

## The EU-Russia summit in St. Petersburg: Another 'new' beginning?

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» The relationship between the EU and Russia – the 'strategic partnership', as it has been called – is of clear geopolitical and economic importance. The EU and Russia are the two main political poles in contemporary Europe. It is hard to imagine any politically salient pan-European project moving forward without both parties' agreement and active support.

The same holds true in the economic sphere: the economic linkages between the EU and Russia are vital for both. The EU is Russia's main trading partner and biggest source of foreign direct investments. Russia is the EU's key partner on energy security, as well as an important source of other natural resources and a promising market for EU companies.

In economic terms, the EU and Russia could potentially be a match made in heaven. It seems natural that these positive prospects would extend into the political sphere as well. But the political relationship between the two strategic partners has been fraught with problems throughout the 2000s. The dynamics between the two have gone from bad to worse, to the point where both sides are now approaching mutual disillusionment.

### HIGHLIGHTS

- The last EU-Russia summit saw no major dispute but delivered little progress.
- Even where achievements have been made – such as Russia joining the WTO – obstacles lie ahead.
- The EU and Russia are condemned to cooperate but they must learn to trust each other.



### TROUBLED PARTNERS

The political problems between the EU and Russia come from several sources. One cause is mutual suspicion of the role each side has taken in the so-called common neighbourhood, that is, the countries in Eastern Europe between the EU and Russia. Another source of friction is the rules on energy trading in Europe, and in particular, on natural gas. Underlying these tensions is the fact that the two sides have largely incompatible understandings and expectations on what the relationship should be about. The EU wants economic integration in almost all areas. Russia would prefer more selective co-operation, while at the same time shielding itself and what it perceives as its 'sphere of interests' in the East from too much EU interference.

To make matters more complicated, both the EU and Russia are in crises that are largely of their own making. The financial and economic crisis has shaken the EU to the core and has resulted in its having to devote most of its energies to internal crisis management. At the moment, the EU is not a particularly effective and coherent international partner. And it does not necessarily offer the kind of successful best practices that Russia would be willing to follow and emulate.

But Russia also seems to be in trouble. Russia's own economic success is closely tied to the perspectives of Europe – this fact has even been accepted, somewhat grudgingly, by the newly reinstated Russian President, Vladimir Putin. On top of that, Russia is undergoing its own domestic crisis. Putin's return as President has

created a new political dynamic, whereby many in Russia are beginning to question the basic legitimacy of 'Putin's Russia'. That said, Putin's return at the helm hardly offers a chance for a fresh beginning unencumbered by the past. Many have hoped that Putin would reinvent himself for the third term but the current context suggests a good deal of continuity.

### ST. PETERSBURG: SMILES AND LINGERING TENSIONS

For these reasons, expectations on the recent EU-Russia summit in St. Petersburg were relatively low. They were also kept intentionally low. EU sources in particular stressed before the summit that the point was more for the EU leadership to re-acquaint itself with Putin rather than for the two partners to agree on anything of substantive importance in moving their relationship forward.

In St. Petersburg, this bare minimum was duly achieved. The EU delegation was made up of the European Council President Van Rompuy, the European Commission President Barroso, the High Representative Ashton and Energy Commissioner Oettinger – the EU is still represented by too many figures even after the Lisbon Treaty. They shook hands with President Putin and his Foreign Minister Sergey Lavrov.

The overall mood of the meeting was reportedly positive. One EU diplomat noted that this time around, the Russians did not 'show the obstinacy typical of previous summits'. Indeed, the fact that Putin chose to show positive spirits was in itself an important



result from the summit. This was reflected in the post-summit press conference, which radiated positive energy. Putin reiterated Russia's willingness to develop cooperation with the EU in the future. Van Rompuy celebrated the 'best dynamics for years' in EU-relations. And Barroso looked forward to keeping trying – and eventually succeeding – in developing EU ties with Russia.

So, mission accomplished? Not quite – underneath the smiles was more than a touch of frost. There was a terse exchange over the situation in Syria, where the EU and Russia

have taken diametrically opposed stances on how to resolve the civil war. Even definite successes seem to leave a somewhat bitter aftertaste for both sides. The discussions around what Van Rompuy called 'the three remarkable results' of the last two years – the Russian WTO accession, the Partnership for Modernization and the common steps towards

visa-free travel – all betrayed more differences than convergences between the partners towards a fully shared approach.

EU-Russia summits have too often ended with 'a decisive political breakthrough', only to see the consensus between the two dissolve soon after. This is potentially the case on Russia's WTO accession, which, after several false starts and gruelling negotiations over almost two decades, is finally expected to take place this August. Probably remembering earlier mistakes, the EU was wary of celebrating

Russia's WTO accession in St. Petersburg, clearly preferring to see it finally in place before trying to move the agenda forward with Russia.

Russia's WTO membership is unquestionably good news. According to WTO Director-General Pascal Lamy, Russia can expect to benefit both in trade and in investment. Politically, Russia will gain mileage out of its membership, since it has been the only major economy missing from the organisation. Russia's WTO accession is likely to have a positive effect on EU-Russia relations as well. For one thing, it will clear space on the agenda of future EU-Russia summits: now the two partners can move on to disagree about other divisive issues. The WTO has been one of the biggest stumbling blocks in negotiations for a new basic agreement to replace the current Partnership and Cooperation Agreement signed in 1997. On the EU side, the process has always been predicated on the assumption that the new agreement should build on Russia's WTO membership and result in a more ambitious and binding free trade agreement between the partners. The delay in Russia's accession has meant that negotiations for the new basic agreement have been stalled.

But it should not be taken for granted that a radical breakthrough in negotiations is now about to be made. On the contrary, in St. Petersburg, Putin was already protesting against the EU's expectations for moving quickly beyond WTO obligations towards what Putin called WTO+ between the two sides. Putin's main point on Russia's WTO entry was his country's intention to make use of all the available mechanisms to protect vulnerable industries from the increased competition caused by accession. This

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represents, perhaps, not an entirely positive outlook on the immediate effects of Russia's entry into the world's free trading body. A recent study by the European Commission has indicated that Russia is expected to be in breach of several of its WTO obligations immediately upon accession. This is not an unusual state of affairs, but it could mean that in future the EU and Russia will spend a good deal of time litigating against each other within the WTO bodies.

In addition, Russia's clear unwillingness to embrace the potential for creative destruction that the WTO membership could bring bodes ill for the prospects of the Partnership for Modernization (P4M), another key EU-Russia catchword in recent years. In this area, the summit did produce a deliverable of sorts, as Putin did restate Russia's interest in continuing the process. This was never a given, since the modernisation debate in Russia was part of the agenda of his stand-in, Dmitri Medvedev. Many had speculated that Putin might have been less than interested in continuing the process.

Despite the agreement to carry on the P4M, the framework has its own problems. The EU has been pressing for a full spectrum modernisation of Russia, involving the economy, civil society and politics. Russia has insisted on a more selective approach, working towards economic and technological modernisation but stopping short of embracing the EU's offer in full. In consequence, the P4M has become another forum for an endless dialogue between the strategic partners, in effect, conflating process with progress. This approach has been a frequent and, it seems, mutually frustrating occurrence in EU-Russia relations.

The one dialogue with perhaps the most promise and potential, the talks on visa freedom between the EU and Russia, has not proceeded to both parties' satisfaction. Here, Russia is the *demandeur*, expecting rapid visa-free travel for its citizens in Europe. On its side, the EU has come up with an impressive domestic to-do-list for Russia to meet before granting eventual visa freedom. But the EU is not only playing a tactical game. The list of challenges for the Russians is as real as it is daunting, ranging from document security and border controls to the problem of rampant corruption in the country. Russia – somewhat implausibly – contends that it can quickly fulfil requirements for visa-free travel and has implied that the EU has political motivations for holding up the process. As a result, and despite the positive political momentum that visa freedom would mean for EU-Russia relations, the issue is in danger of becoming yet another poisoned chalice for the two strategic partners.

The backbone of EU-Russia relations, the question of energy, is another site of contention. Putin's joke at the post-summit press conference about how Barroso should be pilloried for his efforts in developing an EU common energy policy did little to mask the severe disagreements on the subject between the EU and Russia. Ever since the 2009 gas crisis with Ukraine, the EU has been looking for ways to lessen its reliance on Russian resources. Part of this drive has been the development of greater EU competence in the field of energy, as exemplified by the Third Energy Package, which entered into force in March 2011. One of the major innovations in the package has been the unbundling of production and transmission of energy in Europe. This is a



direct challenge to the Russian energy giant Gazprom's business model, which has been built on explicit control of both production and transmission of gas to Europe. Moscow has sought to galvanise support for its position in EU member states. But the Commission seems set to seek the full implementation of the package.

All in all, the summit was fairly thin in terms of substance. The only potential opening came from Van Rompuy, who suggested that Russia should soon finally agree to host a round of EU-Russia Human Rights consultations in Moscow. In the past, Moscow has declined the EU's calls to host talks, preferring to keep the event outside of Russia. It will be interesting to see how Russia will react to this public challenge by the European Council President. But even if Russia did agree to hold the consultations in Moscow, it would not necessarily mean a decisive breakthrough had been achieved. Moscow has consistently played tit-for-tat in human rights consultations, meeting EU criticisms with salvos against the EU's own, at times admittedly flawed, track record in upholding human rights. There is very little reason to think that this negative dynamic on human rights will change any time soon.

history as significant events. Indeed, one of the problems with the current structure of relations is that the two sides are meeting too often at the highest political level. Russia is the only strategic partner with which the EU meets twice a year. The high frequency of meetings has only served to highlight the lack of concrete results between successive summits.

But trimming down the number of meetings is not necessarily what the EU-Russia relationship needs most right now. Both parties should try to avoid sending signals that further lower expectations of their strategic partnership. What is called for is not less summits but more mutual trust, political substance and tangible deliverables. It is hard to see how this could come about in the current climate. However, the fact that the two squabbling strategic partners keep coming back twice a year for their summits speaks volumes about the importance that both sides attach to their relationship, and about the potential of the relationship to benefit both. Even so, a real EU-Russia strategic partnership is yet to materialise. And there is very little evidence that the latest gathering in St. Petersburg will result in a radical move in that right direction.

## CONCLUSION

The gathering in St. Petersburg in early June was the 29<sup>th</sup> EU-Russia summit. Only a handful of these summits will go down in

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