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in Europa

Partnership with Russia in Europe

Scenarios for a Future Partnership and
Cooperation Agreement

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Partnership with Russia in Europe
Scenarios for a Future Partnership and
Cooperation Agreement

Fourth Discussion Circle Meeting
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Preface

This is a report on the fourth discussion circle “Partnership with Russia in Europe”. The core circle consists of politicians, experts and diplomats from Brussels, Berlin and Moscow, with participants from other “European capitals” as well. The discussion circle, established in 2004, intends to strengthen the dialogue among EU-Europeans and Russians concerning a deepening of the relationship. It intends to support solid plans and to initiate new ideas for intensifying the partnership with Russia in Europe. The Partnership and Cooperation Agreement between Russia and the European Union (PCA) as well as the bi-annual EU-Russia summits serve as key references. Since the PCA expires in November 2007, the third discussion circle (held at Potsdam, December 2005) was already intensely debating the future of the PCA. The fourth meeting is continuing this debate.

The discussion circle tries to find answers to more basic questions as well, particularly: How can “vast Russia” and a slowly emerging “political union” of European Union member states cooperate more effectively? In which, if not in all, spheres is cooperation possible? How binding are the agreed upon Road Maps and respective Action Plans for the partners? Why not adding precise time frames to advance the successful implementation of intended actions? In other words, is it possible to manage the complex interaction between the Eurasian state and the European Union in a strategic manner?

Indeed, where are the established mutual interests and where are the potential conflicts in the strategic reflections of both sides? What does Russia and what does the European Union expect from their ‘strategic partnership’? What was intended when the existing PCA was signed with its focus on ‘common values’ instead of ‘common interests’? And does it remain the core of a future

agreement? Is it, however, advisable or even possible to have an effective partnership with a focus only on ‘common interests’? Should, in this respect, the expiring Partnership and Cooperation Agreement only be revised or completely reformulated?

The current state of affairs is well-known. For the European Union the next years are crucial in the development of a common foreign and security policy CFSP and the completion of what has been called the constitutional treaty in order to position the EU more convincingly as a unified actor in external relations. The CFSP does include, but should not be limited, to a new European Neighbourhood Policy. Simultaneously, the establishment of a comprehensive constitutional framework would not only strengthen cohesion within the EU, but could also help to persuade the neighbours of the EU to be even more directed towards a common European value-system. On the other hand, the Russian Federation aims with the help of cooperation within Europe to accelerate the economic and technological development in Russia, but without the goal of membership in the European Union or relinquishing her sovereignty. The Russian leadership agrees to jointly construct four Common European Spaces (economy; home affairs; security; science and culture). Nevertheless, Russia intends to be a major player in a multilateral world, with responsibilities beyond EU-Russia relations.

The discussion circle wants to explore how the tensions in the positions can be alleviated and whether each approach of the two partners towards a constructive development of the EU-Russia partnership can be transformed into an effective common strategy. With regard to the German-Russian dialogue and other bilateral dialogues between individual member-states of

the European Union and Russia the roundtables will consider the following developments: A stronger reference to Europe in the bilateral dialogue is even more important after the enlargements of the European Union, 2004 and 2007. The Russian side has already acknowledged that. The politics of Europe – which actors in the EU states realise – can increasingly less be differentiated in European politics and foreign policy. The Friedrich Ebert Foundation and the Unity for Russia Foundation, therefore try as joint organizers to focus in the selection of participants

for the roundtables on the invitation of experts and policy-makers from different European states. The roundtables will highlight Russian interests, perceptions and policies in relation to those of the EU and will identify the involvement of bilateral discourses within the context of the EU.

We hope that the report of the fourth meeting in Morozovka near Moscow will find your interest. The next meeting is scheduled for spring 2007 in Potsdam during the EU-presidency of Germany.

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Scenarios for a future Partnership and Cooperation Agreement. Notes from the 4th roundtable

Overall impression

Participants from both Russia and the EU countries stressed that the continuity provided by this series of roundtables offered a rare opportunity for genuine dialogue. They thought that by bringing the same (or a very similar) group of experts together on a regular basis, the roundtables helped to foster trust and open discussion.

However, given that most of the participants know each other – and each others' arguments – quite well by now, some also expressed frustration about the lack of real progress in the discussion. Some Russian participants were puzzled that their EU counterparts still did not take on board their arguments. Some of the Europeans, on the other hand, complained about provocative rhetoric on the Russian side, and the seeming lack of willingness to engage in a more constructive debate.

Some participants thought that the meeting mirrored the overall state of EU-Russia relations in the second half of 2006, as Russia and the EU are getting ready to negotiate a new treaty to succeed the Partnership and Cooperation Agreement (PCA).

For a number of reasons, good relations with Russia are of increasing importance for the EU. First, after eastward enlargement in 2004, the EU and Russia share a common neighbourhood that harbours a number of potential problems, such as separatism or organised crime. Second, with oil prices at record highs and following the Ukrainian gas crisis in January 2006, Europeans are more than ever aware of their

dependence on Russian energy. Third, as the EU's role as a foreign policy actor grows, it will need Russian cooperation to address international challenges ranging from a nuclear Iran to a post-Kyoto treaty on climate change.

Europeans feel that they have made Russia a number of attractive offers, including visa facilitation, the 'four spaces' and support in addressing the 'frozen conflicts' in the post-Soviet space. Russia, however, appears to have concentrated on the problems involved rather than pushing these initiatives forward. The EU hopes that the forthcoming negotiations on the PCA will be an opportunity to resolve some of these issues and move cooperation forward. They also hope that the talks will be a forum to raise their concerns about democratic standards in Russia.

For Russia too, the EU and its members are very important partners, not least since US-Russia relations are getting more difficult. The EU remains Russia's largest market for energy and other exports. And on many global issues, Russia's position is close to the European one.

However, Russians often feel that the Europeans "hear but don't listen". The Europeans seem to think that they know what is best for Russia. They still insist that bilateral cooperation and mutual integration has to be based on the EU's rules and regulations, rather than a convergence of norms and policies. Russia's situation, however, has changed fundamentally since it first signed the PCA with the EU in 1994. Today, the Russian political scene is stable, its economy is growing at around 7% a year, it has paid off most of its external debt and it has amassed more

than US\$ 300 billion from energy sales in its stabilisation fund and on the central bank's balance sheet.

Moreover, the changing global context means that the EU is no longer the "natural" point of reference for Russia's development. Today, Russia is part of a group of emerging powers often referred to as BRICs (Brazil, Russia, India, China). Rather than being "the only game in town", the EU today is one partner among several. For Russia, therefore, the PCA negotiations are a chance to redress the imbalances and put its relationship with the EU on a more equal footing.

1. Scenarios for a future PCA

The background: where are we now?

In November 2007, the PCA comes to the end of its initial 10-year life span. Under article 106, the treaty is automatically prolonged, unless either the EU or Russia gives notice for abrogation. Both sides have already agreed that they will leave the PCA in place until a new agreement is signed, so as not to create a "legal vacuum".

After some discussion, the EU and Russia have also agreed that they will start talks on a new agreement as early as 2007. In September 2006, at the time of the conference, the European Commission was working on a draft negotiating mandate. The Finnish government hopes to achieve a consensus on the mandate among the member-states before the end of its EU presidency in December 2006. The German government, which takes over the EU's rotating presidency in the first half of 2007, has already indicated that it would like to see some progress in the negotiations. This would tally well with the German government's other priorities for the Common Foreign and Security Policy, namely a stronger European Neighbourhood Policy and the formulation of a draft EU strategy towards Central Asia. Both would have significant implications for the EU's relationship with Russia.

The Finnish and German presidencies are seen as an opportunity because both countries have particularly close relations with Russia. Nevertheless, it appears highly unlikely that the negotiations could be concluded before the end of the German presidency: first, the PCA terminates only in November 2007, during the Portuguese presidency. Second, Russia is still focussed on obtaining a final agreement on its accession to the World Trade Organisation (WTO). Third, Russia is heading for presidential elections in early 2008.

Do we need a new treaty?

Participants differed in their assessments in how far the PCA has been a success. An EC-participant pointed out that it had provided the EU and Russia with a broad and flexible framework for their evolving cooperation over the last decade. The bi-annual summits foreseen under the PCA have driven the relationship forward. The PCA had not prevented the two sides from launching new initiatives if and when needed, such as the energy dialogue in 2000.

A high ranking Russian official reminded us that within the framework of the PCA the EU and Russia had continued to make progress in various areas. For example, they have set up new Permanent Partnership Councils in transport, agriculture and justice and home affairs; they are about to launch a Euro-College within MGIMO, Moscow's prestigious diplomatic academy; they have signed eight or nine sectoral agreements, with several others being in the pipeline; and they have agreed on measures to make it easier for citizens from both sides to obtain visas.

A German expert argued that the PCA should be seen as an example of EU conditionality. The Agreement was supposed to be a tool for shaping the economic and political transformation of Russia, with the help of the EU. In some areas, the EU has been successful, in particular where concrete initiatives were backed up by TACIS funding. At the broader political level, however,

the PCA has had only minimal impact on Russian developments. And this impact was diminishing further as Russia has grown stronger, richer and more stable over recent years. As one EU parliamentarian admitted: “The PCA was an attempt to apply the Copenhagen criteria to Russia. But Russia does not want to join, or even get much closer to the EU. Today we need relations based not on conditionality but on reciprocity.”

Most participants agreed that the PCA – signed in 1994 and in force since 1997 – is out of date. It does not cover some of the areas of cooperation between the EU and Russia, such as the security dialogue. New EU-Russia initiatives, such as the common spaces, have created overlap with the PCA and left mutual responsibilities somewhat unclear. Parts of its institutional set-up are defunct, for example, the sub-committees have not met in years. And once Russia has joined the WTO, the clauses on trade, which make up a large part of the Agreement, will become obsolete. As one official put it: “After WTO entry, we will have to make so many changes, we may as well write a completely new agreement.”

Nevertheless, there was no consensus on whether the EU and Russia should start talks on a new agreement now, or leave the PCA in place on the basis of article 106.

Participants from both sides expressed concern that by starting negotiations now the EU and Russia would re-open many of the controversial but ultimately fruitless debates about “shared values”. Today, EU-Russia relations suffer from a lack of trust and mutual understanding. Participants from both sides expressed concern about the use of “Cold War rhetoric” and the prevalence of “zero sum thinking” in the current EU-Russia relationship. Another fundamental debate about objectives, principles and values, participants felt, could further widen the gap between the EU and Russia. Moreover, by raising expectations that the EU and Russia may not be able to fulfil, the post-PCA negotiations could create a sense of disappointment on both sides.

The EU and Russia have only recently agreed on the ‘road maps’ for the implementation of the four common spaces. Progress with the many cooperation projects foreseen in these roadmaps could help to foster trust and understanding. Once the atmospherics in bilateral relations has improved, the EU and Russia could revisit the issue of a more fundamental agreement.

A German expert argued that it was exactly because the PCA has been little successful as an instrument of conditionality that the EU should now go slow on a new agreement. Since the PCA did not do much to encourage a consolidation of liberal democracy in Russia, the two sides were still separated by a “values gap” and the EU retained little influence over Russian political developments. Therefore, a pragmatic approach that highlights practical cooperation rather than a fundamental debate over values and objectives appears to be the only one feasible for now.

One Russian official also pointed to the risk that some member-states may seek to use the negotiations to advance national objectives. Governments from the new member-states, for example, could demand a tougher EU policy with regard to Russian democracy and human rights. Other governments could seek to link progress in the post-PCA negotiations to demands to open up the Russian energy market and grant third-party access to Russian pipelines. He dismissed such attempts of “political creativity” as futile, even counterproductive.

Participants from the EU side did not agree that the post-PCA negotiations could become a vehicle for narrowly defined national interests, although EU governments and parliamentarians may insist that the new agreement should not only reflect past achievements, but also set-backs such as Russia’s restrictive NGO law. Some participants cautioned that differences in member-states’ aspirations entail the risk that the new agreement may not be easily ratified in all 25 (soon 27) member-states. The negotiations were unlikely to be a smooth, technical process. They could bring to the fore historical grievances, not

only between individual EU members and Russia but also within EU countries.

Other participants pointed out that the timing for post-PCA negotiations was unfortunate because both Russia and the EU were currently in a period of transition. Russia is finally putting the years of post-Communist chaos and the perceived humiliation of losing its status as superpower behind it. On the bases of new-found internal political stability and oil-fuelled wealth it is seeking to re-establish itself as a great power.

Similarly, the EU is in a state of flux, following eastward enlargement and the rejection of its constitutional treaty in the Dutch and French referenda in mid-2005. With so much uncertainty on both sides, there may be little point in trying to set bilateral relations in stone now.

The risk, as a Russian expert pointed out, was that the new agreement would be out of date as soon as it came into force. Any agreement forged between the two sides now would invariably be of short duration. It would probably last no longer than five years. Would it be worth expending the administrative resources and political capital to work out what would invariably be a transitory agreement?

Other participants disagreed. They said that the PCA was no longer adequate as a basis for making progress with the four common spaces. They explained that the four spaces were tools to achieve joint EU-Russian objectives but that they could not replace attempts to define such objectives. "The common spaces are just a laundry list of possible joint projects", in the words of one Russian expert.

A German politician argued that to shy away from post-PCA negotiations would amount for the EU and Russia admitting that their strategic partnership has failed. No-one disputed that the negotiations would raise some tricky issues. But they would also represent a valuable opportu-

ity to revive and re-launch the bilateral relationship. As he put it: "The negotiations to the new agreement would allow us to discuss what our relationship actually should look like." An EC-official even called on both sides to "define a joint vision for the continent for the next 20 years". A Russian expert added that although the negotiations may highlight areas of disagreement, they were also needed to establish those areas where Russia and the EU agreed.

What could a new treaty look like?

The various options for a new treaty have by now been extensively discussed among experts¹. Most participants agreed that the new agreement would have to take account of past achievements, including the agreement on the establishment of four common spaces. It would also have to set out the joint objectives of the bilateral relations for the future.

A high ranking Russian official listed the points of reference on which his government and the EU had already reached broad agreement, namely that the new agreement should:

- be legally binding (some experts had suggested that a non-binding political declaration may suffice);
- be valid for a long time (10-25 years);
- concentrate on the broad principles and objectives of the relationship, leaving detailed policy plans to separate agreements, such as the common spaces;
- contain a section on "common values".

When it comes to incorporating past achievements, EU officials warned that the post-PCA negotiations should not re-open debates about issues on which the EU and Russia had already reached an agreement. For example, the EU and Russia may want to add references to the energy dialogue and the four spaces. But they should not seek to renegotiate their content. Instead, the

¹ See for an overview Iris Kempe and Hanna Smith: *A Decade of Partnership and Cooperation in the Russia-EU Relations. Perceptions, Perspectives and Progress – Possibilities for the Next Decade*, Centre for Applied Policy Research (CAP), Munich, 2006.

new agreement could usefully be supplemented by sectoral agreements, covering things such as metals export quotas or energy relations.

More controversial was the forward-looking part of the agreement, or what a participant from the European Commission referred to as “the level of ambition”. Given that EU-Russia relations are partly problematic at present, and that both the EU and Russia are faced with considerable uncertainty, it appeared impossible or at least imprudent to formulate bilateral objectives for the next decade or two. A Russian discussant argued that the main problem was that the EU was not sure what it wanted from Russia.

Given prevailing uncertainties, the two sides should therefore leave the “level of ambition” open to be raised in the future. There would, however, have to be a minimum level that is above what the EU and Russia have already agreed on in the past. Participants from both sides were adamant that there was no point in working out a new agreement that represented a step back on the way to a strategic partnership.

One point that is likely to be contentious in the debate is the basis on which the EU and Russia should proceed with their cooperation efforts. The assumption underlying not only the PCA but also subsequent initiatives such as the common spaces is that Russia should converge towards EU norms and standards. Many Russian participants argued that this assumption could not underlie the new agreement. Convergence, they pointed out, could not be a one-sided process. In future, the EU and Russia would have to reach mutual agreements on norms and standards, such as international law or the trade and investment rules of the WTO.

The role of energy is also likely to prove controversial in the new agreement. The European Commission has suggested to include the possibility of a “deep free trade area” in the negotiating mandate for the post-PCA treaty. Some observers have suggested that it may want [to link](#) the offer of improved access to the EU single market with demands for Russia to ratify the Energy Charter Treaty and undertake other

steps towards opening its energy market. A Russian discussant, however, disputed that any link existed between bilateral discussions on energy and those on the new treaty. Conversely, EU participants cautioned about focusing too much on energy in the forthcoming negotiations. Although President Putin has stressed that Russia does not see itself as an “energy superpower”, Russia now often seeks to use its natural resource wealth as a trump card in its dealings with the EU (and other countries). However, an EC-participant pointed out that although energy exports were one of the main drivers of Russia’s economic boom, they could not sustain the country’s growth given the size of its population. The proceeds from energy sales amount to only € 60 a month for each Russian citizen, the equivalent of “two trips to McDonald’s”. Therefore, Russia should grasp the new agreement as an opportunity to improve its business environment and diversify its economy away from oil and gas.

One area that participants did not dwell on was the title of the new agreement. Several have been suggested, for example “Treaty of Strategic Partnership” or “Treaty of Association”. Participants considered it premature to discuss the appropriate title. As one participant put it: “There is no point deciding on the packaging before we know the contents.”

The values gap

A high ranking Russian official confirmed that the chapter on values would be an “extremely important” part of the new agreement, although he admitted that its content remained yet to be defined. So far the EU has always insisted that its relationship with Russia should be based on “shared values”, and Russia has not officially disputed this assumption. However, the nature of these shared values has never been exhaustively defined and has become more controversial over the years. Russians have become increasingly sensitive to what they perceive as EU attempts to “impose” their norms and values on their country.

Another Russian speaker thought that Russians had become increasingly cynical about democracy and individual rights, following the aberrations they experienced in the 1990s. Russian participants explained that their country had entered a new era of “realpolitik” and rethinking. The debate about “sovereign democracy” was evidence of Russia seeking to define a political system best suited to its present needs.

Yet another Russian discussant thought that the values gap between the EU and Russia was not as wide as many people believe. The values of both the EU and Russia were rooted in Christianity. The real difference lay in the two sides’ political cultures. Similarly, other Russian participants argued that current developments in Russia had to be assessed in historical context and with Russia’s special situation in mind.

While participants from the EU side expressed concern about the hollowing out of democratic institutions and the disregard for civil liberties in Russia, Russian participants thought that the strengthening of state power was a precondition for building a sustainable democratic system. A Russian participant explained that the collapse of public authority and the economic deprivations of the 1990s had undermined the very basis for successful democracy. The rebuilding of state institutions and rising incomes (as a basis for political legitimacy) would recreate that basis. In his view, Russian democracy was getting stronger. Only when Russia was strong and stable again could it usefully engage in a debate about common values with the EU. The West’s criticism of Russian democratic standards implied that what the country experienced in the 1990s was “real democracy”. As such, it would contribute to Russians’ growing cynicism of democracy.

Russian participants also pointed out that the EU was in a poor position to lecture Russia on democracy and human rights as long as it tolerated undemocratic practices, extremism and human rights abuses in its member-states. Russian participants referred in particular to the alleged mistreatment of Russian minorities in the

Baltic countries, as well as to rising intolerance towards foreigners in the Netherlands. EU participants responded that the EU’s awareness of its own shortcomings should not prevent it from constructive criticism of partners such as Russia.

A German politician argued that any attempts to remove values from bilateral relations would leave the EU and Russia with an extremely limited relationship that would consist purely of trade and energy matters. Like other participants too, he stressed that values infused almost every area of cooperation between the EU and Russia. Russia should stop suspecting that the EU was following some kind of ideological agenda. “We do not insist on our principles and norms for their own sake”, said he, “but because we cannot do anything without them.” Economics was cited as one example. In its trade and investment relations with Russia, the EU insisted on upholding principles such as the rule of law, secure property rights and transparency.

Another German discussant added that common values were a process, not something that is either on or off. This process was driven by day-to-day cooperation and growing integration. “Values are not abstract”, he elaborated, “but something that shapes our dealings every day.” A basic agreement on common values was needed to make cooperation possible in the first place. If Russia and the EU did not agree on underlying principles, even the most straightforward joint project could degenerate into debates about first principles. Progress would invariably remain slow and frustration would mount on both sides.

EU participants argued that a well-functioning democracy needed more than strong institutions and economic growth. It also needed an engaged and free civil society. However, the latter was increasingly under threat in Russia, following the entry into force of a restrictive law on NGOs earlier in the year. For example, the activities of the German political foundations (of which this conference was one) were at risk since the terms of their activities under the new legal

basis had still not been clarified a few weeks before it was to become invalid under the new law. If NGOs from EU countries had to leave Russia someday after the October 18th deadline, public opinion in EU countries would be outraged, warned EU politicians. Voters would hardly understand why their governments were working so hard to strengthen relations with a country where Western NGOs and human rights organisations could not function freely and effectively. Russian participants suggested that the current uncertainty was not the result of ill intent on the part of the Russian authorities. In Western European countries, civil society had grown organically over decades if not centuries, and with it the states' relationship vis-à-vis NGOs. Russian efforts to regulate the activities of civil society actors were only three years old. With 500,000–600,000 NGOs currently in operation, it would naturally take the Russian authorities some time to define the legal basis for the operations of different types of them.

2. Energy security in Europe

2006 – the year of energy

Energy has moved to the top of the international agenda, and has become much more prominent in bilateral relations between the EU and Russia. Among the reasons are:

- Record-high energy prices. Oil prices have been driven up by a combination of past underinvestment in exploration and refining, rapidly growing demand (in large part from emerging Asia) and uncertainty over supplies from the volatile Middle East and other oil producing regions. Since in Europe gas supply contracts tend to be linked to oil prices, gas prices have also been rising fast.
- High oil prices have rekindled an interest in alternative sources of energy. Some countries have revived their programmes for nuclear energy, and there is also growing interest in clean coal and renewable sources of energy.

- The temporary shut-down of Russian gas deliveries to Ukraine in January 2006, which has made Europeans more acutely aware of their energy dependence on Russia.
- Russian energy giants making the headlines, most notably Gazprom becoming one of the world's biggest companies by market valuation after its acquisition of Sibneft and the abolition of the "ring fence" in late 2005; and Rosneft's floatation on the London stock exchange;
- Delays and problems in European attempts to build an integrated EU energy market, for example national opposition to cross-border mergers and acquisitions of energy companies.
- The Commission's Green Paper on a new EU energy policy, published in March 2006.

The EU-Russia energy dialogue

A Russian official argued that the real cooperation between the EU and Russia started in 2000, when the two sides had overcome differences over the fallout from the second Chechen war and NATO's bombing of Serbia. It is perhaps no coincidence that 2000 was also the year in which the EU and Russia launched their bilateral "energy dialogue".

One participant, who has represented the EU in this dialogue for many years, described the initiative as "extremely successful". He reported that unlike in other areas of EU-Russia cooperation, the energy dialogue was usually conducted in a "good atmosphere" and with the constructive involvement of both governments, the European Commission and energy companies. Among the dialogue's achievements, he listed:

- recognition on both sides of the importance of long-term contracts;
- exploration of the possibility of linking Russia's electricity grid to that of the EU;
- the establishment of an energy technology centre;
- cooperation on increasing the safety of maritime transport in the framework of IMO;

- progress with infrastructure projects of common interest.

Not all participants agreed that the energy dialogue has lived up to expectations. Some pointed out that on many big issues – EU investment in the Russian energy sector, Russia’s unwillingness to ratify the Energy Charter Treaty or the threatening “supply gap” – the dialogue had produced few results. The fact that the EU and Russia did not manage to avert the Ukrainian gas crisis in January 2006 could be seen as another failure of the energy dialogue.

The Ukrainian gas crisis

On January 1st 2006 Russia cut gas supplies to Ukraine, which acts as a transit route for 70–80% of Russian gas exports. Gas pressure in several EU countries dropped as a result. Following vocal protests from the EU, Russia restored full gas supplies the following day. However, the TV images of a Gazprom official turning off the tap stuck in the minds of the European public.

EU participants agreed with their Russian counterparts that the Ukrainian gas crisis could not and should not be fully blamed on Gazprom or the Russian authorities. It resulted from a combination of political blunders and bad communication on all sides.

Russian participants claimed that they had alerted the EU months in advance that there were disagreements with Ukraine over unpaid gas debts, the price for future gas deliveries and over transit fees. But the EU had not reacted, nor had it responded to later proposals from the Kremlin that it should step in and help finance the gas price increase that Russia was demanding at the end of 2005. This increase, explained one Russian participant, was only natural given the changing nature of Russian-Ukrainian relations. Russian energy subsidies to its CIS neighbours were “political”. When the Yushchenko government turned westward and went cold on the idea of a “single economic space” with Russia, Belarus and Kazakhstan, the rationale for these subsidies vanished.

Russian observers claimed that in the subsequent negotiations over new supply contracts, the Ukrainian side had acted in an unprofessional and unconstructive manner, for example by appointing a nationalist politician as the CEO of Naftogaz (the Ukrainian gas utility) or by being unavailable for talks when the responsible Russian minister travelled to Kiev. EU experts agreed that Kiev had at times played a game of brinkmanship, for instance by seeking to directly negotiating gas supply contracts with Turkmenistan (“a regime that is even less reliable than that of North Korea” as one EU expert put it). A representative of the Russian energy sector suggested that the EU’s real worry should not be security of supply but “security of transit”. This is why Gazprom was now building new pipelines that bypassed Ukraine.

The damage that the crisis did to Russia’s reputation as a reliable energy supplier was compounded by the very poor PR on the part of the Russian side. Few Europeans would dispute that Russia was entitled to demand more for its gas deliveries to its neighbours. However, the manner in which this was done left Russia open to charges of trying to use energy as a tool to punish pro-Western governments in the CIS. “A company that has been a reliable supplier for 30 years managed to destroy its reputation in a couple of days, although it actually stayed reliable”, said one EU expert.

Future energy cooperation

An EC-official also elaborated on the future agenda for the energy dialogue. He explained that the energy policy challenges of the EU and Russia were related but not necessarily identical. The EU, he said, must concentrate on the creation of more competitive and open internal energy markets and the diversification of sources of supply. Russia, meanwhile, needs to invest more since its existing production and transport capacities are already stretched to the limits.

According to Commission forecasts, the EU will need another 200 billion cubic metres

of gas a year from Russia by 2020. Russia's energy strategy on the other hand foresees additional exports to the EU of only 50 billion cbm. Gazprom's output has been almost flat for years. Its big West Siberian fields are maturing and it is not investing enough in new fields. Independent energy companies do not exploit their gas deposits commercially since Gazprom does not grant them access to pipelines. Economics Minister German Gref warned in September 2006 that Russian consumers could face shortages in gas supply in the same way they regularly suffer from electricity cuts. Nevertheless, Gazprom management, backed by the Kremlin, has indicated that it wants to increasingly divert gas sales to the fast-growing Asian market.

Experts from the EU side did not appear overly concerned about Russian promises to sell more gas to China. The infrastructure for doing so is not yet in place while Russia had invested billions of dollars to build pipelines towards Western Europe and is in the process of adding more, for example the Northern pipeline under the Baltic Sea. "Russia is not going to let these pipes stand idle", said one expert from an EU country. It was a myth, he added, that the EU was overly dependent on Russian energy: "The dependence is mutual". The EU was also in the lucky position of being strategically close to other major gas producers in the Caspian, Northern Africa and the Middle East.

Experts also suggested that Russia could make more energy available for export if it improved the energy efficiency of its own economy. Some two-thirds of the gas that Russia produces are used domestically but a large share of this is wasted through transmission losses, inefficient factories and power plants, and badly insulated buildings. "The biggest sources of Russian energy are not in Siberia", explained one EC-expert, "but Moscow and St Petersburg." Nevertheless, the fact remains that Gazprom needs to invest more in exploration and production. But of Gazprom's US\$10 billion annual investment in

recent years, US\$ 3 billion have gone into upstream investments (such as distribution networks) and much of the rest into non-core businesses. Gazprom invests more to defend its monopoly position than to increase its output or become more efficient.

This is one of the reasons why the EU has been pushing Russia to allow more competition in its gas sector, and to let third parties (independent Russian producers as well as neighbouring gas producing countries) have access to Gazprom's pipeline network. In particular, the EU hopes to persuade Russia to ratify the Energy Charter Treaty and accept the attached transit protocol. Russia has been reluctant to do this, partly because – as one EU participant speculated – Gazprom's pipeline monopoly gives it considerable political leverage over neighbouring CIS countries. Turkmenistan, for example, has no other outlet for its gas than selling it to Russia, usually at a big discount. A German analyst argued that, like the Kyoto Protocol, the Energy Charter would have largely symbolic value for Russia. It would not result in an immediate opening of the energy market since the Kremlin would most likely negotiate generous transitional arrangements. But it would show Russia's support for multilateral legal agreements in the energy sector.

Russian participants stressed that any progress in the energy dialogue would have to be based on reciprocity. If the EU wanted the Russian energy sector to become more open, it would have to allow Gazprom to acquire energy companies in Western Europe. Gazprom already owns energy assets in some of the new member-states but it has recently expressed an interest in bigger acquisitions in Western Europe. It has agreed an "asset swap" with Germany's BASF (under which BASF gained exploration rights in a Russian gas field while Gazprom received a share in Germany's gas distribution network). Gazprom has also expressed an interest in buying Centrica, the UK's biggest gas distributor, as

well as other West European companies. Direct control over national energy assets could add to Russia's "security of demand" at a time when the EU is trying to phase out the restrictive long-term supply contracts that Gazprom has traditionally signed with the EU's national energy champions. A Russian energy expert explained that as long as EU attempts to build a single internal energy market remained uncertain, Russia would focus its external energy policy on individual member-states rather than the EU as a whole. However, other Russians claimed that EU governments were "protectionist" in their attempts to prevent Gazprom from taking over national energy assets.

An EC-participant explained that the reason for this may be a growing mismatch between the EU's and Russia's energy policy. The EU is trying to build an open, competitive internal market for energy. Russia is going into the opposite direction, by strengthening the role of the state in the energy sector and consolidating the position of Gazprom as the monopoly in the gas sector. In July 2006, for example, the Duma passed a new law that formalises Gazprom's gas export monopoly. "We try to abolish EU energy monopolies", he explained "so we cannot at the same time proceed with asset swaps with a Russian state monopoly." A German expert disputed whether Gazprom would act in the interest of the Kremlin. Instead Kremlin policy was increasingly shaped by the interests of Gazprom. An EU politician added that even if Gazprom was considered a private company rather than an adjunct of the Russian state, the EU may not want to sell its distribution assets. He explained that there was a broader debate on whether distribution should be controlled by private companies, which mainly seek to maximise shareholder value. In places such as California this has led to underinvestment and blackouts.

3. Approaches for solving European regional conflicts

The Caucasus and the Balkans – different perspectives, different principles?

Participants questioned whether it was a good idea to discuss the Balkans and the Caucasus in the same session. An EU politician explained that the situation in the two areas was fundamentally different. The EU has promised the countries of the Western Balkans that they could in principle join the Union if and when they have fulfilled the requisite accession criteria. He said there was a strong "EU logic" for this: once Bulgaria and Romania have joined the EU, the Western Balkans will be entirely surrounded by EU members. Moreover, the EU has a special responsibility for the Western Balkans, not least because of the role that EU countries have played in the area in the past. The case of Croatia – which started accession talks in 2005 – shows that fast progress towards EU membership is possible, although countries such as Albania or Bosnia would obviously take much longer.

The situation was entirely different for the countries along the EU's new eastern border, explained an EU politician. Here the EU's European Neighbourhood Policy (ENP) applies. Countries such as Ukraine and Georgia that have expressed an interest in joining the EU one day raise the question of how far the EU can stretch. At present, even pro-enlargement policymakers are not prepared to back further expansion unless there is thorough reform of the EU's institutions and financing mechanisms. So these countries may not be given a "membership perspective" in the foreseeable future.

That is why the ENP is important. It is based on mutually agreed "action plans" and executed through the Common Foreign and Security Policy. For the eastern neighbours, the ENP is not very attractive exactly because it does not offer a membership perspective. However, the

EU needs to explain to Ukraine, Moldova and Georgia that they are far from being ready to join the EU and that the EU is far from ready to admit them. So both sides should concentrate on what can be done to foster reform and stability in the neighbouring countries in the meantime, and bring them closer to the EU.

Georgia needs better relations with Russia but the EU also needs an internal dialogue. The EU and Russia should work together to establish better dialogue to address frozen conflict (also in Azerbaijan). The EU can provide mediators and finance but the EU absolutely needs Russia on board.

A Russian analyst suggested that the real difference between the Caucasus and the Balkans may be another one. It goes back to the two fundamental, but conflicting, principles of international law: the right to territorial integrity and the right to self-determination. He argued that the international community was pursuing the latter right in the Balkans while insisting on the former in the Caucasus. In the former Yugoslavia, the international community was prepared to accept the “second wave of fragmentation” while in the South Caucasus it held the right of territorial integrity absolute. However, the analyst argued that South Ossetians and Abkhazians had no more desire to stay in Georgia than the Kosovars had to stay with Serbia. He warned the fact that the two principles were often applied selectively created the impression of double standards. He reminded the other participants that Putin had repeatedly indicated that Russia will regard Kosovo as a precedent for what happens in other countries. If the EU accepted Kosovo’s and Montenegro’s wish for independence, Russia would honour the outcome of the referenda in Transdnistria and South Ossetia.

One Russian participant explained that, just like the former Yugoslavia, many of the Soviet Republics were artificial entities. To maintain their territorial integrity after the disintegration of the Soviet Union may not be feasible or desir-

able. One participant speculated whether the international community was really concerned about was not the independence of Transdnistria and South Ossetia but their possible union with Russia.

Other participants argued that neither the right to territorial integrity nor the right to self-determination were absolute. In today’s world, the right to self-determination was mainly used to protect minorities within existing states, rather than to split up these states. Although some EU participants argued that the independence of Kosovo was now inevitable, others insisted that a high degree of autonomy within Serbia was still the preferred outcome of the status negotiations. With regard to the South Caucasus, participants also argued that legal principles alone would not produce sustainable solutions: political and military realities on the ground would be equally important.

A Russian expert pointed out that there was another difference between the developments in the Balkans and those in the South Caucasus and Moldova. The Montenegro referendum was held on the basis of a 2002 agreement on the “state union” with Serbia that had been accepted by all sides. Kosovo’s status was being determined by negotiations with Serbia under the auspices of the international community. In the Caucasus, however, there were no such previous arrangements to help guarantee a peaceful divorce. Instead, the people of Transdnistria and South Ossetia decided unilaterally to hold referenda on their independence from Moldova and Georgia respectively.

EU-Russia cooperation and the frozen conflicts

Participants from both sides agreed that the so-called frozen conflicts in the CIS were becoming an increasingly important topic for the EU-Russia strategic partnership. However, there was no consensus in how far EU-Russia cooperation was possible or desirable. Russian experts said that

the EU should respect the efforts of the existing mediation frameworks, such as that involving the OSCE.

Some EU participants called for more EU involvement in the mediation efforts in Moldova (but also in Georgia and Azerbaijan). Other EU experts expressed doubts whether the EU and Russia could work together constructively as long as the two sides had such vastly differing interpretations of the situation. These differences were particularly marked when it comes to assessing the situation in Georgia. Many Russian participants tended to put the blame for the intractable situation in South Ossetia and Abkhazia squarely on the Georgian government, and its unwillingness to grant minorities sufficient autonomy. EU participants warned that Russia should not try to use the frozen conflicts in the area to further its own interests and maintain influence in its immediate neighbourhood. In Moldova, EU attempts to play a bigger role have so far not been very successful, although the EU did send personnel to help control the border between Transdnistria and Ukraine. Although there was no narrowing of the positions from the EU and Russian side, both sides warned that the EU and Russia must avoid descending into rivalry in their common neighbourhood.

The common external space for security:
What are the next steps?

A Russian politician explained what the EU and Russia had already agreed upon within the framework of the common space on external security, namely:

- strengthening of the dialogue in multilateral organisations such as the UN or the Council of Europe;

- cooperation in fighting international terrorism and the proliferation of weapons of mass destruction;
- joint action to prevent or respond to natural disasters.

However, he cautioned that the EU and Russia now needed to take the all-important step from discussing common challenges to joint action. The conflict between Lebanon and Israel, the Iranian problem or drug trafficking in Afghanistan were all good opportunities for testing the potential for cooperation. However, there are currently no mechanisms for the EU and Russia to work together on the ground, for example through EU forces taking part in Russian missions, or vice versa, or joint missions.

Participants discussed – inconclusively – in how far it would be possible for Russian troops to join the EU mission in Congo or for EU military to support Russian missions in Moldova or Georgia. Both EU and Russian experts also pointed to some of the broader problems that afflict the political and security cooperation between the EU and Russia. The special nature of the Common Foreign and Security Policy – which is based on seeking consensus among the 25 member-states and execution through both Director General for External Relations and Javier Solana, the High Representative – make EU decision-making very slow. Moreover, the different EU member-states do not in all cases agree on the best way forward, leaving Russia both impatient and puzzled.

The fourth roundtable ended with an invitation of the organizers to meet for a fifth round during the EU Presidency of Germany in the first half of 2007.

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A new agreement between Russia and the European Union: terms and opportunities

The retrospect of fifteen years of relations between the Russian Federation and the European Union reveals an interesting coincidence. The most essential milestones in the development of contemporary Russia concur with the documents determining the nature of these relations.

The Partnership and Cooperation Agreement (PCA) laying the foundation for the relations between Russia and the EU was signed in 1994. After the initial impetuous reforms that peaked in the violent conflict in autumn of 1993 Russia, as it later turned out, embarked upon an unwavering and in many respects providential path. Following a long-drawn ratification process the PCA came into force in 1997. The first symptoms of the forthcoming collapse of the then Russian model (which manifested itself in the financial crash of August 1998) began to manifest themselves against the background of the illusion of stability of the mid 1990s. The validity of the agreement expires formally in autumn of 2007. It will happen once again on the threshold of an extremely important political period whose outcome may in many ways affect the perspectives of the development of our country.

Both the Russian and the European Union model of 2006/2007 hardly bear a resemblance to those subjects of international relations which at the beginning of the 1990s prepared the agreement currently in force. The whole world as well lived through enormous changes for the past fifteen years. In preparing a new basic document we have to allow not only for the accomplished changes but also for the future moving forces and trends of the development – which are not easily predictable. However, the latter is true not

only for Russia, whose abruptness is considered to be its distinctive feature, but also for the European Union which apparently endures one of the most complicated stages in its history.

To properly evaluate the Russian approach to future relations with the European Union we have to describe briefly the commonly held view of the Russian elite regarding the place Russia takes in the world, which has formed during the second term of the presidency of Vladimir Putin.

In the first place, the perception of the very concept of "integration" – used over all the time actively to describe relations between Russia and the EU – has changed. Initially, the integration was interpreted as the rapprochement of the Russian socio-political, legal and economic model with the European one, resulting from the *aquis communautaire*, the harmonization of laws, norms and rules, which once again suggested the adjustment of Russian to European norms. To put it another way, the parties privately proceeded from the assumption that it was namely the European model that should be followed and copied; and that the rate of integration will depend on how fast Russia would take the prescribed direction.

Today real integration is perceived by Russia as the process of mutual rapprochement based on the concordance and exchange of interests, bearing in mind that each of the parties has a branched system of long-term goals in respect to each other. The scheme of the exchange of assets offered by Gazprom to its European partners may be viewed as a prototype of integration in the Russian interpretation. The European

Union perceives this ideology with difficulty since it surmised that sooner or later (along with the transformation of the country) the same approach would be imposed upon Russia which had been used in respect to the candidate countries from Central and Eastern Europe. The harmonization of legislation was viewed as part and parcel of the recent documents as well, for instance, in the “road maps” of the four common spaces. On the other hand, Russia, as a whole, prefers to rest on the assumption that any kind of integration is possible only on the basis of equality.

In the second place, the consolidation of the economic positions of Russia resulting from domestic stabilization and an unprecedented raw materials market enhances the self-appraisal of the national elite and stimulates the feeling of mounting political influence. For the first time during the past two or three years (in fact since the end of the 1980s) Moscow feels independent from external influence.

What is more, the generally unstable and almost unpredictable international situation promotes objectively the strengthening of Russia’s positions. The more so, since the main political-economic centers encounter serious challenges – the USA in the Middle East, the European Union in its internal evolution, China and India in their active search for resources to maintain their economic growth. Whereas Russia, owing to its geostrategic situation and rich natural resources, finds itself in great demand in addressing different problems by various nations.

In the third place, a special attitude to the concept of “sovereignty” became the basis of the national ideology. It causes excessive caution in addressing the issue of joining any alliances, particularly when Russia suspects that it may be placed in unequal conditions. Unlike during the presidency of Boris Eltsin, when the presence in all possible international “clubs” was necessary for self-affirmation of the new Russian government, today Russia does not view such member-

ship as an end in itself. Russia is the only European great power which does not strive to become a member of the European Union. The negotiations to join the WTO, which are rather important for President Putin, have not been completed yet. Moscow announced that it does not intend to join that organization on any terms. The latest developments give rise to doubts that WTO membership is feasible in the nearest future.

In the fourth place, the concept of “common values» which (although not quite sincerely) laid the basis for relations at the onset of contacts between Russia and the European Union at the beginning of the 1990s endured serious devaluation in the opinion of the Russian elite.

On the one hand, the conception is taking deep root in Russia that the country traditionally relies on its own cultural matrix which by far does not coincide with the one that is considered to be European. Once again the trends are gaining momentum in the Russian social thinking which for almost 200 years considered Russia to be a special civilization which rallies both European and Asian elements and plays its own fiddle in the world arena.

On the other hand, the perception of the “values” rhetoric as a means of external influence on Russia, with the help of which they try to make Russia compel to actions and decisions which do not tally with its national interests, is gaining strength in the society and in particular among the political elite. As a whole, a slightly politicized, although extremely rigid pragmatic approach rejecting any idealistic motivations prevailed in the Russian foreign policy.

It reflects psychology not only of the political but also of the economic elite which, as all representatives of young capitalism coming into being in any country, is aimed at tough competition in the market. In fact, the impact of business interests of the biggest national companies and powerful interests on the development of Russian foreign policy is rather high.

The events of the past year, in the opinion of the Russian ruling class, are also fresh evidence that the “values” discourse is directly related to these or other concrete interests of the European partners. Anyhow, it will not be difficult to see that the tone and value of humanitarian utterances (human rights, democracy, freedom of speech, etc.) has markedly lowered along with the realization by the European party of the degree of mutual dependence in energy and problems in finding alternatives to Russian gas supplies.

In the fifth place, the very choice of the European alternative as the only way of progress for Russia, dominating in the Russian policy until recently, is now called into question. With the relative failure of the European Union to improve the competitive nature of its economy and stimulate economic growth, opinions are uttered more often that the European model is far from being exemplary. There is direct evidence that a peculiar “magic of BRIC-countries”, that is, an aspiration (not always deliberate) to head for the leaders of economic growth – mostly India and China – whose role in world politics and the world economy is increasing literally before our very eyes. At the same time the emphasis of socio-political discussions is frequently placed on formal rather impressive indicators of economic growth and not on the back yard and price of the Asian development.

In connection with the discussions on the orientation towards the West or the East, we should take into account the opinion of Mikhail Dmitriev, President of the Center of Strategic Developments, voiced by him in July 2006 in the newspaper “Kommersant”. In his opinion as an economist, Russia will be able to maintain high rates of growth only on the assumption of the development of exports with added value: namely power and transport machine building, industries related to raw materials procession and high energy intensity, for instance, production of fertilizers or oil products, defense industry, aerospace industry and telecommunications.

Dmitriev assumes that it is simpler for Russia to offer these goods in the growing markets, mostly Asian, where new consumers do not have stable suppliers (who should be forced out of the occupied niches).

Whereas European markets, from the viewpoint of promoting export with high added value, are quite problematic for Russia. An accretion of added value in Europe is low because the companies with a much higher image already occupy the market and possess more advanced technologies and solidly routed sale channels. Therefore, assumes Dmitriev, preservation of orientation toward Europe may be a non-lucrative strategy from a long-term point of view, dooming us to play the role of a European power appendage with the rate of growth lower than the world average. These are the basic conditions ruling the preparation of the document called to replace the Partnership and Cooperation Agreement (PCA).

The need for the development of a new document was made public for the first time at the summit meeting in April 2005 between the President of Russia Vladimir Putin and the Chairman of the European Commission Jose Manuel Durao Barroso. The President of Russia called for the renewal of the legal basis at the Russia-EU Summit in London (October 2005) and in Sochi (May 2006). In Sochi the President of Russia expressed his hope for an “immediate issuance of the mandate for negotiations on this issue to the EU Commission”. It is assumed that the European Commission will be issued the formal mandate for negotiations in autumn this year by the EU-Russia Summit in Helsinki and that 2007 will become the year of an intensive dialogue.

On the threshold of the Sochi Summit Alexander Grushko, Deputy Minister of Foreign Affairs of Russia noted in an interview to “Interfax” News Agency that a future agreement is called “to legally establish new trends of cooperation, which were not identified in the PCA and were outlined by the “road maps”, i.e. they would cover the spheres of external and internal secur-

ity, culture, science and technologies". He also noted that "there are areas which failed to find due reflection in the Partnership and Cooperation Agreement, and are not mentioned in "road maps". It is important to allocate in that document the mechanism of coordination – the structure of joint Russia-EU bodies". Vladimir Chizhov, permanent representative of Russia at the European communities in Brussels, mentioned to the newspaper "Vremya Novosti" that the PCA will be replaced by a "frame agreement on strategic partnership".

The Russian expert community enjoys a consensus of opinion that in fact there are three variants of contractual legalization of relations between the EU and Russia after 2007.

The first variant. Automatic annual prolongation of the Partnership and Cooperation Agreement (in conformity with Article 106 of the PCA) until the Parties consider it expedient to replace it with a new document. In this way the status quo will be preserved, supplemented with "road maps" on the four common spaces, adopted in the spring of 2005. Practically it would mean that a significant number of the PCA articles, which have lost their topicality, would be simply ignored.

The second variant. The introduction of amendments and additions to the current text (taking into account the level of "advanced partnership" and real perspectives on the development of relations for the next 10–15 years) with the incorporation into it of the provisions on certain forms out of the toolbox of EU relations with external partners – association, economic zones, etc. This variant should be ratified by the parliaments. However, this process may turn out to be easier, since a new document will be a direct continuation of the former one.

The third variant. The preparation and signing of a fundamentally new agreement, which after its ratification by Russia, the European Union and its member countries, will entirely replace the Partnership and Cooperation Agreement (PCA). According to a number of research-

ers and diplomats, this variant is unrealistic since it will require a full-scale process of ratification. It is virtually impossible under the current conditions where a serious burden of mutual claims, problems and mistrust exists, which became even heavier after the expansion of the European Union at the expense of the Central and East European countries.

Two concepts stand out of the studied concepts of relations after 2007. The first was elaborated by a group of authors within the framework of the Public Committee "Russia in Unified Europe" under Nadezhda Arbatova. The Council on External and Defense Policy and the Institute of Europe, RAS under Sergey Karaganov and Timofey Bordachev developed the second.

The first approach rests on the need for an essential addition and development of the current document, yet it places emphasis on the continuity of the basic principles. In particular the authors warn of the danger emanating from the Partnership and Cooperation Agreement (PCA) renunciation, since in that case a legal vacuum will appear in the existing wide relations between the parties. The authors of the conception view it necessary to form an EU-Russia association. Such an association does not provide for a further membership of Russia in the European Union (neither Moscow nor Brussels have it on their agendas), yet they do not leave it out in case of possible future developments.

In any case they suggest intensification of economic ties by means of gradual (during 10–15 years) reduction of custom duties and equivalent fees down to their complete removal, revocation of both import and export quotas and other equipollent measures, and also prohibition of discriminatory taxation with regard to the place of origin of goods. Negotiations on the establishment of a free trade zone with the EU are possible providing Russia joins the WTO.

The second approach takes into account the exceptional importance of Russia and the European Union for each other. Their relations should have a specific format as against the one offered

by the European Commission. The authors consider that both a prolongation of the PCA or its adaptation will cement the situation in which the European Commission would play the “leading hand” and Russia would play the “second hand”.

Furthermore, the authors urge not to make continuity the only alternative, but to throw off the shackles of “the accumulated bilateral legal and institutional base”. “A long-term model of relations will be formulated only in the case Moscow and the European capitals would give up former stereotypes, the core of all the discussions, and would admit the availability of various approaches, including non-standard ones. The adherence to pragmatism may result in a situation where break-through ideas for the future will turn out to be unclaimed.”

This approach suggests the approval of a declaration which would proclaim the establishment of a “Strategic Alliance” between Russia and the European Union, aimed at overcoming the syndrome of hostility and rivalry, psychological consequences of past wars and conflicts, the establishment of genuine allied relations, allowing for profound forms of integration in selected areas. Furthermore, it suggests the development of a “Strategic Russia-EU Agenda” which will stipulate for concrete trends of cooperation. Finally, industrial agreements of various scales and different levels of obligation will become a genuine “locomotive” and a practical tool in mutual relations between Russia and the European Union. These documents should provide for functional integration in certain areas with a possible unification of market segments. The authors assert that out of the above documents industrial agreements alone would call for parliamentary ratification.

Most probable would be the scenario in conformity with which a new document will be prepared, but it will mean direct continuation

and development of the Partnership and Cooperation Agreement (PCA). Though both parties realize the scale of the occurred changes neither official Moscow nor Brussels possess political readiness and bureaucratic willingness to change this format radically. With all this going on the European Union is interested in the most detailed and binding fixation in a new document of the provisions, provided for in the “road maps”, and also in fitting the whole range of issues, energy including, into a single package. Russia, on the contrary, does not intend to take upon itself excessive obligations, particularly in those areas where Moscow has objective advantages – energy above all.

Membership of Russia in the World Trade Organization (WTO), which recently was considered a solved case without controversy, today is not that self-evident. If membership in the WTO will be postponed many PCA provisions, which would assumingly lapse following Russia’s joining the WTO, should be preserved as the basis of any future agreement, regulating mutual trade.

The European party regards the perspectives of establishing an economic zone as a potentially attractive factor. Russia treats this idea ambiguously. Some experts assume that to realize this idea Moscow will have to liberalize trade in the energy sector, which would deprive Russia of its competitive advantages.

Any document, which will be developed and accepted as a substitute for the PCA (this may not happen right after the expiry of the latter, since both parties agree that there is no sense in doing it by a “certain date”) will be of a transitional nature. This conclusion is drawn from the analysis of the events both in the European Union and in Russia. Until now neither party, owing to domestic problems and specific features, is capable of formulating an innovative approach which will open up perspectives for a new quality of long-term relations.

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Russia and the EU – new developments in a difficult partnership

1. Introduction

Russia and the EU are facing an important period in their relationship: from January 2007 on the partners will negotiate about the future of the Partnership and Cooperation Agreement (PCA), which since 1997 provides the legal framework for bilateral relations and which will expire in November 2007. Relations between Russia and the EU have changed significantly since the entering into force of the PCA and have become much more differentiated. The EU as well as Russia consider each other key foreign policy partners. At the same time, their relations are characterised by ambivalences and conflicting interests: Russian-EU trade is asymmetric with Russia being one of the most important energy suppliers to the EU while at the same time making up only a 5% share of European foreign trade. The EU, on the other hand, holds more than 50% of Russia's foreign trade. Both sides accuse each other of protectionism especially in energy relations. The EU continues to criticise the growing authoritarianism in Russia's political system, the human rights situation and Moscow's policy towards Chechnya. The Russian side dismisses this criticism, pointing to Russia's national sovereignty and position as a great power in international relations. However, this new self-confidence in Russian foreign policy is severely challenged by the growing significance of the EU in the Post-Soviet Space, which Russia still considers its zone of influence.

Therefore, we observe growing tensions over politics and values as well as "geopolitical" rivalry between Russia and the EU on the one

hand, and increasing economic and political interdependencies, forcing both sides to cooperate, on the other. The Russian side has repeatedly criticised the asymmetric structure of the Partnership and Cooperation Agreement (PCA), in particular those parts that aim at Russia adapting to democratic norms and legal standards of the EU. Negotiations will thus not be limited to the future of the existing PCA but will most probably touch upon possible new forms of agreements. Experts on both sides have started to debate about how the legal foundation of EU-Russian relations should look like – and their scenarios diverge significantly.

This paper intends to make a contribution to this debate. It starts with a review and assessment of the development which Russia-EU relations took under the current PCA, focussing the analysis on

- a) effects of Russia-EU relations on transformation processes in Russia and
- b) the development of regional relations in the Post-Soviet Space (PSS).

This analytical focus allows for an evaluation of the effectiveness of Russian-EU cooperation under the PCA in terms of promotion of democracy and harmonisation with EU democratic norms and standards. Since regional relations in the PSS have recently become an important factor in Russia-EU relations they have to be taken into account when analysing this bilateral relationship.

The assessment of the relationship will provide the basis for a discussion of different scenarios as to the most appropriate legal foundation for Russia-EU relations after the PCA.

2. EU-Russia relations under the Partnership and Cooperation Agreement – a story of success?

a) The Partnership and Cooperation Agreement and Russia's transformation

The Partnership and Cooperation Agreement (PCA) focuses first and foremost on economic relations. The most ambitious goal in this area is the creation of a free trade area (Art. 3, 53). But the PCA also contains political aims, the most important of which is “to consolidate its [Russia's, S.F.] democracy and to develop its economy and to complete the transition into a market economy (Art.1).” As a reference for this process of transformation the PCA suggests the *acquis communautaire*: “The parties recognise that an important condition for strengthening the economic links between Russia and the Community is the approximation of legislation. Russia shall endeavour to ensure that its legislation will be gradually made compatible with that of the Community (Art. 55).” The EU, on the other hand, takes the pledge to provide technical and financial support to Russia's economic transformation (Art. 86).

The Partnership and Cooperation Agreement thus corresponds to a central motivation of EU foreign policy: Through cooperation and technical support the EU aims at supporting democratic and economic transformation in third countries as well as their adaptation to its systems of rules and norms. This approach can be found in all EU agreements with the Newly Independent States (NIS) as well as other foreign policy documents. However, conditionality, which links technical and financial support to democratic and economic reform, is weakly developed in relations to the NIS. This is mainly due to the lack of a membership perspective, which analysts

usually consider the strongest incentive for third countries to obey to EU conditionality policy (Schimmelfennig et al. 2003: 515).

The case of Russia confirms the thesis about the EU's weak conditionality policy vis-à-vis the Newly Independent States. Both Russia and the EU agree that Russian EU-membership is not a viable option for a long time to come. The EU is conducting TACIS projects in all issue areas in which the new administration has launched reform programmes after 2000²: During its first election period (2000-2004) reforms focused on federal structures and the tax system. After the Duma and presidential elections in 2003/04 a programme for the reform of the public sector was set in motion. It consists of administrative reforms, the reform of public services and a budget reform (Harter 2004). Furthermore, the administration promotes a reform of the social system (Fruchtman 2004; Pleines 2006).

This cooperation has met with difficulties. On a micro-level, institutional constraints, corruption, and the lack of an encompassing strategy for the reform programme have created difficult conditions for project implementation.³ However, the macro-political context seems to be at least as important for the success or failure of the EU's democracy promotion policy. Parts of the administration's reform programme turned into a highly ambivalent process of recentralisation, consolidation of the presidential power vertical, restriction of party pluralism, civil society, media etc. (Shevtsova 2006). This process of recentralisation was accompanied by unprecedented economic stabilisation and growth. Both trends restrain the scope of action of external actors whose policies aim at internal change: The Russian political elite is more united than ever in the dismissal of foreign influences on Russian domestic developments. Economic prosperity – as arguable as its sustain-

2 The Country Strategy Paper 2001 lists the priorities of this support as follows: „legal, administrative reform and regional policy; judicial reform; civil society, training and education; deregulation and corporate governance; social reform; municipal services“ (Country Strategy Paper 2001: 2).

3 See McCann (2005), European Court of Auditors (2006), Comm (2000). For a more EU critical perspective see Lankina (2005).

ability might be – reduces Russia's dependence on foreign aid. Thus, while during the 1990s state weakness accounted for desperate conditions for reform policies and their support from abroad, at present it is the alleged strength of the Russian state which prevents external actors like the EU from influencing macropolitical developments. This corresponds to a general observation that structures and actors on the national level strongly determine the extent to which external democracy support can be effective (Pridham 1997). As a result, while a correlation can be assumed between the regulations of the PCA/TACIS and certain aspects of the reform processes going on in Russia, the EU obviously lacks the possibility to navigate the transformation of the political system in a democratic direction. More critical observers would go beyond this general statement and claim that the weak conditionality with respect to partners like Russia is caused by the fact that the EU is primarily concerned "with markets, not democracy and human rights" (Hughes/Sasse/Gordon 2005: 24). This can be a major impediment to effective democratic conditionality, particularly in relations with countries which are considered important economic partners by the member states.

b) Regional Relations in the Post-Soviet Space

The preamble of the Partnership and Cooperation Agreement (PCA) calls the support of regional cooperation in the Post-Soviet Space (PSS) an important aim of EU-Russia relations (PCA 1997: 5). Article 56 (4) outlines this idea in more detail: „The Parties consider it essential that, alongside with establishing a relationship of partnership and cooperation with each other, they maintain and develop cooperation with other European states and with the other countries of the former USSR with a view to a harmo-

nious development of the region and shall make every effort to encourage this process." However, until the turn of the century the PSS did not play an important role for bilateral EU-Russia relations. EU policies (as well as the policies of most member states) followed a Russia-first approach and considered the remaining Post-Soviet Space Russia's zone of influence. Relations with the other Newly Independent States were thus rather a function of relations with Russia than something which should be pursued for its own merit (Vahls 2006: 9). This changed radically in the course of EU enlargement. Three factors closely connected to enlargement account for the change of the EU's policy and position in the Post-Soviet Space:

1. European Neighborhood Policy: The European Neighborhood Policy (ENP) was developed in 2002-2004 as an instrument for the EU's relations with those states which would become its immediate neighbours after the 2004 enlargement. In the Post-Soviet Space, the ENP addresses Ukraine, Moldova, Georgia, Armenia and Azerbaijan.⁴ At the core of the ENP are the so called Action Plans, which are drafted on the basis of country reports. The Action Plans are, very much like the Partnership and Cooperation Agreements, directed at the adaptation of the target countries to the *acquis* and, thus, their closest possible harmonisation with the EU. The ENP is based on the principle of conditionality, too. The strategy paper notes that the ambition and the pace of development of the EU's relationship with each partner country will depend on its degree of commitment to common values, as well as its will and capacity to implement agreed priorities (Komm 2004: 8). Through the European Neighbourhood Policy the EU aims at establishing a ring of countries sharing the EU's fundamental values and objectives, drawn into an increasingly close relationship, going beyond co-operation to involve a significant measure of

⁴ The latter three were included into ENP with some delay and in reaction to Georgian protests after the Rose revolution. The ENP Strategy Paper of May 2004 mentions Belarus as a potential partner but makes cooperation under the ENP dependent on domestic change of the Lukashenko regime (Komm (2004): 12).

economic and political integration (Komm 2004: 5). Thus, the ENP is a type of regulatory policy through which the EU intends to structure and shape its direct neighbourhood (Lippert 2006: 149). As such, it collides with Russia's claim to be the main regulatory power in the Post-Soviet Space. As to the character and contents of regulatory policy, Russia and the EU follow different approaches. In seeking to export its political and economic model through conditionality the EU pursues a "soft" regulatory policy. Russia's approach, on the other hand, is characterised by classical realist thinking and the idea of competing zones of influence. Therefore, EU policy is interpreted in Russia in geopolitical terms. The EU has come to be perceived as one, if not the strongest competitor for influence in the Western and Southern Post-Soviet Space. As realist thinking prevails among foreign policy elites in the Post-Soviet Space in general, reform-minded governments like Georgia and Ukraine, on the other hand, consider the EU a resource of power in their conflicts with Russia and try to counterbalance Russian influence by consolidating relations with the EU (and NATO). As a result there is a growing polarisation of regional relations in the Post-Soviet Space, which clearly contradicts the aim of the European Neighbourhood Policy and the Partnership and Cooperation Agreement quoted above: to avoid the emergence of new dividing lines in Europe.

2. Changes in EU foreign policy: EU enlargement has brought new actors into EU foreign policy making processes, who have specific historic experiences, perspectives, and preferences with respect to the new Eastern neighbours of the EU. The Baltic states in particular still perceive Russia as a threat to their national security. Polish foreign policy since enlargement was directed "to get as many countries out of the Russian sphere of influence as possible through the promotion of the benefits of a pro-Western and pro-European orientation" (Kral 2005: 28). They advocate a rather critical attitude towards Russia (Emerson et al. 2005: 177) and by doing

so diverge from the attitude of some of the old member states, above all Germany, France and Italy, which despite de-democratisation in Russia argue in favour of a pragmatic and cooperative policy towards Russia (Emerson et al. 2005: 198, Haukkala 2005, Danilov 2005: 71). Thus, the new members' claim for support of Ukraine's and Georgia's strive for independence from Russia by rapid integration into NATO or even the EU adds a "hard" security component to the "soft" regulatory policy of the EU. Shifts in EU policy towards Russia, for example during the Orange revolution in Ukraine, can be ascribed to the foreign policy activities of the new EU member states.

3. Enlargement effects in the Post-Soviet Space: EU enlargement in many ways affects the Post-Soviet Space. The Europeanisation of the Central European EU candidates has had socialising effects on the Western Newly Independent States (with the exception of Belarus). Cooperation under the Partnership and Cooperation Agreements and now the European Neighbourhood Policy Action Plans shapes the transformation of political and economic systems (although not with the expected results, as discussed above). The post-revolutionary governments in Georgia and above all Ukraine (until August 2006), together with Moldova, have made the EU the central point of reference for their foreign policies. They also started to intensify intra-regional cooperation and tried to gain EU support for subregional organisations such as GUAM and the Commonwealth of Democratic Choice in order to counterbalance Russian influence. Yanukovich's appointment as prime minister in Ukraine in August 2006 has decreased their potential to evolve into functioning regional organisations. However, in the course of the past two years they have, at least on a symbolic level, figured prominently as counter movements to Russian integration initiatives and have evoked sharp reactions in Moscow. As a result, the EU and Russia are increasingly facing each other as opposite poles in the Post-Soviet space.

In a nutshell, Russian-EU cooperation under the Partnership and Cooperation Agreement (PCA) has only been partly successful. Despite recurring conflicts between the partners, economic and political relations have become ever closer during the last 10 years. However, the macropolitical goals mentioned in the PCA, democratisation based on common values, human rights etc, are obviously beyond the scope of Russia-EU cooperation under the PCA. Disagreement related to the democratisation of the political system has caused conflict between Russia and the EU, although even Russia's second war in Chechnya has not brought the EU to apply sanctions or to question the importance of its partnership with Russia (Moroff 2004). Against the background of political and economic developments in Russia the EU's capabilities to pursue an effective conditionality policy are even decreasing. Russian claims for equality and great power status manifest themselves in the protest against the asymmetric structure of the Partnership and Cooperation Agreement as well as in the refusal to participate in the European Neighbourhood Policy. Political actors and experts argue against the one-sided harmonisation of Russian legislation with EU standards without having the opportunity to participate in the drafting process of EU legislation.⁵ Russia's growing reluctance to obey to the EU's normative requirements is reflected in the text of the roadmaps to the Four Common Spaces: reference to common values occurs only at the beginning of the Roadmap to the Common Space of Freedom, Security and Justice⁶, and it is ranked second to the emphasis on "equality between partners and mutual respect of interests". As many Russian authors claim that Russia should take a harder stance on these issues in the negotiations about the future of the Partnership and Cooperation

Agreement, this trend will probably continue (Karaganov et al. 2005a; Bordachev 2006).

The growing competition between Russia and the EU in the Post-Soviet Space has led to increasing alienation and could become a true obstacle for the further development of the relationship. Russia has lost much of its standing in the Western and Southern CIS as the EU is becoming a more attractive partner in the region (Moshe 2005: 114). Russian political elites perceive the "low politics" approach of the EU as a strategy to expand its influence at the expense of other actors (Bordachev 2003: 53). The instrumentalisation of energy trade in the Commonwealth of Independent States (CIS), Russia's destructive policies with respect to the frozen conflicts in the PSS as well as recent conflicts with Georgia and Moldova can be seen as attempts to regain influence in the CIS and to counterbalance the EU's growing weight in the region. As a result, Russia-EU relations are increasingly characterised by geopolitical conflict in the Post-Soviet Space.

3. The future of the Partnership and Cooperation Agreement: options and scenarios

The above analysis of Russia-EU relations provides the starting ground for the discussion and assessment of a number of options and scenarios for the future of the Partnership and Cooperation Agreement (PCA) put forward by Russian and EU experts. In Russia the debate about the future development of relations with the EU started already in 2003/2004. This may be due to the fact that most foreign policy actors and experts in Russia are critical about the position the PCA ascribes to their country and strive for

⁵ Vinokurov (2006: 51); Karaganov et al. (2005: 11); see also Bastian (2006: 265).

⁶ "Adherence to democracy, the rule of law as well as to their transparent, and effective application by independent judicial systems; respect of human rights, including the rights of persons who belong to minorities, adherence to and effective implementation, in particular of United Nations (UN) and Council of Europe Conventions as well as related protocols and OSCE commitments in this field", http://europa.eu.int/comm/external_relations/russia/summit_05-05/index.htm (download April 2006).

a change of the structure of Russia-EU relations. On the EU side experts and actors seem to hesitate to tackle the “Russia-EU Quandary 2007” (Arbatova 2006: 100) because relations with Russia are increasingly perceived as politically and normatively problematic and Russian claims for equal partnership provoke contradicting reactions among the member states of the enlarged EU. The following section will discuss and compare several scenarios drafted by Russian and EU authors (Arbatova 2006, Bordachev 2006a, Borko 2004, Emerson et al. 2006).

a) Russian perspectives on the future of the Partnership and Cooperation Agreement

Although with different emphasis the Russian positions analysed here argue in favour of a new agreement which should replace the Partnership and Cooperation Agreement in November/December 2007.⁷ This new agreement should carry strategic significance and be named accordingly; the suggestions reach from “Advanced Partnership/Association Agreement” (Arbatova 2006: 107) and “Strategic Partnership Agreement” (Borko 2004: 1/5) to “Strategic Alliance” (Bordachev 2006). The main argument for a new agreement is that “the PCA has ceased to be an adequate political and legal foundation for Russia-EU relations” (Borko 2004: 1/5). Arbatova states that “compared with the early 1990s, when the PCA was still on the drafting boards, the situation has changed drastically. Both Russia and the EU have changed, as has the nature of relations between them. The world itself is also a much different place. Partnership and cooperation between the EU and Russia has become a common, daily practice, while the level of political interaction between the parties has long transcended the boundaries of the Agreement” (Arbatova 2006: 101). To this overall positive assessment Bordachev (2006a: 1/5) adds the

observation of “a noticeable lack of interest toward each other, if not outright irritation”, which brings up the necessity of “a fundamentally new level of confidence”. Borko (2006: 1/5) instead, hopes for a “powerful political impetus to Russia-EU cooperation”.

The authors have different positions on how the new agreement should depict the structure of EU-Russia relations. Borko does not take up the “equality question”. According to him, the preamble to the new agreement should be reformulated and include, among others, the provisions that “Russia and the EU are establishing a strategic partnership” (which might imply equality) and “that Russia is a country with a market economy (Borko 2004: 4/5)”, which implies that economic relations would be handled on equal terms. Arbatova (2006: 108) demands that “it is essential to revise the preamble so that it states clearly and unambiguously that Russia is a developed country with the basic elements of a market economy and political democracy in place”. Bordachev (2006a: 1/5) goes furthest in his emphasis on equality and sets as a precondition that “Russia must not be viewed de facto as a ‘younger partner’ of the EU”. He continues: “However, by agreeing to extend/ renew the PCA, or replace it with another document taken from the foreign-policy nomenclature of the European Commission that reflects its terminology, Russia would be voluntarily admitting to its status as a ‘younger partner’, thus becoming an object for inspection and instruction. The arm twisting technique frequently used by the European Union in economic issues (witnessed by its position on the Siberian overflight payments charged to European airlines) would become a regular practice” (Bordachev 2006a: 2/5). Thus, the future model of Russia-EU relations in his view “must reflect Russia’s special role in Europe and the world. This means that the new document cannot fall within the same ‘system of coordi-

⁷ Although Arbatova (2006: 110) calls her version a revamped or modified PCA, what she actually proposes is a new treaty which would necessitate ratification by Russia and all EU member states.

nates' as the EU's practice of formalizing its relations with neighboring states, [...] must avoid evaluative judgments about the state of the Russian economy and its society as a whole [...] and cannot be an 'instruction' for drawing Russia closer to the constantly changing regulatory policies concerning political and economic life in the European Union" (Bordachev 2006a, 2–3/5). Instead of referring to 'European rules, norms and values', "both parties must be guided by international law, World Trade Organization regulations and other legislative norms" (Bordachev 2006a: 2/5) to which they both are committed. Contrary to this, Arbatova (2006: 110) suggests to add a revised version of Article 55 (harmonisation of Russian legislation with the *acquis communautaire*) "to include provisions on the gradual approximation of legislation whereby Russia will endeavor to ensure that its legislation will be made compatible with that of the Community based on a jointly elaborated special indicative program. This harmonization mechanism should be enshrined in a special agreement on the implementation of Article 55". Borko is sceptic about Russia's full adoption of the *acquis*, although in his view "[T]he creation of the CEES (Common European Economic Space) will mean Russia's actual integration into the European economic space, and there is no doubt that the EU will not change CEES standards for Russia's sake" (Borko 2004: 2/5).⁸

Starting from these differing sets of basic assumptions the authors suggest three options of how the new agreement between Russia and the EU could look like. Arbatova and Borko suggest a structure for the new agreement which is quite similar to that of the existing Partnership and Cooperation Agreement (PCA). They envisage a preamble codifying the premises of EU-Russia relations and highlighting the strategic significance of their partnership. They claim that the chapters of the PCA, which regulate the political

dialogue between the partners should be adapted to the current state of affairs, which has developed beyond the wording of the PCA. Both drafts suggest the inclusion of the roadmaps for the Four Common Spaces into the new agreement so that one chapter would be devoted to each Common Space. As to economic cooperation, the authors emphasise the harmonisation of legislation and the liberalisation of goods, services, capital and persons as important goals, for the achievement of which the respective chapters of the agreement should spell out practical steps. The same holds true for the other three Common Spaces, whereby the free movement of persons and the question of visa free regimes between the two partners, an issue which is part of the Common Space on Freedom, Security and Justice, receive special attention. Thus, the new agreements envisaged by Arbatova and Borko would be quite similar to the Partnership and Cooperation Agreement in structure and would reflect the contents of the existing documents regulating relations between Russia and the EU, including the Four Common Spaces. As already discussed, the latter's reference to values is not as strong as in the Partnership and Cooperation Agreement. However, in terms of contents they, very much like the PCA, aim at the approximation and harmonisation of legislation and economic systems, which in most of the cases implies Russia's adaptation to EU norms, especially if they can be seen as a proxy for international (for instance WTO) regulations. Arbatova's (2006: 105) idea that cooperation under such a new agreement could lead to an association between Russia and the EU similar to the EU's associations with the EFTA countries and Switzerland also points to this direction. Thus, the main difference between Borko's and Arbatova's draft and the PCA is the way the partners are symbolically depicted in the agreement.

⁸ He adds that there is no clarity about the consequences of the full integration into the CEES for Russia's economy and political system, as this would be a process of 15-20 years (Borko 2004: 2/5).

Bordachev (2006: 3/5) suggests a “three-level system of political and legal relations between Russia and the European Union”. The first part of this format would be a “Declaration for a Strategic Union Treaty” which would overarch the more concrete provisions of the agreement. This preamble would state “the establishment of a Strategic Union between Russia and the EU, aimed at overcoming the syndrome of enmity, rivalry and psychological consequences of wars and conflicts of the past, and at consolidating truly allied relations that would provide for deeper integration in individual areas” (Bordachev 2006: 3/ 5). The declaration would also state the partners’ equality, their common strategic interests, values and mutual respect. By ascribing to the strategic union between Russia and the European Union the function of “a crucial link between regional security systems in Europe, Asia, and North America”, Bordachev puts a strong emphasis on security cooperation between Russia and the EU.⁹ The second part of the agreement would be a “strategic agenda” listing the central areas of cooperation between Russia and the EU. Here again the author highlights security cooperation by ranking “cooperation in ensuring international and regional security” above other issues like “international trade and the global economy”, “freedom of peoples movement and unimpeded transit”, “cultural and humanitarian cooperation” (Bordachev 2006: 4/5). The third part of the agreement suggested by Bordachev (2006: 4/5) entails “sectoral agreements of various scales and binding to different degrees”. Through such agreements, Russia and the EU would intensify their cooperation and integration in selected economic areas, like for instance transport, education, space exploration etc. Here the author relies on the neo-functional-

ist assumption that cooperation and integration in economic sectors can have spill-over effects and thus kick off political integration (Bordachev 2006: 4/5).

b) A European perspective on the future of the Partnership and Cooperation Agreement

In the European Security Strategy of 2003 Russia ranks second behind the USA among the “key actors” with whom the Union intends to address the most serious global security problems. The strategy paper reads: “We should continue to work for closer relations with Russia, a major factor in our security and prosperity. Respect for common values will reinforce progress towards a strategic partnership. (European Security Strategy 2003: 14)” Thus, on the EU side, too, there exists the idea of forming a strategic partnership with Russia. However, it remains unclear how such a strategic partnership could look like. The EU’s relations with the other “key actors” (the U.S., Japan, China, Canada and India) take different shapes. With most of them the EU did not conclude comprehensive agreements, but rather issued joint political declarations on the character and scope of the partnership, which provide a political, legally non-binding framework for cooperation.¹⁰ Relations with the U.S. are embedded in multilateral organisations like the UN, the WTO, NATO, OECD etc.

Thus, there seems to be no standard model for the legal framework of the EU’s “strategic partnerships” with third countries. Rather, relations as well as legal formats have developed in dependence upon the respective partners and the scope of common norms and shared interests. The EU has concluded comprehensive bilateral agreements with only three groups of coun-

⁹ A strengthened security aspect can also be found in Arbatova’s draft.

¹⁰ See for example the Joint Declaration on Relations between the European Community and its Member States and Japan, http://ec.europa.eu/comm/external_relations/japan/intro/joint_pol_decl.htm; the EU-Canada Partnership Agenda, http://ec.europa.eu/comm/external_relations/canada/sum03_04/partnership_en.pdf. With China there is no overarching strategy paper yet; the legal framework of EU-Chinese relations so far remains the 1985 Trade and Cooperation Agreement. The same holds true for the EU’s relations with India, where there are plans on the EU side to upgrade relations to a strategic partnership.

tries: the Central and Eastern European countries, the Balkan states, and the former Soviet republics. “These several models all have in common [...] the same structure of topics, which in turn finds their origin in the EU *acquis*.” (Emerson et al. 2006: 4). Hence, none of the existing forms of agreements seems to be adequate for the current state of Russia-EU relations. The existence of tensions and conflicting interests between Russia and the EU makes it more difficult to agree on an appropriate legal format of their relations. This problem is aggravated by the fact that a comprehensive agreement would require ratification by all 25 member states. This procedure faces heavy risks because of the internal problems of the EU after the 2005 referendum. Against this background, Emerson et al. (2006: 8) list a number of future scenarios for the Partnership and Cooperation Agreement: (1) Retirement of the PCA without replacement; (2) Extension of the status quo; (3) Extension of the status quo, adding a political declaration on strategic partnership; (4) Replacement of the PCA with a short treaty of strategic partnership; (5) Replacement of the PCA with a comprehensive treaty on strategic partnership; (6) Conclusion of a treaty on strategic union. The authors opt for a mixture of the scenarios (2) and (3) which would mean that the Partnership and Cooperation Agreement “could continue to live on, as provided automatically by Art. 106, alongside the continuing negotiations of operational sectoral agreements each of which would follow its own timetable” (Emerson et al. 2006: 8). This comes close to Bordachev’s idea of a political spill-over through functional cooperation. Taking into account recent tensions between Russia and the EU and recognising that the extension of the status quo would not be much more than the smallest common denominator of “peaceful co-existence”, the authors argue that “nonetheless, the substantive business agenda that could be pursued under this scenario is very substantial and it is maybe best to do this with minimal politicisation in the present circumstances” (Em-

erson et al. 2006: 8). A political declaration on strategic partnership could be added later, but not until after the presidential elections in Russia in March 2008. The authors do not exclude the conclusion of a treaty on a strategic union but in their opinion this can only be a medium to long-term perspective, as currently Russia-EU relations are not considered mature enough.

The three Russian and the one EU perspective diverge significantly in their assumptions and conclusions. While the Russian authors claim for a qualitatively new agreement which would upgrade Russia’s position as well as the character of the relationship Emerson et al. dismiss any such option and suggest a low key solution and the concentration on pragmatic cooperation in specific fields. However, although they see the Bordachev draft closest to scenario (6) (and thus far from the pragmatic approach they prefer) both drafts share the idea of functional cooperation.

4. Conclusion

The discussion of the development of Russia-EU relations under the existing Partnership and Cooperation Agreement led to the conclusion that 1) the EU has no tools for an effective policy of conditionality towards Moscow due to the lack of an accession perspective and recent political and economic developments in Russia and 2) Russia-EU relations are increasingly constrained by geopolitical conflict and growing competition in the Post-Soviet Space. Thus, although Russia-EU relations have profited from the existence of the PCA, democratic conditionality has proved inefficient. The polarisation of the Post-Soviet Space has caused and increased mistrust on all sides (the EU, Russia and the other NIS), which inhibits the development of stable and cooperative regional relations.

Against this background a strategic union treaty between Russia and the EU indeed seems rather remote. Instead, the concentration on

sectoral cooperation agreements as envisaged in the roadmaps to the Four Common Spaces would be a pragmatic and flexible approach. The EU would not have to abandon neither the *acquis communautaire* nor the normative motives of its foreign policy. However, as the EU has no effective conditionality tools with respect to Russia it has to pin its hopes on socialising effects – and sectoral cooperation would be a good way to pursue this goal. Given the EU's current relative political weakness and Russia's relative political and economic strength, the EU cannot expect to solve the cherry-picking versus policy-taker dilemma in her own favour. However, the same holds true for Russia. The realisation of Russia's wish to maintain a dominant position in the Post-Soviet Space will depend on Russia's political and economic attractiveness to the other Newly Independent States (NIS); to reach this goal Russia needs the EU as its most important modernisation partner (Trenin 2006: 4/4).

Thus, this paper suggests a scenario similar to the one favoured by Emerson et al. The Partnership and Cooperation Agreement should be kept as a formal legal framework for Russia-EU relations and be adapted to the current state of relations, while the partners should concentrate

on the realisation of the sectoral agreements envisaged in the roadmaps. Contrary to Emerson et al. this paper opts for the adoption of a political declaration on the continuation of the (strategic) partnership if the negotiations do not reach a conclusion by the end of 2007. Such a declaration could consist of three parts: (1) a declaration of the continuation of the (strategic) partnership; (2) a declaration of the continuation of the political dialogue on all levels supplemented by an update of its form and (3) a declaration of intent to overcome conflicts in the Post-Soviet Space and work together for a stable and prosperous region.

In the years to come Russia and the EU are facing the task to restore and build up trust in their bilateral relations as well as to reach a common position concerning regional relations in the Post-Soviet Space (PSS). Thus, besides the deepening of bilateral sectoral cooperation, the EU and Russia have to engage in a dialogue about whether and how their integration and cooperation initiatives in the PSS can be combined or at least harmonised in the future. The stabilisation of the Post-Soviet Space is a precondition for a strategic partnership between the EU and Russia.

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Fourth Roundtable Discussion

Programme

Sunday, September 10th, 2006

Afternoon	Arrival of participants
19.00	Welcome Cocktail
20.00 – 22.30	Dinner Dinner-speech: <i>Dmitri Polyanski</i> , Ministry of Foreign Affairs of the RF, Moscow: A Russian View on EU-Russia Cooperation

Monday, September 11th, 2006

Morning session	Scenarios for a future PCA
10.00 – 13.30	Chair: Matthes Buhbe, Friedrich-Ebert-Stiftung, Moskau
10.00 – 11.30	What alternatives do exist? (each presentation 15 minutes) Sabine Fischer, Institute for International and Security Affairs, Berlin Fyodor Lukyanov, Russia in Global Affairs, Moscow
11.30 – 12.00	Coffee break
12.00 – 13.30	What should in reality be the preferred scenario? (each presentation 10 minutes) Lutz Güllner, European Commission, Brussels Nadezhda Arbatova, Committee “Russia in United Europe”, Moscow Gernot Erler, Minister of State, Berlin
13.30 – 15.00	Luncheon Speaker: <i>Sergey Yastzhembsky</i> , Assistant of the President of the RF and Special Envoy for Cooperation with the European Union
Afternoon session	Energy security in Europe
15.00 – 18.00	Chair: Vyacheslav Nikonov, Foundation „Unity for Russia“, Moscow

15.00 – 16.15	<p>European Energy security at risk? Perceived and real threats. (each presentation 10 minutes)</p> <p>Leonid Grigoryev, Institute for Energy Economy and Finance, Moscow Walter Kolbow, Member of Bundestag, Berlin Christian Cleutinx, European Commission, Brussels</p>
16.15 – 16.45	Coffee break
16.45 – 18.00	<p>EU-Russia energy dialogue in view of global energy security (each presentation 10 minutes)</p> <p>Igor Yurgens, Investment-Group “Renaissance Capital”, Moscow Roland Götz, Institute for International and Security Affairs, Berlin Sergey Kupriyanov, Gasprom, Moscow</p>
19.00	<p>Dinner</p> <p>Guest speakers: <i>Harry Helenius</i>, Ambassador of Finland (currently EU-Council Presidency) and <i>Walter J. Schmid</i>, Ambassador of Germany</p>

Tuesday, September 12th, 2006

Morning session	Approaches for the solution of European regional conflicts
09.30 – 13.00	Chair: Klaus Hänsch, Member of European Parliament
09.30 – 11.00	<p>New hope for the Balkans and the Caucasus? (each presentation 10 minutes)</p> <p>Jan-M. Wiersma, Member of Europ. Parl., Amsterdam and Brussels Aleksandr Dsasokhov, Member of Federation Council, Moscow</p>
11.00 – 11.30	Coffee break
11.30 - 13.00	<p>European Common External Security Space: What are the next steps? (each presentation 10 minutes)</p> <p><i>Rolf Mützenich</i>, Member of Bundestag, Berlin <i>Andrey Klimov</i>, Member of State Duma, Moscow</p>
Afternoon	Departure and individual programs for participants from abroad

List of Participants

- Arbatova, Nadezhda** Research Director, Committee “Russia within a united Europe”, Moscow
- Antipova, Yelena** Department for European Cooperation, Russian Ministry of Foreign Affairs, Moscow
- Averchev, Vladimir** Research Director, BP Russia, Moscow
- Baranovsky, Vladimir** Deputy Director of the Institute of World Economy and International Relations (IMEMO), Moscow
- Barysch, Katinka** Centre for European Reform (CER), London
- Bergner, Tobias** German Federal Foreign Office, Russia Unit, Berlin
- Bogomolov, Valery** Member of Parliament of the Russian Federation, First Deputy Chairman of the Faction “United Russia“, Moscow
- Buhbe, Matthes** Head of the National Office of the Friedrich-Ebert Foundation in the Russian Federation, Moscow
- Cleutinx, Christian** Director TREN-I, European Commission, Brussels
- Dsasokhov, Aleksandr** Member of the Russian Federation Council of the Federal Assembly (Senator), Moscow
- Erler, Gernot** Minister of State, German Federal Foreign Office, Berlin
- Fischer, Sabine** German Institute for International and Security Affairs, Berlin
- Götz, Roland** Head of Research Unit Russia/CIS, German Institute for International and Security Affairs, Berlin
- Grigoryev, Leonid** President, Institute for Energy Economy and Finance, Moscow
- Grünwald, Joern** Friedrich-Ebert Foundation, Central and East European Unit, Berlin
- Grund, Constantin** Friedrich-Ebert Foundation, Central and East European Unit, Berlin
- Güllner, Lutz** European Commission, Directorate General Trade, Brussels
- Hänsch, Klaus** Member of the European Parliament, former President of the European Parliament, Düsseldorf - Brussels

- Helenius, Harry** Ambassador of Finland to the Russian Federation, Moscow
- Huterer, Manfred** German Federal Foreign Office, Planning Unit, Berlin
- Isayev, Dmitry** Consultant, Department for the Advancement of Relations with the EU, Presidential Administration of the Russian Federation, Moscow
- Kempe, Iris** Centre for Applied Policy Research, Munich
- Klimov, Andrey** Member of Parliament of the Federal Assembly of the Russian Federation, Chairman of the Subcommittee of EU-Russia Relations, Moscow
- Kokarev, Ruslan** National Office of the Friedrich-Ebert Foundation in the Russian Federation, Moscow
- Kolbow, Walter** Member of the German Federal Parliament, Deputy Chairman of the SPD Faction in Parliament, Berlin
- Kupriyanov, Sergey** Press Spokesman for the Chairman of the Executive Board of Gazprom, Moscow
- Lukyanov, Fyodor** Editor-in-Chief “Russia in Global Affairs“, Moscow
- Markov, Sergey** Deputy Chairman, Commission for International Cooperation and Diplomacy, Civic Chamber of the Russian Federation, Moscow
- Martin, Matthias** Consultant of the Deputy Chairman of the SPD Faction in the German Federal Parliament, Berlin
- Mützenich, Rolf** Member of the German Federal Parliament, Berlin
- Nikonov, Vyacheslav** President, Unity for Russia Foundation, Moscow
- Paleckis, Justas** Member of the European Parliament, Vilnius - Brussels
- Polyanski, Dmitri** Head of Unit, Department for European Cooperation, Ministry of Foreign Relations of the Russian Federation, Moscow
- Sawitzky, Dirk** Head of Office of the Minister of State at the German Federal Foreign Office, Berlin
- Schmid, Walter Juergen** Ambassador of the Federal Republic of Germany to the Russian Federation, Moscow

- Swieboda, Pawel** Director, Demos Institute, Warsaw
- Timmermann, Heinz** Head of the Research Unit Russia/CIS (ret.), German Institute for International and Security Affairs, Berlin
- Tretyakov, Vitali** Editor-in-Chief, Newspaper „Moskovskiye Novosti“, Moscow
- Vandoren, Paul** Deputy Head, Delegation of the European Commission to the Russian Federation, Moscow
- Van de Water, Rob** Consultant of the Socialist Faction in the European Parliament, Brussels
- Vladislavlev, Aleksandr** Chairman of the Executive Board, Unity for Russia Foundation, Moscow
- Wiersma, Jan Marinus** Member of the European Parliament, Amsterdam - Brussels
- Yastrzhembsky, Sergey** Assistant of the President of the Russian Federation, Special Envoy for Cooperation with the European Union, Moscow
- Yurgens, Igor** First Deputy President, Renaissance Capital, Moscow
- Zagorsky, Andrey** University for International Relations of the Russian Ministry of Foreign Affairs (MGIMO), Moscow
- Zlobin, Nikolay** Director of the Russia and Asia Program, Institute for Security, Washington D.C.
- Zotova, Yekaterina** Head of the International Program, Unity for Russia Foundation, Moscow

