



# BULLETIN

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## Russia's Vision of Relations with the European Union

by Jarosław Ćwiek-Karpowicz

*The Russian authorities' declared willingness to form a "modernization alliance" with the European Union does not signify a change of direction in Russia's foreign policy. Russia is offering the EU pragmatic cooperation in particular economic sectors. Relations between the EU and Russia can only develop dynamically in the event that Russia changes its standpoint on fundamental issues, such as its approach towards WTO membership or the new document replacing Partnership and Cooperation Agreement.*

The notion of a "modernization alliance" with the EU was included in a draft new doctrine for Russian foreign policy published on 11 May on the website of the Russian edition of *Newsweek*. This document was drawn up by the Russian Ministry for Foreign Affairs last February at the order of President Dmitry Medvedev, and was intended for internal use. At the same time, Russia received the initial guidelines for the "Partnership for Modernization" project from the European Union with a proposal for joint work on the specifics of the initiative. Since then Russia's representatives have repeatedly been declaring their readiness to enhance social and economic cooperation with the EU in order to speed up the process of the country's modernization.

**Overview.** Russia sees the European Union as a vital partner in international relations, first of all in light of the economic situation. More than half of Russia's trade is conducted with EU member states, and 75% foreign direct investments in Russia comes from the EU. Despite a surplus, trade with most member states is often structured unfavorably for the Russian economy. Russia's main exports to the EU are natural resources, i.e. crude oil and natural gas, while its imports are mainly highly processed goods.

The economic crisis, which hit Russia in the second half of 2008, revealed the adverse consequences of overdependence of the economy on revenues from exports of natural resources for energy generation, confirming the need for intensive modernization of the country's economy. As a result of a sharp decline in oil prices, revenue from exports was halted and foreign capital dried up. After eight years of a healthy economy, the GDP fell by almost 8%, while the budget deficit exceeded 7% of GDP. For the first time since 1998, the government also decided to increase the deficit and sell eurobonds. The crisis was exacerbated by the high level of debt of Russian businesses (exceeding US\$ 430 billion in April 2010), which had turned out to be uncompetitive on global markets.

In addition to the changing economic climate, Russia's vision of relations with the EU was largely affected by political developments in post-Soviet regions. In August 2008 the war with Georgia confirmed that the Russian authorities were treating the former Soviet republics as their "privileged area of interest" and were prepared to use military force to safeguard their dominance there. An absence of any major changes in the EU and its member states' policy towards Russia after the war with Georgia reaffirmed the conviction of the Russian authorities that particular interests of individual member states severely limited the EU's political capacity for action. On the other hand, the bringing about by the European Commission of the signing in spring 2009 of a memorandum with Ukraine concerning the upgrading of gas transmission infrastructure, gave rise to Russian concerns over the EU's growing economic strength, which in the long run might exert a significant impact on political changes in the CIS area.

**Assumptions.** Russia is interested in developing pragmatic cooperation with individual EU states in areas such as the economy (including energy) or security (terrorism, operations in Afghanistan, sanctions against Iran), counting in return on tolerance for the political system currently in place in

the country. Revised, however, has been the assumption made for years that EU member states can be divided into those that ready to accommodate Russia's interests (cooperation with those countries in the economic sectors should to be expanded) and those critical of the superpower style in Russian politics (those ought to be isolated). Political dialogue with opponents of the Russian vision of foreign policy towards the former post-Soviet area and critics of the condition of Russian democracy, such as Poland, Sweden or the United Kingdom, indicates Russia's readiness to change. The Russian authorities seem to be vitally interested in normal relations with those states in order to generate economic benefits and to curb any potential criticism in the EU forum of their failure to observe the principles of democracy or of their too expansive a policy in the CIS area.

The concept of a "modernization alliance" between Russia and the EU has emerged from simple readiness to extend the scope of generally satisfactory cooperation in the economic sectors between Russia and a number of EU member states, in particular Germany, onto the remaining member states. The proposals made by the Russian authorities regarding cooperation with the EU relate to enhanced economic and technological cooperation, introduction of standard technical norms, mutual lifting of visas and integration of the higher education systems. Some Russian political leaders are aware, however, that in deciding to work more closely with the EU Russia should also launch political and social reforms, for example in the functioning of the judicial system or in cracking down on corruption in the state administration.

It should be reiterated that Russia has not revised Medvedev's five points of Russian foreign policy outlined after the war with Georgia and has not distanced itself from other declarations made at that time. These reflected Russia's claim to the right to co-decide about the foreign policy and domestic situation in former Soviet countries.

**Assessment.** The Russian authorities are interested in cooperation with the EU first of all in the economy and want to limit cooperation to those sectors where they see the greatest benefits. This approach means that the attempt to create a long-lasting "modernization alliance" with the European Union is doomed to failure, because the EU is interested not only in economic modernization in Russia, but also in social and political modernization. Irrespective of any further declarations, there are still issues in Russia-EU relations that are a long way from being resolved and which are hindering development of bilateral relations. These include Russia's inconclusive negotiations on WTO membership and a lack of consensus on the ultimate form of the new agreement between Russia and the EU intended to replace the partnership and cooperation agreement. The potential creation of a Russia-Belarus-Kazakhstan customs union will also have a negative effect on closer relations with the EU, and it would postpone the prospect of Russia's joining of the WTO considerably. The protectionist economic solutions adopted by the Russian government, which is protecting indigenous production, will not help enhance cooperation with the EU either, while cooperation within the four "common spaces" is encountering new problems, as in many areas of the economy Russia has not expressed any interest in cooperation, or has even changed its previously favorable standpoint (for example, on the harmonization of Russian law with the EU chemical industry regulation). In this situation a real "modernization alliance" between Russia and the EU seems an unlikely prospect or at least a very remote one.

**Conclusions for Poland.** The Polish government should provide support for EU measures aimed at a comprehensive modernization of Russia, as it is in Poland's interest to see the area ruled by law, democracy and free market regulations expand eastwards. Poland should definitely opt for the adoption by the EU and Russia of specific commitments in the form of international treaties, and not loosely-worded political declarations which do not oblige the parties to abide by principles conducive to cooperation development. For this reason Russia's full membership in international institutions, such as the WTO or the OECD, as well as the easing, both by Russia and the EU, of visa restrictions, is desirable. Focusing on cooperation with Russia should not, however, undermine measures launched by Poland and the entire EU in support of sovereignty, territorial integrity and political and economic transformations in the remaining CIS countries.