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EURussian Relations: Moscow lays down its Conditions

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Summary

- Relations between Russia and the EU are becoming tense. Over the last few years, the differences have mainly been ascribable to the political sphere. From the start of his term in 2001, President Vladimir Putin went to great lengths to establish or re-establish State control over all bodies and practices intended to consolidate the emerging democracy in Russia. The current political situation makes it difficult to ensure the liberal operation of institutions, which can lead to certain management problems for Russia's European partners, who have to conciliate democratic values and economic pragmatism. Since recently, Russian-European tensions have spread to the strategic energy sector. The recent gas crisis in Ukraine casts considerable doubt over the reliability of supplies from Russia, in the eyes of Europeans.
- Since 2000, the partnership has never truly had any political consistency, despite the many declarations of good intentions. Indeed, relations have been running in slow motion. Therefore today it is not only a question of bringing the initiated dialogues to a conclusion, but also of giving fresh impetus to EU-Russian relations. The EU in particular seems to have become aware of this twofold need for the revival and materialisation of joint projects, as can be assumed from the European Commission's initiative to conclude a cooperation framework agreement with Russia by 2007 in the field of energy.
- The Kremlin, which understands that part of its future is linked to the framework of renewed relations with the EU, does not intend to have its actions and the terms of its commitment dictated. Moscow is establishing the conditions for an ambitious partnership with Europe. The Union, however, is not afraid of Russia or of negotiations that could prove to be sensitive. It has means of applying pressure, especially commercially speaking, for a partner that is at times overly demanding. That said, the terms of diplomatic "bargaining" should not be reduced to the all-too-obvious dichotomy of economic prosperity against political openness. To this must also be added the need for efficient energy dialogue and the formalisation of a European foreign policy (or European neighbourhood policy) whose geographical dimensions correspond exactly to the Russian "near abroad".
- The EU is already making the first efforts in this respect. By 2007-2012 there are plans to replace Tacis, which until now has been the prime instrument for European commitments in Russia, with a new formula, the "European neighbourhood and partnership instrument", currently in the process of being finalised, and which is designed to provide improved allocation and efficiency of external funds, above all in Russia. For the EU, it is a matter of strengthening cooperation with Russia for a small number of well-chosen sectors, whilst guaranteeing continuity in the performance and optimisation of projects. The idea is to offer less so as to support more and to provide an energetic contribution in Russian reconstruction, stimulation and assistance programmes. To the extent possible, an attempt should also be made to avoid the still widespread problems of corruption within Russian federal and regional administration, especially in the North Caucasus. This instrument will

also be used in the implementation of four cooperation areas: economy, justice and home affairs, external security, research, education and culture.

- This initiative, currently still overly tentative, nonetheless merely proposes a new formal tool. It also appears necessary that the Union commit to concrete general projects in two fields, essentially geographical cooperation centred on a specific area, encompassing several themes, of which the EU's Northern dimension is a successful example; and joint crisis management:
 1. Geographical cooperation for North and South Caucasus
 2. Joint resolution of the conflict in Moldova/Transdniestria
 3. Joint European Energy Security Policy
 4. Formalisation of a common EU foreign policy towards Russia

- A common EU foreign policy towards Russia would thus prefigure the EU-wide development of a common foreign and security policy.

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Introduction

From 1991, the emergence of a new Russia, whose appearance would have little in common with the former sclerotic Soviet Union, was unable to leave indifferent the European Union (EU), which at the time was involved in a substantial integration phase, as a result of the negotiation and implementation of the Maastricht Treaty. Very early on the EU launched TACIS (*Technical Assistance for the Commonwealth of Independent States*) and in 1991 opened a representation office in Moscow. The relation took shape in June 1994 with the signature of the Partnership and Cooperation Agreement during the European Council at Corfu, which was only to be implemented on 1 December 1997. A true cornerstone of Russian-EU relations formulated at the highest level, this treaty gives impetus to the political dialogue and provides a framework within a fair partnership. In the face of political and economic uncertainties in Russia in 1998 (financial crisis) and 1999 (succession of Boris Yeltsin), the EU subsequently sought to set and stabilise the lines of cooperation for the future. The *Common Strategy of the European Union on Russia* was adopted in June 1999. Russia responded to it a few months later¹. Then it was a matter of reconciling the confirmed ambitions in both documents, through the establishment, during the Saint Petersburg summit in May 2003 of four common cooperation spaces, in the fields of economics, justice and home affairs, external security and lastly, research, education and culture. Although today on the agenda of each EU-Russian summit², they seem difficult to formalise.

Since the latest EU enlargement (except for a few marginal adjustments), a new era was launched between Russia and the European Union, which required the implementation of new cooperation mechanisms. All of the European assistance tools developed during the 1990s and early 2000s, which should allow for the integration of candidate states and make this enlargement acceptable to Russia, does not really correspond to EU-Russia relations as they have developed over in the meantime. Tacis, for example, is no longer sufficient and will soon be replaced with a more ambitious programme, a “European neighbourhood and partnership instrument”, which will provide the framework for the execution of the road map elaborated for each common cooperation space. Until that time, Tacis assistance had worked primarily as an addendum to the PHARE means, aimed at the ten candidate States from Eastern Europe, which are the Union’s true priority. Referring to the sums allocated for the periods 1991-1999 and 2000-2006 is sufficient; in both cases, Tacis only represented one third of PHARE, i.e., an average of 3.5 billion euros. Russia, today, may no longer be considered to be a second-rate partner; it has repositioned itself into the immediate vicinity of the enlarged Union. Geographical and geopolitical configurations have changed.

¹ *The Russian Federation Middle Term Strategy towards the European Union (2000 - 2010)*, http://www.eur.ru/eng/neweur/user_eng.php?func=apage&id=53

² Biannual EU-Russian summits are held successively in Russia and in Europe (in the Union’s Member State that presides the European Council at that time).

The European Union, disturbed by the perhaps-temporary challenge of the constitutional treaty for its part has reached a critical stage in its history. It questions the meaning of the construction: must economic integration of the large common market be favoured or must the recovery of federal political inspiration be tempted, in the spirit of the Founding Fathers? Beyond this challenge, the EU, as an economic power, cannot remain a political dwarf. It should, quite rapidly recognise the importance of its responsibilities on the international scene. In this respect, it cannot be excluded that a more sound relation with this constantly evolving power that is Russia facilitates the Union's political progress, especially in the area of common foreign and security policy (CFSP). Envisaging a rapprochement in this area with Russia would force the EU towards increased coherence and constructive efforts, expediting the advent of efficient foreign policy.

Present-day Russia, for its part, understands quite well that a part of its future will also hang in the balance in the framework of a renewed relation with the EU³. It is therefore revealing that Russian analysts and politicians, torn between a liberal trend and another more nationalist one, close to law-and-order milieus, quite influential today in Russia, have attentively followed European debates on the constitutional treaty, as if Russian development depended on European choices. In fact, both Russian liberals and nationalists had hoped for the failure of the Constitution project in Russia's best interest, obviously for different reasons, finding some satisfaction in the negative French and Dutch referendums. The former consider that a weaker Europe will need allies and will seek to conclude, notably with Russia, the ambitious partnerships required for its economic, commercial and liberal development, thus reinforcing the positions of both parties; in this respect they add that it is undoubtedly preferable for Moscow to deal with this association of States rather than with a strong and coherent federation. The latter already envisage the possibility of reasserting Russian influence in the former Soviet bloc, through the European Union, which, according to them, must understand that it is unable to claim to embody European civilisation by itself and that it should leave a portion of this burden to another player, Russian in this case. Decision-makers and political lobbyists in Russia naturally reach similar conclusions: it is in Moscow's best interest, on different but complementary aspects, to build a strong and balanced relationship with Europe.

But what to do in 2006? Both parties are still in a state of uncertainty. On the European side, uncertainty harboured by European policy towards neighbour Russia is hardly encouraging. On the Russian side, the feeling that European policy remains aggressive is largely shared by the political and administrative class. Would the common basis for a new partnership be that difficult to establish? It is true that at the Kremlin, it primarily involves ensuring the defence, promotion and stability of national interests through this relationship. The Union's Member States would for their part allow the emergence of a democratic and stable player, as the source of mutual benefits. Positions are undoubtedly not quite this cut-and-dried. It would no

³ Considering that President Putin elected in 2000 and re-elected in 2004, for four years, does not currently have the constitutional option of seeking a third term and that it would probably be a good idea to deal with this matter before 2008, in view perhaps of the electoral debate that could take place in this area.

doubt be excessive to pursue the analysis by opposing the rather realistic Russian approach in international relations, which aims to manage as well as possible the balance of world power within a game of influence that is in a state of deadlock and the more idealistic European approach that tends to privilege cooperation, a common vehicle for progress. It is, however, certain that these issues complicate Russian-European points of agreement. And that despite it all, it is in the interest of both entities to get along.

This note is more particularly associated with the Russian negotiation basis, to the extent that Russia objectively and in the short term has a lot more to gain from a restructured relationship with the EU than the other way around⁴:

- After having specified in the preamble the stakes of the economic transition in Russia, which largely depend on the format of the relationship with the European Union, we will examine in detail the decisive factors affecting the Kremlin's position in its relationship with Europe.
- We will subsequently analyse the state of play of the relationship, from Russia's point of view.
- Lastly, as a conclusion, we will attempt to propose avenues of action for the EU likely to encourage potential Russian efforts, in view of sounder partnerships and more successful cooperation.

⁴ The author wishes to thank Lutz Guellner from the European Commission, in charge of the Russia department, for his advice and relevant comments, which flank this text

Preamble: Uncertainties of the Russian transition

The Western press widely criticises the political development of the Russia of Vladimir Putin, whose decisions certainly question the sincerity of his democratic commitment. From the start of his term, he went to great lengths to establish or re-establish State control, of the executive power exclusively, over all bodies and practices intended to consolidate the emerging democracy in Russia. It is true that, given the current political situation, it is difficult to ensure the liberal operation of institutions. The media, for the most part, from now on fall within the province of a public authority, save for a few exceptions in the written press, which is not widely read and therefore without any major impact. The electoral process, monitored, leaves no room for the unexpected, making any changeover impossible, at federal and regional level. The election of regional governors today essentially depends on the President and his representatives within Russia's seven major administrative regions created in the year 2000. The law, for that matter, favouring large political groupings, has deprived the liberal and democratic opposition for parliamentary representations since the last legislative elections in December 2003. Making oligarchs toe the line, also contributing to the disappearance of any political competition, involved the filing of legal action against the hard core or uncontrollable, following the example of Vladimir Gussinski, media magnate in exile in Israel, Boris Berezovski, Boris Yeltsin's long-time right-hand man, political refugee in London, and Mikhail Khodorkovski, at the head of the Yukos oil company, in prison since the autumn of 2003. The latter had declared, in the spring of that year, that he could envisage seeking the position of Prime Minister (he then financed the liberal and democratic opposition parties in Russia). Lastly, in January 2006, Vladimir Putin placed Russia's non-governmental organisations (NGOs) under administrative control, the last bastion able to embody a certain freedom of speech within Russian civil society. In this way, he successively blocked all protest levers and powers, specifically political and purely civil, which could have constituted a democratic opposition base, renewed at the instigation of some oligarchs⁵. The dramatic revolutions that took place in the past few years in the border regions of Russia. Georgia and Ukraine, as well as the Kyrgyz Republic, have undoubtedly impressed the Kremlin, which, fearing contagion, has increased its efforts. The current political game in Russia is reduced to a struggle for influence between personalities and advisers close to Vladimir Putin. The United Russia party, which supports the President, has no competition and it is unlikely that the 2008 succession will escape the Kremlin's resident. That said, the polarisation around the Russian executive automatically leads to the radicalisation of potential opponents, making a destabilising event possible in 2008, as it is no longer through democracy that changeover is regulated. By themselves, these developments may in fact prove to be rather problematic and may for that matter create management problems for Russia's European partners, which have to reconcile

⁵ Traditional parties, qualified as democratic and liberal, i.e., Iabloko and the Union of Rightist Forces (SPS), have not only be the victims of the electoral law. Electoral results and opinion polls show a steadily declining audience since 1995. The Kremlin's measures therefore only accentuate a pre-existing trend.

democratic values and economic pragmatism. The EU is for that matter blamed for favouring a practical dialogue rather than a political one. From the point of view of the current Russian economic context, also subject to uncertainties, it appears odd that Europeans still hesitate between values and interests and give substance to this comment, which for the time being is quite justified.

Russia is experiencing stable economic conditions: fundamentals are correct albeit still fluctuating. Growth should reach 5.3% in 2005 (forecast revised by the IMF). The trade surplus has been declining since 2002, the balance dropping from 60 billion dollars (2000) to 30 billion (2002), reaching 25 billion in 2003. Very high oil prices in 2004 have maintained the trade balance at this level, which would otherwise undoubtedly have continued to drop. In addition, inflation stabilised at 10% and is unlikely to increase at a dangerous rate; to be noted furthermore is the upward trend of currency reserves, multiplied by three between 2000 and 2005⁶.

Growth factors are, however, not assured in Russia. In addition to economic aspects that may have somewhat altered household spending, such as the reform in social benefits, the Russian economy is structurally deficient in three further areas: the omnipotence of hydrocarbons, agricultural uncertainties and private/public, Russian/foreign structures of investments. Yet, in these three cases, the relationship with the European Union (Table 1) could prove to be quite profitable, since established commercial and economic facilities would favour the stabilisation of Russian development in these three sectors, all the more so since the Russian economy has been experiencing a stable degree of openness – even progress – since the end of the 1990s⁷.

Table 1: imports into the European Union from Russia, by sector

IN PERCENTAGE OF THE TOTAL OF EUROPEAN IMPORTS FROM RUSSIA

Sector of activities	2000	2002	2004
Agricultural products	3.7%	4.1%	2.8%
Energy	57%	60%	59%
Manufactured products, among which	12.5%	11.5%	11.3%
Chemical products	4.1%	3.8%	4.7%

Source: Eurostat, Comext statistical regime 4, HYPERLINK "<http://europa.eu.int/comm/trade/issues/bilateral/data.htm>"
<http://europa.eu.int/comm/trade/issues/bilateral/data.htm>

⁶ Sources: Goskomstat, Russian Central Bank, Coface for 2005 forecast.

⁷ Obtained by the ratio (exports + imports)/GDP. It was 0.12 in 1998 and 2000, a sign that the Russian economy rapidly recovered from the financial crisis of summer 1998; it reached 0.14 in 2003. Source: *Etat du monde 2006*, La Découverte, 2005.

THE ENERGY CARD, A DOUBLE-EDGED SWORD

In the field of energy, taking into account its abundant reserves and the growing demand from European countries by 2020, Russia will have quite a convincing bargaining chip at its disposal vis-à-vis the EU. Hydrocarbons currently play an important part in the trade balance. Their share is stabilised for the time being at 60% of Russian exports to the European Union. According to all prospective scenarios, in particular as regards gas, the EU of 25 will have to import from Russia nearly 30% of gas required for its energy consumption by 2015, whilst the level was merely 24% in 2002⁸. Without being spectacular, the trend is nevertheless upward, all the more so since natural gas, emitting fewer greenhouse gases, tends to become an alternative to oil and coal in industrialised countries.

However, the dynamism expected from the energy sector runs the risk of stunting growth. The oil sector being the most lucrative, naturally concentrates initiatives, to the detriment of manufacturing. What is more, taking into account the overvaluation of the rouble (compared to the dollar), the local manufacturing sector is experiencing some difficulties: it is more profitable to import than to produce. The obvious increase in oil prices therefore works against economic diversification. Industrial activities, except for energy, experience very little development. Furthermore, Russia does not really have a great number of prospects. If the export of hydrocarbons were reduced or limited, the accumulation of currency reserves would certainly be curbed, with possible consequences for the whole of Russian economic capacities⁹. A partnership with the EU, viewed from Russia, could therefore ensure exports and allow for the development of other economic sectors.

BALANCED AGRICULTURAL DEVELOPMENT

In ten years Russia has managed to regain growing cereal yields (from 12.2 quintals per hectare in 1995 to nearly 22 in 2002¹⁰) allowing even for a recovery and substantial increase in the export of grains, which was multiplied by nine from 2000 to 2003. The 1998 financial crisis paradoxically had a rather positive impact, boosting internal production as a substitute for imports that had become too expensive and that in any case could not be paid since the banks had suspended their lines of credit. What is more, the oligarchs at the head of the major raw material exporting groups have also wanted to take advantage, from 1999 on, of this new Russian agricultural competitiveness and have invested in this field, primarily in cereal cultures. This has made it possible to reach the promising levels of 2002 in terms of profitability and of 2003 in terms of exports. In 2002 they even obtained a law liberalising real estate, as a result of lobbying efforts aimed at government authorities. Transport and export

⁸ Source: CEDIGAZ, *Point sur l'Europe gazière à 25*, energy regulation commission, January 2003. Figures are reliable.

⁹ By hypothesizing an oil reserve largely reinvested by the Russian State into the economic network on this last point.

¹⁰ Christophe Cordonnier, *ibid...*

platforms must still be modernised in order to limit inconveniences linked to distances that sometimes separate production and consumption areas, but it is clear that the Russian cereal export sector will over time bring strong competition on international markets with the corresponding European sector.

It could, however, be in Russia's best interest not to bank everything on this recovered cereal expansion, which, as a result of the profitability and competitiveness constraints it imposes, could lead to social tension. It would also be in its best interest to remedy its dependence on animal products – one of its structural weaknesses – whose imports have soared since 2000¹¹. Which assumes, on the part of the State, protection measures and incentives, and in short the entire overhaul of its agricultural policy, which would not only favour the export of cereals. Russia does not seem to have decided between the two aspects of the alternative: cereal export agriculture or more balanced and more self-sufficient agriculture, assuming public intervention. Currently, as shown in Table 1, European imports of agricultural products remain limited, but nevertheless represent the third largest area of commercial expenditure. European exports to Russia (essentially animal products), for their part, are declining, going from 14% (of total European exports to Russia) in 2000 to 12.3% in 2002 and less than 10% in 2004¹². Thus, European imports from Russia stabilise around 3%, while Russia tends to limit its external dependence. Both parties are adopting a wait-and-see attitude, but the Russian choice seems to have been somewhat determined by the results of negotiations with the EU¹³ in view of its accession to the World Trade Organisation (WTO).

THE RETURN OF CAPITAL TO RUSSIA¹⁴

The Russian financial situation is rather paradoxical. As discussed, the problematic current account surplus, largely due to the very high level of hydrocarbon exports, whose price has increased considerably in the past few months, diverts a portion of investments to this very profitable sector, to the detriment of other areas where needs are nevertheless significant and the potential for growth not negligible. This movement, however, is magnified by the choice of Russian investors themselves, who take advantage of the commitment in principle by the Russian State in favour of the free movement of national and foreign capital. In fact, investments in Russia do not support the economic transition. Private investments are stagnating or redeployed abroad. In this way, between 2002 and 2003 direct Russian investments abroad rose from 3 billion to nearly 10 billion dollars and have remained stable at this level in 2004. They only involve for the most part countries of the Community of Independent States (CIS), but the fact may not be excluded that over time Russian

¹¹ In 2001, + 97% chickens, + 62% butter, + 50% beef. *Déméter 2003 – Economies et stratégies agricoles*, statistical annex.

¹² Source: Eurostat, Comext statistical regime 4, <http://europa.eu.int/comm/trade/issues/bilateral/data.htm>

¹³ Detailed in the first section, B: External determining factors, Russia's global commercial ambition

¹⁴ On this point, the analysis is inspired by Emma Ménacé, Yves Zlotowski, "Un retour des capitaux en Russie ?", *Le courrier des Pays de l'Est*, no. 1049, La Documentation Française, May-June 2005.

companies, progressively asserting themselves, will increasingly turn to the West and the EU, notably, through Central European countries. An additional fact, indicative of this trend is Russia's change to the rank of net lender to the international banking system: through local banks Russian banks in fact grant an increasing number of commercial credits to foreign companies that import goods from Russia. That said, the significant share of illegal flows and capital flight should not be neglected among these movements. It is always delicate to estimate them.

Direct foreign investments, for their part, do not allow to compensate for this loss of potential assets in Russia. Thus, as a comparison, reduced to capital per inhabitant, direct foreign investment in 2004 rose to 15 dollars in Russia compared to 84 dollars in Poland, 118 dollars in the Czech Republic and 221 dollars in Hungary. It is certain that with the Yukos case, the imprisonment of its president and the dismantling of the company, split up between various Russian companies close to the Kremlin, the legal environment in Russia does not inspire confidence. Guarantees, which do exist, are not implemented or are left to arbitration by the political powers. Even in the energy field, which is nevertheless attractive, the Russian authorities tend to limit foreign penetration, for understandable strategic reasons.

The Russian State would have a role to play here, if only to counter the negative impact in the medium term of growth without economic development. Public investment could take charge of the renewal of production structures and guarantee, at times, a few private initiatives. It is likely that the lack of public investments today limits private investments in Russia. In this same area, a sound partnership with the EU would undoubtedly allow an improvement of the business climate and the reestablishment of mutual forms of trust between investors and public authorities. As to the fight against illegal flows, it is certain the police cooperation with the European Union in the framework of the new Justice, Freedom and Security space, would be quite relevant.

However, these Russian cooperation needs do not lead to candidacy with the European Union in view of future membership. It is rather about building a relationship between equals and not about giving the impression to be expecting an opening to the West. Russian analysts and politicians, thus, do not envisage the integration of Russia into the European Union in the short or even the medium term. That is why, for example, they have not responded to the idea of membership put forward by Silvio Berlusconi. This does not by any means imply that the leading team today may not conceive of it, for multiple economic reasons evoked above, but also, more surprisingly, in view of a demographic criterion. According to projections, in 2050, the Russian population should be reduced to just under 100 million (compared to 146 today), whereas China¹⁵, India and the United States should respectively reach 1.4 billion, 1.5 billion and 400 million inhabitants. In fact, the weakness, during the 1990s of the fertility rate,

¹⁵ In Russian representations in Siberia near the Chinese border, over time there could exist a "yellow peril", linked to daily phenomena of economic cross-border migrations. Government authorities currently pay careful attention to it, albeit not in an alarmist way.

dropping from 1.84 in 1990 to 1.3 in 2004 and declining life expectancy (69 years in 1980, 66 years in 2000 and 65.5 in 2004)¹⁶, confirms the existence of a worrying social situation in Russia, which can only aggravate this demographic deficit. That is why it would perhaps be better to associate with the EU, in the face of whom 100 million people will continue to matter, rather than isolating oneself on an international scene where human power will be in the South.

Today the Russian authorities are seeking a sound relationship with the European Union, which would allow them to manage in the best way possible the three economic challenges at the heart of their unfinished transition. Certain monetary signs, reinforce this hypothesis: the Russian Central Bank recently has made it known that its reserves will no longer be held exclusively in dollars but will also have their share in euros. In addition, the central bank has increased in August 2005 the share of the euro in the basket of currencies it uses for the realisation of daily operations on the open foreign exchange market. That is why Russia turns to the European Union, but negotiations are continuing and results are a long time coming. From the Russian point of view, this relationship under construction must in fact meet certain conditions. Nevertheless, Europeans should not be afraid of Russia: they clearly hold considerable sway over a partner who is sometimes too demanding. It is interesting in this respect to observe that Russian economic development is partially conditioned by relations with the Union. It is consequently not excluded that the EU may use mutual economic interest against substantial democratic progress on the part of the Russian partner. The terms of diplomatic "bargaining", however, appear to be more extensive than this too obvious dichotomy: economic prosperity against political openness; there is also a need to include the perspective of an efficient energy dialogue and the formalisation of a European foreign policy (or European neighbourhood policy) whose geographical era corresponds exactly to the Russian "near abroad". It is in this respect that the European forecast for Russia, examined in the last section, may appear to be so prudent and focused on the success of practical cooperation.

¹⁶ Source: *Etat du monde 2006*, La Découverte, 2005.

I – The basis for the negotiation: to be on an even keel with the West

This Russian priority widely determines its positioning when faced with European partners. However, the Kremlin does not intend to assert itself against Europe but with it. To keep on an even keel with the EU, within the meaning given by the current leading team, translates into calls for and expectations of cooperation, formalised in accordance with certain political and/or economic imperatives.

1. INTERNAL DECISIVE FACTORS: THE PROMOTION OF NATIONAL INTERESTS

Russia stakes claim to a specificity in its national construction, which it even extends to its nationals residing abroad and who must be able to benefit from a certain type of cultural protection. This position does create some differences in the framework of the relationship with the European Union, which at times is altered by a Russian tendency to overdramatise on certain topics.

DEFENCE OF THE RUSSIAN “MODEL” OF STATE GOVERNANCE

During speeches or press conferences, in Russia or abroad, President Putin often refers this idea of an inalienable Russian sovereignty in the country’s democratic construction. That is how during his annual state of the nation address he declared that “Russia will decide alone the road, terms and conditions of its development towards democracy”. He specified to Fox News in September 2005 that he is “convinced that it is impossible to export a model of democracy from one country to another, as it is for that matter impossible to export revolutions and ideologies”¹⁷. In this way he covers, in the name of Russian national difference, a political and social organisation whose liberal commitment is not without flaws. Russia has developed a controlled democracy or a “managed democracy” according to the generally accepted expression. President Putin recognises the reality of the situation, but contests the criticism that may be addressed to him as a result. According to him, Russia does not have to justify its political and social choices, all the more so since he seems convinced that it is the best way to establish Russian State construction and avoid the instability and the threats of a break-up that existed, in his opinion, under Yeltsin’s presidency. The doubt remains, however: does he believe as a last resort in the requirement of a democratic Russia or would he be prepared to sacrifice democracy on the altar of stability, power and Russian territorial integrity?

¹⁷ State of the nation address, 26 April 2005. Interview on Fox News Channel, 17 September 2005.

The Kremlin also defends economic specificity, as stated in a recent Centre for European Policy Studies report¹⁸. This document lists the failures of the Russian administration and economic elite in the framework of the relationship with the European Union and concludes that neither the business community nor the bureaucratic machine (p. 8) are ready to commit to the deepening of ties with Europe. The authors consequently recommend a break in the development of relations, in order to allow for “the *modernisation of the Russian economy and to improve State governance of the economy*” (p. 5). The falsely critical tone shows a glimpse of a more subtle objective: it is about indicating to the major addressees – European decision-makers – that the relations with Russia can only be strengthened when the Russian Government will have reorganised the business community, within the meaning of reinforced state governance on national production. The latter has been largely started and is concentrated in Russia in the strategy, energy (Gazprom, Transneft, Rosneft) and aeronautic (Aeroflot) sectors controlled by administrative and political officials at the Kremlin¹⁹.

But the ambition is not only to affirm an original way, it is also imperative to have it recognised by one’s partners, European ones in this instance. This consequently does not happen without creating certain difficulties in the establishment of a relationship that is supposed to be founded on a set of shared liberal and democratic values. Russia thus seeks, in the name of this specific way of political and economic governance, to reduce the issue of values in the framework of negotiations with Europe. It is about avoiding that these moral and political concerns take up the majority of discussions, to the detriment of the mass of economic and commercial interests, mutually bearing substantial benefits. However, and in compliance with this principle of state governance of the economy, **Russia will not give in to European demands to liberalise air traffic in Siberia in the short term. It is primarily on this last point that negotiations with Europe stumble and not on the Russian hesitation between democracy and authoritarianism.** In this, the Russian president was given satisfaction by his European colleagues: relations with the European Union are not truly and primarily determined by an obligation of shared values.

PROTECTION OF MINORITIES AND RUSSIAN ENCLAVES

The matter of the Kaliningrad enclave, which the enlargement of the EU to Poland and Lithuania has isolated from “central Russia”, was experienced by government authorities as a threat to the country’s territorial integrity and an insult to Russian citizens residents of Kaliningrad. An agreement was, however, reached quite quickly, which safeguards major Russian interests. It is essentially a technical solution²⁰. Europeans, in reality, have swapped

¹⁸ Karaganov, Sergeï (under the direction of), *Russia-EU relations: the Present Situation and Prospects*, Center for European Policy Studies, Brussels, no. 225, July 2005.

¹⁹ Cf. Thomas Gomart, “Russie: trop plein d’énergies ou d’inerties?”, *Ramsès 2006*, IFRI, 2005.

²⁰ Solution elaborated at the Brussels summit of 11 November 2002, which rules that from 1 July 2003, Russian citizens can cross Lithuania or Poland with a special transit document, adapted to the means of transport used (rail or road) and free of charge in some cases; <http://www.eur.ru/eng/neweur/summits/sum63.doc>

the need for a check of transits at Kaliningrad to the rest of Russia for a substantial financial effort for the enclave, thus obviously contravening Russian sovereignty²¹. This agreement, however, does not provide complete satisfaction to Russia. Moscow considers that an optimal solution for Kaliningrad would be to implement general free movement between the EU and Russia. This topic is therefore discussed during each Russia-EU summit. A first step was made in London in October 2005: the EU and Russia are to sign a visa facilitation agreement for Russian students, businessmen and journalists travelling to Europe in the near future.

Russia also denounces the treatment of Russian-speaking minorities²², who cannot easily access citizenship (language tests) and who at the same time do not have sufficient means to enhance the status of their identity difference. They are considered to be non-citizens and likened to stateless persons. That being the case, the two States newly admitted into the European Union have somewhat facilitated the approach but refuse to take the step to declare Russian the official language in their States and perhaps subsequently in the EU, which is what Russia, in veiled terms, would want.

Russia felt threatened in its relationship of equality with the European Union in these two issues. In the name of national interest, it did not hesitate to dramatise contacts, of any nature whatsoever, with the States implied in both these cases. All it takes is for some Russian officials, at the Foreign Affairs Ministry in particular, to politicise purely technical matters to cause lively diplomatic reaction on both sides. Dramatisation could have taken place on the issue of the Kaliningrad enclave, taking into account certain passionate reactions on the part of Moscow politicians. However, a solution having been found relatively rapidly, tensions due to Moscow are instead somewhat focused on Russian minorities in the Baltic States. They subsequently rapidly expanded to all relations with Europe. In this way, the issue of border delimitation treaties between Russia and Estonia and between Russia and Latvia was quickly added to the matter of minority rights²³. The Kremlin subsequently attempted to play the role of "old Europe" against new members, by favouring inter-state diplomacy, to the detriment of relations with the European Union as a whole. President Putin, for example, made it a point during the Russia/Europe mini summit in Kaliningrad in early July 2005 to only invite the French president and German chancellor, conspicuously neglecting the Polish and Lithuanian presidents. A few weeks later, he went to Finland, while the Russian Foreign Affairs Ministry praised Finnish tolerance, authorising all permanent residents to take part in elections, without condition of citizenship, in obvious reference and criticism to Estonia and Latvia. It is interesting to note in this respect that his personal representative to the EU, Sergei Yastrzhembsky, has never explicitly held the position of ambassador to the European Union. He never took part in global negotiations on the future of the partnership, but rather went to

²¹ Kaliningrad and the EU enlargement: a border, not a barrier. http://eur.ru/en/cis_8.htm

²² Fewer than 1 million individuals in all in the Baltic Countries, primarily in Estonia and Latvia.

²³ In June 2005, Russia revoked its signature on a treaty it had recognised one month earlier. As to Latvia, it unilaterally adopted the border treaty, after the breakdown in negotiations with Russia on a portion of the territory at issue.

great lengths to instil within the Union the seeds of division, by regularly and systematically attempting to criticise the Baltic States and to favour other States²⁴. From a Russian diplomatic angle, it seems that the European Union was no longer considered to be a fully-fledged entity. Objectively, it is not certain that Russian national interests in the Baltic States actually required this dramatisation of relations with the EU; the Russian minorities in question are in fact neither persecuted nor tyrannised. In the eyes of Moscow, however, there is a clear and present danger. That being the case, all these Russian interests do not in the same way mobilise the Kremlin authorities, who sometimes accept to sacrifice some of them, in favour of Russia's prestige on the international scene.

2. EXTERNAL DETERMINING FACTORS: RUSSIA'S INTERNATIONAL ROLE

Russia is seeking to become the equal of its Western partners and to be considered as such on the international scene. It thus multiplies efforts to enter the major global negotiation arenas, sources of acknowledgement and global influence.

RUSSIA'S GLOBAL COMMERCIAL AMBITION

Membership in the WTO implies great political symbolism for the Russian Government. President Putin has turned it into a priority in his first and second term. Russian national prestige hangs in the balance. How could it be a superpower without taking part in this regulatory system, guarantor of transparency and openness, whilst its former satellites, the Kyrgyz Republic and Armenia more particularly, are already part of it? As of 1998, Russia has been invited to integrate the G7, which became the G8 whose annual summit it is to preside in 2006 in Saint Petersburg. In 2002 it was given the status of market economy by the EU and the United States. It then became essential to become a member of the WTO as soon as possible. The conclusion of the Moscow summit, in May 2004, to negotiations with the EU, its principal commercial partner (50% of Russian external trade), which came up against two strategic sectors, energy and agriculture, should greatly expedite its integration. This perspective, however, has justified heavy sacrifices on the part of Russia, which has accepted to give up some comparative economic advantages on the world scene, in the name of this global ambition. The European step, in the WTO membership process, was favoured to the detriment of a share in the Russian national energy interest and more balanced agricultural development.

According to the agreement concluded in May 2004, Moscow will have to double gas prices of to manufacturers by 2010 (from \$28 in 2004 up to a \$57 maximum in 2010). In other words, Russia, as specified by Commissioner Pascal Lamy in his speech to the press²⁵, has abandoned

²⁴ As an example, "Baltic Spanner in the Works of Russia-EU Relations", interview for *Russki Newsweek*, 18 May 2005.

²⁵ Pascal Lamy, press conference on the membership of Russia in the WTO, Brussels, 21 May 2004. http://www.delrus.cec.eu.int/en/news_583.htm

these indirect and unfair advantages from which local producers benefit against their European competition. He adds that it can only encourage more optimal use of energy resources, in the perspective of the signing by Russia of the Kyoto protocol. Objectively the European Union has managed to impose its conditions. The series of negotiations, however, show a more subtle bargaining, corresponding precisely to this global Russian ambition. In fact, in order to cushion this increase in gas prices, the Russian State has initiated two electricity production projects in Tajikistan and the Kyrgyz Republic, financed by the stabilisation fund supplied by oil tax revenue beyond a certain rate. The inexpensive delivery of said electricity to Russia, for industrial use, will lead to the decrease in local gas needs, which mainly are used for the generation of electricity. Surplus Russian gas will in any case be easily exported, taking into account the increase in international energy demand. **Russian membership of the WTO is therefore accompanied by the reinforcement of the Russian economic stranglehold in Central Asia, with the approval of Europe.** In addition, during negotiations Moscow has resisted incessant European incentives for the liberalisation of industrial property and has demanded the acknowledgement that energy will remain under State control. The European Union, in fact, committed itself to not challenging the monopoly of Gazprom for the export of gas. It thus clearly appears that it is this concern to play a global commercial role that prevailed during negotiations, only allowing to obtain at the most a degree of what is essentially statutory satisfaction.

The benefits are less evident on the other hand on the section on agriculture in the negotiations. Russia only obtained from the EU a low quantity of customs duties for all agricultural products and minimum import quotas for beef and chicken. Yet, considering the strong potential development of its agriculture, it could have hoped for access to the world market, and European in particular, for its principal export productions (cereals), and the authorisation of rather high customs protections, even temporarily, in view of rewarding domestic animal products production channels. The EU has managed to impose on Russia the immediate partial liberalisation of its agricultural market, obliging it to only actually be able to rely on the profitability and export of cereal production. It is in fact doubtful that the final terms of the agreement allow Russia to reconstitute its animal industry. That being the case, it is not sure that the current leading team would truly have had the ambition to achieve a balance in Russian agriculture, the priority remaining integration into the WTO. Today the latter is largely acquired following the agreement reached with the EU. Global commercial ambition is therefore assured.

THE WILL TO MAKE AN IMPACT ON THE WORLD SCENE

It is difficult not to perceive in Russia a certain type of inferiority complex vis-à-vis the United States and NATO, considered by all teams succeeding each other at the Kremlin since 1991 to be the American military wing in Europe. This “psycho-state” attitude governs a large part of Russian-American relations, but also especially of Russian-European relations. The Russians in fact constantly seek to approach third powers in order to increase their political clout vis-à-vis Washington. The UN Security Council provides an ideal framework for action, as shown by

Russia's subtle and ambiguous role, oscillating between France (and Germany) and the United States, during negotiations on the draft resolutions authorising the war in Iraq (March 2003) and the transfer of sovereignty to Iraqis (June 2004). The Russian dialogue with the EU on foreign policy and common security (CFSP) and/or European security and defence policy (PESD) until recently has fallen within the scope of a similar game of counterbalance and political instrumentalisation. Seen from Russia, it is logical to consider the military dimension of the European Union as an alternative to NATO. In fact, since 2000, Russians have proven to be particularly enterprising in this area, proposing for example the joint planning of military operations, the creation of multilateral contingents, envisaging even through the voice of the then Foreign Affairs Minister, Igor Ivanov, to "contribute to EU operations in crisis settlement"²⁶. This has not truly materialised due to reluctance on the part of the countries themselves, bogged down in an especially delicate transatlantic dialogue on the question of EU-NATO relations and the Russian focus on NATO. Certainly the NATO-Russia Council of May 2002 has considerably clarified the situation. This does not seem sufficient, however, as intimated by Vladimir Chizov, then deputy Foreign Affairs Minister, who in June 2004 attempted to explain the Russian president's refusal to take part in the NATO summit in Istanbul. By making it known that he refused the link established by NATO between the signature by the Baltic States of the treaty on conventional armed forces and the departure of Russian troops from Georgia and Transdniestria in Moldova, he in fact laid down conditions for Russian participation in a future summit. Implicitly, the existence of a European defence initiative afforded him this diplomatic boldness. After all Russia has only one objective: to be associated with the definition and maintenance of European security, whether it be through NATO or the EU. For a while there may have been a preference on the part of Moscow for the Atlantic alliance, in a way to also associate the United States with it.

The Russian perspective has changed recently. **Russia tends to increasingly consider the EU as a positive partner in the field of security.** The recent appointment of Vladimir Chizov by President Vladimir Putin as permanent representative to the European Union to replace Sergei Yastrzhembsky, whose post came down to criticising Baltic policy, can be interpreted in this light. By promoting a diplomat to this post, President Putin gives new importance to diplomatic and security dialogue with the Union, which seems particularly relevant today in the Russian perspective of the recovery of influence among close neighbours. The European Union in fact, contrary to NATO, is not in the least perceived by Russian decision-makers as a rival in the region. Several Russian analysts²⁷ in this way report words by the former president of the European Commission Romano Prodi who, in September 2004, clearly indicated that the EU had no intention of playing the role of mediator in the conflicts in

²⁶ Declaration of November 2000, reported by www.euobserver.com, 27 November 2000;

Isabelle Facon, *Les relations politiques et de sécurité entre la Russie et l'Union européenne*, Recherches et documents No. 28, Foundation for Strategic Research, September 2002

²⁷ Sergei Karaganov in, *Russia-EU relations: the Present Situation and Prospects*, Center for European Policy Studies, Brussels, no. 225, July 2005, p. 8. Andreï Zagorstki, in "Russia and the shared neighbourhood", *Cahiers de Chaillot*, no. 74, Institut d'études de sécurité, Paris, 2005, p. 73.

the Caucasus and invited the States concerned, mainly Georgia and Azerbaijan, to deal directly with Russia. It is also true that the voice of Europe, with respect to issues that do not directly involve it, is barely audible. In addition, the Union itself would probably have some difficulty acting in a coherent way in the short term in such a sensitive diplomatic context. Russian commentators add today that the EU is facing a crisis as a result of the negative French and Dutch referendums on the constitutional treaty, preventing it from further developing before possible competitive ambitions in the region through foreign policy and common security that is more structured and independent.

Russia's perception of the security relation with Europe today is supposed to be a lot more constructive. The Kremlin considers that it is in the best interest of the European Union, in its current state of development, to develop a foreign policy and the common security tool that it could implement in the framework of crisis management operations in CIS, under certain conditions and notably by considering Russian interests. This new configuration of forces and Russian-European relations would thus allow Russia to maintain or even recover political and economic positions mainly in the region – Caucasus, Ukraine and Belarus. This change in the relational prism opens up huge opportunities, whose outcome would exactly be in the framework of an in-depth CFSP, the acknowledgement of Russia's pivoting role and the effective association of Moscow with the permanent solution to a conflict hatched in the area (Transdnistria or Nagorno-Karabakh for example). It is in this respect that European neighbourhood policy may have disappointed the Russian authorities: no difference compared to other CIS States, no substantial cooperation proposal in the interest of third countries, entering its private Caucasian and East European hunting ground, no certainty even that the EU will integrate it into its programme. Russian authorities in fact envisaged a European neighbourhood policy formalised in function of Russian neighbourhood policy towards its close neighbours (Caucasus, Ukraine, Belarus). According to Moscow in fact, there may be no European neighbourhood policy vis-à-vis the CIS without dialogue with Russia, i.e., without taking into account certain major Russian requirements, for a useful and efficient approach to the issues of economic and commercial development (customs rates, transport infrastructures, energy cooperation) and of security in the area. On this last point, in view precisely of the solution to the conflict between Moldova and self-proclaimed Transdnistria, whilst the EU tends to commit itself further ahead in the solution process (joint monitoring of the Ukraine-Moldova border with Ukrainian forces), Russia never excluded taking part in a European peacekeeping mission, which would include Ukrainians and Europeans²⁸.

Russian determining factors, both internal and external, in the relationship with Europe prove to be completely complementary; as has been seen, Russia's international ambition, when it is successful, reinforces national interest. More surprisingly, these developing Russian factors today model a particularly ambitious partnership, calling for example for a European deepening

²⁸ Trenin, Dimitri, *Russia, the EU and the common neighbourhood*, Centre for European Reform, Brussels, September 2005, p 6.

of the CFSP. This does not happen, however, without posing certain questions and raising certain problematic issues, notably on the importance of shared values. It is undoubtedly the reason why Europeans seem so cautious in their relationship with Russia. **Moscow should understand that its project to exploit the EU is at times ostentatious and counterproductive, that to build a balanced relationship, it is essential to establish sincerely cooperative positions and not with multiple meanings. As long as the Kremlin will not have made these efforts, it is unlikely that Russian-European relations will go beyond the status of incompleteness they have reached today.**

II – Inventory of EU–Russian relations: an incomplete relationship

The two major cooperation issues in the current international context are energy and security, which Russia would like to develop on its own terms. It is, however, difficult for bilateral initiatives to reach a level of implementation that is mutually satisfactory. Designating and condemning people responsible is out of the question. The European Union will undoubtedly have to make more ambitious commitments. But efforts are expected also and especially from the Russian part, which should adjust certain requirements, which should allow to reach both objectives of the relationship: privileged rapprochement in the energy field and in-depth collaboration in terms of security.

1. ENERGY RELATIONS LACK ENERGY

It is a known fact that energy must play a central role in Russian–European relational structuring, due to resources in Russia that are decisive for the future of the Union. There are, of course, rather formalised cooperation frameworks within the energy dialogue, established during the EU–Russia summit of Paris in October 2000 and which should allow, in the words of the joint statement²⁹, “to evoke all matters of common interest relevant to the sector, including the establishment of cooperation in terms of energy savings and rationalisation of production and transport infrastructures, European investment options, as well as relations between producing countries and consumers”. This dialogue struggles to find a second wind in the face of the renewal of the energy configuration between Russia and the EU.

UNCERTAINTIES ABOUT RUSSIAN–EUROPEAN ENERGY DEPENDENCIES

Russia is already supposed to be a reliable source for oil and gas supplies, as President Putin specified in London, during the press conference that concluded the latest Russian–EU summit in October 2005. He also added that it had never disappointed its partners. He thereby intended to reassure Europe on the growing energy dependency vis-à-vis Russia, as indicated by detailed projections of European gas and oil imports by 2020³⁰. Resources in Russia are in fact certainly not lacking, at least in the mid-term. According to an American official posted at the US Embassy in Moscow, Russia still has sufficient oil reserves for the next 30 or 40 years. Today it produces more than 9 million barrels per day (b/d)³¹, of which a little under 7 million are available for export in 2004. And the growing trend is backed by the voluntarist policy of the government, which aims to place oil companies at the service of national interests. By

²⁹ Joint statement by the president of the European Council, Jacques Chirac, in Paris on 30 October 2000.

³⁰ Refer to preamble, Issue 1: the energy card, double-edged sword

³¹ Source: Energy Information Administration, Russia’s Country Analysis Briefs. As a comparison, Saudi Arabia produces 11 million.

monitoring the sector, the State essentially seeks to ensure productive investments, which will allow, for example, to meet the increases planned by the energy ministry for pipeline exports: from 5.1 million b/d in 2004 to 5.8 in 2007 and 6.2 in 2015. In the gas field, on the contrary, the Russian Government insists very little on an increase in productivity. The energy ministry does not for that matter envisage an increase in gas exports (1/3 of Russian production, i.e., 215 billion m³ in 2004 and 2005) in the short term, the proportion should even slightly decrease by 2010. In this area Moscow deploys a rather geopolitical strategy, aiming to establish Russian control over Uzbek and Turkmenistan gas exports. By drawing on Central Asian resources, whilst maintaining production, the Russian authorities are transforming the country into a real gas *hub*, able to supply Ukraine, Belarus and all of the European Union, as illustrated by the Russian-Ukrainian agreement in principle in early January 2006, which aims to supply Kiev with a substantial portion of Central Asian gas (from Turkmenistan, Uzbekistan and Kazakhstan) at prices lower than those for Russian gas.

Then it will be about securing transport links to Europe. Steps have already been taken at the presidential level during the October 2005 summit. President Putin evoked with his partners the construction project for an underwater gas pipeline linking Russia to Germany, reaching Belgium and even Great Britain. The implementation of such a project would double the Russian supply channels to Europe. By now the latter reach Eastern Europe. With this new project circumventing the Baltic States and Poland, the EU would prove to be doubly attached to the Russian networks, through Poland and the Baltic Sea and then Germany. Consequently by combining reserves and doubling supply capacity, Russia undoubtedly places Europe in quite an uncomfortable relationship of dependence. In addition, in the framework of a political energy strategy, this doubling of means of transport will allow Moscow to dissociate the powers of Western Europe, France, Germany and Great Britain, from new Member States on the one hand and border States with European perspectives (Ukraine and Moldova) on the other. The recent gas crisis between Ukraine and Russia and its quite rapid solution – Russia accepting upon completion of complex negotiations that Ukraine buy gas at the rate of €95 per 1,000 m³ – have in fact explicitly revealed the absolute need, in the eyes of Moscow, for dissociation. Without this strategic convenience, Russian authorities are not in any way able to use the energy weapon in the framework of bilateral pressure on the Europhile governments of Ukraine and Moldova, the consequences of a stoppage of supplies that has ended up penalising Western allies. That is why the Kremlin so quickly sought and finalised a compromise in early January. That is why it will also be a lot easier to bilaterally issue energy threats against Ukraine, Moldova, Poland, Hungary and the Czech Republic if Russian gas arrives in Western Europe through the Baltic Sea, without fear for pan-European solidarity and by furthermore guaranteeing the reliability of Russian gas supplies to its main European allies, France, Germany and Great Britain.

The EU, however, may act as a counterbalance, which would decrease this energy imbalance and which, therefore, make delicate the conclusion of agreements that specifically meet Russian requirements. As it happens, Russia only has a reduced number of solvent clients surrounding it. China will undoubtedly over time become a major client, but taking into account distances, it is highly unlikely that Moscow will be able to make Europe and China

compete for access to Russian gas and oil. The sharing of resources will also have a geographical determination. Consequently, by considering Russia's commercial dependency vis-à-vis the EU in the energy field – the sale of natural resources (gas, oil and metals) represents 70% of total export revenue and 16.2% of gross domestic product (GDP) – it is hardly in the Russian authorities' best interest to see their exporting position decrease in Europe, on pain of causing a slowdown in growth. Certainly, high oil prices still safeguard Russia from this risk, but it remains dangerous to base its prosperity on external data. Lastly, Europe will over time undoubtedly benefit from alternative supply channels, notably through Turkey, which does not hide its ambition to become the fourth energy route (except for liquid natural gas transport) for Europe, after Russia, Norway and North Africa, the latter for that matter nearing depletion. If, in addition, Turkey joins the EU, its function as a secondary source will be reinforced to the detriment of Russia³². These perspectives widely rationalise the predominance of Russian national requirements and the position of power the Kremlin believes to be able to take advantage of in the formalisation of the energy dialogue.

DIALOGUE DEADLOCKED

The Kremlin today primarily intends to especially take advantage of the energy dialogue to satisfy investment needs on the part of Russian companies in the sector, estimated at 100 billion dollars for the gas sector and 150 billion for the oil sector by 2020³³. It is, among others, under this condition that it will be possible to increase oil productivity and to improve the network of gas pipelines to Europe in particular. Energy manufacturers hope for technology transfers that will facilitate the modernisation and competitiveness of their means of production. More generally, Russia would like to rely on the energy dialogue to attempt to exit the logic of the "plundering" of its resources. It involves encouraging Europeans, in the name of a balanced partnership, to take into account other Russian non-energy sectors of excellence, such as aeronautics, space and weapons, and to obtain to this effect productive aid or investments. Lastly, for certain rather beneficial clauses, it is very much in Russia's interest to promote the effective reopening of the energy dialogue. Russia in fact benefits from the "destination clause", which prevents one Member State from reselling energy to another in compliance with Community regulations, which, by favouring competition and the liberalisation of the market, is hardly in Russia's best interest. It also maintains gas supply contracts in the long term, in violation of community common law. In short, Russia would like to be able to continue to export its hydrocarbons to the European Union with the minimum number of constraints.

³² Comments by the author after an analysis of the Turkish energy strategy proposed by Hakki Akil, deputy director for energy, water and the environment at the Turkish Foreign Affairs Ministry, conference organised by the *Fonds d'Analyse des Sociétés politiques* (Jean-François Bayart), Paris, 3 June 2004.

³³ Figures provided by the EU Delegation in Russia.

So far priorities for Europeans have been to guarantee their energy supplies, to improve the investment climate and to open the very connected markets of Russia and Central Asia³⁴, whilst favouring the ecological dimension and sustainable development. However, in addition to European success on the Kyoto protocol that Russia signed in October 2004, in other areas, notably infrastructure investments, advances are very limited taking into account a rather tense economical and financial climate in Russia. The EU for the time being limited itself to the creation in Moscow in November 2002 of a Russian-EU energy technology centre whose missions are not yet clearly explained. Today, according to the sixth progress report on the energy dialogue³⁵, a gap remains between Russian and European priorities in view of the effective implementation of the objectives of the partnership. The framework has certainly been rationalised since the summit in The Hague (November 2004), which witnessed the establishment of four theme groups – energy efficiency, infrastructure, trade, investment – which clearly correspond to the reconciled Russian and European objectives. One year later, however, the last report still refers to intentions and projects: Europeans call for the pursuit of Russian efforts in view of the relaxing of the legal and fiscal framework favouring foreign investments and the Russians note the importance of European transfers of technology, in return for this progress. A Russian-European energy harmonisation project is also evoked, which would only in fact be the extension of agreements concluded on the WTO. Lastly, it is noted that it would be urgent to conclude an agreement on the trade of nuclear waste. Today, in a context of uncertain Russian energy supplies as a result of the Ukrainian crisis in early 2006, Europeans primarily insist on Russia's required reliability and have thus attempted, during the meeting of the Council of Ministers of the G8 on 10 and 11 February 2006, to update the energy charter and to obtain Moscow's ratification³⁶. This commitment, whose actual impact may be doubted, since neither Russia, nor Canada or the United States have ratified it, would, however, imply that, on the Russian side, gas and oil exports are no longer the monopoly of the state giant: Gazprom. It is in fact about allowing other future Russian producers and exporters to use the gas giant's networks abroad. Russian officials have remained very cautious about any ratification, President Putin in all likelihood giving instructions to this effect to his Finance Minister, Alexei Kudrin, known for his liberal tendencies.

It is not certain that Russian and European objectives are truly reconcilable, transforming this energy dialogue into a dialogue of the deaf by postponing sine die Russia's agreement on the energy charter. It is very possible that this situation will last, as both parties, for the time being, respectively find some satisfaction in this status quo. Russia supplies the European energy market and at the end of the day is not lacking foreign investments in this sector, even

³⁴ It involves, for example, toning down Russia's commercial stranglehold on the Central Asian market and to allow notably Turkmenistan to freely choose its gas export partners.

³⁵ *Sixth progress report*, EU-Russia Energy Dialogue, October 2005.
http://www.delrus.cec.eu.int/en/images/pText_pict/452/progress6_en.pdf

³⁶ Russia signed the charter in 1994 but has not yet ratified it.

if technology transfers are not as great as they could be and other professions lack vitality. The European Union, for its part, does not have true difficulties in its soon-to-be diversified gas supplies, with Turkey; it certainly currently depends on Russia for security and regularity of flows, but it appears very unlikely that Moscow will make a commitment on a delicate blackmail with Europe in this area. That being the case, in the long term it would undoubtedly be preferable for Russia as for the European Union to give the dialogue a new cooperative tone, able to manage and facilitate relational renewal on the horizon. The momentary reinforcement of European dependency vis-à-vis Russian delivery networks will have to be taken into account and balanced; it is in this respect that the recent pressure exerted by European ministers for Russia to ratify the energy charter must under no circumstances be abandoned. It will generally be indispensable that the Union position itself on Russian state governance of the economy, which violates general European practices and orientations and which is to determine the decision of a more or less voluntarist commitment by Brussels in terms of investments and the transfer of (energy) technology to Russia. Without deepening the dialogue on this point, it is probable that the sources of tension will multiply, with Russians and Europeans mutually accusing each other of not making the necessary and sufficient efforts for the establishment of an energy dialogue from which both parties would nevertheless draw substantial advantages.

2. LAW AND ORDER DIFFERENCES

World news since September 11 and the progressive emergence of more or less organised terrorist threats, place the issues of defence at the heart of international cooperation, in particular between the EU and Russia, who for different reasons, both face security risks. It turns out that in addition both parties have a strong political interest in it: the Russians in order to consolidate their place of inescapable security interlocutor in Europe; the Europeans, if they adopt the French vision, to make their forces autonomous vis-à-vis the United States. However, neither one so far has dared (yet) to truly commit, leaving cooperation to be reduced in practical terms to the technical minimum.

THE TECHNICAL WITHDRAWAL OF THE SECURITY AND DEFENCE PARTNERSHIP BETWEEN RUSSIA AND THE EU

There is a potential for security cooperation between Russia and the European Union that should not be neglected. It was envisaged, very early on, to reflect about the terms of common crisis management and resolution in the European and former Soviet areas³⁷. However, no concrete result has been recorded since these declarations of good intentions, taking into account the political barriers that are quite firm. On the European side, the context after September 11 2001 did not lend itself to too great a demarcation of the European Union

³⁷ The first results, concluded during the October 2000 summit, turned out to be very encouraging: "regular consultations, strategic and specific, in terms of security and defence, complementary reinforcement of dialogue sessions".

vis-à-vis NATO. Today, due to the failure of the constitutional treaty, it is not certain that the context has dramatically improved. Europe today is awaiting a political revival and prospects of cooperation with Russia still undoubtedly appear too bold for a CFSP/ESDP that does not have the means to impose itself vis-à-vis the United States and its European allies. On the Russian side, as numerous international observers indicate,³⁸ the Moscow government envisage common management under certain, rather strict conditions, notably a decisive right to inspect the management of operations and the need for a UN mandate. Let us also mention the fundamental value of the territorial integrity that the successive teams in power in Russia since 1991, extend to the entire Soviet Union and which may explain that the Putin presidency reacted to badly recently to the foreign interference in Ukraine and Georgia and that it refuses any Western political intervention in Chechnya. However, European and Russian positions evolve, allowing to envisage the possibility of effective collaboration. This was experienced, among others, as regards the conflict in Moldova. The Moscow government understands that the current issue is less about the territorial *sanctuarisation* than the fight against the action of hostile networks within the territory, even understood as part of the former Soviet empire, and that in this matter, if its interests were guaranteed, the Kremlin could accept external interference, European in this case.

That said, there remains a certain nervousness on both sides to make a stronger commitment to a military-diplomatic collaboration, which obviously turns out to be much more delicate to implement than a global discussion on topics that are not likely to fundamentally harm Russian-European relations, such as nuclear security, disarmament, the fight against organised crime and, basically, all the sectors that the Tacis programme covers in Russia. This by no means implies that this cooperation is effectively very accomplished, but they are what makes up the core of the Russia-EU relationship in terms of security. The civil satellite navigation system GALILEO, relaunched as a result of a European decision in March 2002, for example, is still not reconciled with the Russian Glonass project³⁹. Similarly, progress in the field of financial crime is particularly slow, for internal reasons specific to the government in Russia, which does not appear to want to give priority to the fight against illegal money flows. On the other hand, the project in the nuclear field, for disarmament and security, seem to be more accomplished, as a result of persistent European pressure since 1991. It is effectively about reducing the Russian threat by monitoring the storage of weapons of mass destruction or by assuring their destruction⁴⁰. The EU finances the international science and technology centre in Moscow. It also contributes to the construction of destruction centres. This involves technical, legal and financial support, without political or diplomatic effects. Yet this technical partnership

³⁸ Among whom Isabelle Facon, who proposes the synthetic reflection of these questions in her note: *Les relations politiques et de sécurité entre la Russie et l'Union européenne*, Recherches et documents No. 28, Foundation for Strategic Research, September 2002

³⁹ Project competing with the American GPS, implemented in the early 1980s. Due to a lack of means, it does not work at the initially planned capacity. It must be updated shortly and notably associated with European but also Chinese partner projects.

⁴⁰ Kathrin Höhl, Haral Müller, Annette Schaper, under the direction of Burkard Schmitt, "l'UE et la réduction de la menace en Russie", *Cahiers de Chaillot*, Institut d'Etudes et de Sécurité, no. 61, p 22.

tends to gain in importance and to represent one of the major realisations of the fight against terrorism. The durability of the Tacis programme since 1991 comes under a similar logic, even if Tacis itself is of course not only dedicated to security. By extension and as regards its security aspects in particular, its evolution, however, quite corresponds to this “technical” **focus of the Russian-European relationship**, i.e., legal, administrative and institutional reforms, support to the private sector for economic development (privileged entry for the period 2004-2006), treatment of the social consequences of the transition (health policy, employment policy, support to education), as well as, as discussed, the implementation of a special programme for Kaliningrad. In addition to nuclear security and minor projects, are to be added lateral programmes, notably cross-border ones, which cover the sustainable development of natural resources, commercial facilitations (transport, infrastructure, exchange of information) and the areas related to justice and internal affairs. The European Union, however, tends to rationalise this lateral cooperation with Russia by favouring the geographical focus over the thematic focus. One of the most successful programmes in this area is the EU’s Northern Dimension. Proposed in September 1997 by the Finnish Prime Minister, it became foreign policy in December 1998 during the European Council meeting in Vienna. It is about providing the relevant countries with efficient cooperation and management tools for the major regional challenges, i.e., climate conditions, transport, environmental risks, customs cooperation. Since 2004, the accent is no longer on the environment but rather on economic and commercial cross-border cooperation, involving the Russian Federation, the Baltic States, Scandinavia and Poland. The Commission specifies for that matter that the markets are destined to integrate and that it therefore becomes imperative to develop first and foremost communication and telecommunication networks and energy exchanges. Sectoral priorities have changed compared to the first edition, which put the issue of the environment at the top, primarily pollution, nuclear safety and the treatment of waste as well as cooperation in the energy field. The environment is only in third place in the 2004 document. It is followed by cross-border aspects of the fight against crime, the management of migration and all internal and justice matters⁴¹. This is one example of a purely technical success of the Russia – European Union relationship, which has not been repeated anywhere else, notably not on the Black Sea. The EU lets it be known on this topic that since coastal States are so different and inhomogeneous in their relations with the Union and with the WTO, it is not relevant to conduct common, particularly commercial cooperation, in this region. In the framework of the neighbourhood policy that covers the area, it is about preserving bilateral relations with each one of them, including Russia. Until the integration of Rumania and Bulgaria, it is very unlikely that the European Union will put a lot of effort in the Black Sea, on a regional level, other than through programmes already under way: INOGATE, TRACECA, Black Sea PETrA, DANBLAS⁴².

⁴¹ Presentation given from the European Commission, *The Second Northern Dimension Action Plan*, working paper, Brussels, 10 June 2003. http://europa.eu.int/comm/external_relations/north_dim/ndap/com03_343.pdf

⁴² Respectively: Interstate Oil and Gas Transport to Europe, Transport Corridor Europe-Caucasus-Asia, Pan-European Transport Area, Danube-Black Sea Environmental Task Force.

THE FIGHT AGAINST TERRORISM, THE SYMPTOM OF A CRISIS OF VALUES BETWEEN RUSSIA AND THE EU

The deepening of technical cooperation should result in sound and strategic partnerships. This is hardly ever the case. It is interesting for example to observe that as regards the fight against terrorism, which falls within the framework of cross-border cooperation within Tacis or the EU's Northern Dimension, agreements rarely go beyond the exchange and sharing of information on potentially threatening networks. Cooperation essentially ends up freezing or blocking financial resources of terrorism and reinforcing border monitoring. It should allow to proceed to arrests and to dismantle networks, but results are non-existent. All we need to do is mention the Akhmed Zakaev case, representative in Europe of the Chechen separatist government, accused by Russia of terrorism and having received political asylum in Great Britain. He now resides in London and receives journalists and politicians in total freedom. President Putin, during the summit in the British capital in October 2005, has again requested his extradition, in the name of the fight against terrorism. It is unlikely that he will get satisfaction. Akhmed Zakaev has therefore come to represent the inoperative state of Russia-EU collaboration with respect to the fight against terrorism. These technical agreements do not result in the establishment of a common political base between Russia and the European Union that would make it possible to build a sound and strategic partnership with respect to security and defence.

Between the two parties a problem of values quickly arises, as illustrated by their respective conceptions of terrorism, applied to the Chechen conflict. Since the start of the second Chechen war in 1999, Russian authorities assimilate all the Chechen guerrillas to bandits and terrorists. Moscow, on the grounds of Chechen Islamist claims associated with the albeit irregular use of terrorist methods, publicly and officially makes the rapprochement with the international terrorist networks of Al Qaida, thereby turning Chechnya into an additional front in the fight against terrorism. For the European Union, reality turns out to be a little more complicated. This dichotomy between pro-Russians and terrorists must be overstepped. It obviously cannot deny the existence of Chechen terrorism, but it also recognises the distinction between Al Qaida and the very local and historic fight of the Chechens. And yet it is not about taking a political position for or against Chechen independence. This matter remains an internal Russian matter. On the other hand, the matter of terrorism gives rise to fierce criticism in Europe, as it involves on the part of Russia highly violent methods of conflict management showing a lack of concern for individual rights. It is not possible, under the cover of the fight against terrorism, to challenge, even on a small territory at war, universal human values, to which Russia is supposed to have adhered, all the more so since terrorism only applies from time to time and to a minority of combatants. The disagreement between Russia and the European Union on this point is particularly important. The Russians do not understand why the Europeans do not support them in their fight against new Islamist terrorist dangers, when the latter contest that the terrorist label authorises violent acts against civilians, approximate justice, cleansing operations and blockage of information.

More generally, this applies to most cooperation announced during each Russia-EU summit⁴³ in the area of justice and home affairs, cooperation that is rarely formalised and subsequently implemented. Technical agreements are possible but are unable to turn into more strategic political partnerships. And Russia carries a heavy burden in this area. It in fact appears to be difficult to deal with a country that refuses to objectively look at the situation in Chechnya and the lack of rights there: that does not turn out to be cooperative in the fight against money laundering and more generally against organised financial crime, that extols, in the name of cross-border cooperation, the free movement in the Union of its nationals, whilst limiting external support to the development of civil society in Russia, and that, in the name of state governance of the economy, does not liberate air traffic in Siberia.

Considering these strategic differences between Russia and the European Union, as a result of certain Russian political choices since 2000 and the arrival of Vladimir Putin on the scene, it is becoming inevitable for the EU to define its own new vision of the future of its relationship with Moscow, which will have to associate values and interests, and rely on the consolidated basis of general European principles and the well-being of the people of Europe. It is not about proceeding to arbitration between values and interests, but rather organising their concerted achievement vis-à-vis Russia.

⁴³ Refer, for example to the final statement of the 14th Russia-EU summit in the Netherlands, November 2004. http://www.delrus.cec.eu.int/en/news_658.htm, as well as to references to the common Justice and Internal Affairs, during the most recent summits.

Conclusion: what European policies?

The relationship, relying since 2000 on relatively precise strategic documents still does not hold true political consistency. Beyond renewal, it is primarily about bringing initiated projects and dialogues to a successful conclusion. It is, however, true that the establishment of a sound relationship today presupposes a new Russian-European lease of life, corresponding on both sides to voluntarist bilateral policies. The two parties seem to be aware of this double necessity, of revival and realisation of common projects, as indicated by preparations for the upcoming renegotiation of the Cooperation and Partnership Agreement. It appears difficult, however, to go beyond the partners' basic positions, which are very different. The Russians emphasise that the relationship was negotiated when Russia was in a position of weakness, that it imposes too many constraints in the name of European political, economic and social standards and that, especially, the relationship between Europe and the United States is not formalised by any agreement. Russian authorities, in fact, claim a specificity of treatment, whilst the European Union envisages a vision defined in the long term, which associates interests and values.

In order to remove this obstacle for the relationship with Russia, the European Union seems prepared today to give priority to the possibilities that are opening up in terms of practical cooperation, perhaps to the detriment of strict compliance by Moscow with values of democracy and respect for human rights. But the EU does not necessarily have the means to negotiate on all topics. Officials at the Russia desk at the European Commission comment that Moscow's political and economic gaps will be settled on the strength of a sounder and more accomplished relationship⁴⁴. In other words, it is about envisaging Russian prosperity and stability before democracy. It is undoubtedly a risky wager, which may nevertheless work on the imperative condition of a voluntary and coherent European commitment, economically but also politically, in Russia and in particular in the North Caucasus. Europe itself, for that matter, has everything to gain, in terms of political deepening and structuring. A stronger Union will multiply its capacities to negotiate and will broaden the spectrum of potential interventions in Russia, notably on democratisation and against the omnipotence of the executive power.

The EU is already making the first efforts in this direction. Tacis, which had been up to now the main instrument of European commitments in Russia, is set to be replaced by 2007-2012 by a new formula. This "Neighbourhood and Partnership Instrument", still in the process of finalisation, should assure better allocation and efficiency of funds abroad and in Russia, among others. Contrary to Tacis, whose projects succeed each other and are dispersed, the European Commission here rather envisages a form of assistance that is more targeted and encourages more responsibility to be taken on board. For the EU it involves reinforcing cooperation with Russia on a few well-chosen sectors, by guaranteeing continuity in the

⁴⁴ Interview by the author with Lutz Guellner, in charge of the Russia desk at the European Commission, DG External Relations, 16 November 2005, in Brussels; duration: 2.00.

management and emphasis on projects. That is why, for example, European funds should from now on come as a complement to local initiatives, decided per area. The concept is to propose less to support more and forcefully increase the value of Russian reconstruction, revival or assistance programmes, by avoiding as much as possible the corruption problems still widespread in Russian federal and regional administrations, in particular in the North Caucasus⁴⁵. This instrument will also be used in the implementation of four cooperation spaces: economy, justice and internal affairs, external security and research, education and culture.

This initiative, however, still too timid, only proposes a new formal tool. It also seems necessary that the Union commit to the fundamental, concrete projects, in two areas essentially:

- Geographic cooperation focused on a specific area, which comprises several themes, among which the northern dimension of the EU provides a successful example
- Common crisis management

1. Geographical cooperation on the Caucasus, North and South

The Caucasus provides vast possibilities of Russian-European agreements, which are still to be elaborated. It is now up to the European Union to dare to take responsibilities in terms of CFSP, on the Nagorno-Karabagh conflict for example. The interweaving of interests and alliances is such that permanent peace is both impossible with and without Russia. On the other hand, the EU's diplomatic economic or peacekeeping intervention, would be a useful factor to break the deadlock. Moscow does not fear competition from the EU in the area – contrary to the United States – and the Union has substantial capacity for assistance. Why not even envisage a European policy of aid to economic and social reconstruction from the north to south Caucasus that would associate Russia? This would enable tensions to be alleviated, notably in Nagorno-Karabagh and in the all the federated republics in the North Caucasus that surround Chechnya. At European level, it is currently only planned to focus on the North Caucasus region, which in 2006 should receive more than 13 million euros in European aid aimed at financing health and education programmes. These economic and humanitarian supports are certainly essential, but should also be accompanied by a purely political commitment in the North Caucasus, likely to limit the non-respect of human and civil rights predominating there and for which Russian authorities, as a result of political negligence, are partially responsible.

2. Common resolution of the conflict in Moldova/Transdnistria

As regards the Moldovan case, in view of the resolution of the conflict hatched in Transdnistria, the European Union should not be reluctant to commit with Russia to the multilateral constitution of a peacekeeping force led, for example, by a joint Russian-European

⁴⁵ In this respect the European Union seeks notably to the extent possible to allocate funds directly to beneficiaries, without Russian public intermediaries.

military command. The overcautious European initiative of Moldova-Ukraine border control, conducted in cooperation with Ukraine for 7 million euros, should have no consequence and only sporadically limit traffic.

It could subsequently be envisaged to deepen cooperation on the basis of these regional Russian-European commitments, until the formalisation of a common European policy aimed at Russia. It would allow to better, and more coherently, guarantee European interests than current dispersed cooperation, spread over several dialogues and agreements. It seems indeed useful to specify in the mid-term European orientations and objectives with respect to relations with Russia.

3. European common energy security policy

It would combine the energy dialogue, nuclear matters, transport issues, the Galileo and Glonass merger project and environmental imperatives, in view of guaranteeing supplies to the EU in energy resources and to avoid any fresh catastrophe linked to poor management, in particular of nuclear materials. Up to now, these five elements have been split between several Tacis intervention sectors and the northern dimension of Europe. Their implementation would only be more efficient if action synergies could be created, through a common policy.

4. Formalisation of a common European foreign policy towards Russia

The EU's commitment in this way to joint local missions with Russia (Caucasus, Moldova, Balkans) should acquire a decisive international position and see the CFSP mechanisms gain progressively in coherence. Russia would act like a catalyst, allowing for the deepening of the community construction in terms of foreign policy and common security. It is in fact in the field that instruments are fashioned; the EU should not pass up the Russian opportunity in Eastern Europe and possibly in the Balkans.

The EU's common foreign policy towards Russia in this way would encourage the development of a genuine EU foreign and common security policy.

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