⁵⁰ Political dialogue is institutionalized in the following formulae: summit meetings (twice a year); Permanent Partnership Council (which functions at the ministerial level for different sectors); human rights consultations (since 2004); meetings of the EU “troika” with the Russian Federation’s foreign minister; meetings of top civil servants and experts. Russia is the sole country with which the EU holds two annual meetings, while the

⁴⁹ See Derek Averre, ‘Russia and the European Union: Convergence or Divergence?’, *European Security*, Vol. 14, No. 2, June 2005, p. 175.

⁵⁰ At the Helsinki summit of 2006 the so-called Northern Dimension was overhauled. Its new scope encompasses the EU, Russia, Norway and Island. A *Political Declaration* and a *Framework Document* were adopted. The formula’s principle task is to support cooperation between European states and the northwest regions of Russia (including Kaliningrad) in politically uncontroversial areas. At the same time, the Northern Dimension demonstrates on what conditions EU-Russian agreement is feasible.

Permanent Partnership Council is a one of a kind body. Then there are the *troika’s* unique monthly encounters over European Security and Defence Policy (ESDP) involving high ranking officials. Since 2000, policy dialogues with Russia have covered energy, foreign affairs, security and defence, and, recently, transport.⁵¹ Still, two issues are worthy of note:

1. Despite the existence of PCA, the principal institutional forums for EU-Russia relations are political dialogue and the so-called Common Spaces;⁵²
2. Despite extensive institutional infrastructure, mutual relations are becoming increasingly abrasive.

The feeble functioning of institutions thus far and their inability to solve bilateral problems have not weakened the EU’s readiness to achieve a qualitative improvement in relations with Russia. The Finnish presidency was the first to try this, by inviting president Putin to the European Council’s Lahti summit in October 2006, or attempting to open talks on the so-called PCA2. Later, the German presidency wanted to follow in its predecessor’s footsteps, but it was forced to focus above all on acquiring the

⁵¹ Vahl, ‘A Privileged Partnership?...', pp. 8-9.

⁵² In the case of the common spaces the main achievements of 2006 included : signing an accord on readmission and visa facilitation; protocol on the abolition of payments for trans-Siberian flights; fisheries agreement; agreement on cooperation between Frontex and Russian border guard; resolution of Romania’s and Bulgaria’s phytosanitary difficulties; opening in Moscow of a European institute; establishment of Europol contact points; improve cooperation in crisis management; implementation of the EMERCOM agreement on civil protection. Economic space: PCC meetings of environment, transport and energy ministers. However, subcommittees are in abeyance. EU-Russia Industrialists’ Roundtable is an important body. Cf. ‘EU-Russia Common Spaces: Progress Report 2006’.

mandate to begin negotiations with Russia on the new treaty.

The Lahti meeting came to nought. It was meant to demonstrate the special character of the European Union's rapport with Russia. Instead, it only served to underscore important differences between the Russian Federation and the EU on the question of further cooperation. The atmosphere at the subsequent EU-Russia summit in Helsinki in November 2006 was far removed from Russian expectations. Since Moscow did not ease its restrictive trade policy, Poland continued to demur at giving the European Commission the mandate to undertake negotiations, resulting in a failure to commence talks on the new treaty to regulate the legal framework for relations between the Russian Federation and the European Union. Concomitantly, the death of Alexander Litvinenko has had negative bearing on Russia's image in the West, all the more so given that it occurred less than two months after the assassination of opposition journalist Anna Politkovskaya.

Failure to begin talks on the new legal framework for EU-Russia relations came to be seen as Moscow's prestigious defeat, especially in view of the fact that Russian officials' pre-summit enunciations clearly indicated that Russia is counting on other EU countries and institutions to coax Poland out of its veto. Still, both Russian Federation's official envoys and the Russian media made light of the sustained Polish veto, laying the blame for the failure to commence negotiations squarely on the Europeans.

The subsequent summit in Samara on May 17-18, 2007, ended without any agreement being reached,

albeit to lower European expectations.⁵³ Above all it laid bare the stagnation in Moscow-Brussels relations and shortage of areas where understanding is possible. The attitude of leading EU figures, including public expressions of solidarity with Poland, has shown that Russian policy of dividing EU members into the better and the worse is failing. Although both sides did what they could to mitigate the impression of impending crisis in EU-Russia relations, the lack of the habitual shared communiqué goes to show that the talks encountered serious differences. The sole agreements reached pertained to maintaining the present transit system between the Russian Federation and Kaliningrad on Latvia's entry into Schengen, and to the promise of further talks on an early-warning system in the energy domain and on improving investment climate. The topic of prospects for PCA2 was not broached.

The press conference at the close of the summit provided yet another opportunity for a polemic pitting Vladimir Putin against EU representatives. Mr Putin made futile attempts to play out the differences between old and new EU members (e.g. by pointing to the negative consequences of the EU's eastward enlargement and accusing Poland of unwillingness to discuss the meat embargo). In response Ms Merkel and Mr Barroso unequivocally stressed that the disagreement over the embargo is an EU-Russian problem, also admonishing Russia for its violation of civil rights and liberties.

⁵³ Commentators regarded the very fact that it actually took place as its main success.

There is no doubt that Russia's relations with the EU have entered a crisis phase.⁵⁴ The scope for understanding has shrunk.

As one Russian commentator put it, following the Samara summit there is no hiding the fact that the EU's and Russia's political courses are moving off in different directions and this will not be stopped by any increase in trade volume, direct investment or conceptions of energy relations. Suddenly, the differences that emerged over values, sovereignty and human rights proved too great, all against the background of anxiety that the Kremlin's new found "assertiveness" over security matters really does threaten Russia's immediate geopolitical vicinity, and hurting the EU's interests and its vision of international relations. Cooperation is only plausible in narrow areas of mutual relations and in specific, mainly economic, domains (sectors) and even this space is not immune from contraction. Subsequent documents adopted at EU-Russia summits are becoming increasingly less ambitious and evince the EU's de facto acknowledgment of the fact that Russia is guided by a different set of values and that its policy is unfavourable to the EU.⁵⁵

The stagnation in EU-Russia relations was confirmed during the Mafra Summit (in Portugal) on October 26th, 2007. The event ended with the signing of a memorandum on the fight against drugs and an agreement to increase quotas for steel imports from the RF. Paltry results and the inability to reach a consensus on principal matters emphatically showed

that the current formula for EU-Russia cooperation has been exhausted. In the EU the prevalent conviction is that since the problems are due to Russian policy the ball is in Russia's court.

c. The problems they are a-growin'

The catalogue of differences that persist between the European Union and Russia is systematically supplemented with issues such as: rules of economic cooperation and energy policy, policy towards the shared neighbourhood, i.e. the European Neighbourhood Policy and Russia's policy towards its own neighbours, Russian domestic policy and the issues of democracy, human rights and civil liberties, conflicts in Europe (in Kosovo and in the CIS region), or security policy in Europe.

The principal difference in Brussels rapport with Russia stems primarily from the two sides' disparate visions of future mutual relations, and consequently of the form of PCA2 (see below). Russia seems confident of its strength and its main demand is for the EU to recognize this regained superpower status and the attendant special rights in the post-Soviet area, and to maintain relations with the EU on equal terms (Russia regards the current model of mutual relations as skewed in favour of the EU). The European Union, meanwhile, wants to bind Russia with a series of rules pertaining to the domains of investment, energy, democracy and human rights.

Energy Policy

Energy remains the greatest hurdle in mutual relations. Energy dialogue, initiated in 2000, has not hitherto provided answers to any of the important

⁵⁴ Cf. Marek Menkiszak, "Russia vs. Europe: a 'strategic partnership' crisis", *CEES studies*, No. 22, January 2006.

⁵⁵ Ekaterina S. Kuznetsova, "Malosovmestimyye partniory", *Nezavisimaya Gazeta*, 28.05.2007.

questions. Russia is making western consortia gaining access to its resources contingent on the EU permitting Gazprom to enter western European gas distribution markets. Key EU players (especially Germany and France) are prepared to tighten ties with Russia, but in return demand specific concessions, above all opening up markets, principally that in energy, to their companies, and ensuring security of investments and gas supplies. To this end, they are trying to get Russia to ratify the Energy Charter and the Transit Protocol, which would go a long way to augment energy security of all EU members (and neighbouring countries such as Ukraine). In turn, Moscow demands rewriting certain provisions of both documents, and especially the Protocol, to account for Russian interests, in particular retaining Gazprom's monopoly in Russia's market for gas extraction and transport.

The Ukraine gas crisis was a rude awakening for Europe. The EU is concerned that tapping gas reserves is restricted due to low investment, with the additional worry of foreign firms' increasingly limited presence in the Russian energy sector. Failure to ratify the abovementioned Transit Protocol allows Gazprom to maintain its monopoly of gas transit through Central Asia (meanwhile, one third of the gas supplied to Europe by Gazprom is Turkmenian).⁵⁶ All the while, Russia is feeling strong following Mr Putin's June 2007 visit to Central Asia, betting on maintaining its position in the region and convinced that Europe shall remain dependent on Russian energy.

⁵⁶ Katinka Barysch, *The EU and Russia: From principle to pragmatism?*, Centre for European Reform, Policy Brief, November 2006, p. 4.

Another vexed question arises with the ideas being floated by some governments, e.g. in Germany and the UK, to pass regulations hampering (if not completely arresting) foreign de facto state-controlled consortia or investment funds flush with huge financial surpluses from acquiring companies of what is deemed strategic importance. China, Russia and Arab states are publically named. Any attempt to purchase a sizeable chunk of such companies' shares would require government approval. One factor which influenced EU attitudes in this domain was the surprise purchase in October 2006 by the state-owned Vneshekonombank of a 5% stake in EADS, followed by Russian demands for involvement in the conglomerate's management. Günter Verheugen, vice-president of the European Commission had earlier expressed his support for a similar proposal.⁵⁷

Moreover, the European Commission is considering limiting access to the European energy sector for investors hailing from countries where European firms meet analogous constraints (Russia, China and Arab states have again been indicated).⁵⁸ Tentative proposals in this domain were given a public hearing on September 13, 2007, when Jose M. Barroso, the Commission's president, told reporters that in the energy sector the EU must, of course, be open, but cannot be naive. Since the European Commission defends the internal market against intervention by

⁵⁷ Lorraine Mallinder, "Verheugen warns off sovereign-fund raiders", *European Voice*, 26.07-1.08.2007.

⁵⁸ See Wolfgang Proissl and Ed Crooks, 'Russian energy faces EU barriers', *Financial Times*, 30.08.2007.

For a similar view, see Katinka Barysch, "The best answer to Gazprom is faster reform", *Financial Times*, 3.09.2007.

some member states, then it must also defend it against intervention by third countries, adding that: “We want to have a mechanism which, if needed, can be activated if behind the intervention of a company (there are) motives which are not commercial, which can influence security...”

Though Barroso refused to point to any specific country or company, he admitted to finding it 'strange' that a company like Russian giant Gazprom can buy a European energy distribution firm while a European company cannot buy a concern producing energy in Russia. This was the first time the demand for equal treatment of corporations in both markets was aired in so unambiguous a manner.

For its part, on September 19th, 2007, the European Commission publicly broached the issue, immediately dubbed the “Gazprom clause” in Brussels. As part of far-reaching reform of EU energy market liberalization, the Commission inserted a provision which prohibits foreign firms hailing from countries that do not apply the principle of freedom of economic activity to EU companies from gaining majority stakes in the European energy industry.

Since the European market is of great importance to the Russian economy, Moscow will doubtless treat such decisions as hurting its interests.

Policy towards neighbours

Another key problem in EU-Russian relations is the so-called common neighbourhood, and specifically the region of the CIS. Russia views EU engagement in this area as aimed at undermining its own influence and directed against its interests. One symptom of this stance was opposition to the idea of a European

Neighbourhood Policy (ENP) when it was first articulated, as well as ostentatious discontent when the EU adopted its Central Asia strategy in mid 2007. Moscow persistently demands that the EU accept the Russian Federation’s special interests in the post-Soviet region. Meanwhile, Moscow’s policy towards Tbilisi is perceived by the EU as a destabilizing force in the South Caucasus, covered by the ENP and treated as a transport corridor for supplies of energy resources from Central Asia and the Caspian Sea basin. Support for Belarusian autocracy, the Orange Revolution and elections in Ukraine and Georgia’s pro-western stand have all revealed Russia’s and the EU’s conflicting interests in post-Soviet areas. Moscow’s policy is labelled as *bullying* neighbouring states. Gazprom provides Russia with a means to coerce its neighbours in a situation where Moscow is forced to withdraw its troops from their territory. Russia is also supporting local authorities in rogue enclaves, thereby delaying the resolution of the so-called “frozen conflicts” which the Kremlin links directly to its own way of settling the Kosovo question. With respect to its neighbours, Russia is more source of the problems, and not the solution, frustrating their efforts to make the most of their sovereignty and autonomy.

Russia’s internal policy

Moscow’s other persistent demand is to desist from criticizing its departure from democracy and to accept the Russian political model of so-called “sovereign democracy” on equal terms with liberal democracy. The bloody crackdown on rebellious Chechens, curtailed civil liberties, assassination of

journalist Anna Politkovskaya and the Russian authorities' response to these events, killings of many other journalists, as well as repressive measures against Georgians living in the Russian Federation (in response to the detention in 2006 in Tbilisi of four Russian officers charged with espionage) confirm Russia's growing authoritarian tendencies. The EU has underscored falling Russian standards in three domains: democracy, human rights and press freedom. It also reacted negatively to an escalation in Kremlin's persecution of its political opponents, including heavy-handed quelling of street protests in March 2007, combined with restrictions on activity of political parties and myriad independent community associations.

Conflicts in Europe

The future of Kosovo is a special case. Russia disposes of sufficient potential to destabilize the region, specifically by shoring up Belgrade's opposition to the prospect of the province's independence. The Kremlin's motives in this regard are both strategic (avoiding a precedent, promoting the notion of a concert of powers) and tactical (exacerbating extant transatlantic rifts and splits within the EU itself, delaying Serbia's eventual accession to the EU). As a result, cooperation with Russia in this area may prove extremely difficult.

Anti-western foreign and security policy

There is a growing conviction, increasingly being articulated by the European media and, more discretely, some politicians and diplomats, that Moscow is positioning itself no longer just as a

proponent of multilateralism, i.e. opponent of the United States' unilateral global policy, but also antagonist of both the USA and the EU—for now in Russia's direct geopolitical vicinity, in future on a global scale.

The European Union's immediate problem is the way Russia is behaving with regard to its neighbours, including some EU members, such as Poland, Lithuania, Latvia or Estonia. The EU is thus becoming increasingly critical of Russian foreign policy, for example Russia's use of economic pressure (Polish meat embargo, cuts in oil supplies to Lithuania) or political coercion (the campaign against Estonia).

The dispute between Moscow and Washington over the missile defence shield may bear negatively first and foremost on European security. It is Europe that will be hardest hit by its real and potential consequences invoked by Russia, such as suspending the implementation of the Conventional Forces in Europe (CFE) Treaty, exit from the Treaty Between the United States of America and the Union of Soviet Socialist Republics on the Elimination of Their Intermediate-Range and Shorter-Range Missiles. Besides, the Kremlin is doubtless bent on propping up existent rifts in transatlantic relations.

d. Is PCA2 on the cards?

The discussion surrounding the new legal framework for EU-Russia relations began in 2005, as expiry of the 1997 PCA was drawing near.⁵⁹ Initially, Moscow

⁵⁹ PCA was signed in 1994, but it was ratified by EU member states only in 1997 as a result of the Chechen war in Russia. It officially expires on December 1, 2007, but if neither party denounces the treaty before six months are out, it shall be automatically extended for another year.

favoured negotiating and signing a new agreement, albeit making it clear that it shall not consent to including therein any references to Russia's internal situation. Tensions over energy policy intensified EU pressure to include in the new document security guarantees, which Russian diplomats have resisted. The situation worsened at the end of 2006, beginning of 2007. In October 2006 Poland refused to agree to give the European Commission the mandate to undertake talks on the treaty. Russia blamed the European Union. Simultaneously, sensing inability to force through its own vision of the treaty, Moscow began to pay increasingly less attention to the whole matter.

Within the EU, there was (and still is, though less heated) debate over the purposefulness of negotiating a new treaty. The European Union is striving to found its relations with Russia on this accord, to "base it on a new foundation." It ought to replace the current PCA in order to "better reflect the actual nature and potential of our partnership."⁶⁰ Such all-encompassing agreement should be legally binding to both parties, and should precisely regulate their obligations and ways of meeting them, be it in the domain of values, human rights or energy.

The Russian Federation is expecting a generalist document that would be legally binding and in force for at least a decade, focused on principles and objectives, referring specific policies to separate agreements, e.g. on fisheries, visas or energy transit.⁶¹ Russia is trying to foist its stance with

regard to the treaty on the EU. It wants a document highlighting the equal nature of EU-Russia relations, crowning its return to superpower status. Moscow desires a document which would not raise sensitive issues, such as respect for human rights and principles of democracy, or conditions underlying energy cooperation, which would limit the option of using supplies of energy resource to political ends.

Were the EU to insist on incorporating in the new treaty such issues as the rules of energy cooperation or specific commitments in the domain of human rights, it would be to Moscow's advantage to prolong the status quo and extend the extant PCA on an annual basis. All the more so, seeing that concluding PCA2 before Russian presidential elections would be virtually impossible, correspondingly making the whole affair a less potent propaganda tool from the Kremlin's perspective.

⁶⁰ Waldner, op.cit. p. 4.

⁶¹ Cf. Statements by Vladimir Chizhov, Russia's EU representative, for *Vremia Novostei* (21.11.2006) and

Nezavisimaya Gazeta (5.02.2007). Among Russian scholars similar ideas were voiced by Timofei Bordachov "Na puti k strategicheskomu soyuzu" *Rossiia v globalnoy politike* no. 1 Yanvar-Fevral 2006.

CHAPTER 4

Crisis management—towards EU's single Russia policy

The present analysis of Russia policy is necessarily schematic. However, the perspective of a decade or so permits discerning certain characteristic trends, including the dynamic of continuity or change.

The European Union stresses Russia's importance to the EU on three levels—economic, regional and global. EU interests in relation to the Russian Federation are largely determined by land proximity, dramatic history, hope for Russia's democratic development in keeping with the European model, conviction about Moscow's growing clout in international relations and energy needs.

Both sides declare attachment to shared values, such as principles of democracy, respect of human rights, the rule of law and market economy.⁶² The problem lies in Moscow's specific manner of going about implementing these high-minded precepts, which fly in the face of EU or Council of Europe standards.

As recently as two or three years ago there were important differences between EU member states, especially between the biggest "old" European countries and many "new" members both, as regards both analysis of, and policy towards Russia. The tone of Russia policy was being set by France under president Chirac and Germany under chancellor Schroeder, which attempted to quell the ever louder critiques and to enliven economic relations against the backdrop of opposition, shared with Moscow,

against what was regarded as America's and its allies' unilateral military intervention in Iraq. Most EU member states from Central and Eastern Europe voiced their reservations about such overt anti-Americanism, some even sending troops to Iraq. These tensions were further exacerbated by the sense of inability to elaborate a shared stance in regard to Russia.

Russian diplomacy, shored up by state-controlled or eager media, popularized the thesis that relations would thrive were it not for Poland and the Baltic states, which are driven by historical, post-colonial prejudice against Russia.

The decisive factor behind EU governments' and public opinion's growing criticism and shifting relations with Russia has been the Putin administration's domestic and foreign policy. The watershed came with the suspension of gas supplies to Ukraine in January 2006, justified by Russia's desire to get a better bargain for its gas, but universally read as political pressure in the aftermath of the Orange Revolution. Energy incidents in relations with Georgia and Belarus only served to deepen uncertainty and lend credence to those who had warned of Moscow's readiness to use energy resources to political ends. President Putin's Munich address in February 2007, deemed highly provocative, came as something of a shock. Although both the Chirac administration and the Schroeder government had already raised similar concern, the speech cemented the Atlantic bond and the sense that Europe is in fact set to deal with a new policy on the part of the Russian Federation.

⁶² Cf. "EU-Russia Relations", *op.cit.*, p. 3.

As a result of president Vladimir Putin's (and Gazprom's) policy, in many important respects the divergences in analysis narrowed, or disappeared altogether. Nonetheless, clear differences in proposed policy persist. Moreover, many capitals' tactics can be discerned not so much in formal policy statements, as in implemented diplomatic processes and in criticisms voiced against countries conducting or proposing different actions which are occasionally conveyed by reliable press sources.

Commissioner Mandelson has averred that Russia, like no other country, brings to the fore the differences between member states.⁶³ It is in the European Union's interest to prevent Russia from taking advantage of internal EU divisions and from advancing its own interests at the expense of particular member states and the European Union as a whole.

In the face of uncertainty and growing pressure Poland and the Baltic states tried to use their EU membership in order to improve their position with respect to Russia. Other countries, such as Hungary or Slovakia, mimicked the biggest "old European" states—seeking to avoid direct confrontation and tighten bilateral trade relations with Russia.⁶⁴ In return, they received not just new contracts, but also a reward of sorts for eschewing historical issues. This consisted in public admittance of Russia's "moral responsibility" for the Red Army's bloody quelling of the Budapest uprising in 1956 and for the military intervention in Czechoslovakia in 1968 (during a visit to Budapest and Prague in March 2006).

⁶³ Mandelson, *op.cit.*

⁶⁴ Barysch, *Three questions...*, p. 7.

Russia's sway over old EU member states has waned. Causes of such a turn of events most certainly include the 2004 and 2007 EU enlargements, as well as the departure of "Putin's buddies" (Chirac, Schroeder, Berlusconi). Despite leaving the core of mutual relations intact, the climate became more frosty, and at times overtly critical with the advent of president Sarkozy in France, chancellor Merkel in Germany and prime minister Gordon Brown in the United Kingdom.

The London murder of Alexander Litvinenko, combined with Russian authorities' refusal to cooperate with the British justice system, at a time when memories of the assassination in Moscow of Anna Politovskaya, an independent journalist, were still fresh, stoked a full blown crisis between London and Russia. This has had clear bearing on other European capitals.

Hence, the Samara summit saw EU leaders, including chancellor Merkel who then presided over the EU's work, publicly castigated Russia for attempting to split EU states into the "good" and the "bad", expressed solidarity with Poland over the Russian embargo on its meat exports, and condemned repressions against political opposition and instances of human rights' violations.

The attitude of leading EU figures, including public expressions of solidarity with Poland, was evidence for the fiasco of Russian policy of dividing EU members into the better and the worse. However, a resurgent Russia is feeling sufficiently powerful not to have to cosy up to Brussels, nor to revise its current policy.

At a time of a visible crisis of confidence with regard to Moscow's ends and its means of attaining them, there is a growing conviction among individual EU institutions that elaborating a single approach in at least several key areas, and especially over energy, is absolutely necessary. The desire to deepen cooperation with Russia is evident and ubiquitous in the EU, but not at the price of undermining the bloc's own internal mechanisms, development prospects or internal cohesion.

The European Commission's latest proposals, de facto aimed at forcing through the principle of reciprocity in the treatment of EU companies in Russian markets, constitute a signal warning and will certainly entail far-reaching consequences. For they are an attempt to circumscribe Moscow's influence—exercised through Gazprom—over what are deemed strategically crucial areas of the EU economy.

For a number of years leading figures from Brussels and the EU's major powers have expressed their anxiety over Russia, as well as their hope for working with it to establish a common language, approach and policies in specific problem areas. The previous twelve months have witnessed substantial changes in this regard. There is now less hope and more anxiety and discussion over formulating a policy that would permit implementation of an effective eastern policy—if not with respect to the Russian Federation itself, then at least towards the entire post-Soviet region—without shutting off any paths to a possible future agreement. Despite occasional exasperation at Polish, Lithuanian or Estonian stance, it is now universally acknowledged that the key to improved

relations rests in Moscow. For now, however, no one in the Kremlin has begun to look for it.

The Putin administration has hitherto been so convinced of its own strength and of the fact that the EU must—mainly for energy-related reasons—accept Moscow's conditions for cooperation, that it sees no need to compromise. Meanwhile, it expects significant concessions from the EU, which the latter is not prepared to offer. There is also a strong belief among Russian elites that the present situation is not in any way Russia's fault. Thus, it is any change in Russia's policy towards the EU in the run-up to the presidential elections is unlikely.

Enormous economic opportunities will no doubt make European business circles increase their pressure on governments to thrash out an agreement with Russia. This may get a sympathetic response from Germany and France which have already voiced their reservations with regard to the European Commission's planned liberalization of the European energy market. Many EU governments believe that their economic interests in Russia call for caution and, hoping for positive future changes, view dialogue as important in its own right. The prevalent conviction in major European capitals is that in the long term Russian and EU interests naturally converge, especially as regards the external environment.

Received wisdom has it that Europe needs Russia and Russia needs Europe. Over the coming years this trivial claim shall be filled with more substantive content that would try to accommodate both the requirements of pragmatic and effective policy, and the EU's insistence on values as basis for strategic

partnership, whatever that was taken to mean in the present conditions.

Marcin Kaczmarek is an expert of the Center for Eastern Studies and of the Center for International Relations, Warsaw

Eugeniusz Smolar is the President of the Center for International Relations, Warsaw