

**Russia, the EU and the Baltic States**  
The Future of Partnership and Cooperation:  
Interests, Concepts, Implementation

Moscow/ Vilnius, 2007

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## Introduction

*Matthes Buhbe\**

Two years ago, in 2005, the first of a series of round table meetings<sup>1</sup> brought together policy planners and experts from Russia, the Baltic States, and other EU member states. At meetings in Tallinn (Estonia) in October 2005, Moscow (Russia) in April 2006 and in Vilnius (Lithuania) in April 2007, the group discussed a broad range of issues of Russo-Baltic relations within a broader European context. The purpose was to facilitate an open dialogue that could help alleviate existing tensions and allow the Baltic States to benefit from closer cooperation within the framework of EU-Russia relations.

This goal acquired particular significance in view of the mutual interest of Russia and the EU in drafting a follow-up to the Partnership and Cooperation Agreement (PCA) due to expire by December 2007. The urgency of such a dialogue has been reinforced by recent developments. In April 2007, Baltic–Russian relations hit rock bottom as the legacies of the Soviet past escalated within contemporary European relations. The relocation of the World War II memorial from the centre of Tallinn to a war cemetery not only triggered violent protests, with at least one casualty, but also strained relations between Russia and the European Union. Rallies among the Russian-speaking population in Tallinn were followed by a siege of the Estonian embassy in Moscow and an attack on Estonian cyberspace. Angela Merkel, in her capacity as the head of the EU Council, had to call upon both sides to find a peaceful solution.

The background of the current conflict relates to the Soviet era and different perceptions of that time. From the perspective of a majority in Estonia, the war memorial symbolizes the Molotov-Ribbentrop Pact and the Soviet occupation of the Baltic States. The Russians, on the other hand, perceive May 9th as a fundamental symbol of their victory over Nazi Germany, a crucial pillar of Soviet identity. Thus any conflict that touches on the highly sensitive dispute over the history of the Baltic region evokes a strong emotional response, and restraint and caution must be urged.

Beyond the conflict surrounding the Bronze Soldier in Tallinn, other developments, such as the termination of the oil supply to the Lithuanian oil refinery Mazeikiu Nafta, have seriously strained relations. At the same time, Poland demonstrated the extent to which bilateral disputes with Russia might hamper European relations by denying the EU a mandate to negotiate a new Partnership and Cooperation Agreement with Russia, which would have offered both sides broader prospects for cooperation based on current problems and interests.

For the participants of the working group, the latest developments did not come as a surprise. They are the logical consequences of the current character of relations. While the meeting in Tallinn in October 2005 and the one in Moscow in April 2006 were largely dedicated to debating the legacies of the past, the Vilnius meeting in April 2007 for the first time demonstrated possibilities for a constructive dialogue. Its agenda provided for the discussion of interests, concepts, and their implementation in such fields

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\* Head of the Eastern and Central European division of the Friedrich Ebert Foundation.

<sup>1</sup> Initiators were regional partners of Friedrich Ebert Foundation in Russia and the Baltic states as well as the Center for Applied Policy Research in Munich.

of cooperation as energy, security and cross-border cooperation, as well as a new Partnership and Cooperation Agreement (PCA) between Russia and the EU.

The development of a common European energy and security policy towards Russia became a test case for deepening European integration, speaking with a single voice and coordinating common interests with common values. Participants from the three Baltic states and from Poland contributed to the dialogue by adding their particular concerns regarding the inclusion of Russia in a European framework of cooperation. They claimed that the concerns and interests of the Central European and Baltic states should be taken seriously by other EU actors, who should abolish the “Russia first” approach driven primarily by the economic interests of individual EU member states. In this regard, the Polish refusal to approve the EU mandate for negotiating a new PCA with Moscow reflects a fundamental disagreement with and lack of trust in EU-Russian cooperation shared by policy planners and decision makers from the Baltic States. The appropriate handling of Polish and Baltic concerns thus represents a true test of the European Union’s Russia policy. In this area, the discussions during the meeting went beyond previous debates and broke new ground for an open dialogue.

Yet it is not fair to assert that with the admission of the Baltic States and Poland in particular, the European Union has imported a significant bloc of anti-Russian resentment. Though far from good, the relations of Russia with individual Baltic States are more diverse than the common stereotype would admit, and they are neither the only nor the most important issue on the agenda of Russo-EU dialogue.

All through the 1990s, Lithuania was the Baltic State considered to have the best relations with Moscow and was the first to sign a border agreement with Russia. Those relations began to deteriorate, however, after President Adamkus joined in efforts in the autumn of 2004 to prevent acceptance by the European Union of the fraudulent presidential elections in the Ukraine. This brought Lithuania into conflict with Moscow. Since that time, relations have continued to deteriorate, including the termination of oil supplies to Lithuania in the summer of 2006. In contrast to Lithuania, relations between Russia and Estonia seemed to improve at the beginning of 2005. Moscow agreed to sign a border treaty with Tallinn although, at a later stage, Russia again withdrew. Instead, later in 2006, Moscow decided to sign a border treaty with Latvia, pending final ratification by Russia and the Latvian Constitutional Court. Riga has so far been exempted from the worsening of relations between Moscow and the Baltic States.

The latter example reveals that, despite historic legacies, there is no reason to believe that relations between Russia and the Baltic States cannot improve. Both the potential and the desire to expand trade and cooperation with Russia in the region are enormous. This is hindered, however, by political restraint. Interpersonal, cultural and cross-border exchanges with Russia are growing rapidly, and many politicians in the Baltic States have sought to improve political dialogue by offering to promote Moscow’s interests in the European Union. However, Moscow has failed to respond to cooperative offers. It thus shares responsibility for the increasing skepticism toward Russia in the Baltic States.

It should also be emphasized that this skepticism is not a distinct mood emanating from the Baltic States. It has stronger roots within the European Union. It was Poland that blocked the consensus on opening negotiations on a new agreement with Moscow. The United Kingdom is part of the club of Russia-skeptics, despite a deep economic relationship. In other member states, an increasing number of politicians and experts are

questioning the wisdom of a strategic partnership with Moscow. Therefore, the problem cannot be reduced to Russo-Baltic relations. The strategic partnership between Russia and the EU is challenged by both Moscow's policies and by the increasing number of EU member states urging the EU to reconsider its Russia policy.

Participants of the three round tables had an excellent opportunity to deepen their understanding of the complexity of Russo-Baltic relations, and of its implications for Russo-EU cooperation. They came forward with new ideas for constructive interaction between the Baltic EU-member states and Russia. In Vilnius, the discussions revealed three intersecting agendas.

The first is determined by the state of affairs in Russo-Baltic relations. It will take a strong political will and effort on both sides to reverse the negative trend. This is not impossible, however, as it has become increasingly obvious that neither Russia nor the EU can achieve substantial progress in cooperation without an improvement in Russo-Baltic relations.

The second represents the intra-European debate over the EU's Russia policy. The proponents of engagement with Moscow emphasize that Russia remains a crucial energy partner for Europe and is an indispensable partner in international security. They would claim that a community of values which includes both the EU and Russia, while not yet developed, can grow only as a result of comprehensive engagement with Russia – not in confrontation. The Russia-skeptics point out their particular concerns and emphasize that a proper strategic partnership can hardly be built upon a value gap.

The third agenda relates to the unfinished business in Russo-EU relations including, *inter alia*, the opening of negotiations on a new agreement and Russia's accession to the World Trade Organization. The three round tables have revealed how much any progress on these and other issues depends on progress in the first two agendas.

In general, the Vilnius meeting revealed a new spirit of cooperation in identifying European, Russian and Baltic interests, which remain far from harmonious or mutually understood. At the same time, discussions in Vilnius also highlighted the limits of the European Union in developing a truly common policy towards Russia. Decision makers in Vilnius, Riga and Tallinn clearly favour a common European approach emphasizing values as well as interests. They regard the construction of the North Stream pipeline as the worst recent decision, clearly violating Baltic and Polish interests: an action, in their view, fully justifying their skepticism towards the new PCA negotiations.

Beyond the EU-Russia agenda, the Baltic States see the European ENP countries as a priority for a European Eastern policy, particularly for the promotion of democracy and the facilitation of the European option for these countries.

The Vilnius meeting was marked by progress in developing dialogue which transcended established mental maps. It demonstrated the need to develop an Eastern policy of the European Union by building bridges between the champions of improved relations with Russia, such as Germany or Finland, the group of skeptics, such as Poland or Estonia, and the EU members which are relatively uninterested in cooperation with Russia, such as Greece or Portugal.

Furthermore the current deadlocks in EU-Russia energy dialogue and security cooperation are the best indication that both sides not only need each other but, also, that

dialogue with the Baltic states can contribute significantly to the identification of new approaches to developing sustainable partnership and cooperation.

The way ahead implies not least an open and sincere dialogue. The participants of the project have learnt how much they can benefit from coming together and listening to one another. The divisions within each of the agendas remain. Nevertheless, the dialogue has been extremely helpful for (i) improving mutual understanding and (ii) creating constructive ideas on how to overcome divisions in the future. For this opportunity, and for the organizational and logistical support, the participants of the third round table felt particularly indebted to the Friedrich Ebert Foundation's offices in Vilnius, Moscow and Riga and to the Institute of International Relations and Political Science at the University of Vilnius.

Last but not least I would like to extend my appreciation to Iris Kempe of the Center for Applied Policy Research (Munich), who provided considerable spoken and written input from the first moment of the round table series until today, and to Professor Andrei Zagorsky (Moscow), who spent an extraordinary amount of time and effort in preparing, carrying out and following up the Vilnius round table. Without him this booklet would not have been ready for print.

# Contributions

## Europe's Energy Challenge: New Opportunities through the Linkage of Climate and Energy in Foreign Policy

*Martin Kremer\**

### 1. Introduction

For us Europeans, a key aspect of our globalising world is the growing economic interdependence among Russia, the EU and Russia's neighbours. At this conjunction of Baltic, European and Russian interests, we require a foreign policy that fulfils our objectives in both climate protection and energy security. With oil and gas markets ever more influenced by government policy, the international community – in this case, the EU and Russia in particular – must take its lead from the Helsinki Process and help to ensure that these markets evolve in a secure and sustainable way.

Germany's Foreign Minister Frank-Walter Steinmeier said recently: "If we want to act for the long term, we have to restrict future global warming and find strategies to increase energy efficiency, reduce emissions and increase the use of renewable energies. Only thus can we gain credibility at the international level and at the same time support European technology and innovation and European industry. Climate protection and energy security are inextricably linked."

### 2. Linking climate and energy in foreign policy

On 9 March 2007, the EU's Heads of State and Government, under the chairmanship of German Chancellor Angela Merkel, made a historic decision on future climate protection and energy policy. This decision, based for the first time on the principle of integrating these two vitally connected areas, including in foreign policy, sets out ambitious climate protection objectives and measures to achieve them:

- By 2020, greenhouse gas emissions within the EU will be reduced to 30% below the level of 1990, subject to similar commitments by the other highly developed countries and contributions by the more advanced developing countries based on fairness and capability. Beyond that, it is envisaged that by 2050, all the developed countries together will reduce their emissions by 60-80% compared with 1990 levels. On this basis, by the year 2050 global emissions will be just half their 1990 level.

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\* Science and Political Counsellor, German Embassy, London. The contents of this paper are solely the personal views of the author.

- As of now, the EU is making a firm and independent commitment to reduce its emissions by at least 20% by 2020.
- The key to implementing these objectives is a 20% increase in energy efficiency and a tripling of the share of renewable energy in primary energy consumption to 20% by 2020. By this date, biofuels will make up 10% of total fuel consumption.

Implementing these decisions will not only set an important example in reducing the world's greenhouse gases. It will also provide a powerful stimulation to European industry while at the same time enhancing the EU's energy security. This process will be supported by foreign policy in a number of ways:

- by further developing key partnerships with major producer, transit and consumer states (by agreeing regular energy dialogues under Partnership Agreements and making extensive use of the instruments provided under the European Neighbourhood Policy)
- by developing a more efficient crisis reaction mechanism in the case of energy supply disruption (network of EU energy security "correspondents")
- by seeking a follow-up agreement to the Partnership and Cooperation Agreement with Russia, including on energy issues
- by further implementing the Energy Community Treaty and possibly expanding this to include Norway, Turkey, Ukraine and Moldova
- by further developing relationships with Central Asia and the Caspian and the Black Sea region (as part of the EU's Central Asia strategy)
- by further developing partnership and cooperation within bilateral energy dialogues with the US as well as China and other developing countries, with the focus on reducing greenhouse gases and also increasing energy efficiency, renewable energy and low-emission energy technologies, especially carbon capture and sequestration.

Under the chairmanship of Chancellor Merkel, the G8 members – including Russia – also achieved a climate policy breakthrough on 6-8 June 2007. All the G8 partners committed themselves to reducing CO<sub>2</sub> emissions, and the US and Russia will also seriously consider a reduction target of 50% by 2050. It was also agreed that negotiations on a successor regime to the current Kyoto Protocol, which was ratified by Russia in 2005, will if possible be completed by 2009.

### **3. Foreign policy and European-Russian relations**

#### *The integrated approach*

In view of the close connection between these two great global issues – achieving a reliable oil supply and tackling climate change – the EU is to step up its efforts to achieve an integrated foreign policy approach (e.g. in its security strategy, on the basis of a forthcoming joint paper by the Council and Commission). If, in addition to the economic and political costs of the present insecurity of supply, the costs of climate change were also reflected in the price of fossil fuels, alternatives to the use of oil would become available much more rapidly. As both problems originate in our economic and social dependence on burning fossil fuel in its crude form, and as the Russian energy industry is also increasingly affected by global warming, any EU-Russian approach to energy must be based on an integrated solution.

#### *Multilateral and technological approach to climate policy*

As a leading market for green technologies, the EU is ideally placed for a pioneering role in multilateral climate protection after 2012. The European Financial Review from 2008 can be used to release additional funding for research and development, both directly and through public procurement and innovative transport concepts. Decoupling economic growth and energy consumption, including in Russia, can open up access to both energy and development. The European Emissions Trading System is already the largest in the world. In 2006 (even at a low CO<sub>2</sub> price) 1 bn t CO<sub>2</sub> were converted at a value of 18.1 bn Euros. This is a major driver of CO<sub>2</sub> prices, which is vital for stimulating new technological investment. The US federal system could begin by adopting this system. Even before the European summit, member states were to differing degrees already moving towards a lower-carbon energy mix. If the external costs of fossil fuels are taken into account, renewable energies within the EU are already competitive today.

#### *Implications for foreign energy policy*

As long as the EU is heavily dependent on energy imports, it must continue to try to secure as many energy partners as possible, both among producer and transit states. This requires a focus on the reliability of these partnerships and continued networking with both the major and less powerful energy consumers as well as the private sector. In this area, Russia is a key partner for the EU. However, individual member states can diversify their energy mix through diversification of external energy relations and new infrastructure, including pipelines and liquid gas terminals.

To make its energy partnerships more reliable, the EU must continue to

- encourage other countries to join relevant EU legal frameworks and instruments (especially through the Energy Community and European Economic Area)
- promote the bilateral affiliation of countries and groups of countries with the EU (especially through the European Neighbourhood Policy)

- promote multilateral legal frameworks including energy supply partners (e.g. through the Energy Charter Treaty).

As developments on oil and gas markets have indicated over the last two years, the EU must also seek a consensus on how it wants to develop its future energy relations to include the major developing countries. To minimise conflict between producer and transit states, an international regulatory system is needed which reaches out beyond the existing IEA and OPEC structures to create a fundamental framework for energy relations, including arbitration mechanisms.

#### **4. Outlook**

A more broadly conceived EU foreign policy along these lines can already be of great value in the approach to a successor to the Partnership and Cooperation Agreement. The further development of the energy relationship between Russia and the EU will be a key element of this. A foreign policy integrating the twin issues of climate protection and energy can highlight mutual economic and political advantage and break new ground along the path of "rapprochement and influence through interdependence". Success here is all the more important in the light of the leading role the EU must assume in international climate change and energy policy in future.

As Lithuanian Prime Minister Gedminas Kirkilas has repeatedly emphasized, a genuine commitment to combating global warming can provide a decisive stimulus to efforts to increase energy efficiency and further develop renewable energy, and such a diversification of energy sources within the Union can enhance energy security in relations with Russia. At the same time, climate protection can provide a new opportunity for a constructive engagement with Russia (e.g. via CO<sub>2</sub> trading and forest preservation measures). The economic consequences of climate change in any case demand alternative energy and growth policies. In order to minimise the consequences of the irreversible and increasing melting of the Siberian permafrost for the Russian economy, and in particular for the energy sector, existing facilities, including production equipment, pipelines, compressor stations, tanks, auxiliary buildings and roads and railway tracks leading to the oil and gas fields, must all be more firmly embedded in the ground in the affected areas. New production and pipeline projects will have to be planned and constructed accordingly. All this by itself offers great potential for confidence-building cooperation.

## **“Shared Neighbourhood”: Between the Perceptions and Interests of EU “Ostpolitik” and Russia’s “Near Abroad” Policy**

*Andris Spruds\**

The “Big Bang” enlargement, “rainbow” revolutions and escalation of the “frozen conflicts” have strongly facilitated an increased awareness of the significance of the post-Soviet sphere in Europe’s political and economic developments. Consequently, this awareness has considerably affected EU-Russia relations in general and especially their interaction in the so-called “shared neighbourhood” area, which brings together the interests and influence of several important players – the European Union, Russia and the United States. As a result of the European Neighbourhood Policy, the EU directly encounters and interacts with Russia’s “near abroad” policy in the region. The direction and principles of Europe’s new “Ostpolitik” seem to be determined by perceptions and interests among which Russia plays a major role.

### **EU-Russia relations: a turning tide?**

The European Union and Russia share a wide range of common interests, especially in the economic field. For the EU, Russia has already become the third largest trade partner and the major energy supplier, ensuring its “security of supply”. For Russia, the European Union is the uncontested major trading partner guaranteeing, in the key energy domain, the “security of demand”. However, despite considerable common interests, relations between Russia and the EU are marked by a growing number of disagreements, as well as by diverging, if not conflicting, approaches. There are several major stumbling blocks. These include, firstly, the increasingly diverging mutual perceptions of each other’s intentions and activities and, secondly, as a consequence of the former, an increasing number of diverging interests.

The relations between the European Union and Russia are largely shaped by the way they perceive each other, and both Russia and Europe have different perceptual backgrounds with respect to each other. These differences are important not least because they are translated into the public discourse and become part of the “identity politics,” or process of identity- and nation-building (institution-building, in the case of EU).

The EU External Relations Commissioner Benita Ferrero-Waldner stated in 2006: “Russia is a strategic partner, Russia is a very important neighbour and Russia sometimes is also an ally, but it is also a more and more assertive player on the world stage....” However, more recently the tide has begun to turn and mutual relations have clearly cooled, especially since the 2007 Russia-EU Samara summit meeting, which was overshadowed by the Polish veto on opening negotiations with Russia on a new Partnership agreement; developments in Estonia; the radioactive polonium affair connected with the murder on the former Russian secret agent Litvinenko in London; and by the apparent increase in Russia’s assertiveness. Rather than Romano Prodi’s 2003 optimistic vision of EU-Russia relations as “vodka and caviar” harmony, a more

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\* Research Fellow, Latvian Institute of International Affairs; Riga Stradins University (Latvia); Nowy Sacz Business School-National Louis University (Poland).

appropriate description of contemporary mutual perceptions might be “contamination and poloniumization.” This trend is most exemplified by policies towards the area which some experts optimistically identify as the “overlapping integration spaces” but is more commonly known as “Europe’s neighbourhood” or Russia’s “near abroad.”

### **Ambivalence of the “shared neighbourhood” policies**

Russia and Europe apparently have different points of departure in formulating their policies towards their neighbourhood.

In Russian political and public discourse, the question of “do they want to be like us” (one of the major issues in the Western debate) is raised infrequently, if at all. On the contrary, the “near abroad” is de facto perceived as an extension of Russian domestic politics. This conclusion is most explicit in and best manifested by Russian policy towards Belarus. In one recent public opinion poll, more than 60% of respondents answered with “no” when asked whether they viewed Belarus as a foreign country. For the European Union, the “neighbours” are unequivocally foreign countries and, respectively, fall within their foreign policy domain.

Developments in the “shared neighbourhood” have clearly become a sensitive issue for Russia. Revolutions in Georgia and, especially, in the Ukraine have strongly resonated among Russian political elites and the public and have effectively become an inherent factor in Russia’s self-perception with regard to its place on the global stage. Clearly, Russian approaches, if not to every issue of world politics, then certainly towards activities in its “near abroad”, are guided by the zero-sum game assumption. This implies that stakes here are higher and that Russia is prepared to invest more economic and political resources into its policy towards this region – and, if necessary, even to engage in confrontation with outside actors.

The European Union does not perceive the region through the lens of geopolitical realism or the establishment of spheres of influence. Instead, the EU concentrates on resolving problems of soft security. This difference clearly highlights the asymmetry in Russian and European perceptions and approaches towards the importance of the “shared neighbourhood” and the scope of their respective involvement in the region.

This does not imply that policy stances and particular activities of either side have been easy to define. Although the post-Soviet countries have been considered in Russia as an area of strategic interest, its “near abroad” policy has been an amalgamation of often contradictory declarations and stances largely determined by the exigencies of the domestic “political football” rather than by the consistent interpretation and implementation of established foreign policy objectives. As a result, Russia’s policy towards the “near abroad” has been rather fragmentary, ambiguous and contradictory. There has been a continuous vacillation between neo-imperialism and post-imperialism; unilateralism and multilateralism; political and economic priorities and methods; and rhetorical assertiveness and indifference.

According to some Russian experts, such as Arkady Moshes and Dmitri Trenin, Russia has gradually arrived at a post-imperial foreign policy. The recent confrontation with the former Soviet republics in the energy sector reveals that the previous policy of subsidizing neighbour countries and of conserving patrimonial relations is being gradually replaced by the recognition, from the Russian side, of the inter-state nature of

relations with these countries. Hence, one may find that Putin's indirect reference to the "shared neighbourhood" in the so-called Dostoyevsky article devoted to the fiftieth anniversary of the Rome Treaty, in which he stipulated that "one should not see political intrigues behind purely economic measures", reflects at least partly some of the genuine motives of Russia's international behaviour. However, the tradition of neo-imperialism obviously has not yet lost its relevance for the Russian political elite and society. The resulting dualism of attitudes explains the still strong feelings of jealousy fuelled by any international presence in the former Soviet Union. In effect, Russia pursues several concurrent foreign policies in the post-Soviet space.

The diversity of actors, interests and perceptions within the European Union contributes to an even more evident complexity and ambiguity in the respective EU policy towards its neighbours. Although the enlargement of the European Union provided a new impetus for more active engagement, both "enlargement fatigue" and then "neighbourhood fatigue" have largely contributed to a growing reluctance to become actively involved in the post-Soviet countries. The EU effectively deprived itself of a mega-instrument in the Eastern neighbourhood – of the prospect of further eastward enlargement. However, as the promotion of democracy has become one of the major goals of the project dedicated to expanding the "ring of friends", the European Neighbourhood Policy is followed suspiciously by Russia. By pursuing this policy, the European Union is confronted with a dilemma, rendering any eventual trade-offs more difficult. It must either take into account Russia's interests in the "near abroad" and, consequently, limit its involvement in the area, or it must reinforce its commitment to a more pro-active engagement in its eastern neighbourhood while, at the same time, accepting the risk of disrupting relations with Russia precisely on these grounds. This is not an easy choice, since Russia is perceived as an important partner, especially in the field of energy policy.

### **The selective new "Ostpolitik"**

The critics of the emerging "Ostpolitik" of the European Union went so far as to draw a parallel between recent EU policy towards Russia and that of the West in the early 1980s, when the Polish opposition was crushed in the course of the introduction of martial law. Then, the leadership of the United States was ready to engage in a tough confrontation with the USSR, while the major European powers, above all Germany, sought to avoid confrontation. However, Europe's new "Ostpolitik" is apparently evolving rather as a mixture of approaches, among which both realism and assertiveness play a certain role. The EU's "neighbourhood fatigue" and, consequently, the new "Ostpolitik" are selective. And the key to understanding what is selected and why goes back to the interests driven by energy policies. Since enlargement, Eastern Europe no longer features as an idealistically defined and relatively homogeneous region on the EU political mental map. Instead, the "ring of friends" is being increasingly differentiated for the purposes of the "Realpolitik" of the European Union and now appears as a rather heterogeneous neighbourhood if seen from the perspective of energy policy.

Thus, the eastern neighbours of the European Union are effectively split into three groups of countries, with the first including Georgia and Azerbaijan in the South Caucasus. These two countries are seen as important for the purpose of further diversification of sources and routes of fossil hydrocarbons delivery and, thus for increasing the security of the energy supply to Europe. Here, European countries are prepared and willing to

engage more robustly and, if needed, are even ready to take on the risks that may result from an eventual collision with Russian interests.

The second group comprises Ukraine and Belarus, both of which remain important transit countries for Russian gas and oil delivery to Europe. The policy towards Kiev and Minsk is often distorted by considerations related to domestic developments in these countries. This is especially true with regard to Belarus. Yet the European Union realizes the strategic importance of ensuring its presence there.

Moldova and Armenia would fall into another group of countries. This is largely explained by the still rather strong influence Russia exercises in both countries, their complicated domestic developments and the limited role both Armenia and Moldova have to play in the pan-European energy infrastructure of transit and supply.

The Baltic countries and Poland have been supportive of a more normative, coordinated and pro-active policy of the European Union towards the neighbourhood area. They advocate an approach based on the concept of spreading “stability, freedom and prosperity,” to be achieved through a more active application of ESDP instruments (for instance, by contributing more substantially to the resolution of the “frozen conflicts”) as well as through European Neighbourhood Policy tools, especially as regards the democratization and Europeanization of the neighbourhood countries.

The new EU members, including Latvia, are generally supportive of keeping the “doors open” for the potential EU membership of their eastern neighbours. They proceed on the basis that the same principles of conditionality linked to the membership option, which has contributed crucially to the transformation of the former accession countries, shall be applied to the contemporary “neighbours” of the European Union. Many in the Baltics expect Germany to take on the leading role in the pursuit of a more active policy in post-Soviet space.

In addition to participation in European Neighbourhood Policy activities, the Baltic States seek to actively engage in regional and bilateral efforts. Development and technical assistance is increasingly provided to post-Soviet countries by the new EU member states. Latvia, in particular, has selected Moldova and Georgia as major target countries of its development assistance. Latvia also pays special attention to and develops policy towards developments in Belarus. Lithuania has played an important role in the conduct of the Rule of Law Mission of the European Union in Georgia and, along with Poland, pursues an active policy towards the Ukraine. Estonia has also selected Georgia as one of the main target countries of its policy in the neighbourhood area. All these efforts are aimed at transcending approaches that conceptualize the neighbourhood countries as a peripheral region of the European Union.

Notwithstanding the similarity of the generally normative and pro-active approach of the new member states of the European Union to date, policy coordination and cooperation among them has remained rather limited. On the one hand, this fact largely stems from the interests and behaviour of the larger European countries. On the other, however, the approaches by the Baltic states are also obviously and increasingly affected by certain elements of “Realpolitik”. Though predominantly implicit, the policy of the new member states reveals significant elements of Russia-centrism, while regional engagement is largely perceived as a factor contributing to the establishment of a sort of a “buffer zone” vis-à-vis Russia.

Nor are energy policy considerations a minor element of the policies of the new member states of the EU. This is particularly manifested in the policy of Poland, which remains one of the major proponents of a more pro-active Eastern neighbourhood policy for the European Union. The Polish president Lech Kaczynski has paid “energy visits” to Baku (Azerbaijan) and Astana (Kazakhstan), and actively promoted holding an “energy summit” in Krakow in Spring 2007 with the participation of the Ukraine, Azerbaijan and Georgia.

Though on a smaller scale, the “Realpolitik” of energy supply and transit also affects Latvian policy. Whether circumstantially or not, Latvia has no diplomatic representations in either Yerevan or Chisinau. Nor are there any direct flights between Riga and those capital cities. This is despite the fact that Moldova has been selected as one of the priorities for Latvian development assistance programs. Latvian policy is also characterized by a comprehensive balance between a genuine effort to support democratization in the neighbourhood countries, and the considerations of a “Realpolitik” that focuses on Russia and energy issues. All this renders the formulation of a comprehensive approach a rather complicated endeavour – not only for the EU, but also from the Baltic and Latvian perspectives.



## Frozen Conflicts and the Possibilities of EU-Russia External Security Cooperation

*Karin Jaani\**

In 2003-2004 Georgia, Moldova and the Ukraine opted for a renewed reform agenda, turning to Europe as a model and a source of support. The way these countries have approached their challenges has made it possible for the EU to adopt on its part a qualitatively different and much more substantive policy towards them. The enlargement has brought the EU geographically closer to the region and enhanced its knowledge about the countries concerned. The positive transformation agenda that the EU is pursuing through the European Neighbourhood Policy inevitably involves a closer look at the frozen conflicts, which constitute an obstacle for successful implementation of reforms.

The common neighbourhood contains an obvious potential for EU-Russia cooperation in foreign and security policy and crisis management. This aim is evident in the EU-Russia PCA, where it is stated that EU-Russia political dialogue “shall bring about an increasing convergence of positions on international issues of mutual concern, thereby increasing security and stability”, and it is expected to be reiterated in the new agreement to replace the PCA. At the signing of the "Common Spaces" agreement in May 2005 there was hope that it could lead to EU-Russia cooperation regarding the conflicts in Moldova and Georgia, as the Road Map for the Common Space of External Security includes “strengthening dialogue and cooperation on the international scene in particular in regions adjacent to Russian and EU borders (notably, the ‘frozen conflicts’ in Transnistria, Abkhazia, South Ossetia, Nagorno-Karabakh)”. Russia has an important role in resolving the frozen conflicts. There is no point in denying that – either implicitly or explicitly – Russia's interests must be considered in EU decision-making regarding the common neighbourhood. The EU would like to see Russia's constructive involvement, but this does not include a Russian veto on EU decisions.

There are many, including quite authoritative, observers who ascribe the lack of overall progress being made in the solving of the frozen conflicts to Russia's role. They argue that Russia sees the maintenance of the ambiguous situation regarding the conflicts and the de facto increase in its links with the breakaway regions as the best way for it to control and influence its neighbours. In this way, it is argued, Russia is creating a “shadow empire”<sup>2</sup>. Before subscribing to this analysis, it is important to make sure that other, more benign explanations are not applicable. It is difficult to accept that Russia would consider it to be in its best interests to maintain continuous instability near its borders, as well as tensions between and with its neighbours, with the accompanying risks of criminality, armed conflict, etc. If a country would choose this kind of nineteenth century power politics, it would most probably ultimately fail anyway. Therefore one is justified in giving Russia the “benefit of the doubt”. This means taking Russia at its word regarding the honouring of the territorial integrity and sovereignty of its neighbours, and allowing ourselves be guided by the constructive content of the written texts of the EU-

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\* Director General, 2<sup>nd</sup> Political Department, Ministry for Foreign Affairs of Estonia.

<sup>2</sup> Ana Palacio and Daniel Twining, “Russia's Shadow Empire”. *Washington Post*, 11 March 2006. An example of a sceptical view of Russia's involvement is also Graeme P. Herd, *Moldova and the Dniestr Region: Contested past, Frozen Present, Speculative Futures?* Conflict Studies Research Centre, Central and Eastern Europe Series 05/07, February 2005.

Russia agreements. If the EU-Russia partnership were to fail this test, if the predictions about Russia's wish to create a "shadow empire" would prove true, it would put into question a great deal of the work which has built up the strategic partnership with Russia since the 1990s. How to respond to this kind of development has not been thoroughly and honestly discussed within the EU.

If we try to pinpoint some fundamental faults in the mutual perceptions between the EU and Russia, a major one is the question of spheres of influence. The EU is not fundamentally guided by this concept. The EU's involvement in Aceh, and its stabilisation efforts in the Middle East or the Balkans, cannot be explained by this concept, neither can the EU's engagement in its Eastern neighbourhood. We must be persistent in persuading our Russian partners that this is so. The EU is guided by the need to create stability, prosperity and security for all in the neighbourhood, and also by the need to support those neighbours who have chosen European values and the European model of development.

The EU should continue to keep this issue on the agenda of the political dialogue with Russia, in order to engage Russia in a substantive search for real solutions. Being completely frank with Russia would only confirm the EU's reputation as an honest broker.

The EU has expressed its strategic interest in contributing to the resolution of the frozen conflicts. The EU is becoming closer to the affected countries both geographically and also in terms of values and aspirations. Moldova, Georgia, Armenia and Azerbaijan have urged the EU to step up its contribution. The EU's contribution so far has been considerable: rehabilitation efforts, assistance with reforms, sorting out border and customs issues. Among further priorities is to deliver Europe's message to the breakaway regions, and to restore the ties between the countries and their breakaway regions. The EU does well to advise the countries affected by the conflicts to concentrate foremost on reforms, and to allow the frozen conflicts to disrupt this agenda as little as possible. As the European Neighbourhood Policy is developed further, it is right to pay attention to increased trade, travel, political contacts, regional cooperation and people-to-people contacts between the EU and its Eastern neighbours. The EU has the potential to figure more strongly also in the sphere of political dialogue with all affected parties and in the search for the best format of stabilisation operations. The EU's political profile should match its role as a donor and also its ambition as a leading actor in resolving regional security issues. The EU's contribution is needed in both processes: incremental changes that prepare the groundwork and create the right conditions in the regions, and efforts to find the political will necessary to take the decisive steps to reach an agreement.

A new regional initiative – Black Sea Synergy – also envisions possible cooperation areas "promoting confidence-building measures in the regions affected, including cooperation programmes specifically designed to bring otherwise divided parties together".

The EU and Russia have over the past few years expressed increased ambitions to cooperate in addressing regional security issues. Working constructively to resolve the frozen conflicts is the best way to prove that these ambitions are earnest.

## **Regional Governance as a Stumbling Block for Russia-EU Security Cooperation**

*Sabine Fischer\**

Russia and the EU hit rock bottom in the first half of 2007. The inability to reach an agreement on the opening of negotiations on the Partnership and Cooperation Agreement during the May Summit in Samara was only the latest evidence of the deep strains in their current relationship. While economic cooperation (within the framework of the Common Economic Space) is further evolving and some progress has been attained in the Common Spaces of Freedom, Security and Justice, and Research and Education, the area most seriously affected by increasing political tensions seems to be security cooperation. This contribution seeks to explore why security cooperation is such a sensitive issue in Russia-EU relations. After a short discussion of the various areas of cooperation, it focuses on the growing divergences between Brussels and Moscow over the so-called “common neighbourhood” and highlights fundamental differences of perceptions and approaches to regional policies. These emanate from the different identities of Russia and the EU and prevent both sides from finding a common understanding – to say nothing of a strategy – of regional governance.

### **1. Security Cooperation Between Russia and the EU: One Step Forward, Three Steps Back**

On a rhetorical level, Russia and the EU proclaim their common interest in international and regional stability and security, which they aim to support by forming a Common Space of External Security. The Roadmap for this Common Space, adopted in May 2005, therefore emphasizes that “The EU and Russia share responsibility for an international order based on effective multilateralism. They will therefore cooperate to strengthen the central role of the United Nations [...] and promote the role and effectiveness of relevant international and regional organisations, in particular the OSCE and the Council of Europe [...]. [...] The EU and Russia will also strengthen cooperation and dialogue on security and crisis management in order to address global and regional challenges and the key threats of today, notably terrorism, the proliferation of WMD, and existing and potential regional and local conflicts. They will give particular attention to securing international stability, including in the regions adjacent to the EU and Russian borders.”

The Roadmap explicitly emphasizes five areas in which cooperation between Russia and the EU should be enhanced: strengthened dialogue and cooperation on the international scene; the struggle against terrorism; non-proliferation of weapons of mass destruction and their means of delivery, while strengthening export control regimes and disarmament; cooperation in crisis management; and cooperation in the field of civil protection.

However, beneath the surface of these rather general declarations of goals, certain problems have become evident in EU-Russia security cooperation, and little progress has been made in the above-mentioned areas since the adoption of the Roadmaps in May 2005.

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\*Research Fellow, EU Institute for Security Studies, Paris.

In the UN and the OSCE, the EU and Russia have regularly found themselves on opposite sides of the political fence. Russia has taken a radically different position on the future of Kosovo, opposing the proposal put forward by Martti Ahtisaari, the UN Special Envoy for Kosovo, which suggested approving the de facto independence of Kosovo from Serbia and was supported by the EU and its member states. Election observation is a constant source of conflict as well. Russia criticises the OSCE for being transformed into a one-sided instrument of political control by the US and its allies. The CIS, under Russian guidance, has itself conducted election monitoring missions in recent years, the results of which have directly opposed those of the OSCE. EU states, on the other hand, withstand Russian suggestions for institutional reforms which would fundamentally change the structure and mission of the organisation. At least in the case of the OSCE, it is therefore difficult to discover “effective multilateralism” in EU-Russia cooperation.

Neither has there been much progress in cooperation in the fight against terrorism, or in non-proliferation and disarmament. In both fields, Russian policy is more focused on the US. After 9/11 and Russia’s joining of the International Alliance Against Terror, which brought about a close association with the U.S., the EU became sidelined and from a Russian perspective lost much of its already limited significance as an actor in this field. This was strengthened by the fact that the EU (as an organisation) was not able to find a common position concerning the war in Iraq, which was vehemently opposed by both Russia and some (larger) EU members while supported by others. All this encouraged Russia to refocus its policy on bilateral security cooperation with countries like Germany and France.

Furthermore, European and Russian approaches towards combating terrorism differ in underlying ideas and principles. While the EU puts a strong emphasis on prevention and on the long-term elimination of the causes of terrorism (including socio-economic development in the countries of origin), the Russian approach is based more on reactive strategies and military measures. A similar gap between the dominant perceptions can be observed with regard to conceptualizing hard and soft security issues. While the EU considers soft security a central issue (in fact, many of its counter-terrorist measures are in this field), Russian security culture is still dominated by hard security thinking.

As for disarmament and non-proliferation, both sides are driven by diverging sets of priorities. Russia is most interested in restoring and modernising its rotting nuclear arsenals, and less engaged when it comes to the safe storage of highly enriched uranium and various international regimes and conventions concerning chemical, biological and other weapons. The EU, in contrast, highlights exactly those issues, while funding for securing Russia’s nuclear arsenal has mostly come from the U.S. (and Japan) – which, from a Russian perspective, makes Washington the key partner on the issue.

## **2. Security Cooperation in the Post-Soviet Space – a Non-issue**

Security cooperation in the “regions adjacent to the EU and Russian border”, which figures most prominently in the introduction to the Roadmap for the Common Space for External Security, is at the same time by far the most problematic and controversial issue between the partners. This has several reasons.

### *Institutional Arrangements.*

There are in principle three possibilities for cooperation in regional crisis management: Russia joining EU peace-keeping operations; the EU joining Russian peace-keeping operations; and Russo-EU joint operations. The first option has already been tested with Russia's participation in the EU's operation in Macedonia. However, difficulties might arise with future arrangements since the conditions put forward by the EU for participation of non-EU countries are very strict and do not allow for joint command structures. Taking into account Russia's growing insistence on being treated as an equal partner, it is very unlikely that Moscow will accept any asymmetrical arrangements in the future.

Another very important factor linked to internal developments in Russia is the question of interoperability and compatibility of military structures as well as strategies and cultural practices (transparency) prevailing in their approaches. Many observers state that close military cooperation with Russia in any possible field presupposes that Russia implements military reforms supporting efficiency and transparency in command structures. Hence, both sides have to internally reconsider preconditions and approaches towards cooperation in the field of crisis management in order to create conditions for joint operations.

The option of EU participation in Russian operations is regularly brought up by the Russian side in the debate about security cooperation. However, as outlined below, it contradicts Russian short-term interests in the frozen conflicts.

### *Diverging short-term interests concerning the "frozen conflicts".*

Although both Russia and the EU claim to be interested in stability and security in their "common neighbourhood", their concrete approaches to the "frozen conflicts" show that their short and medium term interests diverge widely. On the EU side, the conflicts themselves, as well as the political and societal developments in the separatist territories and the countries affected, are perceived as serious security threats. This perception has become stronger with the increased proximity of the conflicts to EU borders since the 2004 enlargement. For this reason, the EU evidences a strong interest in bringing a new dynamic to the stalled negotiation processes and shows cautious readiness to become more involved, if not in the formal negotiation formats, then in activities which could change the context of the conflicts.

The Russian approach is radically different, although Russia, too, is regularly affected by the negative consequences of the "frozen conflicts". At the same time, Russia's dominant position in the existing negotiation formats as well as its military presence in Transnistria and Georgia are seen in Moscow as (the last remaining?) instruments to influence and control its neighbours. This is the reason for Russia's resistance to any change of the negotiation formats, and hence to any further involvement of the EU. Up to now Russia has been unwilling to give up this leverage. This attitude is only enforced by the increasing presence of the EU in the region.

*Diverging long-term concepts of regional governance concerning the former Soviet space.*

On a more general level, growing tensions over developments in the former Soviet Union have increasingly challenged relations between Russia and the EU and obviously pose a risk to their partnership not only in security, but also in all other areas of cooperation.

Since 1999/2000, regional governance in the post-Soviet area has been subject to contradictory dynamics. The EU's eastward enlargement has also influenced the foreign policy orientations of the western and southern Newly Independent States. In the post-Soviet area, which Russia regards as its sphere of influence, the EU's importance as an actor has increased enormously. As a consequence, Russia and the EU are becoming competitors for influence in the region. In order to better understand this rivalry, it is necessary to have a closer look into the emergence and implementation of the EU's and Russia's policies towards the region.

*The EU's policy towards its Eastern neighbours.*

The EU's policy in the post-Soviet space has an important internal dimension, because it is closely bound up with the development of the Union's foreign and security policy instruments and represents an outcome of complex negotiating processes between EU institutions and member states.

The collapse of the Soviet system in 1989-91 forced the EU to adapt its foreign policy to new international realities. It quickly developed new instruments for its dealings with the states of the former Eastern Bloc and the successor states of the Soviet Union. Starting in 1994, the EU concluded association agreements in the form of the "Europe agreements" with the Central Eastern European states and offered them a clear membership option. In the subsequent accession processes, the Commission played a decisive role as compared to the member states, and ensured that there was a relatively coherent EU policy. The shaping of relations with the Newly Independent States on the territory of the former Soviet Union, by contrast, is to date largely in the hands of the European Council or the member states themselves. This gives particularly large scope for dichotomies between supranational and intergovernmental EU institutions as well as contradictions between national governments.

So far it has proved impossible to reach a consensus over an appropriate policy toward Russia and the region in general, with several distinct groupings having formed. Guided by their economic interests, especially concerning Russian energy supplies, the large member states of France, Germany, and Italy call for a pragmatic stance toward Russia despite the anti-democratic tendencies of recent years. Other states, such as Great Britain, advocate a considerably tougher policy emphasizing the need to promote democracy and human rights in Russia.

Furthermore, the EU expansion brought new actors to the negotiating tables of European foreign policy processes. The new member states' attitudes are determined by very specific historic experiences, perspectives, and preferences regarding Russia and the former Soviet Union. Particularly the Baltic States and Poland continue to regard Russia as a security threat. The foreign policy emphases and activities of the new members manifested themselves for the first time during the Orange Revolution in the Ukraine in 2004, when the EU – at the initiative of Poland and Lithuania – clearly backed the

democracy movement led by Viktor Yushchenko. After the change of leadership, Poland and the Baltic States supported Ukraine's membership ambitions. Developments in the run-up of the recent Russia-EU summit in Samara, i.e. the Polish veto banning the start of negotiations on the Partnership and Cooperation Agreements, and the Russo-Estonian conflict over a war monument, have again proven that the new member states do not only have their specific agenda vis-à-vis Russia, but are also able to promote it within the EU and, ultimately, to influence the outcome according to their interests.

Alongside these internal negotiating processes, which are closely intertwined with the expansion and deepening movements of European integration, the EU's policy also responds to external influences. Early in the 1990s, it found itself faced with twelve Newly Independent States on the territory of the former Soviet Union, all caught up in multidimensional transformation processes. Rather than following linear trajectories towards democracy, the transformation processes in the post-Soviet states have brought forth hybrid political systems that are characterized by elements of authoritarian rule, state dysfunctionality, corruption, and the blurring of the line between politics and business. At the same time as the political systems were drifting apart, the foreign policy orientations of the post-Soviet states also diverged. While the Ukraine and Georgia were looking for closer ties with the EU and NATO, other states were turning more strongly to Russia.

The EU developed its foreign policy instruments for and in this fragmented and fluctuating regional context. The result is a set of bilateral instruments that are refined to different degrees and not thoroughly coordinated with one another. They are often less the outcome of strategic policy planning than the consequence of internal intergovernmental negotiating processes, which can lead to unintended foreign policy effects. It is therefore impossible to speak of the EU as a coherent actor with a consistent policy toward Russia and the post-Soviet region.

The EU has, nonetheless, become more and more visible in the post-Soviet region over the past fifteen years. With the ENP, the EU has for three years been undertaking another, significantly broader attempt to shape its immediate neighbourhood in its own interests and to stabilize it as a "ring of friends" or "well-governed" states. Thus the ENP represents a shift from an Ostpolitik concentrating on Russia to an approach orchestrated for the whole region and at least implicitly challenging Russian dominance. With the voices of Poland and the Baltic States becoming more influential in decision-making processes in Brussels, the EU's policy towards Russia and the ENP countries is being supplemented by a geopolitical dimension which was missing before the enlargement.

#### *Russian policy towards the "Near Abroad".*

Russia's approach to the region has been readjusted under Vladimir Putin. Closely binding the NIS to Russia remained an important foreign policy goal, as in the 1990s, whereas the focus of Russian policy shifted more clearly to economic relations. At the same time, Moscow came up with a clear affirmation of cooperative relations with the EU, which was declared to be the most important modernization partner. These two central foreign policy goals have increasingly come into conflict with each other in recent years.

The shift in Russian foreign policy brought about changes with regard to integration processes in the post-Soviet region. Although the new Russian leadership rhetorically reinforced its commitment to the Commonwealth of Independent States (CIS), it simultaneously continued to create parallel structures and substructures that increasingly undermined the CIS. The two most important cooperation structures on which the integration policy of the Putin era is built are the Eurasian Economic Union and the Single Economic Space. Their development since 2000 also reflects the increasing integration rivalry between Russia and the EU in the post-Soviet region.

The Eurasian Economic Union (EEU) was founded in 2000 by Russia, Belarus, Kazakhstan, Kyrgyzstan, and Tajikistan. But from Moscow's perspective, the organization would not have the potential to become a new regional "integration core" without the Ukraine. For that reason, the Single Economic Space (SES) was called into being in September 2003 with Kyiv's participation. The Ukrainian side, however, agreed only with great reservations.

2003/2004 can be regarded as the heyday of the "new" Russian policy in the post-Soviet region. The Ukrainian presidential elections of November and December 2004, however, turned the tide. Previously, the Georgian "rose revolution" of November 2003 had already met with sharp criticism from Russia. But the abortive attempt to influence the outcome of the Ukrainian presidential elections in its favor and prevent the transfer of power from Leonid Kuchma and Viktor Yanukovich to Viktor Yushchenko heralded the diminishing of Russian influence in the western post-Soviet region and, at the same time, became the first open manifestation of Russia's growing competition with the expanded EU in the "shared neighbourhood."

The much more explicit pro-Western leanings of the new Ukrainian leadership under President Yushchenko quickly diminished the perspectives of the SES and the deeper integration of the Western CIS under Russian guidance in general. Since summer/fall 2005, Russian policy has reoriented toward Central Asia, for example in the guise of the reactivation of the EEU. Increased activity in the Shanghai Cooperation Organization (SCO) also represents an at least temporary shift in the balance in Central Asia and an increasing concentration of Russian policy on that region.

Russia has had to accept painful losses of influence in the western and southern NIS. Russian diplomacy's "reorientation" toward the Central Asia region is therefore largely reactive and a consequence of the Russian leadership's failure to translate the goals defined for the post-Soviet region into effective policies. Energy relationships and economic interdependencies as well as the "frozen conflicts" are being used increasingly repressively by Russia in order to bind its neighbours to itself.

The EU's eastern expansion has had repercussions on the post-Soviet region in several respects. By exporting its model of governance, the EU generated a contagious socialization effect among its new neighbours, which probably played no small role in the color revolutions in Ukraine and Georgia and in the domestic political transformation processes in Moldova. Additionally, for some of the NIS, the EU became a central foreign policy point of reference and a power resource in struggles against Russian hegemonic claims in the region. In this way these states drew the EU ever deeper into the post-Soviet region and turned it into a geopolitical factor in regional relations and in their dealings with Russia.

This is the background against which Russia-EU security cooperation in the “common neighbourhood” evolves. As in other areas of cooperation, there is a fundamental problem in the diverging, if not contradictory, concepts of regional governance, which are, for their part, closely linked to the identities of Russia and the EU as international actors.

### **3. Diverging Concepts of Regional Governance**

As an organization composed of 27 member states and supranational as well as intergovernmental institutions, the EU has a postmodern and, at the same time, hybrid identity. Common values of democracy, human rights, the rule of law and a market economy form the basis of internal integration processes as well as foreign policy. In its relations with non-members, the EU aims to communicate its basic values outwards and to support partner countries in adapting to them. Through the “Europeanization” of its neighbours, it aims to create a stable democratic and peaceful regional and international order. A central feature of the EU’s foreign policy consists, therefore, in transcending state borders and influencing domestic political, economic and societal developments.

At the same time, single member states follow their own foreign policy agenda, which might be motivated more by economic, security or geopolitical considerations. There are two ways for member states to pursue their individual foreign policy interests. They can bypass the EU and seek closer bilateral political or economic cooperation with third states, like Germany and recently Hungary did with Russia in the energy field. If governments choose this strategy, common values and their promotion usually do not play a very prominent role. Apart from that, member states have recourse to EU institutions and foreign policy instruments in order to pursue their individual interests and agendas. Poland and Lithuania chose this option when they urged the EU to support the “Orange Revolution” in Ukraine and the reform measures of the new Ukrainian government thereafter. This move was to a considerable degree motivated by the desire to improve their security through the democratization of their largest Eastern neighbour while, at the same time, pushing back Russian influence in the Western CIS.

Russian policy, by contrast, is characterized by the classical idea of competing zones of influence. Russia claims for itself the position of a dominant power in the former Soviet Union. The activities of external actors in this region are interpreted in terms of a zero sum game, undermining Russia’s position and inflicting damage on its national interests. The focus of Russian policy in the region has shifted to (profitable) economic relations within the past few years, and despite the fact that Russia has increasingly been trying to use soft power in order to keep the other NISs under its umbrella, it has time and again instrumentalized economic and energy interdependencies as well as the “frozen conflicts” in order to put pressure on “deviant” countries. In this realist Russian mindset, the EU’s claim to be Europeanizing adjacent states lacks legitimacy. What Brussels describes as support for internal and external stabilization is perceived in Moscow as an attempt to expand the EU’s leverage over the region – at Russia’s expense. Perceptions of regional governance develop against the background of realistic thinking in which state sovereignty is given a central importance. This is also reflected in the increasing reluctance of the Russian political elite to accept technical assistance and other efforts to promote democracy and good governance in Russia itself.

#### **4. Conclusion: A Common Neighbourhood?**

At this point in time, Russia's and the EU's perceptions of and approaches to the "common neighbourhood" are diametrically opposed, leading to misunderstandings and frictions. This prevents effective cooperation in security and other matters. The development of a joint approach or strategy which could make Ukraine, Moldova, Georgia, Armenia and Azerbaijan (maybe even Belarus) into a COMMON neighbourhood presupposes that both sides critically reconsider their approaches to regional governance. The EU should be aware of the fact that its policy can have geopolitical elements and implications, which might not be intentional but can be perceived as a potential threat by Russia. Russia, for its part, must abandon its outdated zero sum thinking which on principle excludes a cooperative approach to the region. Both sides need to open up to a frank dialogue on regional cooperation and integration, which is a necessary precondition for a deepening of their partnership.

## **The Baltic States and the EU's Russia Policy**

*Iris Kempe*\*

The relocation of the “Bronze Soldier” from central Tallinn to a military cemetery only days before the May 9<sup>th</sup> observation of Victory Day and the difficult nature of Russian–Baltic relations contributed to the difficult atmosphere of the EU–Russia summit in Samara on May 18<sup>th</sup>, 2007. EU-membership and a changing neighbourhood are affecting the relations of Russia with the Baltic states and vice versa. This article examines the role of the Baltics in the future of the new European Eastern Policy proposed by the German presidency. It will sketch out three common challenges the European Union and Russia face in this context – the future of the common neighbourhood, energy policy and a new common framework – and attempt to show the direction towards which Baltic-Russian relations might nudge their development.

### **1. Russia and the Baltics: A New Fast Lane on the Rocky Road to Cooperation?**

When the Baltic states joined the European Union in 2004, hopes were raised that their relations with Russia would improve. EU membership has, however, proved unable to solve the legacies of a difficult past. The experience of the Soviet occupation has become an integral part of Baltic identity and has led to numerous obstacles for cooperation. In 2005, Estonian president Arnold Rüütel and Lithuanian president Valdas Adamkus turned down the Kremlin's invitation to visit Moscow on 9 May for celebrations of the 60th anniversary of the defeat of Nazi Germany. Only Latvian president Vike-Freiberga attended the event. The controversy over the “Bronze Soldier” in Tallinn sparked riots, an Estonian Embassy blockade, internet hacking and calls for a boycott of Estonian goods or for severing diplomatic relations. This is a prime example of the conflicting interpretations of the past: many Estonians see the monument as a symbol of oppression, while Russia and many in Estonia's Russian-speaking population value it as a symbol of the victory over fascism. Rather than play out in an international vacuum, the incident spilled over to the European level. Chancellor Angela Merkel of the German EU presidency called on Estonian Prime Minister Andrus Ansip and Russian President Vladimir Putin to hold direct talks. The European Commission issued a statement calling on Russia to guarantee the safety of Estonian diplomats on its territory while Sergei Lavrov, Russia's foreign minister, accused NATO and the EU of “conniving” with Estonia.

The Baltic States are beginning to look to the European Union like a platform for their issues with Russia. The playing field is gradually changing. The Baltic input into the European Union might not always lead to EU policies to Russia's liking. At the same time, however, neither Russia nor the EU can allow critical issues, such as the common neighbourhood or energy policies, to be neglected.

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\* Research Fellow, Center for Applied Policy Research, Munich, Germany.

## **Shaping the common neighbourhood**

The enlargement of 2004 turned over a new page for the EU as an actor in Eastern Europe. It is now a direct neighbour to a region once considered Moscow's "backyard". The NATO and EU accession of the states formerly in its sphere of influence have led Russia to experience a historical retreat over the past decade and a half, which it does not wish to see continued. This can be seen in the current row over American missile defence in Eastern Europe.

Until the "colour revolutions" in Georgia and the Ukraine, Russia had been able to sustain networks of loyal decision-makers in these countries to influence political and economic decisions, guaranteeing participation in Russia's attempts to initiate deeper economic integration with its neighbours in Eastern Europe. After the colour revolutions, the governments in the Ukraine and Georgia turned to the EU, NATO and the United States, in a painful reminder of how the Baltic states and former Warsaw pact members shifted their entire policy westward after the Cold War. To sustain its influence, Russia resorted to its position as a supplier of energy resources. Since 2004 it has been adapting the oil and gas supply to Eastern Europe and the Caucasus to a world market level. Observers point out that pipeline closures as a reaction to price rises or technical supply difficulties seem often to coincide with domestic political developments considered unfavourable by the Russian administration. These moves have alarmed Europe and have damaged Russia's reputation.

Under the German presidency, the European Union has sought a new "Eastern Policy" in order to respond to its new position. The main policy tool to date has been the "European Neighbourhood Policy" (ENP) adopted in 2004. It attempts to promote stability by offering neighbouring states potential participation in the Union's "four freedoms" of movement of goods, persons, services and capital related to their state of transition. But it has not lived up to expectations, as it covers both the neighbouring countries in Eastern Europe and those of the Mediterranean, thereby disregarding the massive regional differences. It has not been able to react adequately to the Ukraine's Orange Revolution and has excluded Belarus as a "blank spot" from the European strategic framework, as it offers few incentives for large leaps in transition.

Regional politics in 2007 have changed since the Orange Revolution. The Ukraine's political opponents are at loggerheads again and Belarus has broken with Russia over oil and gas transit fees. The West and Russia seem to have run out of attractive options for integration in Eastern Europe, leaving the debate open for new ideas on how to shape Eastern Europe.

There is no consensus on which form a new European Eastern Policy should take, only that a new perspective is needed. The Baltic States advocate an approach aimed not at coordination with Russia, but rather as an instrument to counterbalance it via the integration of Eastern Europe into European and transatlantic structures. A Lithuanian paper from September 2006 picks up a German suggestion in distinguishing between "European Neighbours" and "Neighbours of Europe". The German foreign ministry would like to create an Eastern Policy established on both the pillars of strategic partnership with Russia and an "ENP Plus". The Baltics on the other hand argue that Europe must embrace the idea of eventual Ukrainian or Georgian EU-membership to hedge against Russian influence. This has pitted them against the views of some policy

makers in Western Europe which want to avoid a conflict between European democracy promotion and Russian security interests.

On the bilateral level, the Baltic States are already active in providing aid to Eastern European and Caucasian countries and point out the lack of a strategy to deal with Belarus. Latvia has defined Moldova and Georgia as target countries for development assistance. For Lithuania, regional proximity to Belarus has led to closer cooperation on the level of civil society. The European Humanities University, exiled from Minsk, has now been re-established in Vilnius.

The Baltic States have also promoted the development of regional cooperation. Riga, Vilnius and Tallinn are among the initiators of the Community of Democratic Choice based on the 2006 Borjomi declaration by Georgian President Saakashvili and Ukrainian President Yushchenko. A regional follow-up to the rainbow revolutions is meant to balance Russian influence.

### **3. Disentangling conflicting energy priorities**

Energy interdependency is a “focal point” where Baltic, Russian and European perspectives clash. Russia views its role as an energy supplier in Europe not only as an economic, but as a political one as well. State control over natural resources is also regarded as crucial to national security and as a means of exerting influence abroad. And thus, while Russia needs foreign investment to modernize its pipeline system and resource extraction, it is unwilling to sign the European Energy Charter, which would call for stronger competition, liberalization and organisational transparency.

Russia’s Gazprom holds numerous stakes in many EU gas suppliers, including stakes in Eesti Gaas, Latvija Gaze and Lietuvos Dujos. However, Gazprom, in which the Russian state holds a majority through direct and indirect shares, is still viewed with caution by European regulators and energy companies alike. The issue of free access to the European energy market is further complicated by Russia’s ambivalent treatment of Western investments in its own energy and resource sector. In the European Union, such developments have not gone unnoticed and the EU bemoans a lack of reciprocity in economic and energy relations.

There is, however no European consensus on energy security. The large economies of Western Europe, e.g. France, Great Britain and Germany, import large quantities of Russian gas and oil at high international standard prices. Russian energy, however, constitutes only a part of their imports. For the new members of Central and Eastern Europe, on the other hand, Russia still provides from 60 to 100 per cent of their gas imports, though in smaller quantities. In the Baltic States, Russia is the only significant supplier of gas. Western EU governments can perceive Russia as an additional source of diversification for energy imports and view the large amounts paid to Russia as a guarantee for its reliability; they can afford to secure their supplies through bilateral treaties with Russia. Central and Eastern European governments, on the other hand, call for a unified European energy strategy. The most explicit example has been the Polish government’s call for an “energy-NATO”.

The Baltics are among the EU members that have had the most difficulties with Russian energy supplies. An example demonstrates how EU-membership might be incrementally strengthening their position vis-à-vis Russia. Lithuania blamed Russia for deliberately

stopping the flow of oil to its largest refinery (and provider of 14 percent of Lithuanian GDP) Mazeikiu Nafta in 2006 after Polish PKN Orlen won a tender over Mazeikiu, leaving Russian companies behind – though Russia gave technical reasons for the cut-off. The case of Mazeikiu Nafta might well be included in the EU's Russia agenda at the highest level after the European Commission President Baroso acted on Lithuania's threat to become "a second Poland" for the PCA renegotiations.

There are signs that the structural closeness between Russia and the Baltics might weigh in more strongly than the difficulties between them in the long term. This is best illustrated by recent developments concerning the Northern European Gas Pipeline (NEGP). Because the project circumvents the Baltic States to connect the Russian city of Vyborg with Greifswald in Germany, it has been considered a violation of economic and geo-strategic interests particularly in Lithuania and Poland. The new pipeline offers Russia, at least in theory, the possibility of cutting off gas deliveries to the Baltic States and Poland, while continuing to supply Western Europe. However, Russia's tangle with Belarus might have reshuffled the cards. Latvia has recently voiced an interest in joining the pipeline, possibly with gas storage facilities that would connect to the NEGP. Gazprom has signalled interest in setting up a natural gas storage facility in Latvia after Latvia and Russia successfully signed a border treaty. With Russia's resource-driven economic boom, the Baltics do have an interest in improving conditions for mutual market access and avoiding discriminatory measures in taxation, transportation and the energy sector.

#### **4. Establishing a new framework**

Both the Finnish EU presidency during the second term of 2006 and the succeeding German presidency announced their aim to renegotiate the Partnership and Cooperation Agreement (PCA) between the EU and Russia, which expires at the end of 2007. Though it is automatically extended every year as long as none of the partners withdraws from the treaty, the international and domestic political environment has dramatically changed since the PCA was signed in 1994 (with a ratification process completed by 1997). The search for a new framework is bound to lead to a heated debate during the ratification process, circling the issues of "common values" and energy. It is also likely to provide a stage for the Baltic States and Central and East European countries to criticise Russian shortcomings in implementing democratic values as well as Moscow's tendency to pursue hegemonic external relations. As PCA negotiations have already been vetoed by Poland, allowing the conflict over the Tallinn memorial to go too far might encourage Estonia and other countries to take a similar stance on negotiations with Russia.

In its current form the PCA regards Russia as a transition state en route to a free market economy. Russia would like a new framework to treat it and the EU as equal partners, with Russia being accepted as a market economy. It should also address more directly the Russian interest in a visa-free regime or in minimal standards for visas for Russian citizens travelling to the EU, as well as closer economic and technological cooperation. The current framework between Russia and Europe is proclaimed to be based on "common values" such as democracy, free market principles and the rule of law. From the Western perspective these are regarded as a shared basis for cooperation that, albeit not perfectly developed under Yeltsin, would strengthen with increasing integration into the EU's economy and financial and technical assistance. "Common values" are seen by

Russia as an instrument to pressure the country into changing its domestic policies. Russia is not opposed to declarations of joint values, but does not wish them to be accompanied by a conditionality principle. As Russia is oriented in many ways towards Europe, a framework lacking common values would be received with at least as much disappointment as a conditionality catalogue aimed at influencing Russia's domestic trajectory.

The Baltics want a common and critical EU-policy towards Russia. Latvia has expressed its support for a new PCA, while simultaneously voicing understanding for the Polish veto. Lithuania has taken a similar position to the Poles in vetoing the PCA mandate. Estonia stated that it wished to contribute to developing a strategic partnership between the EU and Russia during the German presidency, based on common values. The Baltics have the most to lose in the long term if the framework and the PCA remain as they are. The documents were negotiated before these countries joined the EU, which would leave in place an agreement to which they have never brought input. In this case, EU-Russian relations would be undermined by bilateral agreements marginalizing Estonia, Latvia and Lithuania. Calls for conditionality in adherence to democratic and human rights norms are stronger in the Baltic States than in many Western European EU countries and might form part of an initial demand from a new policy framework. The result might be something slightly different, as the inner-EU ratification process would provide a lever in Baltic bilateral relations with Russia and could potentially contribute to the eventual resolution of a number of open issues, which have been hindered by the complicated character of political relationships. Hence, a renegotiated PCA may provide stimulus for the "normalization" and "economization" of Russia-Baltic interaction. The key to success lies with both Russia and the Baltic States. If they wish to realize their potential, they will have to let historical issues play less of a role in their relations.

## **5. Conclusions**

Current Estonian-Russian relations show how much damage can result from a refusal to leave historic issues out of day-to-day politics, at both the bilateral and European level. The Baltic States' relations with Russia have become an important factor in the search for a new EU Eastern Policy that can cope with an ever-changing neighbourhood. The Baltic approach has to date been to counterbalance Russia. The role which Russia will play in an Eastern Policy thus depends on its relations with EU-member states, not least with its Baltic neighbours.

In the intense field of energy relations, hopes of reciprocal free market relations with Russia have not yielded fruit, in part due to an inner EU-split which has pitted large, wealthy members, which are less reliant on Russian energy, against the new member states. The Baltic States retain the most troubled energy relations with Russia. However, the EU may have begun to serve as a platform for the energy concerns of its Baltic members. This development could allow Russia and the Baltic States to better realize the economic potential offered by the proximity of growing markets.

Finally, in the search for a new EU-Russia framework, it is particularly the issues of conditionality, common values and energy that will lead to heated debate. Though the Baltic States currently take a strong stance on all three of these fields, they are among those states that would suffer most from any failure and so might settle for a more

pragmatic, economy-focused treaty. If this positive indication is to be realized, both the Baltic States and Russia will have to reduce the influence that historical issues have on their bilateral policies.

## **Overhauling and Upgrading the PCA: A Political Perspective**

*Mark L. Entin\**

The Partnership and Cooperation Agreement (PCA) between the Russian Federation and the European communities and their member states constitutes the legal basis for their relations. It provides the foundation for the establishment of institutions and for cooperation. The PCA specifies areas of such cooperation and establishes the trade regime, as well as that for launching businesses in Russia and the EU countries. It establishes the principle of nondiscrimination of parties and of their citizens, employees and economic operators.

However, this document is only the first step in setting up mutually beneficial cooperation and partnership. To be put into practice, it needs to be reinforced by the strong political will to move forward, to consider the other party's interests, and to proceed from what unites the parties, rather than what separates them. It is also necessary to opt for a definite pattern of social, economic and political evolution, and to develop a specific culture of cooperation, of readiness to compromise and of dispute and conflict resolution. Mutual respect and trust are essential.

Building a comfortable home for mutually beneficial cooperation and partnership has been a failure from the time the PCA was signed on the island of Corfu in 1994 and came into force in 1997 until now. Instead, the home has become shabby and warped, which can hardly suit either party. Both Moscow and Brussels continue to shape their inner and outer space separately from each other, following different approaches. Hence the endless succession of frictions, low-intensity crises, misunderstanding, and mutual suspicion. The declared goal of forming of a number of common spaces has produced little change in the state of affairs.

The agreement's initial 10-year term expires in 2007. Having been persuaded by Russia, Brussels has acknowledged that the mere prolongation of the PCA will not solve the problem. Fundamentally out-dated, the latter no longer meets the evolving requirements for the legal regulation of the relations between the parties, and of their cooperation on international issues. It no longer captures changes that have affected both Russia and the EU over the past ten years.

A new agreement, which can be conventionally referred to as the PCA-2<sup>3</sup>, offers Moscow and Brussels an opportunity to considerably change the character of their partnership and cooperation, to lay out a course for their development for years to come, and to elaborate a reasonably detailed vision of a Greater Europe. This opportunity must not be missed. Everything that is useful, efficient and promising in the PCA and Russia-EU cooperation experience should be taken, leaving aside all that is already out-of-date and does not work. It is essential that new effective cooperation mechanisms be created, and logistic and procedural practices be conformed.

Today the need for a new agreement is no longer disputed. The question is rather what kind of an agreement do Russia and the EU require? What can help or interfere with its

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\* Director of the Institute of European Law, European College at the MGIMO-University, Moscow

<sup>3</sup> It is often also referred to as a new Basic Agreement, or a Strategic Partnership Treaty.

conclusion? What are the objective interests of the parties and how can PCA-2 fit into the system regulating relations between Moscow and the rest of Europe?

These are the questions on which this contribution concentrates. It begins, however, by recalling the 2007 problem and the arguments which were offered in support of different solutions to that problem.

### **1. The 2007 problem: a divergence of views**

Since the signing of the PCA, Russia and the EU have been confronted with a number of problems in their relations. They have also gained a great deal of positive experience. The expiration of the agreement provides a good opportunity to draw certain conclusions, to look into the future and to elaborate on proposals aimed at upgrading the legal basis underlying bilateral relations. In consideration of all the circumstances, the Russian leadership raised the issue of resolving the 2007 problem already several years ago.

The PCA has accomplished its historic mission by facilitating a smooth transition from confrontation to cooperation and partnership in relations between Russia and the EU. Although the time period has been relatively brief, in terms of historical process it may equal a whole epoch. The situation in Russia has drastically changed, with substantial improvement in its international performance. The European Union has become different too. Its membership has doubled, and the integration of its member states has been taken to a new level. The current volume of cooperation between Russia and the EU cannot be compared to that of the 1990s. This leads to the conclusion that the PCA has become hopelessly obsolete.

The agreement is outdated, in the first place. That is why it was quite reasonable for the Russian party to raise the issue of the 2007 problem well in advance. For quite some time, the European Commission and the member states hesitated. They argued that the balance sheet of positive and negative features in the PCA suggested that further extension of the agreement in its present form would be a better solution. However, Moscow has been able to convince its partners that its approach was appropriate.

From 2005 to 2007, different proposals were put forward suggesting different solutions to the 2007 problem. Their discussion has resulted in a complex agreement, although multiple concepts are still subject to debate. Several major approaches to solving the problem are singled out below.

Some experts continue to argue in favour of maintaining the status quo. They claim that the current PCA is highly flexible and hinders neither expansion into new areas of cooperation, nor steps to upgrade the mechanism for cooperation. The actual overhaul and adjustment of the PCA already occurs spontaneously. The essential issue is that the PCA reflects an “ideal” vision of the partnership between Russia and the EU. It allegedly contains the maximum of what Moscow and Brussels can expect. Therefore, any adjustments to the PCA should be put aside, as sufficient doubt exists as to whether new negotiations will be able to bring about better results.

A number of the experts are opposed to shaping the strategic partnership between Russia and the EU in a legally binding form. They argue that strengthening the legal foundation of their interaction lacks political and economic preconditions. The relationship between Russia and the EU is burdened with numerous divergent disputes. Moreover, Russia has

not yet acceded to the WTO. Thus, they argue, it is worthwhile waiting until the EU's constitutional crisis and the parliamentary and presidential elections in Russia are over, thus paving the way for the consideration of a new binding agreement. In the meantime, it would be sufficient to adopt a political declaration while cooperation in specific areas could be regulated by a series of sectoral agreements.

Prospective proposals for upgrading the PCA were submitted by a working group of the "Russia in the United Europe" Committee<sup>4</sup>. It suggested preserving all that is positive in the current agreement while introducing required amendments and additions through an additional agreement. This approach would help avoid the creation of a legal vacuum in regulating relations between Russia and the EU while at the same time allowing unimpeded cooperation beyond any time constraints.

One of the alternatives proposed by the group foresaw the establishment of an association between Russia and the EU. However, for political and practical reasons, this idea was dropped. Whereas Russia proceeded on the basis of a classical concept of association in international law, the European Commission was only prepared to discuss this concept based on its own practice of concluding agreements on association. This did not satisfy Moscow.

In the course of bilateral consultations from autumn 2005 to spring 2006, the parties agreed to formulate a common understanding of the need for a new agreement. Moscow and Brussels concluded that this would help to correct the shortcomings of the current PCA and raise bilateral relations to a new level. They agreed that the new agreement should be legally binding, since a political declaration would not ensure the implementation of agreed rules by recourse to appropriate legal procedures and mechanisms.

The new agreement was to include a description of the upgraded mechanism for regulating the partnership, legal fundamentals and methods for developing the four common spaces and, inter alia, a substantial section on political cooperation.

The parties dropped the initially considered idea of signing a framework agreement. In raising the concept of a framework agreement, the negotiators meant a document to be supplemented with a number of sectoral agreements and not its legal nature. They changed their minds after having been prompted by lawyers who had warned that this confusion of terms could result in the European Court of Justice as well as national courts of all levels being unable to apply important provisions of a future agreement which did not establish direct norms to become Law in Russia, the EU and its member states.

## **2. Objective conditions for a rapprochement**

The rationale of raising the 2007 problem and the approaches suggested to for resolving it have predetermined the major requirements for the PCA-2. Concluding the new agreement will only make sense provided it differs considerably from the current one. In order to be better, and not worse, it must meet at least the following conditions.

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<sup>4</sup> Conception of the Modernization of the Partnership and Cooperation Agreement between Russia and the EU (in Russian). – Moscow: Committee "Russia in the United Europe", 2005.

The PCA-2 must be a working agreement. While preparing it, the parties should avoid using general and empty words. It must establish clearly spelled-out obligations and legal regimes. The bodies in charge of partnership governance must be authorized to work out regulations to further develop the original obligations and legal regimes. Each party must be empowered to trigger mechanisms of settling disputes and differences which may arise while interpreting and applying the agreement. Decisions made in the course of settling disputes shall be mandatory, preferably to the same degree as national ones.

The PCA-2 must include direct norms, upon which basis subjects of Russian and EU law, individuals and legal entities can directly build legal relations. These norms must reinforce the rights of private persons and organizations in such a form that their realization does not depend on enacting measures for their implementation. Direct norms must have the broadest application. They should be designed to regulate most aspects of cross-border movement of goods, labor force, services and capital as well as the residence and activities of private persons and organizations abroad.

The agreement should be permeated with the idea of equal cooperation among Russia, the EU and its member states, ruling out any one-sided or discriminatory measures. The bodies governing the partnership shall be established on parity principles. The same principles shall apply to decision-making mechanisms and procedures as well as to the oversight over the implementation of the adopted decisions.

The PCA's institutional, normative and programmatic provisions should be integrational by nature, the integration being both a major goal of cooperation and partnership and an instrument for attaining other tasks set by the agreement, such as ensuring political stability and security, economic prosperity, rising wealth, increasing global competitiveness and others. The agreement should elaborate on the timetable for transition from the existing legal regimes regulating cooperation towards enhanced regimes regulating the operation of a single market within the entire European Continent.

The subject-matter of the PCA-2 should be formulated as generally as possible. In fact, the agreement should be truly universal since, indeed, the EU today is an integrating union with the universal competence to deal with all the affairs of its member states. One of the ways to give the agreement a universal nature is to include all areas of cooperation enumerated in the current PCA and in the "road maps". This may seem sufficient at first glance, but just at first. The parties trying to cover the entire list of cooperation areas will soon realize that gaps remain. Moreover, life goes on and the near future may witness new directions of cooperation that are not obvious at present. Therefore, this list should be supplemented with a general statement that the new agreement's provisions apply to all cases of bilateral relations.

Flexibility and viability shall distinguish the PCA-2. This is the only way to render the Russia-EU strategic partnership sufficiently dynamic. With Moscow and Brussels just entering the process of rapprochement and closer cooperation, the new agreement is designed to give a powerful impetus to the development of a strategic partnership and to provide a favorable political and legal framework for it. Therefore, the PCA-2 should, at a minimum, avoid interference with new forms, methods, procedures and practices of cooperation, and, even better, should simplify their application. To this end the bodies governing the partnership shall be authorized to revise, supplement and improve the agreement without using the cumbersome procedure of ratifying amendments and additions. The same authorization should be provided for dealing with issues related to

the schedule of transition from the current legal regime to others, in order to form common spaces within the continent and to anchor the basic freedoms of a common market.

The PCA-2 should be a binding agreement fixing the objective interests of Russia and the EU in their strategic partnership and rapprochement. It should appropriately reflect and shape the political and legal conditions for the steady and effective realization of existing potential.

In the heat of debate, politicians and experts tend to forget the objective interest in the closest cooperation between Russia and the EU, although this interest is quite obvious.

Russia and the EU are not two opposing civilizations lacking a dialogue. The people of Russia, together with its outstanding personalities, have contributed significantly to the making of European civilization. Russia and the EU member states are bound together by common culture, traditions and history. The integrational possibilities of the rapprochement of the two halves of our continent manifest the enormous cultural diversity and richness of European civilization.

Both Russia and other European countries are confronted with similar problems in their internal development, such as eliminating the gap between the rich and the poor, reforming social security systems – including the provision of pensions and health care, fighting extremism, religious fanaticism and separatism, regulation of migration, etc. Joint efforts and common experience will help to manage these problems.

Russia and the EU have yet to adequately respond to mounting global challenges. Weapons of mass destruction as well as nuclear and missile technologies are rapidly spreading throughout the world. Our climate is drastically affected by man-made factors. Humanity seems to be losing the war against international terrorism, drugs trafficking, organized crime and corruption. The threat of vital resources exhaustion is becoming real. Development programs keep ‘slipping’ year after year. Global challenges must be addressed together.

The Russia-EU partnership is capable of producing a substantial synergetic effect in social and economic areas. Combining research and technological potential, lifting administrative barriers, progressing from elementary trade to complex production chains and intra-sectoral integration, efficiently utilizing natural resources – all this can turn Greater Europe into a prosperous continent with a solid competitive edge.

Russia and the EU have great prospects in the international sphere as well. Both Moscow and Brussels speak out for the strengthening of UN authority, and for respect for and observance of international law. The prevention of another arms race, the settlement of international conflicts, and the success of preventive diplomacy will largely depend on their cooperation.

These are all the advantages of cooperation. If it fails to develop, this will become a list of lost opportunities. Holding on to policies for Russia’s containment and isolation as well as to policies aimed at opposition toward the EU will only aggravate the above problems, increasing the unpredictability of global developments as well as the disproportions of the world order, which has been considerably destabilized over the past few years. The balance of the pros and cons of the strategic partnership seems obvious enough. Nonetheless, there are a lot of high-profile and influential people, both in Russia and the EU, who hold a different opinion.

### **3. Opposition to the New Agreement in the EU and Russia**

Warsaw's veto over the opening of negotiations on the new agreement can be interpreted differently. For Poland, it is an attempt at self-affirmation within the EU, a desire to solve its own problems at the expense of others and to exert pressure on Russia by internationalizing bilateral disputes. Deliberately or not, Warsaw has become a mouthpiece of those circles which fail to treat the strategic partnership with Russia presupposing equal relations and do not hesitate to damage the other party as an evident asset. This becomes clear considering the persistence with which Poland has blocked the negotiations and the EU's failure to adopt a mandate for the negotiations and to work out a common position.

A massive smear campaign against Russia's domestic and foreign policy in the European mass media reveals opposition to the Russia-EU partnership in the EU member states. Admittedly, the political realities in Russia and its political regime do create opportunities for criticism. However, objective criticism accompanied with an honest assessment of the progress achieved is different from painting everything black.

The political establishment of the EU and its member states accuses Putin of numerous mortal sins, such as eliminating the democratic achievements of the previous regime, nationalizing the economy and turning it into a monoculture based on the export of energy resources, and using the latter as an instrument for political pressure. He is also blamed for pursuing an imperialistic policy toward neighbouring states, and for taking a hard line on certain international issues, to mention but a few points. All these accusations are based on subjective judgments rather than on facts. They reveal the intention to extract one-sided advantages or to treat Russia as an object of EU policy but not as an equal and influential partner in international relations.

Russia has made its choice. It has made its unique contribution to the assertion of democracy on the Continent at the turn of the 1980s and 1990s. It is unfair to ignore this. Russia is following and will continue to follow the democratic path. This was once again emphasized in the annual address of the President of the Russian Federation to the nation on April 25<sup>th</sup> 2007. Yet any advance along this path presupposes the parallel resolution of a wide range of current social and economic problems: doing away with poverty and the impoverishment of the population, developing the capability of the state to provide all – and not only government officials and businessmen – with a basic set of social guarantees, etc. Obtaining these goals in Russia's specific conditions requires the continuity of power and the consolidation of society. It should also be acknowledged that the system of government that arose in Russia shortly after it had acquired the status of an independent state is best described as a combination of the rule of oligarchy, anarchy, separatism, looting the state's resources, etc. Those who lament that these features of the young Russian government have disappeared today are either naïvely misled or are shedding crocodile tears.

Moreover, despite substantial speculation on the topic, there is no value gap between Russia and the EU countries. The absence of any gap is guaranteed by the congruity between the basic laws of Russia and the EU countries, their identical participation in a large package of respective international instruments and also the subordination of the

domestic legal order in Russia to strict international control<sup>5</sup>. Democratic Russia has never opposed common human values. The Cold War with its ideological confrontation is over. As far as human values are concerned, Moscow only insists on a few basic things.

Firstly, no one has a monopoly on the truth. The balance of values in every society constantly changes. Russia and the EU should therefore discuss these issues in a patient and unbiased manner. Secondly, the concept of values is much wider than it may seem. It also includes the moral state of a society, its care for the dispossessed and a lot more. Thirdly, there should be no taboo on discussing human values. No developments in the EU member states should be exempted from criticism or outside observation. The dialogue should concentrate not on Russia and its obligations, but on common problems and mutual understanding. Fourthly, none of the parties should take upon itself the role of judge. A mentor-like tone and baseless reproaches are also out of place. A joint discussion of complex problems presupposes a joint evaluation of both particular facts and events and of the general situation. Fifthly, the parties cannot remain indifferent to the informational background, often hostile, which accompanies the dialogue. Confrontational rhetoric must be softened. Opening the dialogue as widely as possible and engaging the wider public in discussing the issue of values in their modern interpretations would promote an atmosphere of better understanding. Sixthly, any agreement related to the discussion of values must refrain from any unilateral sanctions or other hostile actions.

Opinions may differ as to the policy of the current Russian government aimed at restoring the state's control over a number of industrial and services sectors. During the first years of independence, Russia's ruling elite made an attempt to relieve the government of its direct control over the economy, by assigning it the role of "night watchman" as defined in the classic economic theory of the 18<sup>th</sup> and 19<sup>th</sup> centuries. The attempt turned out to be a failure and its negative effects have not been overcome until now. Modern reality proved far removed from the classic theories. A modern government must have powerful levers to redistribute profits and to support a national manufacturer. Whenever private businesses fail to address the general problems of economic development facing the community, then the government must assist or even replace them. Moreover, mergers and the ascendance of market leaders are common international practice typical of both post-industrial states and emerging markets.

As to the dominance of the extraction and export of raw materials – primarily energy resources – in the Russian economy, it is perceived as a peril. This problem is the subject of intensive discussions and is the focus of political debate. As a result, the state has started to address the task of diversifying the economy, implementing industrial policy and national projects. It now gives priority to investing in human resources. All this became possible only after the economy had been more or less stabilized. However, at present the new economic policy can only rely on revenues from the export of energy resources and the growing purchasing power of the population.

Russia is dependent on the export of its oil and gas exactly in the same way that the EU countries depend on its import. Thus, even if energy exports are referred to as an "energy

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<sup>5</sup> The most important instrument of such control is the European Court for Human Rights, which is increasingly engaged in hearing thousands of individual petitions from the Russian Federation.

weapon”, it should be understood as a reciprocal one. Its abuse can be dangerous both for those it is directed against and those who resort to it. Discussions about the “energy weapon,” reminiscent of the 1973-1974 oil crisis, have already cost far too much both to Russia and the EU. The use of such phrases can be a no less destructive weapon than the energy resources themselves.

One of the common clichés is Russia’s alleged imperial policy. This is regularly used by those who seek to advance their own interests in the countries neighbouring Russia. Sharing numerous historical, cultural and economic ties with these countries, Russia has never denied having essential interests in them and is not going to move out simply because someone objects to its presence or because it can be accused of “imperial ambitions”.

The set of stereotypes and clichés about modern Russia circulating in the EU countries distorts rather than explains the developments unfolding in the country. These developments cannot be interpreted in a simple way. They reveal different directions, and advances may often be accompanied by retreats. Much is accomplished more slowly and less effectively than desired. However, the accusations made against Russia are not quite correct. They are based on one-sided, biased and subjective judgments which distort the proper assessment of the reality, needs and interests of Russia and the EU.

Yet those clichés and stereotypes are deliberately used and released by a number of countries for political reasons. Since its recent enlargement, the EU has become extremely heterogeneous. In the past, the European Union was confronted with problems of defining its identity and shaping its Common Foreign and Security Policy. However, never before could the position of one country or an absolute minority of countries have such a destructive effect on the CFSP. With regard to Russia, different EU countries pursue almost opposite policies. The above-mentioned clichés and stereotypes – which do not reflect the real needs for the development of Russia-EU relations – regrettably become instrumental in the struggle for influence and the redistribution of financial flows within the EU.

The end of the Cold War offered unique opportunities for the close interaction of former adversaries on the international arena. Mutual containment policies as well as ideological confrontation could no longer interfere. It is only to be regretted that Russia and the EU failed to take up the opportunity. To deny the existence of such opportunities now or to claim that they have diminished means an even greater setback for international cooperation, which is not in the interests of either party. Nor is it in the interests of the strategic partnership between them.

In Russia, there are also influential groups opposing the idea of a strategic partnership agreement with the EU. Their arguments mirror those stereotypes that are rooted in the public opinion of the EU countries. This time it is the EU that is demonized and viewed with bias.

Many politicians and experts in Russia accuse the EU of applying double standards, double-dealing, pursuing an anti-Russian policy or taking a hard-line course toward Russia. They argue that the EU pursues its own mercantile interests by fair means or

foul<sup>6</sup>. The issue of common value, they claim, is raised in order to weaken Russia's competitive advantages, and to separate it from the states and nations with which it is historically linked. Moreover, the EU, in their opinion, cannot be Russia's reliable and predictable partner because it is gripped by acute inner crisis. They claim the EU is being manipulated by new member states with different interests and incompatible approaches to the EU's core problem, which is to delegate national sovereignty to supranational institutions. The EU countries, they argue, are facing mounting social, economic, cultural, and demographic problems. They see a manifestation of this trend in the failure of EU-constitutional referenda in France and the Netherlands. Thus they conclude that the EU is unable to engage in any strategic partnership with Russia, as it is fully absorbed by internal problems. Another argument goes that the EU is losing the global competition to the US and the "young tigers" of East Asia, lagging behind in economic growth and structural reforms. The loss of competitiveness raises the question of the viability of Europe's social model and its possible partial revision, which to some extent has already begun. They conclude by asserting that there is no future for a partnership with the EU, which is an insincere, unreliable and weakening entity, whereas Russia has more attractive alternatives of setting up closer relations with other regions, pursuing an equidistant policy with all existing blocks and/or following its own unique path.

As with the clichés in circulation in the EU, those circulating in Russia are also only partially true. It is natural that the EU is tough and consistent in pursuing its interests and the interests of its member states. However, it is groundless to accuse the EU of ignoring the concepts of international law, rule of law, pluralistic democracy, respect for human rights and cultural diversity. The EU proceeds on the basis that adherence to these principles ensures the peace and prosperity of its member states and can equally benefit neighbouring countries. Thus the accusations of double-dealing could be avoided if both Russia and the EU had learned to benefit jointly from the implementation of these principles without seeking to manipulate them.

The laments about the EU's inner crisis and the loss of competitiveness of its member states are also far from reality. No doubt it will take time for the EU to learn to work efficiently with almost 30 members. But these are temporary difficulties. The EU has a rich experience in overcoming crises, as well as relevant mechanisms and a powerful political culture. The EU remains the world's largest financial and economic centre. It has entered post-industrial society. Higher growth rates in other regions are largely due to the activities of European transnational companies. Europe is developing in a much more harmonious way than other regions. There is no reason to worry about its fate.

Finally, it will be an obvious mistake to contrast Russia's Asian policy with its partnership with the EU. It is wrong to believe that an East-oriented policy will bring Russia more benefits, predictability, and better prospects. Today the amount of trade and economic interaction between Russia and East Asia lags far behind the cooperation of Russia with the EU. Russia and Asia are competitors on the raw materials markets. Besides, the East-Asian countries can't compete with the EU as far as Russian imports of technologies and hi-tech products are concerned. The economies of Russia and East Asia are hardly complementary. And the Asian markets are already divided, so that Russian

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<sup>6</sup> See, for example: Dmitrii Suslov, *The Mid-Life Crisis: The European Union does not know where to go next* (in Russian). Available at <http://www.mn.ru/issue.php?2007-13-20>, April 6, 2007.

companies will have to enter each of them, taking high risks if they apply one-sided policies.

The possibility of a convergence between Russia and Central and East Asia is even more disputable from a cultural and political perspective. Russia is a European state in its traditions, mentality and political preferences. Russia's orientation to the European social, economic and political model conforms with the interests of its people, including political elite. Russia is unlikely to gain from focusing on its Asian neighbours. The assumption that they would cooperate with Russia at the expense of the West is a mere illusion.

The least convincing approach is self-isolation and the concept of Russia's own unique path. The Russian Empire once made an attempt to divert from the mainstream in the early 20<sup>th</sup> century. Repeating this mistake now, from a much less favorable departure point, will bring the country to a dead end. "The third way" has no hope of ensuring harmonious inner development, national revival or independence in international relations.

The above shows that the EU is a natural partner for Russia. A new strategic partnership agreement would express this fact.

#### **4. Basic Constituent Features of the PCA-2**

Russia and the EU have reached only a general consensus to conclude a new agreement. Only a few details have been sorted out so far. The new document is supposed to build upon the PCA provisions, to be binding and to include new areas of cooperation. It will incorporate the work done on the basis of the "road maps" to lead to the formation of common spaces. With Russia's forthcoming WTO accession, the new agreement will not have to reiterate its provisions. More space will be given to the sections dealing with political cooperation and institutional arrangements. In devising the new agreement, both parties will focus on the most general and essential issues, whereas specific legal regimes and sectoral cooperation will be the subject of separate agreements.

The Russian delegation headed by the permanent representative at the EU has received preliminary instructions from the government. These provide, in particular, that the agreement should include, apart from a preamble, sections devoted to each of the common spaces and to institutional issues. The forthcoming negotiations are supposed to determine how specific the new agreement must be, how the general legal regimes will relate to sectoral agreements, which asymmetrical obligations and transitional regimes shall be provided, and what will be the time frame for the implementation of measures for approximation, harmonization and unification.

It is desirable that the PCA-2 should establish as detailed norms as possible. That would increase the legal certainty of our relations. However, too many details can make the agreement too complex and technical. What is needed is a reasonable balance: the description of the basic legal regimes, procedures and mechanisms should be supported by mechanisms ensuring their further development and implementation. This would provide civil servants, business communities and individuals with a clear idea of how and in what direction to carry out their work. The subject of the PCA-2 should not be only relations between Russia and the EU, but largely the formation of common spaces in the economy, internal and external security, science, culture and education. To this end, it

should include direct norms which, according to Article 15.3 of the Russian Constitution and the EU law, would become part of the internal legislation of both Russia and EU member states by being superior to the latter and subject to legal protection. These would then serve as grounds for initiating legal relations. The inclusion of such norms will turn the agreement into a real instrument of integration. The latter cannot be driven by political directives in a top-down manner. It can only result from private initiative taking advantage of the practical implementation of international agreements. If individuals and business communities gain the opportunity to claim their rights as established by the agreement in national courts, the integration between Russia and the EU will break through.

As to private persons, the new agreement should ban any discrimination against the citizens of Russia in contrast with citizens of the EU member states and vice versa. They should be offered ultimately identical civil, political, social, economic and cultural rights by applying the national legal regime as a basis for regulating the legal status of immigrants from Russia and EU countries on their respective territories. Step by step this principle could be extended to labour migrants and to the participation of immigrants in the social, economic and political life of the society in which citizens of Russia and the EU choose to live and work.

The new agreement should help the business community resolve a number of interconnected problems. Russian companies – small, medium and large – are interested in gaining access to the EU's growing market free from discrimination. They should be exempted from the EU's current administrative restrictions, whether tacit or explicit. They would also benefit from the introduction of a national regime.

In the areas where Russia's internal market has achieved a higher level of liberalization than in the EU, Russian manufacturers are interested either in simply leveling the field, or in being compensated, or in receiving special state support. This interest can be met by either symmetrical and asymmetrical liberalization of markets. Moreover, in areas where partners in the EU enjoy unfair advantages, protective measures should be exempted from the general regime protecting fair competition.

It is necessary to introduce norms prohibiting any politically motivated restrictions on joint economic, industrial or financial projects which have nothing to do with protecting fair competition. It is also important to provide accessible and effective remedies to protect businesses from one-sided measures which deprive Russian entrepreneurs from traditional and/or natural competitive advantages. It is even more vital to formulate mechanisms to prevent unjustified restrictions on competition. At the same time it is clear that in a number of economic areas, Russian companies need protection and support during a transition period while they are getting up on their feet.

The Russian business community is looking to the new agreement as an instrument for integration and for increased opportunities for cooperation with partners in the EU. This implies that the PCA-2 should be built on the formula "WTO+", or "PCA+" providing for enhanced free trade and a gradual transition to common spaces with elements of a single market. The "WTO+" or "PCA+" formula boils down to ensuring liberty for the operations of European companies on the evolving common market irrespective of their national status.

Finally, the institutions governing the partnership may take different forms with greater or lesser involvement. They shall not be allowed, however, to work in vain. For this purpose, they should be explicitly tasked to serve the interests of individuals and businesses as well as to ensure the functioning of the common spaces.

## Summary of the discussions\*

*Andrei Zagorski\*\**

### 1. Russo-EU Relations at their Low Point

The dialogue between Russia and the European Union remains intense. It reveals progress in handling practical issues of cooperation, and in moving along the “road maps” approved in May 2005 in order to facilitate the formation of four “common spaces” – a common economic space, and those in the areas of inner and external security, science, and education and culture. The mutual agenda embraces issues that range from the facilitation of trade, energy dialogue, cooperation in technology and innovation through international security issues, such as the Middle East, the Iranian nuclear dossier, Iraq, Afghanistan, and Darfur. The 2006 visa facilitation and readmission agreements designed to facilitate the movement of people entered into force on June 1, 2007, paving the way for the launch of an advanced visa dialogue. In May 2007, Russia and the EU agreed on an early warning mechanism to apply to cases of eventual disruptions of energy supply to Europe – a lesson learnt from the interruptions of gas and oil supply in 2006 and 2007.

Both the EU and Russia continuously emphasize the intention to deepen and intensify their strategic partnership. This is supposed to be taken a step further in a new legal instrument to replace the Partnership and Cooperation Agreement (PCA). However, progress reports no longer spread enthusiasm, since the dialogue has entered a difficult period of stagnation. In May 2007, when the Presidents of Russia and the European Union met again in Samara (the Russian Federation), it was obvious that relations had reached their lowest point in the past 15 years.

Especially in Russia, this stagnation is often interpreted as a side-effect of the recent EU enlargement which, allegedly, has resulted in the importation of a great deal of anti-Russian sentiment. “For a long time, we were used to dealing with a relatively small group of states pursuing a pragmatic and balanced foreign policy line [...]. It was this logic which the EU had followed until 2004. [...] It turned out that some of the “newcomers” brought with them into the EU historic offences and complexes, a pattern of behaviour that is marked by the inability to compromise and the desire to issue ultimatums”, stated the Russian Foreign Minister Sergei Lavrov early in July, 2007. The pursuit of particular interests of those “newcomers”, according to Moscow, has so far blocked progress in Russo-EU relations.

The specific disputes between Russia, on the one hand, and Poland, Estonia and Lithuania on the other, are covered in this publication in the contribution by Iris Kempe. The ban on Polish meat from the Russian market from the autumn of 2005 gave Warsaw one more reason to veto the opening of negotiations on a new agreement with Russia. Lithuania was tempted to link the negotiations to the resumption of the oil supply terminated in August of 2006. Upon the escalation of the crisis in Russo-Estonian relations in May 2007, Tallinn joined the group of explicit Russia skeptics inside the

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\* While writing this summary, the author sought not to document the discussion of the Round Table but, rather, to put on paper what he has learnt from it – as well as to thank all participants for their invaluable contributions.

\*\* Leading Research Fellow, MGIMO-University, Moscow.

European Union. In this volume, Mark Entin elaborates on the effect of those disputes on the evolving partnership between Russia and the EU from Moscow's perspective.

At least partially, the proponents of a comprehensive engagement with Russia apparently echo the argument of Moscow. It would be unfair, however, to reduce the problem merely to the disputes Moscow is involved in with a number of individual member states of the European Union, including the Baltic States. There are numerous structural problems that continuously generate dissent between Russia and the EU.

Those issues include, *inter alia*, energy cooperation against the background of growing concerns with regard to the **reliability of the energy supply from Russia** and the significant dependence of the European markets in particular on Russian gas. Further concerns relate to discussions over the probability that Moscow may not hesitate to use its energy supply as a "political weapon" against those countries which heavily depend on it.

Russian **policy towards its neighbours**, particularly Ukraine, Georgia, Moldova, or even Belarus, is the subject of growing concern inside the European Union, especially against the background of the inclusion of most of those countries into the European Neighbourhood Policy (ENP) framework, and of the divergence of Russian and EU policies towards the neighbour countries, including the resolution of frozen conflicts in Georgia and Moldova. This issue is discussed in this publication by Sabine Fischer.

The increasingly authoritarian rule in Russia, as well as regression in developing democratic institutions and in establishing the rule of law, remain another area of controversy challenging the vision of a strategic partnership to be based on **common values**.

Nor is **external security cooperation** free from controversy. The dispute over the status of Kosovo and the impact of its eventual independence on Georgia and Moldova has clearly revealed the limits of engaging Russia on the basis of the concept of effective multilateralism as defined by the European Union. The debate over arms control, though not an immediate subject of common EU-policy, poisons the dialogue. The ongoing controversy over US plans to deploy ballistic missile defense components in the Czech Republic and Poland, and to establish bases in Bulgaria and Romania, as well as the decision of Moscow to suspend adherence to the CFE Treaty from December 2007, did not help to improve the atmosphere in Russo-EU relations.

**Russia-skepticism** is spreading not only in the Baltics and Poland but also in countries which adhere to an engagement policy towards Russia. There, too, the number of those questioning the wisdom of a strategic partnership and of a new agreement with Russia is growing. Moscow is losing friends in Europe.

Reciprocally, **Europe-skepticism** is spreading in Russia. A poll conducted by the Levada Centre of public opinion late in 2006 on behalf of the Brussels based EU-Russia Centre produced a shocking outcome<sup>7</sup>:

- 71% of Russians do not regard themselves as Europeans;

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<sup>7</sup> Russians do not consider themselves Europeans, are confused about democracy, seek greater protection by the law and are concerned about human rights.

Available at <http://www.eu-russiacentre.org/assets/files/14.02%20Levada.pdf>

- Almost half think that the EU is a potential threat to Russia and its financial and industrial independence;
- Only one third see Europe as a neighbour and partner worth developing a long-term relationship with;
- Half that number thinks that Europe sees Russia in the same way;
- Nearly half believe that there are many useful things to be taken from Western democracy and culture;
- Nearly one third think that Western-style democracy does not suit Russia.

Russian officials reciprocate the critique from the European Union by accusing it of pursuing a hostile policy aimed at weakening Russia's state and defense and at limiting its sovereignty in order to take control over the natural resources of the country (as stated by the deputy head of the Presidential Administration Vladislav Surkov).

Neither of those developments is conducive for a strategic partnership between Russia and the EU. They have yet to be digested in Moscow, Brussels and the EU member states. As suggested during the Vilnius meeting, for the time being, ***Russia and the European Union are merely confronted with the challenge of finding their way back to a constructive partnership, rather than of identifying what their strategic partnership may mean in a more distant future.***

The European Union must learn to accept and to deal with Russia as it is, having little leverage to make a difference. Moscow must learn that the level of its relations with the European Union is no longer defined by deals struck with the pro-Russian enthusiasts, such as Germany. They will also depend on the Russia critics within the European Union. There is little prospect for shaping a genuine constructive partnership with the EU without diffusing tensions and improving relations with Warsaw, Tallinn, Vilnius, or any other member state.

## **2. Energy**

While expected to constitute one of the important pillars of the partnership between Russia and the European Union, energy cooperation remains a highly controversial and politicized issue. The respective discussion is largely driven by diverging perspectives not only between Russia and the EU but also within the European Union itself. The politicization of the debate has been largely fueled over the past years by a number of developments which include, inter alia:

1. The faltering reputation of Russia and particularly of Gazprom as a reliable supplier of energy to the European Union. A series of related incidents has largely contributed to the formation of a negative image of Russia.

The gas war between Russia and the Ukraine in the winter of 2006 triggered concerns in Europe about the ability of Russia to effectively handle disputes with transit countries. These concerns were reinforced by the Russo-Belarusian dispute over energy cooperation in the winter of 2007, which resulted in the interruption of the oil supply for several days. Particularly in the Baltic region, the interruption of the oil supply to the Mazeikiu refinery since August 2006 has contributed to the increasing concerns in the region with regard to the reliability of Russia as a major energy supplier.

2. The increasing concerns that Russia might be willing, or at least capable of regarding energy reliance as a political instrument enabling it to influence the policies of selected European countries. Allegedly, Poland and the Baltic States in particular are designated as major targets for energy-political blackmail. It is not only the pressure Moscow has exerted on Ukraine and Belarus (or on Moldova, Georgia and Azerbaijan) by significantly raising gas prices, but also the Northern Stream pipeline project to bypass any transit lands particularly in the Baltic region that is often seen as a manifestation of politically motivated energy policy decisions in Moscow.

3. Not only the willingness but also the ability of Moscow to continue acting as a reliable energy supplier to Europe is questioned. These doubts manifest themselves in the discussion over whether or not Gazprom is going to be able to raise the volume of gas extracted and exported and whether its plans to start exporting gas to Asia and North America will be pursued at the expense of Europe.<sup>8</sup> The ability of Gazprom to live up to its export commitments will depend on its ability

- to attract sufficient investment to develop new gas fields;
- to maintain the growth of domestic gas consumption at a low level, and
- to ensure sufficient increase of Russian imports of gas from Central Asia.

This debate continues to fuel the discussion on the extent to which Europe can further rely on the energy and particularly the gas supply from Russia, or whether it would be better advised to accelerate the search for alternatives to substitute for critical imports.

The correctness of those arguments, which were well articulated at the Vilnius meeting particularly by the Polish and Lithuanian participants, is disputed by those who underline that the energy dependence between Europe and Russia is mutual, and that the actual problem is not how to reduce the energy supply from Russia (its share is supposed to decline in any case despite the increasing amount of gas to be received by Europe in the future) but, rather, that even an increased supply from Russia will not be able to match the growing needs of Europe. Even the optimistic Gazprom scenario implies that it will be unable to increase the supply to Europe by more than 100 billion cubic meters, and the European countries would still need to ensure an additional supply of some 300 billion cubic meters from other geographic areas.

The controversial discussion of energy cooperation highlights the sensitivity (both economic and political) of the issue. This is why it continues to poison the relationship between the European Union and Russia. The magnitude of the problem is often exaggerated due to the emotional nature of the debate. However, perceptions, even if not entirely correct or focused on a single aspect of the problem, do matter. The negative impact of the contemporary debate on the reputation of Russia and on its relations with the European Union can neither be neglected nor ignored. Political and practical steps are needed to go beyond this debate in order to ensure a continuous and constructive energy partnership between Russia and the European Union.

The participants of the Vilnius meeting were discussing solutions in developing market-based energy cooperation. The German EU presidency has also introduced an attempt to

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<sup>8</sup> For a very thoughtful analysis of these issues see: Roland Götz, *Energietransit von Russland durch die Ukraine und Belarus: Ein Risiko für die europäische Energiesicherheit?* SWP Studie S 38, Berlin, Dezember 2006.

overcome and to rationalize the debate by bringing together the concepts of climate and energy security. This approach is dealt with in this volume in the contribution by Martin Kremer. Nor is this approach obvious within the European Union. At the meeting it was largely criticized by Lithuanian and Polish colleagues as an attempt to divert the discussion away from the real concerns and problems they experience in their relations with Russia.

Appropriately addressing the monopoly position of Gazprom as a single exporter of gas and as an overwhelmingly dominant gas producer within the country is widely seen as one of the major issues (and obstacles) in advancing the market-based approach to energy cooperation.

### **3. External Security Cooperation**

Apart from the many practical issues of international security on the agenda of Russo-EU dialogue, such as the search for a negotiated solution to the Iranian nuclear dossier, the crises in the Middle East, the struggle against terrorism, the goal of nonproliferation or even the most controversial issue of the future status of Kosovo, the general discussion of those issues has recently focused on two areas. Firstly, there is the desire expressed by Moscow to upgrade the mechanism for political dialogue precisely on issues of external security. This desire partially matches the expectation of the Russia-enthusiasts who perceive Moscow as an indispensable partner of the European Union in international security. Russia-skeptics, however, are less inspired by the proposals to this effect put forward by Moscow.

Secondly, there is the desire expressed by the EU to work towards a greater convergence of policies with regard to their common neighbours in Eastern Europe and the Northern Caucasus. This convergence would serve the purpose of avoiding conflict and of achieving the maximum possible harmony between the ENP and Russia policies of the European Union. Here, again, there are differences in the prioritization within the EU, with the Baltic States and Poland emphasizing the primary importance of promoting democracy in Eastern Europe and the South Caucasus with or without the cooperation of Moscow. This policy preference is clearly spelled out in the contribution by Karin Jaani and is also represented in that by Andris Spruds.

1. One of the desires expressed by Moscow with a view to a new partnership agreement with the EU, probably even the most important motive for Moscow in seeking such an agreement, is the intention to ***upgrade the mechanism for political consultation on external security*** issues, allowing the European Union and Russia to engage in joint decision-making, inter alia, on crisis management. This desire springs from the main rationale seen by Moscow in renegotiating the basics of Russian-EU cooperation.

Russian authorities no longer see any practical utility or value added in the conditionality implicit in the current PCA, which links progress in partnership to progress achieved by Russia in building democratic institutions, strengthening the rule of law, solidifying respect for human rights, and implementing market reforms. With the new agreement, Moscow seeks to lay the foundation for a partnership of equals.

The upgraded mechanism for arriving at joint decisions and, eventually, joint action represents the centerpiece of Moscow's thinking on how the equal status of the two partners could be best manifested. The cornerstone of this desire is the proposal to establish a body similar to the Russia-NATO Council, which would include Russia and EU member states on an individual basis, and would be authorized to take "final and binding decisions", including on joint crisis management. Different formulas were put forward in order to give this idea a particular expression.

For some time, Moscow has favoured the establishment of a sort of Russia-EU Security Council. The first few meetings of the Russian Foreign minister with his counterparts from all EU member states, as well as the High Representative for the CFSP, were seen in Moscow as a step in that direction. Although the European Union has not yet formally rejected this idea, it does not appear to be particularly fond of it, so that other manifestations of equality are being considered as well. These include, inter alia, the authorization of the Russia-EU Troyka meetings to take "final and binding decisions" on behalf of the two partners. Another triple formula was developed in order to at least superficially manifest the equality of the partners in crisis by allowing joint operations to be:

- led by Russia with input from the European Union
- led by the EU with input from Russia, and
- jointly decided and led by Russia and the European Union.

This proposal was met with interest by those Russia-optimists who see it as an avenue that would help to transcend the reluctance of Moscow to participate in EU-led operations only as an invited partner. It was met with skepticism, however, by the Russia-skeptics, particularly in Poland, who believe that this sort of engagement of Moscow would create more problems than it solves and is therefore premature.

There are two aspects, however, which are important for the further discussion of the issue. Firstly, the debate over the three options is largely sterile, and those in the European Union who expect the triple formula to make joint crisis management with Russia politically simpler will be disappointed. The constant decline of the Russian budget for peacekeeping over the past ten years is the best proof that Moscow has little interest in joining any peace operations apart from occasional symbolic representation.

It is also clear that, despite the theoretical nature of the debate, the formula has a particular importance for Moscow in the context of negotiations on any future basic agreement with the European Union. Without language of this sort, the new agreement would have little value added for Moscow.

2. The recent enlargement of the European Union has brought the EU closer to the region of Eastern Europe and the South Caucasus. This is one more reason to justify the need for an enhanced dialogue between the EU and Russia on security issues in their *immediate neighbourhood*. The roadmap for enhanced cooperation on external security issues explicitly calls for the development of such a dialogue and, particularly, for strengthening EU-Russia dialogue and cooperation in regions adjacent to the EU and Russian borders. It sets the objective of strengthening EU-Russia "dialogue on matters of practical co-operation on crisis management in order *to prepare the ground for joint initiatives*,

including in support of on-going efforts in agreed formats and resulting from the strengthened EU-Russia dialogue and cooperation on the international scene, *in the settlement of regional conflicts, inter alia, in regions adjacent to EU and Russian borders*” (emphasis added).

In order to pursue this overall objective, the EU and Russia agreed to enhance cooperation in the following priority areas:

- The exchange of views at an expert level on matters related to EU and Russian procedures in response to crisis situations, including the exchange of views on lessons learnt, in order to improve mutual understanding of respective procedures and concepts and to explore possibilities for joint approaches. This exchange of views could lead to the development of principles and modalities for joint approaches in crisis management;
- The conclusion of a standing framework on legal and financial aspects in order to facilitate possible cooperation in crisis management operations;
- The conclusion of an agreement on information protection;
- The exchange of views at an expert level on specific areas such as logistical aspects of crisis management operations, naval forces cooperation in the sphere of navigation and hydrography, underwater exploration with a view to ensuring navigation safety, hydrometeorology and early warning of disasters, and cooperation of the EU Satellite Centre with Russia;
- The consideration of possibilities for cooperation in the field of long-haul air transport;
- Cooperation in the field of training and exercises which could include observation and participation in exercises organized by either Russia or the EU and participation in training courses;
- The strengthening of EU-Russia academic networking in the field of crisis management through the exchange of research fellows between the EU Institute for Security Studies and the network of Russian academic bodies for the purpose of joint studies;
- The promotion of contacts between the EU and Russian military and civilian crisis management structures.

Little has been achieved to date, however, towards the fulfillment of those goals. Constructive mutual engagement and increased cooperation between the European Union and the Russian Federation in the ENP region and particularly with regard to resolving frozen conflicts represents a serious challenge for both partners. As Sabine Fischer points out in her contribution in this volume, although both the European Union and Russia seem to share a common interest in contributing to stability and security in the region, they represent diverging perceptions of regional governance. They often pursue divergent objectives and strategies in the region. Both aim to shape the region, but in different ways with different desired outcomes. It should be realized that any constructive partnership in the ENP region will have limits. It would be necessary:

- for the EU to develop a more cohesive, if not united common policy on relevant issues;

- for the EU to address the issue of developing an effective multilateral approach (and, probably, a framework) to include the ENP countries concerned and Russia; and
- for Russia to realize that the existing formats for discussing the relevant aspects of conflict resolution in which Moscow is given a dominant position would be subject to critical review and would have to be modified.

#### **4. A New Partnership Agreement**

Late in 2005, the European Union and the Russian Federation agreed that they would seek to replace the Partnership and Cooperation Agreement due to expire at the end of 2007 with a new instrument. The contribution by Mark Entin in this volume elaborates, *inter alia*, on the history of the relevant consultations between the government in Moscow and the European Commission up to the present time.

While in 2006 both sides seemed to move towards the formula of an upgraded PCA, the discussions since then have clearly gone beyond the simple idea of modernizing the current agreement and have tended to move towards a more serious renegotiation of the basic arrangement. Moscow is predominantly motivated by political considerations and has sought to do away with the conditionality of the PCA, replacing it with a manifestation of the equal status of the strategic partners. The European Union has brought into discussion the idea of introducing provisions to regulate energy cooperation between its member states and Russia. It also pays special attention, as many member states do as well, to reconfirming the commitment of both partners not only to common interests but also to shared values, such as democracy, the rule of law, and respect for human rights. These different (though not mutually exclusive) emphases are likely to shape negotiations on a new agreement on a constructive partnership between the European Union and Russia whenever these negotiations are allowed to open.

The Samara summit meeting in May 2007 failed again to provide an official launch to the negotiations, with Poland (supported by other Russia-skeptics) continuously blocking the consensus on the mandate for the EU delegation. Russia, in turn, is learning that the European Union has changed since enlargement and continues to change. It has concluded that this change is not for the better but rather for the worse if seen from Moscow's perspective, as Russia can no longer rely on its special relations with a few "key" governments among the old member states to overrule the skeptics. Since the failure in Samara to launch official negotiations, Moscow has clearly arrived at the conclusion that there is no longer any chance to get the new agreement signed before the Russian presidential elections expected in March 2008.

Proceeding from these conclusions, Moscow has apparently lost interest in pressing the issue. Instead of seeking to facilitate an internal consensus within the European Union by visibly improving relations with the Russia-critics and, particularly, with Poland and the Baltic States at loggerheads with Moscow, the Kremlin has obviously taken the decision not to rush and to leave any further decisions to Putin's successor. This leaves the European Union time to sort out the ultimate common denominator of its member states' interests while, at the same time, applying a policy that affords Russia better relations with a few "good" individual partners, such as Italy, Germany, Hungary and Greece, while maintaining relatively low key relations with the Union in general.

## 5. Cross-border cooperation

Although often neglected at the level of top officials in Russia and the European Union, developing and facilitating cross-border cooperation lies very much at the heart of EU-Russia cooperation. It is the single most important tool for rendering existing borders more transparent and for preventing the emergence of new divisions in Europe. It is indispensable for regional development, especially along the borders, and for developing and expanding direct human contacts.

The Vilnius discussion of the developments and problems related to cross-border cooperation, particularly between the EU member states and the North-Western regions of Russia, raised several concerns, however.

First and foremost, the evolution of Russian legislation to regulate cross-border cooperation reveals a trend towards increasing and excessive recentralization of decision-making and formal approval procedures of cross-border cooperation projects. This competence shall again be largely retransferred to the federal authorities and taken away from the local level. The resulting increased bureaucratization of the decision-making process – which often goes hand-in-hand with increased corruption – would have a detrimental effect on cross-border cooperation.

Apart from this rather political problem, there are a number of other obstacles that hinder further expansion of cross-border cooperation between the EU member states and the Russian Federation. These include, inter alia:

- insufficient funding, particularly on the Russian side;
- the need to significantly improve border management and border infrastructure to render it cross-border cooperation-friendly;
- the forthcoming entering into force of the visa facilitation agreement between the European Union and the Russian Federation. This is likely to negatively impact the visa regime that has so far benefited cross-border cooperation particularly in the Kaliningrad region, as the residents of the region were entitled to obtain free multiple entry visas to neighbouring countries (Lithuania and Poland). This beneficial regime is likely to be abolished under the new agreement between the European Union and Russia;
- the evolving legislation, and particularly the new Russian legislation on the status of special economic zones. This is likely to negatively affect small and medium examples of cross-border cooperation, as it introduces incentives for large-scale investors only;
- the forthcoming accession of Russia to the WTO. This may well also have an economic impact on cross-border cooperation, as it may require the abolishment of exemptions that facilitate cross-border cooperation but are inconsistent with WTO regulations.

It seems that it would be a wise decision for the European Union and the Russian Federation to elevate the status of cross-border cooperation and devote a special section of the new partnership agreement to this very important area of cooperation. This would also help to establish a legal framework to prevent the enactment of any legislative or political decisions at various levels that could make such cooperation more difficult.

## **6. Conclusions**

The discussions in Vilnius have indicated that the European Union, its member states – particularly in the Baltic region, and Russia have made little progress on any of the three intersecting agendas indicated in the introduction. Rather, some visible regression can be noted over the past several months.

Russo-Baltic relations do not evidence many signs of improvement. A fragile step forward in relations between Moscow and Riga, as manifested in the signing of the bilateral border treaty, is excessively compensated for by the mounting conflict with Estonia and the protracted dispute with Lithuania over the resumption of its oil supply. Nor are there any signs that Moscow would consider alleviating either situation.

The deadlock within the European Union over a common policy towards Russia has not been overcome. Instead, the number of Russia-skeptics is growing, thus preventing any reasonable consensus from being achieved any time soon. Both Russia's policies and the claims from member states that the EU should reconsider its own policies towards Russia, have taken us several steps backwards.

These developments have not remained without effect on the prospects for upgrading the legal basis of Russian-EU relations. Not only have official negotiations on a new agreement failed to begin as planned, but the prospect for serious negotiations has been pushed, at best, beyond the Russian presidential elections scheduled for March 2008.

## **List of participants**

Russia and the EU – Baltic States

The Future of Partnership and Cooperation: Interests, Concepts, Implementation

Third Roundtable, April 19-20, 2007, Vilnius

<b>BUDRYS</b> Kęstutis	Doctoral student, Institute of International Relations and Political Science, University of Vilnius
<b>CHAPLYGINA</b> Anna	Senior Research Fellow, Institute for Energy and Finance, Moscow
<b>ČIAGLYS</b> Mindaugas	Second Secretary, Russia Division, Eastern Europe and Central Asia Department, MFA Lithuania
<b>ENTIN</b> Mark	Director, Institute of European Law, European College at the MGIMO-University
<b>FISCHER</b> Sabine	Research Fellow, EU Institute for Security Studies, Paris
<b>JAANI</b> Karin	Director General, 2 <sup>nd</sup> Political Department, Ministry of Foreign Affairs of Estonia, Tallinn
<b>JANELIUNAS</b> Tomas	Assoc. Prof., Institute of International Relations and Political Science, University of Vilnius
<b>JANKAUSKAS</b> Algimantas	Deputy Director, Institute of International Relations and Political Science, University of Vilnius
<b>KAČINSKAS</b> Rolandas	Director, Eastern European Department, MFA, Lithuania
<b>KEMPE</b> Iris	Research Fellow, Center for Applied Policy Research, Munich
<b>KREMER</b> Martin	Science and Political Counsellor, German Embassy, London
<b>KUSNETSOV</b> Boris	Director, Center of International and Regional Policy, St. Petersburg
<b>MEDALINSKAS</b> Alvydas	Director, International Policy Centre, Vilnius
<b>MOLIS</b> Arūnas	Head of the Eastern Countries Monitoring Division, Center for Strategic Studies, Vilnius
<b>NEKRAŠAS</b> Evaldas	Professor, Institute of International Relations and Political Science, University of Vilnius
<b>PRANSKEVIČIUS</b> Antanas	Assoc. Prof., Institute of International Relations and Political Science, University of Vilnius
<b>SMOLAR</b> Eugeniusz	Director, Centre for International Relations, Warsaw

<b>SPRUDS</b> Andris	Research Fellow, Latvian Institute of International Affairs
<b>STATKUS</b> Nortautas	Director of Foreign Policy Analysis and Planning Department, MFA Lithuania
<b>STEIKUNAITE-FREIRE</b> Jolanta	FES Office in Vilnius
<b>TALAT-KELPŠA</b> Laimonas	Undersecretary, MFA Lithuania
<b>VOLOVOJ</b> Vadim	Doctoral student, Institute of International Relations and Political Science, University of Vilnius
<b>ZAGORSKI</b> Andrei	Leading Research Fellow, MGIMO-University, Moscow
<b>ZDANAVIČIUS</b> Liudas	Doctoral student, Institute of International Relations and Political Science, University of Vilnius
<b>ŽULYS</b> Audrius	Head of Foreign Policy Analysis Division, MFA Lithuania

**Conference Agenda**

**Russia, the EU and the Baltic States**  
The Future of Partnership and Cooperation:  
Interests, Concepts, Implementation

*Vilnius, April 19-20, 2007*

**Conference language: English**

## 19 April, 2007

**20:00** Welcome Dinner  
Informal (Foreign participants)

## 20 April, 2007

**9:30** **Opening Remarks**

**Laimonas Talat-Kelpša**

*Undersecretary, Ministry for Foreign Affairs Republic of Lithuania*

**Introduction:**

**Algimantas Jankauskas**

*Deputy Director, Institute of International Relations and Political Science, University of Vilnius*

**Iris Kempe**

*Research Fellow, Centre for Applied Policy Research, Munich*

**Andrei Zagorski**

*Professor, MGIMO-University, Moscow*

**10:00 – 11:30**

**Dimensions of Energy policies:**

- **Economic and commercial interests**
- **Political considerations and motivation**
- **Mutual expectations**
- **creating an institutional framework**

**Chair** **Alvydas Medalinskas**

*Director, International, Policy Centre, Vilnius*

**Introductory statements:**

**Martin Kremer**

*Science and Political Counsellor (counter-terrorism, climate and energy security), German Embassy, London*

**Eugeniusz Smolar**

*Director, Center for International Relations, Warsaw*

**Tomas Janeliūnas**

*Associate Professor, Institute of International Relations and Political Science, University of Vilnius*

**Anna Chaplygina**

*Senior Research Associate, Institute for Energy and Finance, Moscow*

**Pekka Sutela**

*Foundation for Economics in Transition (BOFIT), Helsinki*

**11:30 – 12:00**

Coffee Break

**12:00 – 13:30**

**External security cooperation:**

- **Mechanism for decision making and joint action**
- **Interests and risks in the shared neighbourhood**
- **Developing and implementing a strategic framework for the shared neighbourhood**

**Chair Iris Kempe**

*Research Fellow, Centre for Applied Policy Research, Munich*

**Introductory statements:**

**Andrei Zagorski**

*Leading Research Fellow, MGIMO-University, Moscow*

**Andris Spruds**

*Research Fellow, Latvian Institute for International Affairs, Riga*

**Karin Jaani**

*Director General, 2<sup>nd</sup> Political Department, Ministry for Foreign Affairs of Estonia*

**Sabine Fischer**

*Research Fellow, EU Institute for Security Studies, Paris*

**13:30 – 14:30**

Lunch Break

**14:30 – 16:00**

**The future of the Partnership and Cooperation Agreement**

- **Assessing the current state of affairs of negotiations**
- **Joint interests and differing values**
- **Strategies for implementation**

**Chair Evaldas Nekrašas**

*Professor, Institute of International Relations and Political Science, University of Vilnius*

**Introductory statements:**

**Iris Kempe**

*Research Fellow, Centre for Applied Policy Research, Munich*

**Mark Entin**

*Director, Institute of European Law; European college, MGIMO-University, Moscow*

**16:00 – 16:30**

Coffee Break

- 16:30 – 18:00**            **Cross border cooperation**
- **What are the obstacles?**
  - **What solutions can be offered?**
  - **What political hesitations and hindrances shall be taken into consideration?**

*Chair* **Andrei Zagorski**  
*Leading Research Fellow, MGIMO-University, Moscow*

**Introductory statements:**

**Boris Kuznetsov**  
*Director, CIRP, St Petersburg*

**Alvydas Medalinskas**  
*Director, International; Policy Centre, Vilnius*

- 18:00**                    **Summing up remarks and ideas for further implementing  
Conclusions and Policy Recommendation**

*Chair* **Algimantas Jankauskas**  
*Deputy Director, Institute of International Relations and Political  
Science, University of Vilnius*

**Food for thought**

**Andrei Zagorski**  
*Leading Research Fellow, MGIMO-University, Moscow*

- 19:00**                    Reception and Dinner