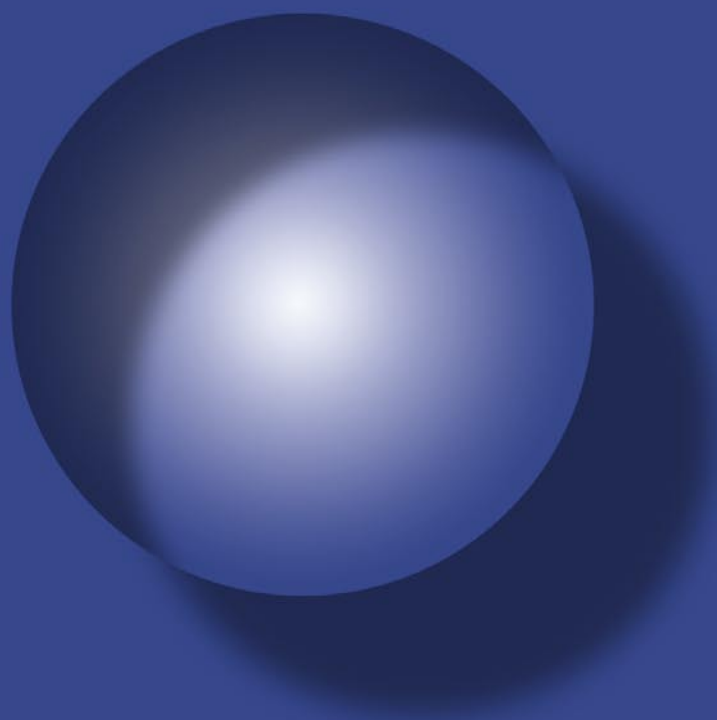


EU-Russian Relations

Alternative futures

Sergei Medvedev



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Summary

The relations between the European Union and Russia are in a state of stagnation. Despite the massive trade flows and heady symbolic diplomacy, there is mistrust, frustration and permanent bureaucratic squabbling between Moscow and Brussels. The 2000s was a period of disillusionment in EU-Russian relations. With Putin's coming to power and the comeback of a quasi-authoritarian bureaucratic state in Russia, the EU became increasingly disappointed about the prospects for a "Europeanization" of Russia. For Russia, too, the EU, as a bureaucratic formation pursuing socialist economic policies that stifle economic growth, looks much less attractive than in the 1990s.

By the mid-2000s, after the accession of the (largely Russophobic) East European nations to the EU and after the "coloured revolutions" in the post-Soviet space, the EU and Russia have returned to the opposing positions of constitutive 'Others' in their identity projects. Russia's new Great Power identity is increasingly being formed in opposition to the West. For the Europeans, too, the discourses of 'othering' Russia are evoked at every opportunity. Most importantly, there is a lack of strategic perspective on the future of EU-Russian relations in both Brussels and Moscow. Neither side can articulate the long-term goals of their relationship or the common values, norms and interests that underlie the rhetorical "strategic partnership".

This report explores the reasons for, and the parameters of, this gap in EU-Russian relations, this lack of strategic perspective. It attempts to do this by outlining various scenarios for future EU-Russian relations.

First, three scenarios are outlined for Russia:

- "Authoritarian Modernization" is based on the broad outlines and ideas of the early years of President Putin's presidency (2000-2002): namely, political centralization combined with a liberal

economic and social agenda. In this scenario, Putin, or his successor, to be elected in 2008, revolutionize the political regime and, using this popular mandate, re-orientate authoritarian rule for developmental purposes.

- “*Liberal Modernization*” is an unlikely scenario, which combines economic liberalization and the opening up of the political system with a decentralization of decision-making.
- The most likely scenario, barring a sharp fall in oil prices and major internal problems (mass social protest, large-scale terrorist attacks, man-made and natural disasters), envisages the continuation of present trends in Russia, evolving into what can be called “*Bureaucratic Capitalism*”. This involves the continuation of clan politics, “crony capitalism” and the preservation of the current elite as a closed corporation.

Next, three scenarios are outlined for the EU:

- The “*Global Actor*” scenario presupposes a simultaneous deepening and widening of the EU, together with a gradual federalization of the Union, resembling the traditional French vision of the EU. The principal milestone on this road is the adoption of the EU Constitution.
- A failure to ratify the Constitutional Treaty and implement institutional reform of the Union may lead to the weakening of the EU's central institutions, the renationalization of economic and foreign policies and the regionalization of Europe. The result will be what I call the “*Network Europe*” scenario, whereby Europe evolves along the lines of the traditional British concept of a “Common Market Plus” arrangement; that is, a pre-Maastricht type of economic Union with a weak political superstructure.
- The increasing shock effects of globalization – global terrorism and the proliferation of WMD, migration, environmental degradation, climate change, natural and man-made disasters, regional instability and state failure along the perimeters of Europe – may produce a strategy of isolationism, or the “*Fortress Europe*” scenario.

Finally, these Russian and EU scenarios are combined in a 3x3 matrix, producing nine possible outcomes for EU-Russian relations. These nine combinations in effect produce three key scenarios:

- The best-case “*Partnership*” scenario envisages the development of the EU-Russian dialogue beyond the current rhetorical level

and the four “Common Spaces” which are no more than a watered-down derivative of the European Neighbourhood Policy (ENP). The idea of eventual Russian membership of the EU will be brought back. A higher status will be accorded to Russia, subject to a political decision: either an Association Agreement (like that made with Turkey since 1963) or some new unique formula, like 25+1 (or 27+1, after Bulgaria and Romania join).

- The worst-case “*Cold peace*” scenario is driven by a combination of global threats: terrorism, a deterioration in relations between the West and Islam, a rise in oil prices, etc. The EU and Russia will reply to these threats with isolationism, protectionism and a heightened security awareness. The systemic incompatibility of the EU and Russia will come to the fore, as both sides will become increasingly alienated from each other.
- Barring these extreme contingencies, the most probable outcome is essentially a middle-of-the-road scenario involving Brezhnev-type “*Zastoi*”, or “Stagnation”. This scenario presupposes the continuation of current trends in EU-Russian relations. The EU-Russian dialogue will be plagued by loose institutions, hollow summits and a bureaucratic tug-of-war.

The conclusion of the paper is that the gridlock in EU-Russian relations will be long-lasting, with no incentives, actors or political will to break it, at least, until 2008-2009. Russia will enter the 2007-2008 election season, the prime goal of which will be the reproduction of the current regime, exhibiting an attendant authoritarian drift, Great Power rhetoric and ritualistic constructions of enemies. The EU is likely to be seen as a challenger to Russian interests. Meanwhile, the EU will be too busy with domestic developments, accommodating “Big Bang” enlargement and reconsidering the future of the EU Constitution. Given these conditions of uncertainty, Russia will not be at the top of the EU’s priority list; rather, it will be viewed as yet another external threat the impact of which has to be minimized.

Preoccupied with domestic developments, both sides will see the other’s actions as a threat: Russia will see the EU as an “orange” challenge to its internal undemocratic system and hegemonic designs for the post-Soviet space, whilst the EU will see Russia as a threat to its energy security, democracy promotion and enlargement plans. This will lead to a policy of damage limitation on both sides.

This gridlock means that Russia and Europe will need to explore other avenues of dialogue, first of all the traditional web of bilateral relationships (Russia-Germany, Russia-France, Russia-Italy, and Russia-Finland) that have historically enjoyed a higher degree of trust and personal linkage. Likewise, dormant regional initiatives, like the EU's Northern Dimension, as well as the non-EU Council of the Baltic Sea States (CBSS) and the Barents Euro-Arctic Cooperation, could become useful interfaces. In this context, the Finnish presidency of the EU, in the second half of 2006, can fully exploit the options of both bilateralism and regionalism, reviving the Northern and Baltic dimensions and embarking upon a different quality of political relationship with Russia than the one Moscow currently enjoys with Brussels.

The current tool kit of EU-Russian relations is clearly not adequate for overcoming this stalemate. Apart from the aforementioned bilateral and regional diplomacy, some innovative "out-of-the-box" thinking is needed to jump-start the relationship from its current stasis. This may seem far-fetched and idealistic, but at some point one has to question the fundamentals which underlie current policy thinking in Moscow and Brussels: namely, the outdated modernist "sovereignty" concept for Russia and the neo-imperialist civilizing discourse of "Europeanization" for the EU. In questioning "sovereignty" and "Europeanization", Russia and Europe will have to go beyond their current thinking and the rituals of 'othering' and try to accept the 'Other' as a given, rather than something to be opposed or transformed. This could create a new ontological foundation for a durable EU-Russian partnership.

Introduction

Twenty years ago, when the Soviet Union still existed and the European Union did not, Mikhail Gorbachev, seeking to unite a divided continent, came forward with a vision of a “Common European Home”. After two decades of turbulent relations, Russia and Europe are still apart and the “Common Home” has been constructed without Russia, the suspicious neighbour.¹

Rather than Gorbachevian idealism, EU-Russian relations are better characterized by a word from the late Brezhnev era; *zastoi*. Literally this means stagnation, or muddling through. In the 1970s and early 1980s, the crisis affecting the then ailing USSR was disguised by high oil prices and by the inflow of petrodollars, as well as by the immense symbolic economy of the Soviet system: pompous Party congresses and May Day parades, exaggerated five-year plans and triumphant reports. By the same token, the current state of EU-Russian relations is disguised by massive East-West hydrocarbon flows, as articulated by the latest Russian impact on “energy security”, and by impressive symbolic activity, including heady summits, strategies, roadmaps and the ritual invocation of a “strategic partnership”.

The oil and gas flows and the symbolic diplomacy conceal a hugely problematic relationship, which is stagnant, yet crisis-prone. Firstly, there is mistrust, frustration and permanent bureaucratic squabbling over technical issues, from steel export quotas to payments for flights over Siberia by European carriers. Many questions, previously considered solved, like EU consent to Russia’s WTO membership, have been put back on the agenda, as happened in early 2006. What is more, many issues are fraught with danger, like disagreements over Russia’s war in Chechnya, the extension of the Partnership and Cooperation Agreement (PCA) to new EU member states, the Kaliningrad transit problem or, most recently, the war of words between the EU Commission and

Gazprom over Russian energy supplies. And the litany of disputes goes on. As grimly observed by Alexander Rahr, “The basis for the EU-Russia partnership is as narrow as it has ever been.”²

Indeed, the 2000s was a period of disillusionment in EU-Russian relations. With Putin’s coming to power and the rise (or rather, the return) of a quasi-authoritarian bureaucratic state in Russia, the EU became increasingly disappointed about the prospects for a “Europeanization” of Russia. For Russia, too, the EU looks much less attractive than in the 1990s: “an over-bureaucratized formation pursuing socialist economic policies that stifles economic growth”, in the words of Dmitry Trenin.³

This mutual frustration is all the more striking, considering the fact that the EU and Russia are vitally interdependent for their external and domestic security, in their proximity, on humanitarian issues, and because the EU accounts for over fifty percent of Russia’s external trade and for most of the foreign direct investment in Russia. The paradox of the situation is that the closer the EU and Russia get to each other, territorially or economically, the more problematic their relationship becomes, so that interdependence and contiguity turn into a source of permanent frustration.

Another paradox is that on paper, the relationship looks just fine. There has never been a shortage of framework documents in EU-Russian relations, from the Partnership and Cooperation Agreement (PCA), which was signed in 1994 and came into effect in 1997, to the various ‘strategies’ including the EU’s “Common Strategy on Russia”, adopted in 1999, and Russia’s reciprocal “Mid-term Strategy for relations with the EU”.⁴ However, the proclaimed “strategic partnership” has not been supported by the clear mechanisms of implementation, timelines, benchmarks and criteria which, by contrast, characterize the relations of the EU with European applicant countries. Without the prospect of Russian membership of the Union, the entire corpus of EU-Russian paperwork remains largely a declaration of intent, an instrument of policy avoidance, rather than providing clear policy guidance.⁵

The same is largely true of the most recent addition to the EU-Russian body of texts, the four Roadmaps, corresponding to the four Common Spaces: the Common Economic Space; the Common Space of Freedom, Security and Justice; the Common Space of External Security; and the Common Space of Research, Education and Culture. Adopted at the EU-Russian summit in May 2005, the

Roadmaps present some 400 bulleted action points, phrased in the language of “cooperation” and “dialogue” but vague on implementation mechanisms. Lacking strategic guidance, policy instruments or precise definitions, Michael Emerson has called the Common Spaces “the proliferation of the fuzzy” in EU-Russian relations.⁶

By the same token, Andrei Makarychev has described the language of the Common Spaces as “the EU discursive strategy of uncertainty” which leaves as much room as possible for different interpretations of the basic concepts that form the background of EU-Russian relations,⁷ while an oft-cited report by the Moscow-based Council for Foreign and Defense Policies criticized the Common Spaces for being merely a transitory stage in EU-Russian relations that reflected a lack of vision on both sides.⁸

Finally, and most importantly, there is a lack of strategic perspective on the future of EU-Russian relations in both Brussels and Moscow. Neither side can articulate the long-term goals of their relationship or the common values, norms and interests that underlie the “strategic partnership”. Most notably, by the mid-2000s, official Russian policy regarding the EU had been reduced to the bald statement that “Russia does not seek membership of the European Union”. It is obvious that such a negative pronouncement cannot inform a strategic agenda.⁹

The fundamental problem for Russia is that it has not yet figured out how to deal with a new sort of political animal, namely, the European Union. Strategic thinking in Moscow is still deeply embedded in Westphalian notions of sovereignty. Moreover, the vision of a “sovereign democracy” is now the official ideology of the regime, as made public by the Kremlin’s main ideologist, Vladislav Surkov.¹⁰ As Derek Averre has put it,

*the current drive to strengthen state power, accepted by the majority of Russian political elites as necessary both as an instrument for national reconstruction and as a corrective to the disorder of the Yeltsin years, produces neither the internal stimulus to reform nor the external point of reference which would allow multifaceted engagement with Europe, especially in the context of a changing international system and developing notions of sovereignty.*¹¹

The EU, on the other hand, is a much more complicated counterpart, described variously as a “unique, not to say strange,

political actor, with divided and clashing institutions, unclear sovereignty, a weak sense of common interest and few institutions in the political arena yet able to achieve its declared ends”,¹² and as “a bureaucratic body almost without political leadership”.¹³ From this perspective, it is not clear to Russia where political power in Europe lies: is it in the national capitals, the Council or the Commission? Quite often, Russia resorts to the tried and tested realm of bilateralism only to find out that bilateral agreements (e.g. Gazprom’s deals with European governments) run into European Union regulations and that Russia faces a much less cooperative EU Commission. This contributes to strategic uncertainty in Russia with respect to the EU and the future of EU-Russian relations.

The EU, too, lacks a long-term strategic vision for its relations with Russia. For EU policy planners, the basic structural impediment is that Russia does not have a vocation for membership, and they have not quite figured out what to do with their enormous non-acceding neighbour. After half a century of successful integration and adaptation to the outside world, the EU is still essentially an integrationist machine. At its core is a set of bureaucratic rules, procedures and institutions aimed at transforming nations and spaces to a universal standard. However, once it appears that a nation cannot be integrated, the technocratic integrationist mentality fails to produce a strategic outlook and a coherent policy. The EU operational mode is therefore technocratic and bureaucratic, not political and strategic.

The technocratic integrationist logic of the EU largely explains the “intrusive” nature of the EU’s policy towards Russia that so often irritates the Russian side. In an apparent desire to shape Russia in its own image, the EU projects its values, norms and regulations (but also fosters its material interests), expecting Russia to comply with an EU-defined code of conduct. In short, this is an extension of the EU’s internal logic – the EU acted the same way with respect to Slovakia or Estonia – but without the added benefit of EU membership.

The extension of the EU’s internal logic is evident throughout the documents intended to govern the EU’s relations with its neighbourhood, from the PCA to the Common Strategy on Russia and from the European Neighbourhood Policy to the Roadmaps for the EU-Russian Common Spaces. As Michael Emerson has observed,

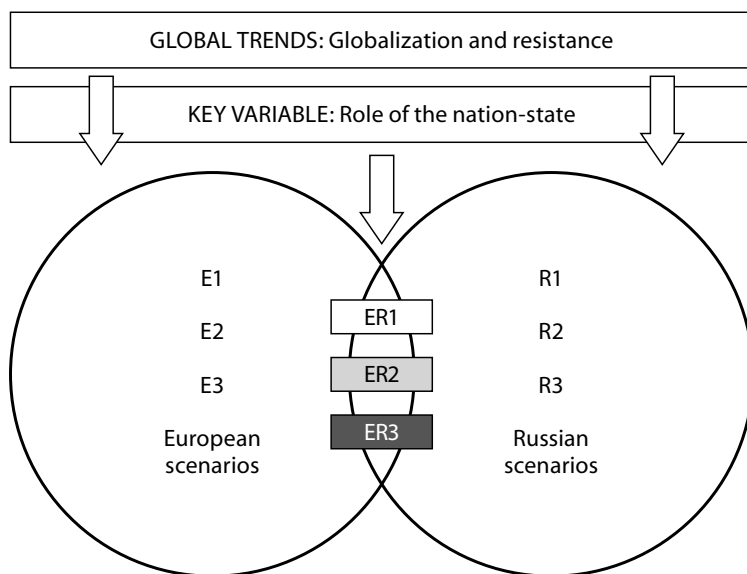
*The European Neighborhood Policy, which Russia does not want to be covered by, is itself a weak and fuzzy derivative of the EU's enlargement process. This neighborhood policy is embracing the same comprehensive agenda of the EU's internal policy competences and political values, but without the mega-incentive of accession. The four common spaces are now a weaker and fuzzier still derivative of the neighborhood policy... As a result the roadmaps do not really inform us about where the EU and Russia are heading.*¹⁴

The missing sense of direction in the EU's relations with Russia also reflects a wider feeling of ambiguity about the future of the European project following the failure of the Constitutional Treaty in the Dutch and French referenda in 2005. The EU is currently at a crossroads, facing a choice between, on the one hand, a federalist vision, represented by the Constitutional Treaty, and a more minimalist kind of integration, namely, a "Common Market Plus" arrangement. Alternatively, the choice is between wider integration, with the eventual membership of Ukraine and, most notably, Turkey, and stopping at the current stage of enlargement, plus the immediate candidates, Bulgaria and Romania. This ambiguity about the future format of the EU adds to Europe's strategic indecision with respect to Russia.

This paper seeks to address this gap in EU-Russian relations, that is, the lack of strategic perspective, or "the vision thing". Apart from pending problems, like the replacement of the PCA in 2007 and Russia's WTO entry, both sides need to take a broader look at their relations and try to find a clearer sense of purpose and direction and a better idea about their ultimate end destination/s. The paper attempts to do this by outlining various scenarios, or alternative futures, for EU-Russian relations. The analysis proceeds in four steps (see Figure 1).

- First, it defines key global trends that have a bearing on both the EU and Russia.
- Next, it singles out the key variable for forecasting the future of the EU and the future of Russia. At both ends of the European continent, the key variable is the role of the nation-state in (a) the economy and (b) politics.
- Third, using the above variable, the analysis proceeds to define two sets of scenarios, one for Russia and one for the European Union.

Figure 1:
Outline of analysis



• Fourth, the Russian and European scenarios are combined in a 3x3 matrix, producing nine possible outcomes for EU-Russian relations. These nine combinations in effect produce three basic scenarios:

- “Partnership”
- “Cold peace” and
- “Stagnation” or “Zastoi”

Globalization and the Nation-State

Globalization is a double-faced Janus. At first sight, it appears to be a force for unification, integration and standardization. It is heralded by the universal spread of free markets and information networks, accompanied by a specifically American variation of Western culture (“Coca-Colonization”) and legitimized by the acceptance of democracy and human rights as universal values. One obvious political corollary of globalization is “de-sovereignization” and the decline of the nation-state as the basic unit of international relations.

But then there is the other face of globalization, like international terrorism, global criminal networks and the flows of illegal migrants that necessitate the mobilization of the residual powers of the nation-state. And finally, there are all sorts of identity movements that emerge by resisting globalization and yet are themselves invariably global: Chechen separatists, Mexican Zapatistas and Aum Shinrikyo, just like the anti-globalists themselves, all go online, create global networks and live without regard for state borders.

The name of the game is globalization versus adaptation (or outright resistance). This collision has been called different names by different authors: the Net and Self (Manuel Castells),¹⁵ Mc-World and Jihad (Benjamin Barber),¹⁶ the Lexus and the Olive Tree (Thomas Friedman).¹⁷ Almost any trend towards unification and integration is offset by the adaptation strategies of nation-states, indigenous cultures, groups and individuals, and by the emergence of various resistance identities:

- De-nationalization, de-sovereignization and de-bordering are counterbalanced by re-nationalization, the return of the nation-state reclaiming its inherent monopoly on violence, security and borders.

- Integration (as manifested, for example, by EU enlargement) is counterbalanced by the forces of fragmentation (e.g. in the former Yugoslavia, or in Georgia).
- The global markets' strive towards homogeneity and the universal applicability of neo-liberal strategies is offset by the re-emergence of the nation-state as an anchor of identity and the focal point of cultural resistance to globalization. There is also a clear drive towards greater protectionism and even the renationalization of strategic industries ("resource nationalism"), as happened recently with the oil industry in Bolivia.
- The Americanization of global culture is met with increasing anti-Americanism in Europe, Russia and the Third World.
- The rise and fall of the "New Economy" is matched by the heavy weight of the Old Economy, and its main commodity, oil, which is just as important today as it was in the twentieth century. In all likelihood, the importance of hydrocarbons for the economy will grow, even in developed countries, with the attendant global patterns of competition and dependence;
- The rise of the "liberal imperialism" of the West and the promotion of the New World Order (as seen, for example, in Kosovo, Afghanistan and Iraq) is met with the increasing force of global terrorism and the threat of the "Coming Anarchy" (Robert Kaplan),¹⁸ while regional instability emerges in Europe's turbulent neighbourhoods.

In all these cases, the key variable, and point of contention, is the role of the nation-state. Is it being fragmented, diminished and dissolved by the forces of globalization, marketization and integration, or is it being reinstated and reinvented by the forces of resistance, localism, protectionism and identity? What strategies of adaptation can the nation-state adopt? Does it consolidate sovereignty, enhance statehood and emphasize traditional nationhood or does it pool sovereignty with other nations, yield to supranational governance and develop new identities?

These questions strike at the heart of the current transformations of the EU and Russia. The EU is going through a difficult period of coming to grips with the level of integration achieved by 2005, when the Union expanded to 25 and stood on the verge of becoming a quasi-federative state by adopting a Constitutional Treaty. The debates about the "Old Europe" versus the "New Europe", the caricature images of the "Polish plumber" stealing jobs

in the West, Ukraine's emerging bid to join the EU and especially the controversy around the idea of including Turkey in the EU have all overstretched and questioned the limits of the European project. Meanwhile, the Islamic factor came to the fore with the heated debate about headscarves (*hijab*) in French schools in 2004, the race riots in major European cities in November 2005, and the imminent threat of Islamic terrorism in Europe following the Madrid and London bombings in 2004-2005. All of this, combined with popular resentment against the "democracy deficit" in the EU, the Byzantine and bureaucratic nature of policy-making in Brussels and the lack of transparency in adopting the text of the Constitutional Treaty (as well as the size and complexity of the text itself) have produced a popular backlash, a European "orange revolution" of sorts, in the form of the No vote in the French and Dutch referenda on the Constitution.

Russia, too, is going through a period of redefining the nation and the state. During the revolutionary 1990s, the Russian state had retreated and shrunk to levels unseen since the Civil War in the wake of the October Revolution (1918-1921). At the same time, the country had opened itself to globalization in an unprecedented manner. The ideas of joining the EU and NATO were given serious consideration, while Russia's regions were, according to President Yeltsin, "to take as much sovereignty as they can digest". At some points, the situation was deteriorating into pure anarchy, as the state lost its monopoly on violence (e.g. in Chechnya) and became corrupted by the oligarchs. This was accompanied by social atomization and ideological chaos, with traditional Russian ideas of statehood and nationalism being marginalized by the ruling liberal ideology.

There was an increasing desire for order and stability in the late 1990s, which eventually paved the way for the rise of Vladimir Putin. On becoming president on 31 December 1999, he headed a Thermidor, a classic counterrevolutionary act designed to restore order, heralding the comeback of the state. Both of Putin's terms in office have been devoted to rebuilding the Russian state and reclaiming lost ground from business elites, civil society, the press and the West.

The state is the key to understanding the Putin phenomenon. Initially, he treated the state as a means for modernizing Russia and adapting it to globalization; one of Putin's key words was

“competitiveness”. Analysing Putin’s agenda back in 2000, Peter Rutland observed that his task was

*to adapt the Russian state to the challenges of the global environment: to “customize” global practices and requirements to suit Russian conditions... All around the world, national leaders have been struggling to protect vulnerable social groups and preserve national cultures while adapting to the competitive pressures of the global market place. In the East, it led to the opening of China and sparked the “Asian values” debate. In the West, it caused liberals and socialists to embrace free trade and fiscal conservatism. The “Putin enigma” can be understood as part of an arc of political transformation that stretches from Mohammed Mohatir and Deng Xiaoping to Tony Blair and Bill Clinton.*¹⁹

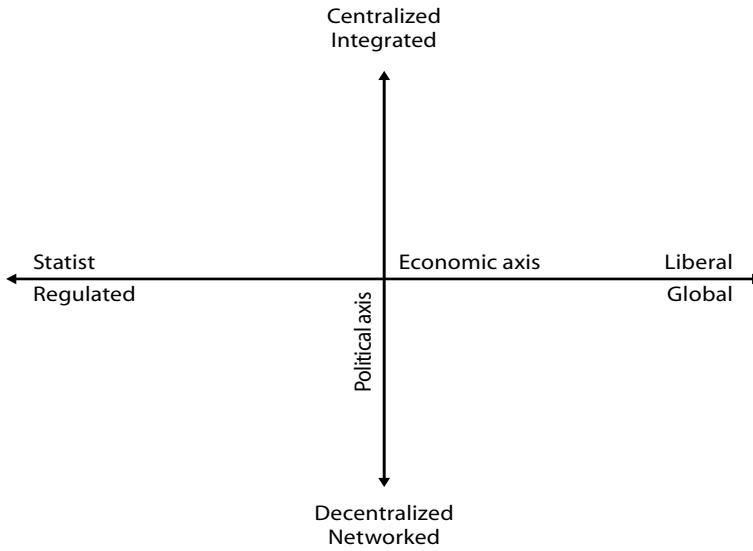
However, after the YUKOS affair in 2003, and especially during his second term in office, the state for Putin became an end in itself, a means to preserving power, a self-propelled bureaucratic enterprise (see *Scenario R3*). And while it is likely that the Putin regime will stay in power after the 2007-2008 elections, the state will remain the key player in determining the future of Russia.

Thus, the state emerges as the common denominator and key variable in understanding the developments of such different actors as the EU and Russia. For Russia, this implies a growing role for the state (the central government) vis-à-vis political, economic and civil society as well as the regions. For the EU, this implies a growing role for a European central authority (the supranational bodies, especially the EU Commission) vis-à-vis the national governments and regions.

Governance (Russian or European) can be measured in both the economic and the political domain. In the economic domain, it varies from a liberal, globalized and de-regulating role to a statist, regulating and protectionist role for the central authority aimed at the maximization of public goods (defense and law enforcement, environmental and information goods, addressing market failure, etc.). In the political domain, it varies from a decentralized, networked and confederal polity to a centralized, hierarchical and unitary polity.

The governance variable can be represented in a chart where the horizontal axis stands for the economy (varying from the stat-

Figure 2:
Generic Chart



ist/regulated to the liberal/global) and the vertical axis stands for politics (ranging from the centralized/integrated to the decentralized/networked polity) (see *Figure 2*).

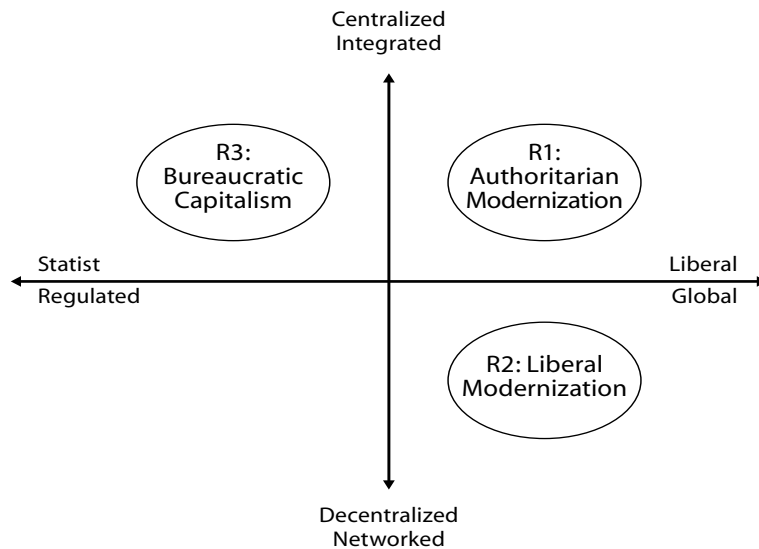
Using the generic chart, the paper proceeds to outline two sets of scenarios, one for Russia and one for the European Union.

The Russian scenarios

After twenty years of reforms, Russia has built a market economy, a quasi-democratic polity (increasingly subverted and manipulated by the Kremlin) and has opened up its society. Still, the task of modernizing the country remains paramount. Despite remarkable economic growth in the 2000s, Russia, like Turkey or Latin America, remains in the “second echelon” of modernizing countries, lagging some fifty years behind the leading nations of the West in key economic indicators.²⁰

Modernization is the key to understanding the future of Russia; it is a question of the sustainability, and indeed of the survival, of the nation-state in the twenty-first century. Three basic options are outlined for Russia, including two kinds of modernization (R1, “Authoritarian modernization” and R2, “Liberal modernization”), and one scenario of counter-modernization and stagnation (R3, “Bureaucratic capitalism”). The option of economic

Figure 3:
Russia's options



statism/regulation combined with political pluralism/decentralization does not seem feasible.

Before proceeding with the scenarios proper, one has to establish the starting point, or baseline, of Russia's political system. It is currently characterized by a high level of political centralization called the "administrative vertical".

It is dominated by the 'Administration of the President', which plays the same role in the political system in Russia these days as the Tsar's court in the Russian Empire or the Communist Party's Central Committee in the USSR (characteristically, the Presidential Administration is housed in the former quarters of the Central Committee on *Staraya Ploschad* [the Old Square] in Moscow). The President and his Administration are situated above the political system, beyond popular accountability (the only way to measure their popularity and performance are public opinion polls, most of which are conducted by Putin loyalists, like VTsIOM (All-Russia Center for the Study of Public Opinion) and outside any system of checks and balances. The executive, the legislature and the judiciary are situated below, and are directly subordinated to, the supreme presidential authority. The Government is led by a technocrat Prime Minister Mikhail Fradkov, who professes a non-politicized bureaucratic approach; the Duma has turned into a rubber-stamping "Ministry for politics"; and the judicial system is also compliant – the YUKOS affair being a good case in point. In centre-periphery relations, increasing limits are being put on federalism and local autonomy, as exemplified by the cancellation of gubernatorial elections in Russia since 2005. Today, gubernatorial candidates are submitted by the President to regional legislatures. The "administrative vertical", dominated by the executive, is legitimized by the mechanisms of a "managed democracy" and a tamed media (TV stations as well as major national newspapers).

In all likelihood, this "administrative vertical", established in 2000, will stay in place after the 2007 parliamentary and 2008 presidential elections. The question is, to what end will it be employed? In principle, a quasi-authoritarian regime can be used to modernize an economy, a society and even a political system. This was sought, with limited success, in 2000-2001, when a package of liberal reforms was introduced, including a tax reform, a pension reform, an administrative reform, a reform of the natu-

ral monopolies (the creation of a Joint Stock Society, “Russian Railways”, a reform of “United Energy Grids” and plans to reform Gazprom) and a reform of the licensing system. At that time, the Government pursued liberalization by lowering the tax burden and by creating competitive markets. However, the first round of reforms had stalled by 2003, and, following the arrest of Mikhail Khodorkovsky, the regime became quasi- authoritarian, without the modernization component.

R1. Authoritarian modernization

This scenario is based on the broad outlines and ideas of the early years of President Putin’s presidency (2000-2002): political centralization combined with a liberal economic and social agenda. In this scenario, Putin, or his successor, to be elected in 2008, revolutionize the political regime and, using the popular mandate, reorientate authoritarian rule for developmental purposes. The “administrative vertical” is not an end in itself, but can be exchanged for much-needed, and often unpopular, reforms. The President may opt out of the existing contract with the corrupt elite, relying instead on the reform-minded part of the establishment, and will pursue a “second wave” of liberal reforms. This will entail breaking up some natural monopolies (e.g., Gazprom), liberalizing the land and public utilities markets, downsizing the state bureaucracy and encouraging small- and mid-sized businesses, etc.

The drivers of this scenario may come both from the outside (most significantly, a fall in oil prices) and from the inside (social unrest, splits within the elite). The key factor here is the political leadership – the national leader (e.g. Putin serving his third term) making a conscious choice in favour of reform and using his new powers to implement the vision of a modernized global Russia that he had so often evoked in 2000-2002.

It is most unlikely that this will be a “Pinochet scenario”. Russia lacks the instruments of hard authoritarianism, including a politically active military. The international environment is vastly different to the one Chile faced in 1972 at the height of the Cold War: Russia today simply cannot afford to embark on large-scale internal repression as this would undermine its external trade on which, as a rentier state, it is critically dependent. Rather, it may

be that authoritarian modernization in Russia will take on a form of neo-corporatism reminiscent of East Asian models: post-World War II Japan, South Korea under Park Chung Hee and Mohammed Mahatir's Malaysia. In this case, a thin layer of the elite will be expanded and remodeled as a vertically organized corporation, which will include large and mid-size businesses, organized labour, part of civil society, etc. – all under the patronage of the president. Business and civil society will turn into the “second” and “third” sectors, consolidated by the mobilizing ideology of modernization. The forerunners of this kind of state-sponsored civil society include the Civic Forum, initiated by Putin in 2001, and the Public Chamber, inaugurated in 2005.

A large-scale redistribution of property or a revision of the 1990s privatization deals is not likely. However, the state will pursue a policy of *dirigisme*, aimed at redistributing the value added within vertically integrated groups, with an impact on capital-intensive modernization projects, and at supporting the social infrastructure. Once again, the historical analogy here is South Korea in the 1960s and 1970s, governed by Park Chung Hee. He modernized an agrarian economy, which, in the early 1960s, had lagged behind North Korea in the level of industrialization, to become a key industrial nation, by using the model of *chaebol*. *Chaebol* is a vertically integrated state-sponsored corporation (like Daewoo, Samsung or Hyundai) that reallocates value added in a profitable export sector by purchasing other domestic industries and stimulating internal investment and consumption. Unlike Japanese *keiretsu* (e.g. Mitsubishi), *chaebols* do not have their own banks and are totally dependent on the state for credits.

Internally, Park Chung Hee pursued a “developmental dictatorship” by manipulating South Korea's political system, ruling by decree for most of the 1970s, and by instituting the Korean Central Intelligence Agency (KCIA), which employed hundreds of thousands of people and penetrated all spheres of public life. There's an obvious similarity to Putin's reliance on ex-KGB cadres to fill key administrative posts. Apart from the reform-minded President, authoritarian modernization might be supported, not only by the liberal wing of the current elite, but also by part of the middle class attracted by the opportunities offered by neo-corporatism for a more equitable distribution of resources.

In foreign policy, the basic outlines will remain the same: Russia will continue to reclaim its Great Power identity, but not at the cost of confrontation with the West. Most of all this will affect Russia's policy in the "near abroad", especially its relations with potential EU applicants like Moldova, Ukraine and Georgia (the latter two are also likely to apply to join NATO). Russia will also seek to enhance its Eastern policy vector, in relations with China, India, and also within the Shanghai Cooperation Organization.

In relations with the West, Russia will reconfirm its bid to join the WTO and will continue to use the mechanisms of the G8. Relations with the US will be cool but stable, with ritual US critiques of Russia's authoritarian drift and minimal, though unavoidable, cooperation on such issues as WMD, international terrorism, the Middle East, Iran, etc.

The biggest problem in this scenario is Russia's relations with the EU. Any remaining illusions about the existence of a common normative foundation for EU-Russian relations will have been dispelled, and this will present a major problem for EU policy-makers (especially for the lawmakers in the European Parliament and the Council of Europe). One can expect a deterioration in EU-Russian relations and possibly some diplomatic clashes caused by the competition between Moscow and Brussels for political influence in "contested territory" – that is, countries of the western CIS (Ukraine, Belarus, Moldova) and the Caucasus. The EU will be increasingly suspicious about Russia's energy domination and will look for ways to diversify energy supplies. The PCA will not be re-negotiated after 2007, and the Common Spaces will remain moribund. However, on balance, despite the sharper rhetoric on both sides, relations will not deteriorate to the point of outright confrontation but will remain stagnant, as one might expect in a period of *zastoi*.

R2. Liberal modernization

This scenario combines economic liberalization and the opening up of the political system with a decentralization of decision-making. Russia will seek to overcome its over-dependence on the export of natural resources and oil, and the import of high value-added goods (the "Dutch disease"), and will seek to diversify its economy. This will require mechanisms for de-monopolization

(including such monopolies as Gazprom and RAO EES), the liberalization of the domestic energy market and support for medium and small businesses. Most importantly, this will involve the rollback of the state from the economy and the de-bureaucratization of the economy across every level of the administrative pyramid, from pressure by the President and the *siloviki* (uniformed services) on top businessmen to daily extortion by local tax, sanitary and fire inspectors imposing heavy transaction fees on small businesses.

Politically, one can expect the re-emergence of a pluralist scene and of new liberal parties and projects, possibly started by the Kremlin, since a nation-wide grass-root liberal movement does not seem feasible. Another alternative is a Ukraine-type political reform, that is, a constitutional change from a strong presidential system (as established by the 1993 Russian Constitution) to a mixed system, or a parliamentary republic, with a responsible Government and the leading role being given to the Prime Minister. In this way, Putin could stay as the leader of the nation beyond 2008, as Prime Minister or Speaker of the parliament. However, such constitutional change will only open up the political system if it is accompanied by pluralism in the Duma, real electoral contests and the emergence of a system of checks and balances, including a stronger judiciary. Another necessary change will be a strengthening of federalism, including a return to gubernatorial elections and the empowerment of local self-government.

The foreign policy ramifications will result in more cooperation. An enhanced dialogue with the EU will be put on a solid normative and institutional basis. The prospect of Russian membership of the Union would still be quite remote, but one can foresee enhanced cooperation in various spheres and the adoption of a more “strategic” and future-oriented document instead of the current PCA, which expires in November 2007. A generally more West-friendly foreign policy can be expected, although Russia will hardly relinquish her traditional geopolitical interests or Great Power ambitions. (Democratic polities can produce and legitimize quite assertive, even imperial, foreign policies, especially in countries not bound by tight institutional constraints). Still, Russia’s exercise of power will be economic in nature, the type of “liberal imperialism” professed by Robert Cooper and Anatoly Chubais, rather than meddling in the affairs of neighbour-

ing states and opposing the West on major international issues. Russia's entry into the WTO will obviously be made that much easier, as will any Russian application for OECD membership. An important addition to this cooperative foreign policy will be better prospects for cross-border regionalism, enabled by a more networked and federalized environment in Russia.

Obviously, the probability of this scenario in the short and medium term is very low. Russian society is atomized and paternalistic. After a brief period of civic activism in the late 1980s and early 1990s, social demobilization and apathy set in, in the mid-1990s. Sociologists speak of the "exhaustion of social centres" and the "expansion of the social periphery". This means that in today's Russia there are few agents of grass-roots modernization and the key potential reformer remains the state.

At the political level, the corrupt vested interests of the ruling regime and the quasi-total control of the political field by the Kremlin preclude the emergence of any liberal alternative. To the extent that liberal ideas are entertained at all by Kremlin planners, they are bound to remain within the fold of the "United Russia" party; but even there, a half-hearted attempt by the Kremlin to form a liberal wing failed, and the party is dominated by the "social conservatism" of the Duma speaker, Boris Gryzlov.

The liberal forces in Russia remain atomized, lacking new leaders and new ideas. A prolonged war between the two leading liberal parties, Anatoly Chubais's Union of Right Forces (SPS) and Grigory Yavlinsky's "Yabloko" has turned out to be a lose-lose game, with both parties failing to clear the five-percent threshold to enter the Duma in the last elections. Since the threshold has now risen to seven percent, both parties have an even slimmer chance of making it into the Duma in the 2007 parliamentary elections. Liberal ideas in general are not opposed by the electorate but exist in a dispersed form and are not anchors of political mobilization. Quite the contrary, the darling of the democracy hopefuls, the Russian middle class, turned out to be prone to nationalist ideas and voted in large numbers for Dmitry Rogozin's ultra-nationalist "Rodina" party. In Russia today, nationalism has a higher mobilization potential than liberalism.

Finally, the West factor is not conducive to the liberal scenario in Russia, either. In contrast to the decade immediately following the end of the Cold War, when the international agenda was

shaped by global governance, democratization and transition, the 2000s are characterized by a return to nationalism, geopolitics and greater concern about security, from international terrorism and WMD to “bird flu” and “energy security”. Among Western policy instruments, the emphasis has shifted from democracy promotion to nation-building, especially after the failures of the United States in Afghanistan and Iraq. Against this background, despite ritual critiques of the Putin regime in Washington and Brussels (e.g. ahead of the 2006 G8 Summit in St. Petersburg), the West has realized that it has few instruments to change the course of events in Russia and it is not going to use the instruments of conditionality. With Russia as an “indispensable ally” in the fight against terrorism and WMD proliferation, and a key supplier of energy resources, the West may articulate a “democratic critique”, but it will remain politically inconsequential.

To make this scenario more probable in the medium-to-long term, several important changes need to occur. First, one needs a drop in world oil prices to change the perverse systems of rents and incentives in Russia. In the past thirty years, the cycle of reform and counter-reform in Russia has been linked to fluctuations in world oil prices, with higher oil prices (and the inflow of petrodollars) concealing domestic inefficiency and lower prices compelling Russia to restructure.

Secondly, one cannot completely disregard reformist and civic tendencies among Russia’s population. Over the past decade, there has been a steady decline of paternalism and dependence on the state. People increasingly engage in individualistic, rational economic behaviour, and there is a growing number of spheres of spontaneity, zones of growth and enclaves of modernization beyond the traditional statist economic model (e.g. in the “new economy”, the service sector and the food industry, etc).

Thirdly, and most importantly, the elite will have to formulate a liberal alternative. This may not be as far-fetched as it seems; a liberal voice does exist within the elite, necessitated by the economic environment and the complex tasks of transition, but so far it has been dispersed and suppressed by the “administrative vertical”. And while the 2007-2008 elections seem destined to reproduce the extant political system, the 2008-2012 political cycle may see greater change, especially if the external variables are right

– if oil prices fall, Russia joins the WTO and Ukraine (and other CIS states) open accession talks with the EU. Until that time, the “administrative vertical” will remain unchallenged internally. Its quality of governance and policy results will be in constant decline, but its inefficiency will, once again, be disguised by high oil revenues.

R3. Bureaucratic capitalism

Barring a drop in oil prices to 1998 levels (\$8 per barrel) and major internal problems (mass social protest, large-scale terrorist attacks, man-made and natural disasters), current trends in Russia are likely to continue, evolving into what can be called “bureaucratic capitalism”. This scenario involves the continuation of clan politics, “crony capitalism” and the preservation of the current elite as a closed entity. This scenario will see the elite complete its privatization of the state’s functions (first of all, the monopoly on violence) and of democratic procedures. The key actors will remain the same: the state bureaucracy and the *siloviki*, who have consolidated their grip on power following the YUKOS affair.

Indeed, since late 2003 (the arrest of Mikhail Khodorkovsky in October 2003, followed by the purges of the Yeltsin “family clan” in the ruling elite, including the Head of the Presidential Administration Alexander Voloshin and Prime Minister Mikhail Kasianov), the country has been evolving towards an informal state capitalism in which corporations are private, but controlled *de facto* by the state. It is marked by a high degree of ownership concentration (e.g. within Gazprom), matched by such examples as Suharto’s Indonesia, or, more recently, by Kazakhstan.

Since 2005, there have also been trends towards the renationalization of key industries: the state-owned Rosneft has bought the best asset of the ruined YUKOS empire, “Yuganskneftegaz”, as well as Roman Abramovich’s Sibneft, while the state-controlled military-industrial giant Rosoboronekспорт is in the process of buying up the entire Russian car industry including the companies AvtoVAZ, GAZ and KAMAZ and is also expanding into the oil sector (exploration on the sea shelf).

The economics of this scenario include a dependence on the export of natural resources, making Russia essentially a “petro-state”. Being a “petro-state” in itself does not tell us much about

the nature of any particular political regime, as such states range from Nigeria to Norway, but the problem with Russia is that its politics actually turns into an open struggle between major clans for the redistribution of the natural resource rent.

In the end, through a partial nationalization of the extracting and machine-building industries, the bureaucracy-*siloviki* nexus will ensure state (indeed elite) control over several vertically integrated business groups, while the President will act as a supreme legitimizing figure. In this scenario, the regime will not pursue any deliberate political strategy except power retention, rent-seeking and the “patching up” of various crises. The closest historical analogy, once again, is Indonesia under Suharto, with its mix of oil profits, crony capitalism and five-year plans, complete with authoritarian rule. Today’s Russia and Suharto’s Indonesia share the same characteristics of rentier states, where high levels of natural resource rent support authoritarian regimes, corrupt elites, “enclave modernization” and policies that avoid structural reform.

On the political front, this scenario will involve a drift from Russia’s current illiberal democracy to a species of quasi-authoritarianism, with token instruments of representative democracy. It features a privileged role for the bureaucratic corporation, merged with the security elite, one-party rule with token opposition in parliament (the role models for United Russia are the Liberal-Democratic party in Japan or the Institutional Revolutionary Party in Mexico from the 1960s to the 1980s) and a unitary territorial structure. Shmuel Eisenstadt has called such a political system “neo-patrimonialism”,²¹ whereby a ruling clan regards the country as its own patrimony, like a mediaeval fief, whose resources it can freely exploit via its relations with various clients, using the instruments of vertical corporatism. Indeed, Russia may relapse into its traditional paternalism, producing an “electoral monarchy” in which President Putin may be tempted to amend the Constitution in order to be re-elected for a third term.

The foreign policy implications of bureaucratic capitalism are the least favourable for Russian-West relations. The undemocratic nature of the regime will not be disguised by the rhetoric of modernization, so the normative and institutional basis for relations with the West will be thin. Most of all, this will affect relations with the EU, which will decline from an institutionalized *zastoi* to a near-confrontational “cold peace”.

Russia's relations with the West will be ambiguous. On the one hand, the Kremlin will seek to construct the West as 'the Other' attempting to weaken Russia through terrorism or "colour revolutions". On the other hand, Putin's regime also needs the West in order to shore up domestic stability. The PR strategy of the Kremlin is to convince the West that the current system of bureaucratic capitalism based on energy exports and on a manipulated democracy, with Putin, or his successor, at the helm, is the best feasible option, the "lesser evil". Putin's success at enrolling Western leaders, like Germany's ex-chancellor Gerhard Schroeder, as his supporters, is proof of the fact that many in the West are indeed interested in Russia's stability, as they see this as the key to securing their energy supplies.²²

While relations with the West will be ambivalent, Russia's closest allies will be like-minded neo-patrimonial regimes in the CIS, from Belarus to Uzbekistan and Kazakhstan, although their shelf-life may be limited (especially the Lukashenko regime in Belarus). Attempts at post-Soviet reintegration will most likely fail and will be limited to corrupt deals between post-Soviet elites, like the obscure Russian-Ukrainian gas deal in January 2006. The prime forum for attempts at post-Soviet re-integration will be the Eurasian Economic Cooperation, which was recently augmented by Uzbekistan.

Russia will also seek closer relations with its eastern neighbours, especially with China, who are much less discriminate about the nature of the domestic regime of their strategic partners. Still, there will be natural limits to Russia's eastward drift: the countries of East Asia still view Russia as an outsider, as shown by the rather cool reception to President Putin's overtures at the Russia-ASEAN Summit and at the East Asian Summit in December 2005. Reorientating Russia's energy flows to the Pacific will be Russia's major bargaining chip in relations with the EU, but, in technical terms, this will require major investment and is not a realistic perspective for at least a decade.

In the medium run (until 2008 or even a few years after the elections), this scenario is the most likely. The elections may renovate the political façade, changing the personalities at the top (e.g. Putin may become the Prime Minister), but the nature of the regime will remain, along with the structural problems facing Russia, which means that, in the longer run, this scenario is not sustainable.

The EU scenarios

The same generic chart is used for forecasting the future of the European Union. There are two scenarios with a higher integration/centralization value, namely, E1, or “Global Actor”, contingent on the positive effects of globalization, and E3, or “Fortress Europe”, the result of destructive globalization effects. Then, there is an ultra-liberal scenario, E2, or “Network Europe”, which involves EU decentralization and a freehand for market forces. The scenario that envisages the political decentralization of the EU combined with a statist regulation of the economy was not deemed probable.

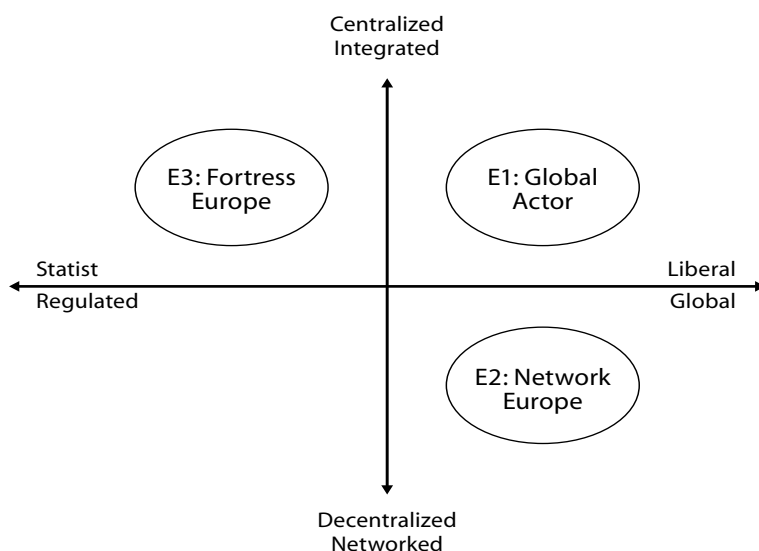


Figure 4:
Europe's options

E1. Global actor

This scenario presupposes a simultaneous deepening and widening of European integration, with a gradual federalization of the Union, resembling the traditional French vision of the EU. The principal milestone on this road would be the adoption of an EU Constitution.

In this scenario, the Constitution is endorsed, at the second attempt, by key EU states – first of all, by France and the UK, as well by as by Poland. It may be the text in its original form, or in a slimmed-down version, or, as seems most likely, the key initiatives from the first text will be selected and adopted separately. In whichever format, the adoption of the Constitution will create a new political reality for the Union and enhance the role of the central authority in Brussels. By this time some of the problems related to the latest round of EU enlargement will have been solved (e.g. ensuring the free movement of labour from the new member states), and the psychological shock of “Big Bang enlargement” will have been dissipated. Furthermore, by this time (2008), Romania and Bulgaria will have become members.

The consolidation of EU institutions, powers and political forces will enable the debate about the next round of enlargement to proceed. It is likely that Turkey, if it stays on course, will proceed with the accession talks that began in October 2005, and membership will become a realistic prospect sometime around 2015. Further enlargement will make inroads into the former USSR; for example, accession talks will be opened with Ukraine and Moldova, and possibly with Georgia and Azerbaijan, later. The prospect of membership of one or two countries with an Islamic heritage will coincide with a significant demographic shift within the “old” EU, making the Muslim minority much more active in the social and political life of the old continent, including at the Union level.

All of this combined will mean a totally new global context for EU policy-making. The Union will have to deal with a much wider array of problems, risks and regions, including the Middle East, the Caucasus and the Caspian. This will require a new quality of foreign and security policy from the Union; probably the revitalization of the instrument of Common Strategies. Most importantly, this may involve a change in the EU’s foreign policy perspective, from a European to a global one. Currently, the EU’s outlook on its immediate neighbours (e.g. on Russia) is dictated by the principles of Europeanization, a mechanism of political and economic conditionality for extending European values beyond the old ‘core Europe’. In a new strategic setting, Europe may be involved in partnerships and even alliances based on interests, not values.

In this contingency, the EU may reach out to Russia in a more comprehensive manner, without conditionality and complex bu-

reaucratic procedures. The approach will be more NATO-like: pragmatic, practical and based on a commonality of strategic interests. Another NATO-type formula might be developed, such as 25+1 (or 27+1, when Bulgaria and Romania join), giving Russia a unique place and voice in matters of common concern.

The new foreign policy will involve the development of more concrete and diversified neighbourhood policies, custom-tailored to each specific case (e.g., making Kaliningrad a special case and a pilot region of EU-Russian cooperation). Globally, the EU will assume a more ambitious out-of-the-area role, including peace-keeping and peacemaking, and will move to develop a coordinated stance and common voice in transatlantic relations.

At the moment, the probability of this scenario is not very high. It is contingent on several favourable factors, both inside and outside the EU. First of all, the external threats to the EU (terrorism, migration, oil prices, stability in the Middle East, North Africa and the Caucasus) need to stay within manageable limits. As the Iraq war has shown, any major global crisis tests the limits of EU cohesion and the very possibility of a common foreign and security policy. Secondly, a change of perspective needs to occur within the EU, away from the limited and technical concept of Europeanization towards the ideas of global stewardship and global risk management. This mental shift depends on greater diversity within the EU and a change of political generations, and will take time to accomplish.

E2. Network Europe

Failure to ratify a Constitutional Treaty and implementan institutional reform of the Union may lead to a weakening of the EU's central institutions, the re-nationalization of economic and foreign policies and the regionalization of Europe. In this contingency, one can envisage the emergence of a "core Europe" of rich nations, freezing the income divides between East, West and South, and the proliferation of bilateralism in international relations within Europe.

With its political ambitions checked, the EU can still successfully operate as a common economic zone. Indeed, this vision of the EU will be close to the traditional British concept of a "Common Market Plus" – a pre-Maastricht type of economic Union with a

weak political superstructure, a coordinating and mediating unit of sorts. Supranational governance will take place mostly in the economic and social sphere, while the Nation-States will retain their powers of decision-making in foreign and security policy. The powers of the Commission will be curtailed, and policy making will be decentralized, networked and intergovernmental rather than supranational. The European Monetary Union (EMU), unlike the political union, will not fall apart. At present, there are more countries trying to join the EMU than trying to leave it. Slovenia will join in 2007, followed by Estonia, Lithuania, Latvia and Cyprus in 2008-2009.²³

In organizational terms, the EU will evolve as a complex and fluid network structure of political and economic content, where there are multiple core structures inside the EU (Euro, Schengen, France-Germany, etc.) and multiple peripheries outside (EEA, the Balkans, ENP, etc.).²⁴ Rather than the Brussels-centred “Europe of concentric rings”, the Union will develop as a “Europe of Olympic rings”. This will not be the regulated devolution once envisioned by Brussels, but the proliferation of spontaneous networks and deregulated flows of goods, services, capital and people. On the one hand, this ultra-liberal scenario of economic, political and spatial deregulation may help the transformation of the European economy by introducing greater labour market flexibility, de-regulating the energy sector, driving through de-bureaucratization and raising overall competitiveness. On the other hand, the agricultural and regional budgets of the EU will have to stay, since leaving everything to the invisible hand of the market may render some European sectors, regions and peripheries unsustainable.

The common EU foreign policy will remain low-key, as the Union will struggle to develop a strategic vision and a global role. It will be a giant in terms of size, economic potential and human resources, yet one with a smaller influence in international affairs. Naturally, all sorts of neighbourhood policies and cross-border projects will develop as part of the European system of multiple peripheries.

For Russia, the “Network Europe” scenario with a minimalist EU foreign policy is likely to be good news. Rather than dealing with the unified position and intricate bureaucratic mechanisms of the EU, Russia may use the preferred instrument of bilateralism, decoupling economic and political relationships, “energy

security” and human rights. The option of bypassing East European elites and dealing directly with the traditional partners of “old Europe” also seems plausible. And in case Russia embarks on a more liberal, decentralized and federalized path, the scenario of cooperative regionalism (e.g. in Kaliningrad and in the entire Northwest of Russia) will be a possibility, as the Baltic/Nordic area may become one of Europe’s “Olympic Rings”. Finally, if Russia, one day in the future, reconsiders its prospects for membership in the EU, joining a “Network Europe” is a much more accessible option than joining the quasi-federal European state envisioned by the Constitutional Treaty.²⁵

Considering the current ambiguity around the EU constitution, the reluctance of the EU constituencies to accept further enlargement, especially the inclusion of Turkey, the rise of nationalism and regionalism in the EU, as well as the aspirations of certain EU states, like Poland, to become regional powers, the “Network Europe” scenario seems the most probable option in the coming years. However, if global conditions (terrorism, migration, rising oil prices) continue to deteriorate, nationalism and regionalism may turn into xenophobia and racism, and we will be facing the much more extreme scenario of “Fortress Europe”.

E3. Fortress Europe

The powerful external variable for this scenario are the increasing problems of globalization: global terrorism and the proliferation of WMD, migration, environmental degradation, climate change, natural and man-made disasters, regional instability and state failure along the perimeters of Europe. The combination of some of the above factors is quite likely in the near future, and the challenge for Europe is to come up with a solution that will not seal it off from the outside world.

The alternative will be the self-defeating, and ultimately unsustainable, strategy of isolationism. Enlargement will stop at the current 25, plus Bulgaria and Romania. Turkish membership will be dropped from the agenda, thus further alienating Turkey from Europe, along with a growing number of European Muslims. Failing to integrate, they will form closed and potentially explosive ethnic neighbourhoods in major European cities, as witnessed by the riots in October and November 2005. This will give further

fuel to racism and xenophobia among “white” Europeans, evoking the spectre of a civil war inside Europe and imposing a heavy internal security tax on European budgets. Europe will see the rise of right-wing nationalist and fascist parties, as well as the repolitization of Christianity, with a rise in Christian fundamentalism.

The EU Constitution in its current format will be buried. Still, one can see selective institutional reform, with an emphasis on security (Justice and Home Affairs), including tougher immigration and border controls. The big question is whether this heightened security awareness will enhance the powers of the Nation-State or the Brussels bureaucracy. Both options are possible and both will produce similar policy outcomes such as isolationism, protectionism and bureaucratic intervention at the national or supranational level.

For Russia, this is the least favourable scenario. The raising of visa and travel barriers with its main trading partner and tourist destination will have dire political, economic and social consequences affecting entire sectors of the economy and groups of the population. This will start off a vicious circle of mutual hostility between Russia and the EU – leading, if not to outright confrontation, then at least to a species of “cold peace”. Border territories, especially Kaliningrad, the Russian enclave in the EU, will suffer the most – from zones of cross-border activity, they will turn into militarized peripheries totally dependent on the Russian federal budget. The membership prospects of former Soviet Union (FSU) states like Ukraine and Moldova will also come to naught (although both countries may still become members of NATO).

Internationally, the EU will renounce its global commitments, yielding to isolationist pressures from national electorates. The common foreign and security policy (CFSP) will not move ahead in this crisis-prone setting, and it is likely that national defence capacities will be re-consolidated. NATO will be given a second wind and a higher profile in European affairs, as Europe seeks to re-confirm its security partnership with the United States. Although not quite the Huntingtonian “Clash of Civilizations”, geopolitical fault lines will follow the religious and cultural divides between the Euro-Atlantic civilization, the Orthodox East (represented by Russia) and Islam. In general, ‘civilization’ and religious identities will be much more easily politicized and will increasingly revolve around the search for security.

The probability of this worst-case scenario is fairly low. All the negative global trends would have to combine to produce a “globalization gone bad” environment and a nationalist/isolationist backlash in the West. The mechanisms of global interdependence, the elements of global governance and the liberal heritage of the West are all powerful factors for containing the spread of global anarchy and Western isolationism.

The EU-Russian scenarios

Building a 3x3 matrix produces nine alternatives for EU-Russian relations, which, in effect, produce three scenarios: “Cold Peace”, Stagnation, or “Zastoi”, and “Partnership”.

- The best-case scenario, namely, ER1, or “Partnership” between Russia and the EU, can only be achieved if the unlikely Russian “Liberal Modernization” scenario is combined with the EU’s “Global Actor” or “Common Market Plus” scenarios. The probability of the "Partnership" scenario is low (2 cells in the matrix)
- The worst-case scenario, namely, ER2, or “Cold Peace”, is produced if the EU's isolationist “Fortress Europe” scenario is combined with Russia’s “Authoritarian Modernization” or “Bureaucratic Capitalism” scenarios. The “Cold peace” scenario also has a low probability (2 cells).
- Finally, the most probable scenario (4 cells) is ER3, or Stagnation, or “Zastoi”, that is, the continuation of present trends. It is a combination of the most realistic scenarios in Russia (“Bureaucratic Capitalism” or “Authoritarian Modernization”) and in the EU (“Network Europe” or “Global Actor”). Its probability value is even higher, as it involves the most likely developments on both sides.

RUSSIA ⇒	Liberal Modernisation	Authoritarian Modernisation	Bureaucratic Capitalism
EUROPE ↓			
Global Actor	Partnership	<i>Zastoi</i>	<i>Zastoi</i>
Common Market Plus	Partnership	<i>Zastoi</i>	<i>Zastoi</i>
Fortress Europe	Combination improbable	Cold Peace	Cold Peace

Figure 5:
The EU-Russian scenario matrix

Since it is hard to imagine a global setting in which Russia would embark upon a “Liberal Modernization” scenario and the EU would take the opposite path and isolate itself in a “Fortress Europe” scenario, this combination was considered improbable.

ER1. Partnership

This scenario implies the development of the EU-Russian dialogue beyond the current rhetorical level and the four “Common Spaces”, which are no more than a watered-down version, or by-product, of the ENP. First of all, both sides will need to agree on the essence of this “partnership” and see clear prospects for the relationship in the medium-to-long term. Possibly the idea of eventual Russian membership of the EU will be brought back into the political discourse. In technical terms, a higher status will be accorded to Russia, subject to a political decision: either an Association Agreement (like that of Turkey since 1963) or some new unique formula, like 25+1 (or 27+1, after Bulgaria and Romania join).

These changes will only take place if profound internal shifts happen within Russia and if foreign policy transformations occur within the EU. First of all, Russia will embark upon a “Liberal Modernization” course, which will entail a change in the incentives and modes of behaviour of the ruling elite. It need not become literally Europeanized or Westernized, but it will, by default, be more compatible with European norms and principles, thus bridging the current Russian-EU normative gap. Secondly, there will be more foreign policy activism on the EU side: either Brussels will come up with a consolidated innovative vision of its Russian policy (the “Global Actor” scenario), or, in the “Network Europe” scenario, the leading EU nations will develop a coordinated Russian strategy, breaking the current gridlock.

On the economy side, the EU-Russian partnership will entail the long-term goal of establishing a free-trade area (FTA) between Russia and the EU, and eventually a single market. On the Russian side, it will involve significant institutional adaptation, the gradual acceptance of part of the *acquis communautaire* and partial legal harmonization with the EU, in order to create a minimal regulatory basis for a free trade area. During the preparatory phase, Russia’s voluntary approximation of the relevant legislation to

bring it closer to that of the EU would be necessary in order to create a minimal regulatory basis for the FTA.

Similarly, single market negotiations could be started with preparatory discussions on the issue of legal approximation. The legal approximation question would basically define the nature of the EU-Russian single market regime. Either it would resemble some existing bilateral (Switzerland) or multilateral (EEA) solution, or a new model would have to be created. In any case, the goal would be an EU-Russian single market regime (each sector having its own transitional period), which would enable Russia to participate in most fields of the EU Common Market, in the long run.²⁶

In terms of trade, Russian-EU exchange should move away from the one-dimensional “Dutch disease” model; that is, the export of Russian energy resources and the import of high-value-added goods. As Russia embarks upon a non-statist liberal route, its economy should become more competitive and the range of export goods fit for EU markets should expand. Export diversification should be augmented by the realization of yet another of Russia’s competitive advantages, namely, the transport infrastructure, opening up the Eurasian transit bridge.

Economic, legal and institutional approximation will create a solid basis for cooperation in external and especially internal security. In foreign policy, the joint neighbourhood of the EU and Russia, rather than being a field of contention will present an opportunity for cooperation. By the same token, there will be greater opportunities for out-of-the-area cooperation: for instance, in the Middle East, where the EU will be able to rely upon Russian foreign policy resources and influence. Internally, one can expect a lowering of the Schengen barrier and of Russian visa requirements. This might eventually lead to Russia’s “unilateral visa disarmament”²⁷, which would be reciprocated by the eventual phased introduction of an EU visa-free regime for Russia. Likewise, the Kaliningrad transit issue, together with border management and migration issues will all see significant progress. In this new environment, human, educational and cultural exchange will be greatly facilitated, resulting in the establishment of a single cultural and humanitarian space incorporating both the EU and Russia.

At present, this scenario is the least probable and may seem wishful thinking. It requires major internal change and external

adaptation both in Russia and in the EU. However, if EU-Russian partnership is ever to happen, one needs to know its internal pre-conditions, institutional parameters and the desired end state.

ER2. Cold peace

This scenario is driven by a combination, and/or multiplication, of global risks: international terrorism (with large-scale attacks on EU and/or Russian territory), an overall deterioration in relations between the West and Islam, the proliferation of WMD, the resulting increase in oil prices, etc. Despite the fact that the EU and Russia are different political entities, their reactions to a global crisis may be similar: isolationism, protectionism and heightened security awareness. In Russia, this will be realized primarily in the “Bureaucratic Capitalism” scenario, dominated by the *siloviki*/bureaucracy nexus, whilst in the EU, the preoccupation with security will result in a “Fortress Europe” scenario.

Although negative developments will come from the outside, the real fallout will take place within EU-Russian relations, a fragile and “meteorologically sensitive” organism. The systemic incompatibility of the EU and Russia will come to the fore, as both sides will become increasingly alienated from each other. First of all, this will affect bilateral EU-Russian mechanisms, leading to the expiry of the PCA in November 2007, which will not be replaced with a new institutional framework. EU-Russian trade disputes will multiply on issues ranging from steel export quotas to domestic energy tariffs in Russia, which may eventually block Russia’s entry into the WTO. In any event, Russia will probably drop its WTO application in the face of overwhelming domestic protectionist lobbies. Rather than acting as a cushion, the issue of “energy security” will become a permanent irritant in EU-Russian relations, and the EU will look (unsuccessfully) to replace Russian hydrocarbon exports.

A critical area of contention will involve democracy, human rights and the rule of law in Russia. Given a foreseeable deterioration of the situation in Russia (especially in the context of “managed” elections in 2007-2008 and a possible prolongation of Mr. Putin’s powers) and the new uncooperative strategic context, there will be no holds barred, and EU-Russian relations in this field might well deteriorate to a point where they resemble

relations between the EU and Belarus, including the expulsion of Russia from the Council of Europe and the imposition of sanctions against Russia.

Another area of EU-Russian contention will be joint neighbourhood issues. Differences will invariably arise over Moldova, Ukraine, Belarus or the South Caucasus, although the EU, bent on isolationism, is hardly likely to intervene, politically or otherwise, but will threaten, or apply, diplomatic and economic sanctions against Russia. Likewise, internal security issues will become hostage to the deterioration of relations, with higher visa and border barriers (the “Schengen curtain”) and limits on travel and migration, etc. The hardest hit will be regions on the EU-Russian border, notably Kaliningrad oblast, a Russian exclave within EU territory. They will turn into Cold War -type borderlands and militarized peripheries. Another net loser will be humanitarian cooperation, as academic and cultural exchanges will have to be curtailed.

The probability of this scenario is currently low, although it can be activated much easier than the “Partnership” script. The problem is that “Partnership” requires profound structural change both inside Russia and the EU, as well as favourable international conditions. The “Cold Peace” scenario is quite the opposite in that it can take place with the current regimes and elites in Russia and the EU still in place, and with the current laundry list of problems and misunderstandings. All it takes is a deterioration in global conditions, with isolationist reactions in Moscow and/or in Brussels.

ER3. Zastoi

Barring extreme contingencies, the most probable outcome is the middle-of-the-road scenario of “*Zastoi*”, or “Muddling through”. This scenario presupposes the continuation of current trends in EU-Russian relations and their deepening stagnation. The EU-Russian dialogue will be plagued by loose institutions, hollow summits and a bureaucratic tug-of-war. The rhetorical heading of this ambiguous policy setting will be the four “Common Spaces” with their non-obligatory Road Maps. Indeed, new policy documents may appear, like a renegotiated PCA after 2007, but, given the long tradition of non-committal EU-Russian paperwork, they will hardly change anything.

The key problem will remain the systemic incompatibility between a semi-authoritarian Russia (“Bureaucratic Capitalism” or “Liberal Modernization”) bent on “sovereignty”, “hard power”, and regaining part of its regional and global influence, and the EU integration machine, in either its federal (“Global Actor”) or confederal (“Network Europe”) format, which is structurally incapable of accommodating a Russia disinclined to submit itself to integrationist pressures. As mentioned above, unless significant changes occur in Russia’s internal and external policy, as well as in the EU’s approach to Russia, their relationship will remain stagnant and crisis-prone.

On both sides, policy will lack consistency and cohesion, and will be reactive rather than proactive. EU policy towards Russia will be largely decentralized, and competing visions of Russia will proliferate, from the traditional and highly personalized approaches of France, Germany and Italy, to the historical mistrust of Russia on the part of the new member states from Eastern Europe. As a result, bilateral policies will come to the fore. A good example are the current disagreements within the EU concerning the North European Gas Pipeline, which is seen as favouring Germany and other nations of “old” Europe, whilst undermining the position of the East Europeans and the common EU stance vis-à-vis Russia.

Russia, too, lacking a long-term vision of its relations with the EU, will pursue a reactive policy of damage limitation. Obsessed with the threat of “coloured revolutions”, Moscow will warily watch and try to counterbalance EU policies in their joint neighbourhood, considering potential Ukrainian and Moldovan membership as a threat to Russian national interests. Meanwhile, it will be happy to explore the benefits of bilateralism, which is tried and tested, trying to exploit internal EU differences and the occasional differences between Europe and the United States.

Of the areas of cooperation between Russia and the EU, some substance will be left in the economic sphere – if only to solve issues arising from Russian energy and raw material exports, trade disputes and slow-moving Russian-WTO negotiations. Humanitarian issues will be high on the agenda, although these will fade as they lack a solid institutional and legal foundation. Meanwhile, questions of internal and external security will become increasingly contentious, with issues like visas, migration and readmis-

sion, and EU-Russian rivalry in the CIS coming to the fore. This rivalry will be all the more problematic, since Russia has excluded itself from the ENP, which is now seen as aimed against Russia in an area perceived as Russia's natural sphere of interest. In fact, many of Russia's commentators view the ENP as an attempt by Brussels to erect a *cordeon sanitaire* on its eastern border, further isolating Russia.

Various types of EU "dimensionalism" ("Northern Dimension", "Eastern Dimension") and cross-border regionalism, especially in the peripheral Black Sea, Baltic and Nordic areas might provide some compensation for the decay in the relationship. However, given the current policy setting in Moscow and Brussels, neither of these projects will be given a high priority, and the different regional initiatives will remain in the same low-profile and under-financed condition they have been in for the past fifteen years.

Conclusions and recommendations

Stagnation to prevail in the short run

The gridlock in EU-Russian relations will be long-lasting, with no incentives, actors, or political will to break it. Stagnation, or a Brezhnev-type *zastoi*, will be the order of the day for EU-Russian relations in the short-term – at least until 2008-2009. Domestic entanglements on both sides will most probably prevent Moscow and Brussels from starting a serious dialogue on the future of their relationship. Russia will enter the 2007-2008 election season, the prime goal of which will be the reproduction of the current corrupt regime, exhibiting an attendant authoritarian drift, “managed democracy”, Great Power rhetoric and rituals of enemy construction. The EU is likely to be seen as a challenger to Russian interests.

Meanwhile, the EU will be too busy with domestic developments, accommodating the “Big Bang” enlargement with twelve new states (including Romania and Bulgaria in 2007) and re-considering the future of the EU Constitution following the failure of the referenda in 2005. Given these conditions of uncertainty, Russia will not be at the top of the EU’s priority list; rather, it will be viewed as yet another external threat the impact of which has to be minimized.

In other words, both sides, preoccupied with domestic developments, will see the other’s actions as a threat: Russia will see the EU as an “orange” challenge to its internal undemocratic system and hegemonic designs for the post-Soviet space, whilst the EU will see Russia as a threat to its energy security, democracy promotion and enlargement plans. This naturally leads to a policy of damage limitation on both sides. However, both sides also have to show tolerance and restraint. Moscow has to be tolerated by

Brussels for the sake of energy supplies (especially as the North Sea deposits are almost exhausted, the Middle East is becoming increasingly volatile and the Caspian reserves turned out to be overvalued, and overpoliticized, in the 1990s) and global security (WMD, terrorism). Brussels has to be tolerated by Moscow for the sake of energy demand (just as Europe needs guaranteed gas supplies, Russia needs guaranteed demand) and WTO entry and, in general, because Brussels is one of the gateways to the West.

Mutual irritation and damage limitation, combined with forced toleration and the need to avoid major crises, leads to the phenomenon of an “enforced partnership” between Russia and the EU,²⁸ heavy on rhetoric but light on implementation. This does not bode well for the future of the PCA after its expiry in 2007: a new framework document may be negotiated, adopted and ratified, but it will hardly change the nature of the EU-Russian relationship, rather, it will disguise its continued stagnation.

Partnership will not come easily

Even looking beyond the 2008-2009 time frame, change will not come easily. The problem is not of a passing nature, and is not only connected with Russia’s authoritarian drift during Putin’s second term, or with the EU’s current travails of enlargement and constitutional reform. Nor does the problem lie in the poor quality of EU-Russian relations, which could be corrected by some good policies and proper documents. The real problem is the systemic incompatibility of the EU and Russia, which undergo different cycles in the evolution of their spatial governance,²⁹ display different reactions to globalization and profess opposing approaches to sovereignty.

In order to enhance the prospects of partnership, systemic change needs to occur on both sides. In Russia, a Liberal Modernization scenario has to be realized, which entails no less than a change of the entire system of rents and incentives within the current neo-patrimonial regime. Theoretically, this is possible, especially if oil prices fall. But even then, it will take a “new Gorbachev”, and a new quality of vision and political leadership.

The EU, too, will have to do its homework. In particular, the mechanisms of foreign policy-making will have to be detached from the ideology of integration, and from the practice of offer-

ing weak derivatives of enlargement as a substitute for a strategy for external relations. Like Russia, the EU foreign policy machine needs to be de-bureaucratized and given a bold political vision based on Europe's interests not on "European values" defined in terms of civilization.

The magnitude of change seems all the greater since it involves transforming the mechanisms of identity formation. By the mid-2000s, after the accession of the (largely Russophobic) East European nations to the EU and after the "coloured revolutions" in the post-Soviet space, the EU and Russia have returned to the opposing positions of constitutive 'Others' in their respective identity projects. Russia's new Great Power identity is increasingly formed in opposition to the West, and if the United States, after the wars in Kosovo and Iraq, takes pride in being the leading 'Other' to Russia, the EU is a not-too-distant second. For the Europeans, too, discourses 'othering' Russia are evoked at every opportunity, be it the 2005 Victory celebrations in Russia, the 2006 G8 summit in St. Petersburg or the Russian-Ukrainian gas war in January 2006. In this sense, any realistic prospect of an EU-Russian partnership needs a change in identity patterns.

Work beyond the Moscow-Brussels framework

Considering that stagnation in EU-Russian relations will prevail in the short run and that partnership is not likely to occur without systemic political and psychological change in both the EU and Russia, the obvious policy advice is to avoid the structures and rhetoric of partnership or, indeed, any permanent arrangement, or legally binding framework, for EU-Russian relations. One needs to lower expectations in order to avoid disappointment.

In fact, the question may arise whether the entire complex of interactions between Russia and Europe is bound by EU-Russian relations or, indeed, by the heavily bureaucratized dialogue between Moscow and Brussels. EU-Russian relations are too important (one could say existential) to be left to the bureaucracies on either side. Other avenues of dialogue exist, first of all the traditional web of bilateral relationships: Russia-Germany, Russia-France, Russia-Italy, Russia-Finland. Fears that these relationships might ruin a "common" EU approach are groundless if there is no common approach to begin with.

Likewise, dormant regional initiatives, like the EU's Northern Dimension, as well as the non-EU CBSS and the Barents Euro-Arctic Cooperation, could become useful interfaces for engaging regions, local communities and groups of people across borders. So far, these initiatives have been under-resourced on both sides, and, given the latest Russian centralization drive, are looked upon unfavourably in Moscow, although they still have potential.

In this context, the Finnish presidency of the EU in the second half of 2006 can fully exploit the options of both bilateralism and regionalism, reviving the Northern and Baltic dimensions, and embarking upon a different quality of political relationship with Russia than the one Moscow enjoys with Brussels.

Out-of-the box thinking: problematizing "sovereignty" and "Europeanization"

The tool kit of EU-Russian relations is clearly not adequate for overcoming this stalemate. Apart from the aforementioned bilateral and regional diplomacy, some innovative "out-of-the-box" thinking is needed to jump-start the relationship from its current stasis. This may seem far-fetched, idealistic and politically suicidal, but at some point one has to question the fundamentals which underlie the policy thinking in Moscow and Brussels; namely, "sovereignty" for Russia and "Europeanization" for the EU.

For Russia, problematizing its cherished "sovereignty" (defined in strictly security terms) could mean the abolition of visa requirements for EU citizens, the "unilateral visa disarmament" mentioned above.³⁰ This could have a groundbreaking effect on EU-Russian relations, and Brussels will feel obliged to reciprocate, significantly simplifying the Schengen visa regime for Russian citizens, with a view to abolishing visas altogether.

By the same token, Russia and the EU could experiment with the establishment of "pilot regions" along the common border, which could become test grounds for the adaptation of EU legislation and for visa-free exchanges. The first of such regions could be Kaliningrad. The idea of the Kaliningrad enclave assuming the status of an "overseas territory" of Russia was briefly entertained in early 2005, but was dumped by the Kremlin, which feared a loss of sovereignty, and by Brussels, which was unwilling to grant Russia any kind of "exceptionality". Still, the idea of a voluntary

adaptation by parts of Russia of some of the EU *acquis*, not because of pressure from Brussels but for purely pragmatic reasons, merits consideration.

As for the EU, one has to understand that the key problem in its relations with Russia is the “holy cow” of Europeanization. This is essentially “a (Western) European legacy that constitutes Europe as a unified civilizational Empire” that “offers Russia the option, either of being imperialized within its folds, or, alternatively, remaining marginalized on the periphery of Europe.”³¹ Whether authoritarian or democratizing, Russia will never feel comfortable as the subject of a “civilizing”, “educational” discourse. In this sense, “Europeanization” can hardly become a solid foundation for an equal relationship.

This brings us back to the question of globalization, raised at the beginning of this paper. In adapting to their challenges, Russia and Europe default into tested modernist discourses. For Russia, the return to “sovereignty” in the 2000s means falling back on the modern origins of the Russian statehood of the past five centuries, formed in opposition to the West.³² Meanwhile, for the EU, “Europeanization” may sound postmodern but in practice means a retreat to an essentially modern teleology of progress and to a colonialist interpretation of Westernness as goodness. In questioning “sovereignty” and “Europeanization,” Russia and Europe will have to go beyond their modern thinking and the rituals of ‘othering’ and try to accept the ‘Other’ as a given, rather than something to be opposed or transformed. This could form a new ontological foundation for a durable EU-Russian partnership.

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EU-Russian Relations

Alternative futures

Sergei Medvedev

EU-Russian relations are in a stalemate. Despite all the summitry, paperwork and energy trade, they are plagued by the institutional deadlock, frustration and bureaucratic squabbling. In the 2000s, mutual disillusionment has been on the rise: the EU has become disappointed by Putin's authoritarian drift, while Moscow increasingly regards the EU as a bureaucratic enterprise bent on isolating Russia from Europe. Underlying the mutual estrangement is a lack of strategic perspective on the future of EU-Russian relations in both Brussels and Moscow, including the long-term goals, obstacles and opportunities in their relations.

The report seeks to fill this conceptual gap, providing a set of alternative scenarios of EU-Russian relations. It comes to the conclusion that the most likely scenario for the next few years is stagnation. Both sides will be preoccupied with domestic developments (2007-2008 elections in Russia and simultaneous enlargement and constitutional reform in the EU), and will pursue a policy of "soft" damage limitation vis-à-vis each other.

In order to break the gridlock, the EU and Russia need to engage in some innovative out-of-the-box thinking. For Moscow, this means questioning its cherished (and outdated) modernist "sovereignty", while Brussels needs to rethink its neo-imperialist civilizing discourse of "Europeanization".

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