

Conflict Studies Research Centre



**Enlargement Tests the
Partnership Between
The EU & Russia**

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This paper looks at the consequences of the EU enlargement on the strategic partnership between Brussels and Moscow. This partnership has an ambivalent nature due to deep misunderstandings.

Key Points

- * The strategic partnership between the EU and Russia is characterised by some mechanisms that are disproportionate in relation to their importance. That is mainly due to the friction between interests and values on the two sides.
- * A number of strategic choices still have to be made, both by the EU and Russia. Globally speaking, the EU has come up with three main options whereas Russia has come up with four.
- * It is clear that the next elections in Ukraine (October 2004) will test the partnership.

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In 1994 the EU and Russia signed a Partnership and Cooperation Agreement (PCA) aimed at creating a trade framework with a view to gradual integration. Ten years on the enlargement of the EU, preceded by NATO's expansion, has significantly changed the tenor of this partnership, which now finds itself at a crossroads. On the one hand, there is talk of negotiation possibilities and the prospects for cooperation in the context of a "strategic partnership".¹ On the other, the failure of mechanisms to adapt and fundamental misunderstandings are seen as arguments for radical reform.² These conflicting opinions, like the debate over methods, form the basis of a five-point report on the ambivalent nature of this partnership, which the two parties have undoubtedly used more for neutralisation than reconciliation purposes in recent years.

Firstly, Moscow and Brussels have a trade framework that is disproportionate in relation to their importance. Secondly, their partnership has not given rise to positions likely to impact on developments in international affairs, despite the fact that theoretically it unites 600 million people. Thirdly, Russia is stepping up initiatives to strengthen integration within the Commonwealth of Independent States (CIS) while the EU is assessing the practical consequences of enlargement such as the delicate implications of the Turkish issue. Fourthly, there has been a change of atmosphere during the first half of 2004, following Moscow's claims concerning the PCA and the hardened stance taken by Brussels, which did not prevent the two parties from reaching an agreement *in fine*. At the same time, the programmed re-election of Vladimir Putin, preceded by the surprise appointment of Mikhail Fradkov, and the institutional uncertainties of the EU have had their effect on mutual perceptions. Fifthly, the friction between interests and values that has threaded its way through the partnership since the outset has been revived by new spatial proximity, disparities in development and conceptual differences. In short a feeling of unpreparedness, and even lack of interest, persists on both sides.

The partnership is sliding imperceptibly from its initial ambivalence towards a fundamental imbalance. This is a time both for looking back (ten years of partnership) and forward (partnership in the 2008 timeframe),³ particularly since EU enlargement has revealed not only fundamental misunderstandings and the inability of the EU/Russia mechanism to adapt, but also the pressing need for cooperation. Accordingly, after retracing the history of the trade framework, I shall assess the impact of enlargement against the background of the new conceptual (Russia's place in the Wider Europe) and spatial (Ukraine's position) challenges.

Trade Framework

In June 1994 Brussels and Moscow signed the PCA, which remains the main outline agreement.⁴ The objective of the PCA was to bring Russia into line with European commercial legislation and standards. The signatories believed that giving Russia most-favoured nation status would lead at some future date to the establishment of a free-trade zone. The Agreement also defined the conditions for political cooperation. However, it was never seen as a stage preceding future membership (which neither of the two parties has ever wanted), but was associated with a concept of gradual integration going beyond simple cooperation and technical assistance. Accordingly, the agreement created institutional mechanisms without providing any tools for adjustment and evaluation depending on the situation. As a result its implementation encountered the stumbling blocks of Russian policy and European divisions over the position that should be adopted vis-à-vis Moscow (particularly with regard to Chechnya). To observers, trade procedure overrode substance.⁵ Expert opinion differs: Europeans tend to believe that the PCA was never put to full use, whereas in Russia the tendency is to regard it as obsolete.⁶ This pessimism should not make us overlook an important trend: the doubling of economic trade between 1995 and 2002.

This trend reminds us that enlargement will inevitably have significant economic consequences, particularly for Russia. In volume terms, the EU is Russia's largest commercial partner, accounting for 40% of its foreign trade (55% in principle, following enlargement). Russia is the EU's fifth commercial partner (far behind the US, Switzerland, China and Japan), accounting for only 3% of its foreign trade. In 2002, trade between the EU and Russia grew to 78 billion euros (with a deficit of 17 billion for the EU).⁷ Moscow fears the financial repercussions following the entry of the ten new members, with whom it maintains in some cases close commercial relations dating from the Soviet era. Moscow is worried that the EU's tariff protection will penalise its exports to the new members and estimates the shortfall in earnings at between 250 and 450 million €. ⁸ In January 2004 Moscow sent the EU a fourteen-point list, relating in particular to agricultural product exports, hoping to make automatic extension of the PCA to the new members dependent on the granting of guarantees. To Russia the EU's reaction would be a test of the quality of the partnership.⁹ The EU reacted in two stages: a position of principle whereby the PCA would remain the cornerstone of EU/Russian relations and would be extended automatically on 1 May 2004, with no preconditions, followed by a negotiating position, leaving the door open for possible adjustments.¹⁰

Apart from the PCA, two other instruments woven through the basic fabric of EU/Russia relations and aimed at speeding up the current integration process deserve a mention: the energy dialogue launched in October 2000 and the four common spaces envisaged at the St Petersburg Summit (May 2003). The first is intended to create complementarity between the EU's energy needs and Russia's supply capabilities. Its implementation is hindered by political obstacles such as ratification of the Energy Charter Treaty and differing environmental strategies, but above all by the agenda lag between the government authorities and the oil companies, on the alignment of Russian domestic tariffs with world prices and monopolies (*Gazprom* and *Transneft* in particular).¹¹ The second instrument is based on four cooperation spaces which are intended to improve Russia's integration in the following sectors: economic, Justice and Home Affairs, external security and lastly research and education. The St Petersburg Summit also envisaged the creation of a permanent Partnership Council to provide a framework for trade and its development. Originally conceived by the German, French and

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Russian representatives, united by their common position on Iraq, this idea was motivated by a desire to reactivate the partnership and "avoid debate on the Common Strategy on Russia (CSR)".¹²

In fact the EU/Russia partnership has been obstructed by two unilateral tools: in June 1999 the EU launched a CSR, its first use of an instrument of Common Foreign and Security Policy (CFSP) intended to combine political, economic and security issues.¹³ In October 1999, Moscow responded by launching a Medium-Term Strategy on the EU. To sum up, the CSR provided no significant added value to the mechanism and provoked no interest in Moscow.¹⁴ As for the Russian strategy, it was never used as a reference document in the context of the partnership.¹⁵ The complex nature of the trade framework is due to differences in character and objectives between the two parties: on the one side, a sovereign state jealously guarding its prerogatives, on the other a supranational organisation based on transfers of sovereignty. This difference in character accounts for the difference in their objectives. The EU sees the partnership as a means of stabilising Europe as a continent, as well as a vehicle for converting Russia to its way of thinking. Russia uses it to avoid isolation by institutionalising trade in order to influence the EU's international personality in a dialogue "of equals". From this point of view, the strategy of enlargement has revealed the tensions running through the partnership, which focus on three issues: freedom of movement and visas, the content of economic trade and energy supplies and lastly stabilisation methods in the area of security and the issue of respective "near abroads".¹⁶

Enlargement Reveals Tensions

There were several warning signs that latent tensions might come out into the open as enlargement approached, but these went unnoticed owing to the *Yukos* affair, the elections in Russia and the institutional debate in Europe. However, the Rome Summit (November 2003) revealed the divisions between member states and the fundamental misunderstandings with Moscow. The principal of these related to the friction between the concepts of "common values" and "shared interests". The lack of understanding goes deep in that the EU forces itself to believe that Russia wants to integrate its standards and values whereas the latter sees this rhetoric as a thinly disguised attempt to interfere in its internal affairs. Put simply, Moscow has no intention of managing its internal development and its external actions based on the imperatives of the "acquis communautaire" or the moral principles defended by the EU on the international stage.

Moscow's requirements and its internal development caused the EU to harden its position during the first quarter of 2004. The friction between interests and values, which has been a hallmark of the partnership from the outset, lies at the heart of the communication from the Commission to the Council and the European Parliament on relations with Russia.¹⁷ Although the stated objective remains unchanged - to build up a real partnership based on genuine interdependence - the Commission questioned Moscow's ability, and implicitly its desire, to support universal and European values or continue with democratic reforms. It recommended that the Council should openly raise with Russia the issue of democratic institutions, human rights in Chechnya, freedom of the press and the environment. It advocated the adoption of an action plan at the Russo-European Summit (May 2004) with a view to joint definition of realistic objectives, making this adoption contingent on an agreement on automatic extension of the PCA.

In the pre-enlargement context, neither party wanted to see a breakdown in relations. Careful of Russian sensibilities but also anxious not to complicate enlargement unnecessarily, Romano Prodi headed a delegation of seven commissioners to negotiate on extension of the PCA (22 April 2004). For the *nth* time he reiterated the EU's desire to build a "true strategic partnership" through the four cooperation spaces and the Permanent Cooperation Council. Following the first meeting of this Council (27 April 2004), an agreement was reached: automatic extension was agreed as well as temporary measures for certain products. With regard to relations between Kaliningrad and Russia, the principle of freedom of transit, including for energy, was raised. On the other hand, the EU did not give satisfaction to Moscow, which defended a clause on the protection of Russian-speaking minorities in Estonia and Latvia. A lot of noise about nothing, one might be tempted to say, but these discussions did reveal the nature of the partnership, which is both very technical and highly political.

In this latter context, the Commission has emphasised on several occasions the need for the EU to talk to Russia with a single voice. This is a doubly sensitive issue. Firstly, there is Moscow's inclination to favour its bilateral relations with the principal European capitals (Berlin, Paris, Rome and London) as a way of putting into perspective the importance of initiatives from Brussels. Secondly, the new members' fear of seeing the "big countries" enjoying privileged relations with Moscow at their expense. Prior to enlargement, Warsaw for example thought that the issue of extending the PCA was the sole prerogative of Brussels, which should have taken the opportunity to clarify its determination to protect the interests of the new members, and that Paris and Berlin were not encouraging Ukraine's integration in order to avoid harming their relations with Moscow.¹⁸ There is no doubt that the new members intend to change the EU's general perception of Russia, believing as they do that a possible resurgence of the Russian threat will directly affect them, the Baltic countries and Poland in particular. At the same time, they are offering their services as Russian specialists, willing to provide their expertise and networks to the other EU members.¹⁹ In Russia the tendency is more to worry about this influence.²⁰

The partnership's executives and experts agree on its lack of substance, partly concealed by the debates on mechanisms and trade procedures. In reality, it appears that a number of strategic choices still have to be made, both by Europe and Russia. In simple terms, the EU appears to be wavering between three options:

- *option 1*: integrate Russia in a global strategy, itself divided into major regional policies (in this instance inclusion in an Eastern dimension);
- *option 2*: maintain a specific strategy for Russia bearing in mind both its size (demographic and continental) and its strategic ambitions (nuclear arsenal and world influence);
- *option 3*: stabilise relations with Russia based on a bilateral network which is coordinated to a greater or lesser extent (mainly Berlin, Paris, London, Rome, Helsinki, Athens; and probably Nicosia, Warsaw and the Baltic capitals).

The frictions between these three strategies are already making themselves felt and overlay the four main options on which Moscow is still hesitating:

- *option a*: seek gradual integration through common institutions and in accordance with the principles of Community achievements;

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- *option b*: define special relations in order to maintain the illusion of a dialogue of equals by trying to influence the European Union from outside;
- *option c*: achieve a common-law association capable of guaranteeing freedom of movement of individuals, capital, goods and services;
- *option d*: create a zone autonomous of and possibly competing with the EU with a view to creating two European centres.

Some of these options already appear to be implicit in projects being developed by either side. They may have repercussions in stark conflict with the idea of a partnership, reminding us that this partnership is still very much dependent on political decisions. They may crystallise around conflicting geopolitical concepts, likely to result in conflicting development logics.

Wider Europe: Russian Specifics & Ukrainian Particularity

One of the main difficulties encountered by the EU lies in the relationship between its policies towards Russia and towards the new independent Western states (Belarus, Ukraine and Moldavia).²¹ Basically the EU has not managed to clearly define Russia's position in its Eastern policy and is still hesitating between a specific strategy, as demanded by Moscow, and a global strategy, advocated in particular by the new members, in order to limit Moscow's influence on the EU and the CIS countries. Following the reasoning of *option 1*, the Commission presented a communication outlining its ideas on Wider Europe in March 2003,²² since amended to the New Neighbourhood Policy. The purpose of this document was not to prepare for membership but to create a new closeness with the States concerned in order to provide optimum support for their stability and development through national action plans. Warsaw played an active role in preparing this document and in the project concerning an "Eastern Dimension" for the CFSP modelled on its "Northern Dimension". The Wider Europe project was given a negative reception in Moscow mainly for two reasons: Russia's inclusion in a heterogeneous group of countries (including both Ukraine and Morocco) with profound differences, from the Russian viewpoint. The principle of a dialogue between equals and the source of this initiative (launched by the Commission) were perceived as an attempt to depoliticise the dialogue in favour of a technical approach. At a deeper level, several Russian specialists see the hand of Warsaw and the Baltic countries attempting to divert the EU from a priority and specific strategy for Russia.²³ Wider Europe's weakness lies in the vagueness of the role conceived and planned for Russia and the refusal to take "the existence of the Russian factor" into consideration.²⁴

The creation of a common economic space within the CIS between Russia, Ukraine, Belarus and Kazakhstan, in September 2003, can be seen as a response to Wider Europe in keeping with the logic of *option d*. The Commission's reaction was not a positive one; it called for vigilance, questioning the compatibility between this zone and the Common European Economic Space (CEES) which the EU and Russia are trying to create.²⁵ This zone, for which the prospect of a common currency project has been raised, offers geopolitical rather than economic value (none of its members belong to the World Trade Organisation); it is in keeping with Moscow's desire to create a "liberal empire", to use Anatoly Chubays' enigmatic phrase.²⁶ Serious doubts exist concerning its viability, but it shows the state of mind prevailing in Moscow, ie an approach for its relations with the EU that is above all geopolitical. From this point of view, one of the main uncertainties lies in the objectives and

motives of Ukraine, which was careful to state that it remained opposed to the common currency project and had no wish to go further than a free trade zone, to avoid compromising its discussions with the EU. Ukraine's spokesmen tend to downplay the significance of this agreement.²⁷

Clearly Ukraine is expected to play a crucial role in the development of the EU/Russia partnership. In geopolitical terms: Russia without Ukraine is no longer an empire, to quote Zbigniew Brzezinski and Ukraine without Russia offers a favoured terrain for post-enlargement regional policy.²⁸ Politically speaking, Ukraine wants to join the EU and is pursuing a policy of rapprochement with NATO while strengthening its ties with Moscow in certain areas. For Brussels as for Kiev, managing this interval between possible membership (envisaged in the 2030 timeframe by most analysts) and the current enlargement is problematical: if the enlargement of the EU results in a lack of prospects equating to a form of exclusion, authoritarianism and a tightening of the links with Moscow are likely to become more marked.²⁹

The current situation in Ukraine is characterised by two essential factors: strong economic growth and preparations for elections that will decide the future development of the country. With a growth rate of 8.5% in 2003, Ukraine shows the characteristics of "Chinese-style" growth fed by strong internal and external demand.³⁰ This growth has led in particular to a cutback in foreign trade by the CIS in favour of the EU and the Asian countries. However, Russia is still Kiev's largest customer, far ahead of Germany. Politically, the possible victory of Victor Yushchenko, the former reformist Prime Minister, is presented as an unequivocal turn towards the West and the surest way of forcing the EU to clarify its position on Ukraine.³¹

Ukraine's relations with Brussels are marked by a certain lack of understanding and whatever either side says, are deeply influenced by the "Russian factor".³² Recently, the Yalta Summit (October 2003) produced new declarations of intent on the sharing of common values and membership prospects. Since independence, the EU claims to be maintaining an equidistance from both Moscow and Kiev, theoretically according the latter the same degree of importance. Like Russia, Ukraine has been the subject of a Common Strategy and has been associated with the developments in the ESDP (European Security and Defence Policy). However the fundamental problem (the EU's responsibility more than Ukraine's) remains unchanged: although the EU talks about the possibility of non-members participating in joint operations, it has not been able, or willing, to discuss the EU's participation in their security.³³ The effects of the "strategic partnership" which moreover links Ukraine to Russia are undoubtedly considerably more far-reaching than those of the partnership with the EU, despite the fact that three major issues have placed a strain on relations between Moscow and Kiev: the gas consortium, the common economic space and the Tuzla dam.³⁴ Basically, Kiev has not managed to break free from Moscow owing to its very strong energy dependence and the collusion between certain economic élites in the two countries.³⁵

Accordingly, Ukraine appears to be extremely torn between the EU and Russia. For the time being it appears that this country is seen more as a zone of conflicting influences than a possible terrain of cooperation. This gives rise to potential frictions. Kiev's multi-faceted diplomacy fails to hide the difficulties of making strategic choices. In this sense, its evolution depends on four factors which are closely interlinked and difficult to control: the election results and their effect on the internal situation, the parallel relations with Brussels and Moscow, relations

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between Brussels and Moscow and lastly the strength of interest from the United States.

In the context of the partnership between Russia and the EU, the latter's enlargement has revealed latent tensions, which it has been possible to deal with individually. One of the challenges facing the Cooperation Council is to provide a management framework for potential frictions in order to achieve a measure of maturity and realistic expectations between the two sides. This attempt at normalisation will have to overcome a fundamental contradiction: the EU defends the principle of a "strategic partnership" with Russia while welcoming new members for whom Russia remains at best a partner who needs watching closely, in most cases a potential threat and in some an object of deep resentment. For its part, Russia will have to update its knowledge of the way the EU operates and revise a number of its perceptions. In short, the partnership still largely remains to be built.

ENDNOTES

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- 6 Interview with an EU representative (Moscow, September 2003) and interview with a Russian official (Moscow, December 2003).
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- 8 Interview with A Grusko, Director of the Pan-European Cooperation Department at the Ministry of Foreign Affairs, *Vremya Novostej*, 15 March 2004.
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- 11 For a summary, see Andrei Belyi, "Un nouveau contexte pour la coopération entre la Russie et l'Union européenne" ("A new framework for cooperation between Russia and the European Union"), *Revue de l'Energie*, No 550, October 2003, pp565-575.
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