

## spotlight europe

# 2008/01 – January 2008

# Breaking the stalemate: The EU and Russia in 2008

Cornelius Ochmann

Bertelsmann Stiftung, cornelius.ochmann@bertelsmann.de

Andrei Zagorski

Moscow State Institute for International Relations, zagorski@iair.ru

Relations between the European Union and Russia are showing clear signs of strain. A new partnership agreement has not materialized, and the recent parliamentary elections led to a great deal of criticism. Despite all this, the EU Reform Treaty and the new Polish government provide a glimmer of hope. The Slovenian EU Presidency must now smooth the way for the new partnership agreement.

spotlight europe # 2008/01

### Stalemate

Since the end of 2006 there have been few signs of progress in the relations between the European Union and Russia. Neither the Finnish, the German, nor the Portuguese presidencies were able to reach an internal EU consensus concerning the start of official negotiations with Moscow on a new treaty designed to replace the 1994 Partnership and Cooperation Agreement (PCA, in force since 1997), which expired on 1 November 2007.

It is true that the PCA is automatically renewed annually as long as neither of the

parties gives notice that it intends to withdraw. However, the failure to enter into negotiations is a symbol of the crisis that currently dogs relations between the EU and Russia. The real reasons for this crisis run much deeper and are far more multidimensional than one might be led to suspect on the basis of the stalemate that now exists. Differing mutual perceptions seem to be of particular importance in this connection. To this day the majority of EU states believe that Russia is rather problematical. On the other hand, after [seven years under Putin](#) Russia once again thinks that it is a world power and wishes to be treated as such.

The immediate cause for deferring the start of the negotiations was the veto is-

sued by the Polish government in November 2006, which was motivated by the Russian ban on imported Polish meat products in the autumn of 2005. In the meantime both the Kremlin and the new Polish government have made conciliatory gestures with regard to this issue. However, other EU member states now wish to make a link between the start of negotiations with Moscow and the resolution of their own disputes with Russia.

**Disagreements between EU member states and Russia**

- Poland**  
Export of meat products to Russia prohibited since Autumn 2005
- Lithuania**  
Oil supply from Russia through a 3-km-branch of the „Drushba“ pipeline disrupted after accident in August 2006
- Estonia**  
Political pressures and trade restrictions since the Soviet War Memorial in Tallinn was moved to a war cemetery. (2007)
- United Kingdom**  
Controversy over the extradition of Mr Lugowoj, the prime suspect in the **Litvinenko murder case**, from Russia to the UK, and over the legal investigations into the same case in Russia (2007)
- United Kingdom, Poland, Lithuania, Estonia, Latvia, Sweden and Denmark**  
Controversy about the planned **Baltic Pipeline** (as regards to economic, but increasingly to environmental matters). Disputes with BP and Shell about their share of and **influence in the exploitation of new gas fields** in Sakhalin and Kovykta. Reliability of energy supplies in case of tensions with Ukraine and Belarus.

The crisis in Russo-Estonian relations, which came to a head in April and May 2007, and the growing dissatisfaction within the EU about its relations with Russia resulted in an EU demonstration of solidarity with its member states in May 2007 that was addressed to the Russian government. This in turn made it impossible to make any progress with regard to the unresolved issues in EU-Russian relations in the course of the regular semi-annual summit meeting in Samara (Russian Federation) in May 2007.

Although the various contentious issues between individual EU member states and Russia may well be of importance for these countries and the EU as a whole, they cannot explain the current stalemate in EU-Russian relations, nor are they the only reason for it. At present there is, especially within the EU, no consensus about what exactly EU-Russian relations are actually trying to achieve. A number of states are opposed to a “policy of partnership” with Russia and are calling for it to be revised. They have cast doubt on the strategic partnership with Moscow and would prefer more support and solidarity from the European Union, and less entanglement with and comprehensive involvement in [Russia](#).

The strategic partnership is now being called into question not only by member states which have a difficult relationship with Russia. The debate is being conducted throughout the EU, and the critics are becoming more vociferous in virtually all of the member states. The Duma election campaign, the influence exercised by government institutions, and the suppression of dissenting views by the state media have all contributed to the mood of scepticism about Russia.

The stalemate is to a large extent Russia’s fault. After it became clear that Moscow would not be able to achieve its goal of concluding the new treaty with the EU during Putin’s second term, it showed little willingness to strike a compromise with its opponents. It withdrew from the negotiations and concentrated on the bilateral relationships with “trusted partners” such as Germany, Italy or France who were favourably disposed towards Russia.

The net result of what has happened over the last twelve months is disappointing. Apart from some minor tactical progress made in the dialogue about the development of the four Common Spaces, there has been little movement with regard to the issues which remain unresolved. This

is true among other things of Russia's deferment of the finalization of an agreement concluded in 2006 which grants European airlines overflight rights in Russian airspace. This is also true of the lack of progress being made in the resolution of the last remaining issues which stand in the way of Russia's membership of the WTO. However, this is particularly true of the failure to formalize cooperation between the EU and Russia in the area of energy policy, the failure to regulate foreign investment, and the failure to define cooperation between the EU and Russia when it comes to dealing with international crises and conflicts, and especially the Kosovo issue.

Mutual irritations and friction are on the increase, and the stalemate in relations not only persists, but is actually worsening. However, none of the parties will benefit from even more deadlock. In the crisis-laden EU-Russia relationship it is clearly time for a fresh start, and for this reason its outlines need to be redefined.

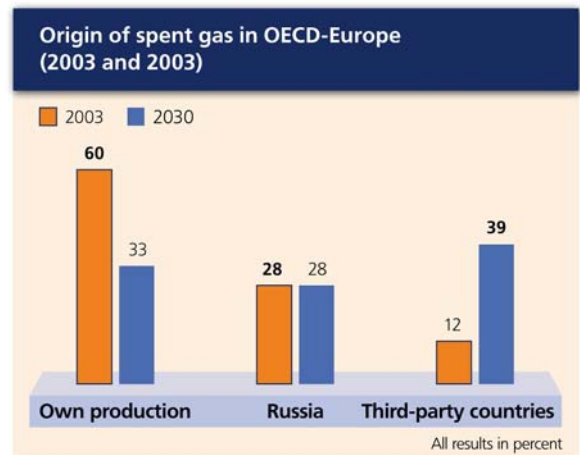
## II

### Outlines of a new EU policy towards Russia

The first priority for the EU member states is to define their common interests and reach a consensus on what the continuance and enhancement of the partnership(s) with Russia ought to look like. This is a task which devolves on the forthcoming EU presidency.

The accumulation of controversial issues which have arisen in EU-Russia relations does not in itself constitute a good reason for eschewing negotiations of any kind. A controversy ought in fact to be discussed in the course of such negotiations, and a solution should find expression in some kind of agreement. Thus what is also at issue is the introduction of mechanisms for resolving and dealing with future disputes.

The European Union and Russia need to reach agreement about where and how they will join forces to deal with the tasks with which they are confronted. The obvious challenges in their mutual relationship have been highlighted in the recent controversies.



The European Union and Russia need to redefine partnership and cooperation in the vitally important area of [energy policy](#) and conclude an appropriate agreement. It is not particularly meaningful to reduce this area to the simplistic question of whether Europe can and should sustain varying degrees of dependence on energy supplies. In an objective analysis the question does not arise. On the one hand the forecasts suggest that the proportion of Russian energy resources in the European market will not become significantly larger even if gas supplies as a whole were to increase, whereas the opposite is true of other non-EU states.

Energy cooperation with Russia is only a part of the solution as far as the Europeans are concerned. At the same time the European Union and Russia will need each other in terms of energy policy in the long term, and this dependence will continue to be mutual. New agreements in this area are not merely desirable, but an absolute necessity.

The European Union and Russia must agree on mutually acceptable and reciprocal rules governing the registration and



liberalization of mutual investments and the protection of investors' rights. The current intransigent policy towards foreign investments in both Russia and the EU is detrimental to economic development and cooperation.

Russian companies which act in a transparent manner should not have fewer investment rights and opportunities in the European Union than European companies in Russia. Here the principles of reciprocity and legality are of vital importance. In this area in particular the need for EU-wide regulations (as opposed to isolated national measures) is most clearly apparent. The European business community is in favour of greater cooperation and thus has lobbied both the national governments and the EU Commission.

For Moscow this is of paramount importance. Russia's economic successes over the past decade were not achieved entirely unaided. In fact they would have been unthinkable without Western investment, the transfer of specific skills, and without the

massive loans provided by the West in general and Europe in particular. On 1 July 2007 Russia's foreign debt (now largely of a private nature) reached US\$ 385 billion and is on a par with the accumulated reserves of the Russian state (US\$ 406 billion on 1 July 2007). Russia continues to be a structurally weak country and will continue to be dependent for a long time to come on European capital and expertise.

### "Redefining partnership in the energy sector."

The EU and Russia should reach agreement on joint principles and procedures for international crisis management. Neither the EU nor Russia (nor, for that matter, the U.S.) possesses sufficient resources to resolve the problems of regional and international security unaided. However, it is precisely in this area that the talks designed to generate content for the four Common Spaces have made little or no progress. In this context the Kosovo issue is of especial significance for the EU. It constitutes a special challenge in the wake of the U.S. withdrawal from the Balkans.

The European Union and Russia must not permit their real and potential differences in what is their common neighbourhood - eastern Europe and the southern Caucasus region - to have an adverse effect on their relationship as a whole. In this context the EU's Central Asia policy, which was developed during the German EU Presidency, is of especial importance. The aim should be to work for a greater degree of coordination and cooperation between the EU and Russia both in their common neighbourhood and in Central Asia.

The European Union and Russia should not miss this opportunity to deepen and enhance their partnership. That such an opportunity exists may be due to the fact that over the last eight years Russia has certainly been both ready and willing to construe and accept the EU as part of a distinct and increasingly

important partnership, though at the same time it has also made the point that it wishes to be treated as an equal partner. An analysis of the most recent summits between Russia and the EU Presidency furnishes the best example of this. Whereas economic policy topics still tended to be predominant at the end of the 1990s, the agenda now includes those aspects of co-operation which relate to security policy. The implementation of the EU Reform Treaty is bound to reinforce this tendency.

### “The EU’s Central Asia policy is of especial importance.”

The growing criticism of democratic shortcomings in recent years and the differing perceptions of developments in the area of security policy (for example, with regard to the expansion of NATO in eastern Europe, European arms control, or the resolution of the Kosovo issue) are not in themselves good arguments against a more profound partnership with Russia. However, they help us to see its limitations in a sober light. A partnership should under no circumstances deny or gloss over the differences between Russia and the EU.



Decision-makers in the EU and in Russia need to understand the difference between the kind of multilateralism that is based on common values and on mutual understanding and coordination, and a partnership which merely seeks to balance competing interests and is concerned to emphasize the notion of sovereignty.

If Russia does not wish to cross this dividing line, it cannot be forced to do so by the EU. At the same time there should never be a categorical rejection of any kind of partnership with Moscow in the areas which are of crucial importance for both sides.

### III

### Embarking on a fresh start

Recent developments have created a set of more favourable preconditions, and this will make it possible to overcome the stalemate. The following three events were especially noteworthy:

First, the Lisbon Reform Treaty has made it possible to proceed with the much-needed adjustment and transformation of EU institutions. The result will be a Union that is more easily capable of taking action on the basis of a more coherent Common

Foreign and Security Policy. The significance of the Reform Treaty for the relationship between the EU and Russia should be neither exaggerated nor belittled. [The new treaty](#) does not absolve the Union from the need to reach agreement on a policy that is based on consensus and points in the direction of the future. The Treaty of Lisbon may well give an added impetus to the formation of consensus within the EU.

Second, the Russian parliamentary elections saw the expected landslide victory for the government party, "United Russia". However, the new balance of power in Moscow will only become apparent after the Presidential elections in March. The Russian leadership will then be able to return to more mundane political matters and may become more receptive to the kinds of compromise solution that are needed to defend Russian interests. The reordering of the relationship between the European Union and Russia will once again be on the agenda of Russian policymakers.

Third, the advent of a new government in Poland in November 2007 will help EU-Russian relations to get off to a fresh start. After all, the veto issued by the Kaczynski government, which prevented the start of official negotiations with Russia, was the symbolic starting-point of the crisis. The new government in Warsaw has now set its sights on improving [Russian-Polish relations](#) as well as Russian-European relations. Moscow and Warsaw have shown that they are both in favour of a rapprochement. This development, which is certainly a positive one, can help to remove the formal obstacles standing in the way of discussions about the future shape of EU-Russian relations.

## IV

### Incipient Steps

Whilst it is true that the deferment of official negotiations between the European Union and Russia on a new treaty was not the reason for the current stalemate, it certainly acquired a symbolic character. For this reason the start of the negotiations has assumed a special significance in the attempts to surmount the recent crisis. Russia, the EU and its member states should grasp the opportunity proffered by the preconditions which favour the continuation of their dialogue. In 2008 the incipient step must be to initiate official negotiations about a new treaty.

As a result of the Russian electoral timetable, the regular semi-annual EU-Russia summit meeting, which usually takes place in the spring, has been moved to June 2008. The meeting will be of especial importance in the resolution of the current crisis, even though the official negotiations between the EU and Russia can only begin in the second half of the year under the French Presidency.

Thus in the first half of 2008 the Slovenian EU Presidency is confronted with the difficult task of reaching a consensus within the EU about future policy towards Russia. And, last but not least, it will also have to prepare for the negotiations themselves. In this respect the small EU state can draw on a wealth of experience, since a number of years ago, during a period fraught with difficulties, it organized encounters between the Russian and American presidents.

**For Further Reading:**

Lutz Güllner, Auf dem Tiefpunkt? Die EU-Russland-Beziehungen brauchen neue Impulse, in: Thema aus Brüssel, FES Juli 2007.

Marcin Kaczmarek, Eugeniusz Smolar, The European Union and Russia 2004-2007, Center for International Relations, Warsaw, 03/2007.

Iris Kempe, Beyond bilateralism. Adjusting EU-Russian relations, CAP Aktuell, 12.9.2007.

Friedrich-Ebert-Stiftung, Russia, the EU and the Baltic States. The Future of Partnership and Cooperation: Interests, Concepts, Implementation. Moscow, Vilnius, 2007.

Cornelius Ochmann, Die polnisch-russischen Beziehungen im Kontext der neuen Ostpolitik der Europäischen Union, Russlandanalysen 123/26.01.2007

Andrei Zagorski, Negotiating a new EU-Agreement, Lejins Atis The EU common foreign and security policy toward Russia: The partnership and cooperation agreement as a test case, Riga 2006.

**Responsible**

Bertelsmann Stiftung  
Carl Bertelsmann Straße 256  
D-33311 Gütersloh  
www.bertelsmann-stiftung.de/spotlight

Dr. Dominik Hierlemann  
dominik.hierlemann@bertelsmann.de  
Telefon +49 5241 81 81537

Joachim Fritz-Vannahme  
joachim.vannahme@bertelsmann.de  
Telefon +49 5241 81 8142

ISSN 1865-7451

**Latest editions:****spotlight europe # 2007/09**

Kosovo: What Next? Cornerstones for a New EU policy

*Armando Garcia-Schmidt, Dominik Tolksdorf*

**spotlight europe # 2007/08**

Europe's Finances -  
The old system at its limits

*Wolfgang Schüssel*

**spotlight europe # 2007/07**

A Chance for Wise Men  
*Matthias Chardon, Dominik Hierlemann,  
Sarah Seeger*

**All editions of the spotlight europe can be  
downloaded from: [www.bertelsmann-stiftung.de/spotlight](http://www.bertelsmann-stiftung.de/spotlight)**