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**EU Relations with Russia: Partnership or
Asymmetric Interdependency ?**

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The complex regime transitions of the former communist states from the late 1980s were accompanied by the acceleration of the EU's transformation from an economic to a political union. While these temporally contemporaneous developments do not contradict the deterministic logic of functionalism or integration theory with regard to the erosion of national sovereignties and interests by deeper regional integration and coordination within the EU, they do focus attention on the important role of context in shaping the tempo and form of integration. The evolution of the EU's Common Foreign and Security Policy (CFSP) in the 1990s is generally seen as one of the key institutional developments in the strengthening trend of intergovernmentalism in response to changes in the regional and global order. The theoretical assumptions that underpin the drive for integration and convergence are that the stronger the coordination of policy among cooperating states the greater the impact will be made by the policy. Theory also suggests that optimum coordination requires a unitary actor. The analysis of EU-Russia relations since the collapse of communism allows us to test the extent of convergence by Member States in this critically important policy area. We begin by identifying the main contours of the issues that have shaped the EU's policy on Russia, and then we evaluate the consistency of the policy and effectiveness of the institutional architecture that emerged in the EU to manage the policy.

The underlying issue dimensions of the EU-Russia relationship have been consistent from 1991. It is a relationship that is shaped on both sides by calculated utility and norms, by logics of consequences and appropriateness.¹ The argument presented here is that the relationship is heavily loaded with pragmatic calculations about the costs and benefits of an interdependency of trade, that trumps concerns over other more value-based issues, such as democratisation and human rights (especially for the EU as regards the conflict in Chechnya). Moreover, over time the pragmatism in the relationship has become more pronounced, as policy interactions increasingly focus on the promotion and management of economic cooperation at the expense of more normative issues. Furthermore, the relationship has become increasingly characterised by asymmetric interdependency over time due to the high degree of EU dependency on Russian energy exports and the EU's need for security and stability in this policy domain. In contrast, Russia's policy toward the EU is shaped less by the material benefits of this regional trade, since energy is a global market, but is also concerned with bolstering the broader geo-strategic role of the EU as a counter-balance to US power in Europe and globally, and of instrumentally developing a strong relationship with the EU as a means of achieving recognition and legitimacy for post-communist regime changes in Russia.

Stages in EU-Russia Relations

The impetus for greater convergence in EU foreign policy-making was given an enormous boost by the fall of the Soviet Union in late 1991. The Treaty of Maastricht (1992) was agreed at the historical juncture when communism was collapsing eastward from central and eastern Europe to shatter the USSR itself. Consequently, the Maastricht treaty was designed with the problems of the EC of the 1980s in mind, rather than to address the institutional changes that would be required in the EU to meet the challenges of a post-communist Europe. The framework of EU-Russia relations after 1991 has been dominated by geostrategic changes in their relative

power, illustrated principally by the twin processes of the expansion of Western influence into what was the former 'Soviet bloc' through the EU and NATO enlargements (processes which were completed in 2003 and 2004). Moreover, the enlargements of the EU to Finland in 1995 and the Baltic states in 2004 gave the EU and Russia a territorial interface, thus literally making them neighbours.

The policy response of the EU to post-communist changes in Russia may be considered as developing in three overlapping stages, though it is important to note that this staged development was reactive rather than being a planned strategy by the EU. In the first stage, the period immediately following the collapse of the USSR in 1991, EU policy was formulated on the basis of a conceptual re-division of post-communist Europe. To manage the post-communist transitions, the EU decoupled the central and eastern European states, which were regarded as likely candidates for EU membership in the near term, from Russia and the FSU states, for whom membership was not considered or was seen as a very distant prospect. The EU developed very different policy agendas for the two zones – aid and integration for the former, and aid and cooperation for the latter. After Maastricht however, the perception grew in the EU that a more coordinated policy at the European level was required to consolidate the changing nature of bilateral relations with Russia and the successor states. In the second stage from 1994, the change in the territorial balance of power in Europe was masked, at least rhetorically, by the EU emphasis on 'partnership' with Russia. This emphasis became more sustained in the late 1990s as the EU began to formulate policy to address its growing energy dependency on external sources by focussing on the relationship with Russia. In this period new instruments were developed, such as the Partnership and Cooperation Agreement (1994), and the Common Strategy (1999), to improve the coordination of EU policy on Russia. The third stage from 2000, has seen a more assertive Russian leadership under Putin, and an increasing dissonance within the EU between the 'old' member states, whose foreign policy goals prioritise stable economic relations in a post-enlargement 'strategic partnership' with Russia, and the 'new' member states, whose historically rooted resentment and suspicions of Russia, combined with a much greater susceptibility to US influence, leads their foreign policies towards Russia to exploit more normative factors such as democratisation and human rights.

Dividing Aid

In the early 1990s, EU policy on the post-communist states concentrated on aid dispersion and 'technical assistance' for the promotion of market reforms and democratisation. Following the development aid models, there was a strong emphasis on the funding of Western-based expertise and consultants, with the result that much of the aid was wasted.² A strategic re-division of the former Soviet bloc was entrenched by aid policy, which was overwhelmingly determined by the then EC and the USA. Firstly, the remit of the PHARE aid programme, which had originally been established in 1989 by the G24 to fund assistance to Poland and Hungary, was expanded to the Central and East European Countries (CEEC) group. This group included six of the former 'Soviet bloc' states in the region (Poland, Hungary, Czech and Slovak Republics, Romania, and Bulgaria), and to which were added the three former 'Baltic republics' of the USSR (Estonia, Latvia and Lithuania), and one former republic of Yugoslavia (Slovenia). It excluded all the other post-communist states of

the FSU/CIS and the Balkans.³ Secondly, all the other countries of the FSU/CIS zone were included under the aegis of a new EU-funded TACIS aid programme in 1991, though in practice the EU channelled most of the aid to the Russian Federation and Ukraine, with the vast bulk of it being directed to infrastructure, environmental security (nuclear) and market-oriented reforms.⁴

The EU viewed the geographically proximate CEECs as an immense potential new market, where states were perceived to be more dependent and compliant with the EU's conditionality for reforms, and where domestic pressures for democratic and market reforms were very strong.⁵ Some of these states, such as Poland and Hungary, were from the beginning considered to be prospective new members of the EU. The FSU/CIS region, in contrast, was considered to be one of vital economic and security importance to the EU, but where the prospect of EU membership was remote, if not inconceivable. Moreover, given the EU's dependency on Russian energy resources (especially the gas transiting Ukraine), and potentially also from the Caspian Basin, the power asymmetric relationship essential for effective conditionality on reform processes was largely absent, and to some extent even reversed against the EU. The EU developed its economic relations according to this bifurcated policy. The relative prioritisation by the EU of these two groups of post-communist states is indicated by the size of its aid funding commitments. The TACIS countries received much less than half the level of funding committed to PHARE, and over fifty per cent of those funds were directed to Russia and Ukraine.⁶

The second phase beginning in 1991-2 marked the critical turning point in the EU's external relations with the post-communist states when the bifurcated policy toward the CEECs and Russia/CIS was institutionalised. For the key CEECs, whose accession into the EU in the near term was seen as highly likely, 'Europe Agreements' were concluded which bound them to economic structural reforms and market liberalisation, the consolidation of democracy and the rule of law. These elements formed the core of the EU's conditionality for membership set by the Copenhagen Summit in June 1993. For the CIS states, who were unlikely ever to become members but who, at the same time, were vital economic trading partners, EU policy was directed toward securing and stabilising trade. A decision by the European Council in 1992 led to the replacement of the EU Trade and Cooperation Agreement with the USSR (1989) by a new bilateral instrument to give 'most-favoured-nation' treatment – the Partnership and Cooperation Agreement (PCA). Ukraine became the first post-Soviet state to sign a PCA with the EU on 14 June 1994, followed by Russia on 24 June, though the PCA with Russia was the first to be ratified by EU Member States in December 1997.⁷ The delay in implementation was due to a temporary reluctance to ratify the agreement from some Member States who were opposed to Russia's war in Chechnya.⁸

The signing of the PCA with Russia in 1994 marked a watershed of the increasing divergence of EU policy toward the two regions of post-communist Europe. In the case of the CEECs EU policy focussed on their negotiations for membership and the technical requirements for the adoption of the *acquis communautaire*. Russia and the FSU states were placed in the category of 'outsiders' which, although they shared 'common values' with the EU, would form the enlarged EU's strategic eastern periphery and for whom 'partnership' became the new policy motif. As an international treaty, the PCA provided a legal mechanism for regulating the new

strategic ‘partnership’ in bilateral relations (article 1). Primarily economic in character, with a concentration on trade cooperation, investment, liberalisation, competition and regulation issues, the PCA includes also provisions for cooperation in the areas of ‘soft’ security: managing environmental problems, and combating transnational crime. Many of the EU’s declaratory goals of promoting democracy and reform are restated in the PCA. One of the most important developments to emerge from the PCA was an institutionalised framework of dialogue via regular meetings between the EU and Russia. It provided for biannual high-level summits and regular joint meetings of ministers and lower-level officials. The strategic goal of the PCA was ‘rapprochement’, leading to ‘economic convergence’, an ‘increasing convergence of positions’ in international affairs, and cooperation on democracy and human rights issues (article 6). One of the most tangible results of the PCA was symbolic. By pushing through a major treaty of this kind with Russia, despite the misgivings of some Member States over the faltering reform process and the systematic abuse of human rights in Chechnya, the EU sent a signal of pragmatic intent for ‘business as usual’. The PCA’s routine of meetings and dialogue helped to consolidate the perception of the legitimacy of post-Soviet Russia as a democratising and market-oriented country. It provided fora where interests and policies could be aired and opinions shaped. Given that many of the most powerful Member States such as Germany, France and Britain had strong bilateral relations with Russia, with different historical, economic, and security interests at stake, how could a foreign policy convergence on policy toward Russia be realised? The instrument that was initially devised to achieve EU foreign policy convergence was the ‘Common Strategy’.

The EU’s Common Strategy on Russia

The Common Strategy instrument emerged from the IGC of 1996-7 as one of the key tools for the construction of the second pillar (CFSP) under Article 13 of The Treaty of European Union (TEU) of 1997, in conjunction with the creation of the Secretary General of the Council/High Representative for CFSP, and the Policy Planning and Early Warning Unit.⁹ The idea of the Common Strategy came from a French proposal at the deadlocked IGC and was part of the compromise to secure the introduction of Qualitative Majority Voting (QMV) into the CFSP domain.¹⁰ The function of the Common Strategy was to frame and blueprint policy coordination by Member States. In effect, it was intended to be a vehicle for ‘operationalising the European discourse on foreign policy, both internally and externally’, thus, overcoming national interests by developing EU foreign policy convergence in key areas, subject to inputs from all Member States and approved by consensus.¹¹ At the Vienna Summit of 1998 the Council decided to create four Common Strategies toward the key strategic borderlands to the East and the South of the Union: Russia, Ukraine, the Mediterranean and the Balkans.

It was envisaged that the Common Strategy would insulate broad strategic decisions based on unanimity from the smaller tactical foreign policy steps approved by QMV.¹² In practice, however, this instrument has been largely declaratory in nature as it has neither been significant for the strengthening of the CFSP, nor has it promoted improved coordination in the EU’s external relations. The weakness is a ‘genetic’ one for, in contrast to the CFSP, which was embedded by the TEU in ‘hard’ law (though outside the jurisdictional scope of the ECJ), there was no substance to the Common

Strategy instrument and, in particular, there was no guidance as to how it would be implemented. As is clear from paragraph two of Article 13 TEU, there were no sanctions for non-compliance by Member States.¹³ The initiative and decisional power in foreign policy were retained by the European Council, and this also included the formulation of the proposed 'joint actions' and 'common positions' that were to be the substantive elements of any Common Strategy. Consequently, foreign policy coordination and convergence at the Union level was subverted and subordinated to the national interests of Member States.

The first Common Strategy to be created was on Russia. Adopted under the German presidency of Chancellor Schroeder at the Cologne Summit on 4 June 1999, and with a sunset clause time-limiting it for an initial period of four years, it declared that the EU and Russia must develop 'ever-closer cooperation' and 'strengthen the strategic partnership'. Accordingly, the EU and Member States were to ensure the 'coordination, coherence and complementarity of all aspects of their policy' towards Russia, including their work in regional and international organisations such as the UN, OSCE, Council of Europe, and International financial institutions.¹⁴ The process of implementation for the Common Strategy was to be determined by each EU presidency according to its own priorities and in work plans presented to the Council. The Common Strategy on Russia set a precedent for the 'Christmas tree method' of policy-making. Rather than work to a simplified consensus on core issues, Member states added more and more 'decoration' to the document according to their own national interests. The outcome, however, demonstrated how the logic of convergence resulted in the most vague strategic policy documents in order to avoid QMV. The Common Strategy document on Russia was a rag-bag of Member States' interests with regard to Russia. It not only lacked precision, but also did not provide any specific allocation of resources to implement the objectives. The absence of funding is a strong indication of the declaratory character of the Common Strategy.

The document outlined EU 'visions', 'principal objectives', and 'specific initiatives', but distinguished only two extremely vague strategic goals: maintaining a stable democracy in Russia, and 'intensified cooperation' on common challenges. There was so much mention of the PCA and activities covered by it that the Common Strategy was derided by officials both on the EU and Russian sides for lacking added value. The so-called 'objectives' and 'means' were viewed as essentially a menu of problems and existing activities rather than a forward-looking strategy to generate a policy convergence. The four principal 'objectives' that were identified were so broadly stated as to be vacuous.¹⁵ For those Commission officials engaged in the routine management of relations with Russia, there was little credibility attached to the Common Strategy, and their focus remained on the implementation of the PCA. According to one Commission official, the Common Strategy was simply 'an encyclopedia of generalities'.¹⁶

An examination of some of the case-specific problems relating to the Common Strategy on Russia illustrates some of the general flaws within the policy instrument. The implementation of the Common Strategy on Russia was impaired by a synchronisation problem resulting from separate EU institutional cycles. As the EU presidency changes every six months, each presidency was obliged to draw up a separate work plan on how to implement the Common Strategy. This makes for an in-built tendency to restate the goals of the Common Strategy every six months. In

contrast, TACIS programming operates on 4-7 year cycles. The priorities and projects identified by TACIS, therefore, *a priori* shape the work plans formulated by the presidencies and not vice versa. The TACIS regulations of December 1999 (covering the period 2000-2006) only mention that 'applicable provisions of assistance ... should take due account of the Common Strategies adopted by the European Council'.¹⁷ The TACIS draft indicative programme 2000-2003 repeated the general objectives of the Common Strategy on Russia, noting the fact that the Common Strategy covered the same four-year period and mentioning the possibility that the six-month work plans 'may include initiatives which involve bilateral or TACIS technical assistance. In this way, priorities under the Common Strategy contribute to the TACIS programming process.'¹⁸ While, therefore, there was some overlap with the objectives of the Common Strategy on Russia and TACIS, it is clear that the presidency work plans were informed more by TACIS priorities, and the existing structures of TACIS, the PCA, other initiatives and bilateral programmes.¹⁹

Moreover, presidencies usually liaise very closely with the officials in the Commission and normally the work plans relating to Russia would be drafted under the supervision of the Commission officials dealing with Russia. In their daily work these Commission officials are focused on the activities falling under the PCA and TACIS programme priorities, and thus the presidencies are briefed accordingly. The country desks at the Commission are also anxious to ensure that the presidencies do not set unrealistic goals, or goals that are not consistent either with the Common Strategy or the Commission's views. In this manner, according to Commission officials, the potential for a strategic foreign policy convergence on Russia to be elaborated around the Common Strategy by a presidency is largely substituted by a convergence around pre-existing interests, and long-term aid priorities.²⁰ Furthermore, most of the member states have a general preference for bilateralism and have their own institutional capacity for pursuing their national interests irrespective of the EU.²¹ There is no comprehensive system for sharing information among member states to improve coordination, and in practice it may not be in a Member State's national interests to pool information relating to Russia, especially if it is economic or security related. The sporadic element in the practice of the Common Strategy is evident from the final conclusions of the presidencies, which tend to reflect the gloss of the national priorities of the presidency and its bilateral activities.

Many of these flaws were similarly evident in the EU's 'Northern Dimension', a programme that emerged from the PCA as a Finnish initiative at the Luxembourg European Council in 1997. Designed to address the specific problems of the EU's cross-border relations with North-West Russia, the Baltic Sea region and the Arctic Sea region, the implementation of the Northern Dimension has reflected the problems of synchronising TACIS with Common Strategy goals and presidency work plans. It has generally only been the presidencies that have a material interest at stake as members of the regional sub-group, such as Finland and Sweden, that have attached high importance to the Northern Dimension in the work plans, and in securing TACIS funding.²² If the Northern Dimension was a substantive EU priority then we would expect that the entry of Poland and the three Baltic states as Members in 2004 would give added momentum to it. In fact, as is clear from the priorities of the Irish, Dutch, Luxembourg, and UK presidencies since enlargement in early 2004, the Northern Dimension has slipped into the policy netherworld.²³ Moreover, the Northern Dimension has become a source of competition, as it is perceived by some of the new

Member States as a vehicle to project Finnish interests within the EU, while Poland is more interested in forging and presiding over a new 'Eastern' dimension.²⁴

Dissatisfaction with the Common Strategy on Russia, in particular, led to a major review of the instrument in general. On 9 October 2000 the General Affairs Council noted 'the importance of common strategies for the coordination, coherence and effectiveness of external action' and called on the Secretary General of the Council and High Representative for CFSP, Javier Solana, to submit an evaluation report on the operation of the existing Common Strategies and 'on ways of making optimum use of this instrument in the future'.²⁵ Solana's report, declassified on 30 January 2001, admitted that the Common Strategies had a credibility problem as they had 'not yet contributed to a stronger and more effective EU in international affairs'.²⁶ The report recognised that the Common Strategies were not valued as an internal working tool, and were of limited value, in particular in time-sensitive crisis situations.²⁷ It was unclear, Solana noted, how the Common Strategies related to the already existing instruments, most notably the PCAs.²⁸ The fact that the Common Strategies were published documents had diluted their effect, and caused uncertainty in the target countries. Russia had become uncertain as to the precedence of the existing contractual agreements (the PCA). Rather than promoting QMV, the 'lowest common denominator' approach in the formulation of the Common Strategies allowed Member States to avoid it. The lack of consistency in the presidency work plans also created an impression of 'stop-go' policy, or they became 'routine exercises' and 'inventories of existing policies and activities'.²⁹ Solana's report recommended that if the Common Strategies were to promote 'coherence' in EU foreign policy, then they must be transformed into primarily internal EU policy documents that could be sharpened up and be 'used to develop a limited, specific foreign policy objective with the priorities and value added identified in advance and the necessary budgetary and policy means linked directly with it'. On this basis, Solana argued, they would also inform the activities of Member States in other international institutions. Such measures were essential, he believed, if the EU was to overcome the credibility problem in its CFSP.³⁰ It was a classic case of Hill's 'capability-expectations gap' in EU activities, where the high expectations generated by the CFSP starkly contrasted with the actuality of poor delivery in the Common Strategy instrument.³¹

Russia responded to the EU's Common Strategy by issuing its own 'Mid-Term Strategy 2000-2010' in October 1999.³² In contrast to the complex multi-actor EU, Russia had the capacity to achieve what the EU had intended by focusing in on specific national interests and strategic goals, such as counter-balancing 'NATO-centrism', the discrimination against the Russian minority in the Baltic states and Russia's special interests in the CIS, as well as outlining a plethora of specific areas for cooperation. By the time President Putin's new foreign policy concept emerged in July 2000, however, the Russians had recognised that the EU's Common Strategy was largely fictitious. Consequently while Putin stressed the importance of Russia's relations with the EU on the basis of the PCA (and as part of its goal of a 'multi-polar system of international relations'), there was no further mention of the Common Strategy.³³

The 'Strategic Partnership': Utility over Norms

The EU-Russia relationship that developed in tandem with the EU's eastward enlargement (and indeed the parallel expansion of NATO), concentrated on stabilising good relations in order to secure the most important aspect of the relationship for the EU – the supply of energy from Russia. During the 1990s the trade relationship between the EU and Russia increasingly assumed the characteristics typical of that between the developed and developing countries. With trade to a value of just over 126 billion euro in 2004, Russia is the EU's fourth major trade partner (after the USA, China, and Switzerland). In the main, Russia supplies the EU with energy products. Mineral fuels and related products account for just under 60% of total EU imports from Russia. In contrast the EU is a major exporter of finished products to Russia. Manufactured goods accounted for just under 85% of EU exports to Russia in 2004. Moreover, the character of this interdependency of trade is strengthening over time (Table 1). The collapse of Russian GDP after 1991 was largely caused by a crash of its manufacturing industry, and output has only begun to recover since 2000. The bulk of Russia's economic growth since 2000, however, is due to increased oil and gas exports and higher world prices for these products. Consequently, the EU has become increasingly dependent on more costly Russian oil and gas, while Russia draws in EU manufactured goods without the constraints of the Cold War on West-East technology transfers.

Securing stable energy flows became the key goal of EU policy towards Russia in the late 1990s, and has dominated the agenda as oil prices rocketed after 2001 and other main external sources for the EU such as the Middle East and Algeria have become more unstable. Fossil fuels (oil, gas, coal) make up over four fifths of the EU's total energy consumption, two-thirds of which are imported. Currently, the EU imports about 80% of its oil and about 45% of its natural gas, but the Commission projects that the figures will be 90% and 70% respectively by 2020. Russia accounted for about 20% of natural gas consumption in the EU-15 in 2002, and enlargement will have increased the EU dependency in this sector significantly.

One of the key 'dialogues' that emerged from the EU's Common Strategy was the EU-Russia 'energy dialogue', launched in October 2000 at the 6th EU-Russia Summit in Paris, almost simultaneously with a Green Paper on energy issued by the Commission in Late November 2000. The Green Paper stressed that the strategic partnership with Russia is a key dimension to the EU's future energy security and envisaged a long term contractual relationship with Russia that would include joint infrastructural projects, such as the new gas pipeline via Belarus and Poland started in 2001, to enlarge the transport and pipeline distribution networks for energy.³⁴ The inexorable trend of increasing EU dependency on Russian energy is driving a debate in the Commission over how to manage the political aim of securing 'control' of external energy supply.³⁵ The instrument that emerged to achieve this goal was the Common European Economic Space, which is an attempt by the EU to lock Russia into a long-term economic relationship, cloaked by the term 'convergence', and to create bilateral fora and policy programmes through which it can influence Russian policy.

The concept of the Common European Economic Space emerged from the discussions of the High Level Group set up at the 7th EU Russia Summit held in Moscow in May 2001, under then EU External Relations Commissioner, Chris Patten, and then Russian Federation Deputy Prime Minister (and Energy and Industry

minister), Viktor Khristenko. Over the next four years EU-Russia summits were dominated by negotiations over how to realise this concept not only as a long term strategy for mutual interests into the 21st century, but also more immediately in the short term context of EU enlargement, the problem of access to Kaliningrad, and the negotiations over EU support for Russia's entry into the WTO.³⁶

The nature of the dialogue between the EU and Russia was such that it was as if the EU-15 wanted to establish a new pattern in the relationship before the enlargement to the CEECs, among whom there were many countries who were suspicious of good relations with Russia and after enlargement they would have a veto on such developments. The issues were resolved step-by-step. Whereas the PCA referred to Russia as an 'economy in transition', the EU finally accorded Russia 'full' market economy status at the 9th summit in Moscow in May 2002. Although Russia sought a wider agreement on visa-free travel between the EU and Russia, the Kaliningrad issue was solved by local and provisional measures at the 10th EU Russian Summit in Brussels in November 2002 by an agreement on the use of a 'Facilitated Transit Document' – a multiple entry visa, and a 'Facilitated Rail Transit Document', a visa applicable only for train journeys. The need for Russia to conclude final status agreements on its common borders with the incoming Member States of Estonia and Latvia was put on the agenda at the 12th summit held in Rome in November 2003, but remain outstanding. The ongoing and tough negotiations over the conditions for Russia's WTO entry, were finally concluded at the 13th summit in Moscow in May 2004, just after EU enlargement.

An important new stage in EU-Russian relations came at the 11th EU-Russia Summit, held in Putin's home town of St Petersburg on 31 May 2003. The summit became part of highly symbolic exercise in political theatre by Russia to stress its 'Europeanness' by drawing on the emotive power of St Petersburg as a grand European capital city. At the summit the EU and Russia confirmed their commitment to further strengthen their strategic partnership by giving substance to the concept of the Common European Economic Space. They agreed to reinforce co-operation by creating four 'Common Spaces' in the areas of Economy; External Security; Freedom, Security and Justice; and Education, Research and Culture. These were understood as long term objectives within the framework of the existing PCA, and would be shaped by 'common values and shared interests'. The institutional forum for dialogue was strengthened in order to develop agreements on the 'Common Spaces' as the existing Co-operation Council became the 'Permanent Partnership Council'. Its role was to act as a clearing house for all issues and to 'streamline' agendas so that agreements could be reached in advance and then be taken forward to summits for approval. The tempo of the dialogue was accelerated, with more frequent meetings across different formats.³⁷

From an institutional perspective, the process of negotiating the 'Common spaces' followed the by now standardised EU approach shaped by a decade of enlargement negotiations with post-communist states, which was to view negotiations through the prism of 'road maps'. The purpose of the 'road maps' was to set out the shared objectives for EU-Russia relations, to define the 'actions' (usually in the form of a 'plan') necessary to make these objectives a reality, and to determine the agenda for co-operation between the EU and Russia for the medium-term. A single package of

road maps for the creation of the four Common Spaces was finally agreed at the 15th EU-Russia Summit held in Moscow on 10 May 2005.³⁸

The centrality of the energy question to EU-Russia relations was reinforced by the high policy priority attached to it under the UK presidency in the second half of 2005, and by the short interruption of EU supply caused by the Russian-Ukrainian 'gas dispute' in late December-early January 2005-06. The UK presided over a burgeoning institutionalization of joint discussions on energy security with the first meeting of the EU - Russia Permanent Partnership Council on Energy being held in London on 3 October 2005 around four thematic working groups (on energy efficiency, trade, infrastructure and investment) composed of experts from the European Commission and EU Member States, Russian government, and EU and Russian business. Declining North Sea gas output has shifted British national interests from opposing EU control of energy policy to a position where the UK presidency placed energy security high on the agenda at the Hampton Court meetings of EU leaders in late September and late October 2005. It called for stronger European co-ordination of energy policy, including the formation of a single power grid and co-operation on gas storage. The British keenness for EU coordination of energy policy is also a result of underlying political tensions arising from the fact that some EU countries, particularly Germany, are proceeding quickly to strengthen their energy relationship with Russia on a bilateral basis.³⁹

The Commission is expected to prepare a communication on a European common energy policy for the March 2006 Summit of EU leaders. This policy discussion occurs in a climate where EU insecurity about the stability of gas supply from Russia has been further stirred by the short Russia-Ukraine gas dispute. The dispute arose when Gazprom decided to make Ukraine move from a highly subsidised pricing regime to world prices without a transition period, thus effectively quadrupling Ukraine's costs. The dispute was undoubtedly linked to the recent political changes in Ukraine which have seen a more pro-West foreign policy under president Yushchenko, including a strong push to join NATO and the EU. Inevitably, the policy change has made Russia less inclined to provide subsidised energy to Ukraine, especially when its industries are competing with Russia's for market share. The dispute was resolved by the political intervention of Putin, who imposed a complex agreement that essentially doubled the price and included a short transition period. The fact that several EU member states saw a short interruption of gas supplies forced the Commission to call an emergency meeting of the EU's Gas Coordination Group on 4 January 2006.⁴⁰ Paradoxically, while the Russia-Ukraine gas dispute highlighted the energy dependency of the EU on Russia and also regenerated the policy debate about the need for diversification of the EU's energy supplies, it occurred immediately in the wake of a major new energy infrastructural project which will further lock-in the EU to Russian gas supply. An agreement between Russia's Gazprom and the German concerns BASF and Ruhrgaz saw construction start on a 1,200 km-long North European Gas Pipeline directly linking Vyborg in Russia and Greifswald in Germany via the Baltic Sea.⁴¹ When completed in 2010 the pipeline will triple gas supplies to Europe. The pipeline will considerably strengthen Russian-German bilateral economic and political ties, while also significantly reducing Russia's dependency for gas transit on Poland and Ukraine.

The debate within the EU over the weighting between a cost/benefit versus normative approach to policy on Russia was most pronounced over the issue of human rights abuses in the conflict in Chechnya. As noted earlier a few Member States delayed the ratification of the PCA in protest at Russia's policy on Chechnya, but the delay was short, and full ratification was achieved by the end of 1997. Criticism from Western governments, including the EU, peaked in 1999-2000, after the start of the second Russian-Chechen war. The criticism denounced Russia's use of 'excessive' force and called for negotiations towards a political solution. At the EU summit in Helsinki in December 1999, the 'strategic partnership' with Russia was frozen, as the EU put on hold its funding for TACIS, the Northern Dimension and other forms of cooperation. The EU also took the opportunity to impose a self-interested form of sanctions by cutting import quotas for Russian steel products by 12% in March 2000. Rather than confront Russia directly over Chechnya, however, the EU tended to operate through its presence in other international organisations. In particular, its overwhelming presence (including candidate states) in the OSCE and Council of Europe, where the EU presidency presented common positions of the Member States. On 8 December 1999 there was a rare joint declaration by the United Nations, the OSCE and the Council of Europe urging Russia to respect human rights in Chechnya.

Even before 9/11, however, there were signs of a return to pragmatism in the EU's relationship with Russia. While Putin consistently presented Chechnya as a problem of 'terrorism' from the outset of the second war, the term had little resonance in the EU prior to 9/11, with the exception of the UK. On a visit to Moscow in March 2000, Prime Minister Blair adopted Putin's rhetoric about 'terrorism' in Chechnya. The turning point, however, came in June 2001. Having secured what appeared to be a military victory over the rebels Putin made concessions to Western views and allowed the return of the OSCE Assistance Group to Chechnya. The pragmatism of the US-Russia summit in Slovenia saw Chechnya sidelined by discussions over the ABM Treaty. At the EU-Russia summit and the European Council summit at Goteborg, the Swedish presidency, unprecedented before or since, made EU-Russia relations a separate heading in its workplan. Sweden placed a high priority on restoring cooperation with Russia and refocused the EU's agenda on the core issues of mutual interest with Russia – enlargement, Kyoto, the Northern Dimension, and trade.⁴² By late September 2001, when Putin addressed the German Bundestag, and held one of five bilateral summits in this period with Chancellor Gerhard Schröder, the latter spoke of the need for 'world opinion' to take a more understanding and 'differentiated approach' to Russia's conflict in Chechnya.⁴³ The attacks of 9/11 led to an abandonment of the common EU strategy of freezing its relations with Russia and a new divergence towards stronger bilateralist approaches, with some states such as Germany, France, Italy, and UK openly accepting Putin's framing of the Chechnya conflict as a problem of 'terrorism'. Partly, this divergence was also a product of a prolonged diplomatic strategy by Putin to fracture the common EU position by targeting these leaders. For example, at the EU-Russia summit in Rome in November 2003, Italy's Prime Minister Silvio Berlusconi, brusquely intervened against journalists' questions and defended Putin's policy against 'terrorists' in Chechnya, and at a trilateral summit between Putin, Chirac, and Schröder in Sochi in August 2004, Chirac defended Putin's Chechnya policy and supported the Russian-supervised presidential elections in the region.

The decline of Chechnya as a salient issue in EU-Russia relations has nothing to do with any dramatic change in the abuses in the region, but rather can be attributed to two main developments. Firstly, Putin's successful diplomacy forged personal relationships with a number of key European leaders such as Schroeder, Chirac, Blair and Berlusconi (in contrast with Yeltsin, who tended to focus more on the relationship with the USA). Secondly, the agendas of the bi-annual summits became steadily dominated by the pragmatic negotiations over major economic issues and the broader strategic relationship from the 10th EU-Russia summit in Brussels in November 2002. EU leaders were highly sensitive to criticisms of this development.⁴⁴ Moreover, from 2002 Russia became much more proactive in criticising the EU for tolerating systematic discrimination against the Russophone minorities in Estonia and Latvia. By the time of the 14th EU-Russia Summit in The Hague in November 2004, there was mutual agreement to effectively sideline such issues to a new and separate round of EU-Russia 'consultations' on human rights, and in this way prevent them from spoiling the summit forum.

Conclusion

The development of EU foreign policy in the 1990s grew out of the need to develop key international relationships, such as that with Russia, with whom the EU had to engage under conditions of asymmetric interdependency because of its energy reliance on Russian oil and gas. What is striking, however, is that the most consistent institutional basis for EU foreign policy making on Russia was the PCA of 1994, an instrument that preceded the CFSP and the defunct Common Strategy, and to a large extent served to undermine them. The durability of the PCA was reflected in its prominence in the agreement on the four 'Common Spaces' of May 2005. It is the PCA that provides the institutional basis for the EU-Russia 'dialogue', through the regular ministerial meetings and other official fora, and most obviously in the bi-annual summits, where the presidencies take the lead.

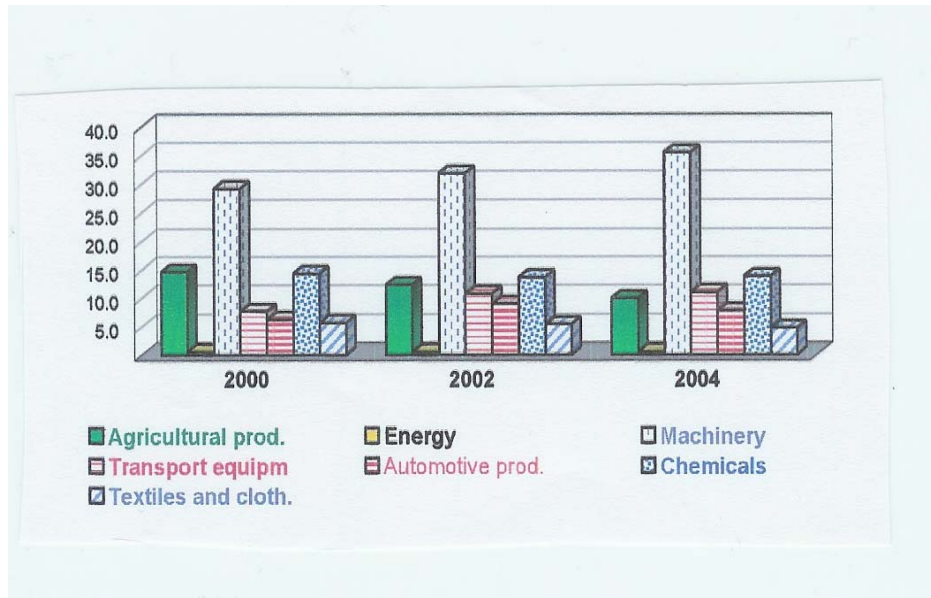
Throughout much of the period under discussion, EU-Russia relations were informed by calculations of an oil price band of around 20-30\$ per barrel. Following the war in Iraq and rising consumption in the USA and China, the price has since soared to close to 70\$ per barrel by August 2005. Oil price pressures will force a shift away from oil to natural gas use, but the consequences of such a shift for the EU are that it will increase its dependency on Russian energy in coming decades. Given this highly probable scenario, how might the EU-Russian relationship evolve?

The enlargement of the EU to the CEECS has introduced a discordant note in EU policy on Russia. Many of the new Member States have historic suspicions of Russia and are hostile, if not enthusiastic, about closer relations, even at quite petty levels such as customs procedures. This is despite the fact that they also have economic dependencies on Russian energy. Arguably, in time they too will adjust to the realities of the benefits of cooperation with Russia. The problem for the EU, however, is not only how to manage the political convergence on Russia within its own ranks that is essential for effective EU coordination of energy policy, but also that its scope for shaping domestic politics in Russia is very limited. Russia's authoritarian drift under Putin, makes for a more unpredictable and insecure environment, and the first major

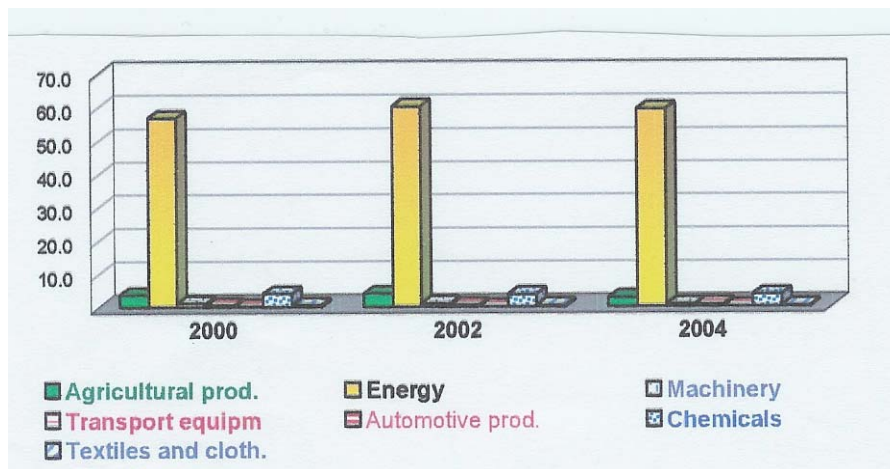
hurdle in this respect will be 2008, when Putin's second term as president ends, and constitutionally he is required to step aside. Moreover, Russia exhibits many of the characteristics of the 'oil curse', with a highly polarised society between an oligarchic super-rich stratum and a mass of impoverished citizens (by European standards), and an economy that is over-reliant on resource exports and weak in domestic industrial diversity. It is the uncertainties in Russia more than the lack of convergence in EU foreign policy on Russia that will pose the greatest challenge to the EU-Russia 'strategic partnership' in coming decades.

Table 1 Structure of EU-Russia Trade 2000-2004

EU Exports (%) to Russia



EU Imports (%) from Russia



Source: DG Trade, 2005 <http://europa.eu.int/comm/trade/issues/bilateral/datapdf.htm>

Notes

¹ For these concepts see J. G. March and J. P. Olsen, 'The Institutional Dynamics of International Political Orders', *International Organization*, Vol. 52, 4, 1998, pp.

² For an excellent study of Western aid to post-communist states see Janine Wedel, *Collision and Collusion: The Strange Case of Western Aid to Eastern Europe, 1989-1998*, New York: St. Martin's Press, 1998.

³ For a study of PHARE see Alan Mayhew, *Recreating Europe: The European Union's Policy Towards Central and Eastern Europe*, Cambridge: Cambridge University Press.

⁴ For aid to Russia see the TACIS website http://europa.eu.int/comm/external_relations/ceeca/tacis/

⁵ For a critical analysis of the EU's enlargement conditionality for the CEECs see James Hughes, Gwendolyn Sasse, and Claire Gordon, *Europeanization and Regionalization in the EU's Enlargement to Central and Eastern Europe: The Myth of Conditionality*, Palgrave, Basingstoke, 2004

⁶ In 1990-1999 the EU committed just over 10.2 billion Euro to PHARE, but in the period 1991-1999 it committed only about 4.2 billion Euro to TACIS.

http://europa.eu.int/comm/external_relations/ceeca/tacis/figures.pdf

<http://europa.eu.int/comm/enlargement/pas/phare/pdf/phare1999.pdf>

⁷ For the text of the EU-Russia PCA see:

http://europa.eu.int/comm/external_relations/ceeca/pca/pca_russia.pdf

⁸ The most reluctant to sign were Austria, Sweden, Finland, and Portugal whose ratification followed the Russian-Chechen truce of August 1996 and peace treaty of May 1997.

⁹ Sergei Medvedev and Hiski Haukkala, 'Introduction: Learning the Grammar of the CFSP', in Hiski Haukkala and Sergei Medvedev (eds.), *The EU Common Strategy on Russia. Learning the Grammar of the CFSP*, Helsinki/Berlin: The Finnish Institute of International Affairs, 2001, p. 14.

¹⁰ For the details of the French proposal, and the subsequent discussions, see Hiski Haukkala, 'The Making of the European's Common Strategy on Russia', in Haukkala and Medvedev (eds.), pp. 34-37.

¹¹ Medvedev and Haukkala, p. 17.

¹² See Stephan De Spiegeleire, 'The Implementation of the EU's Common Strategy on Russia', in Haukkala and Medvedev (eds.), p. 106.

¹³ Treaty of Amsterdam, 1997, Article 13, Paragraph 2 states: 'The European Council shall decide on common strategies to be implemented by the Union in areas where the Member states have important interests in common. Common strategies shall set out their objectives, duration and means to be made available by the Union and the Member states. The Council [of Ministers] shall recommend common strategies to the European Council and shall implement them, in particular by adopting joint actions and common positions.'

¹⁴ For the text see http://europa.eu.int/comm/external_relations/ceeca/com_strat/russia_99.pdf

¹⁵ The four 'objectives' were: 1. Consolidation of democracy, rule of law and public institutions; 2. Integration of Russia into a common European economic and social space; 3. Cooperation to strengthen stability and security in Europe and beyond; 4. Common Challenges on the European continent.

¹⁶ Author's interviews with Commission officials, Brussels, 27-29 March 2001.

¹⁷ Council Regulation No. 99/2000, 29 December 1999 concerning the provision of assistance to the partner States in Eastern Europe and Central Asia, *Official Journal of the European Communities*, 18 January 2000; http://europa.eu.int/comm/external_relations/ceeca/tacis/reg99_00.pdf

- ¹⁸ See http://europa.eu.int/comm/external_relations/ceeca/tacis/ip2003_russia.pdf
- ¹⁹ De Spiegeleire, pp. 81-84.
- ²⁰ Author's interviews with Commission officials, Brussels, 27-29 March 2001.
- ²¹ Britain, for example, maintains a newly built embassy in Moscow that has offices for 250 staff, dwarfing the EU's Delegation.
- ²² See http://europa.eu.int/comm/external_relations/north_dim/index.htm. For a critical perspective on the operation of the Northern Dimension see Marius Vahl, 'Just Good Friends? The EU-Russia "Strategic Partnership" and the Northern Dimension', Centre for European Policy Studies, Working Document No. 166, March 2001, pp. 1-55.
- ²³ See the priorities of these presidencies on the relevant websites at http://ue.eu.int/cms3_fo/showPage.asp?id=695&lang=EN&mode=g
- ²⁴ See Vadim Kononenko, *What's New about Today's EU-Russia Border*, Ulkopoliittinen institutti-Finnish Institute of International Affairs, Working Papers 50, 2004, pp. 1-29 at pp. 20-21. (The author thanks Margot Light for bringing this source to his attention).
- ²⁵ Council Meeting, General Affairs, Luxembourg, 9 October 2000; <http://ue.eu.int/newsroom/main.cfm?LANG=1>
- ²⁶ Secretary General/High Representative, *Common Strategies Report*, Brussels 21 December 2000, declassified 30 January 2001, 14871/00, CAB 21, Paragraph 3.
- ²⁷ *Ibid.*, Paragraph 11-12.
- ²⁸ *Ibid.*, Paragraph 13-14.
- ²⁹ *Ibid.*, Paragraph 21.
- ³⁰ *Ibid.*, Paragraph 22-23.
- ³¹ Christopher Hill, 'The Capability-Expectations Gap or Conceptualizing Europe's International Role', *Journal of Common Market Studies*, Vol. 31, 3, September 1993, pp. 305-328.
- ³² *Medium-Term Strategy for the Development of Relations Between the Russian Federation and the European Union (2000-2010)*. http://europa.eu.int/comm/external_relations/russia/russian_medium_term_strategy/
For a concise analysis see David Gowan, *How the EU can help Russia*, London: Centre for European Reform, December 2000, pp. 11-13.
- ³³ *Foreign Policy Concept of the Russian Federation*, 28 June 2000: <http://www.ln.mid.ru/Bl.nsf/0/1EC8DC08180306614325699C003B5FF0?OpenDocument>
- ³⁴ *Green Paper, Towards a European Strategy for the Security of Energy Supply*, 29 November 2000 http://europa.eu.int/comm/energy_transport/doc-principal/pubfinal_en.pdf; *Communication from the Commission to the Council and the European Parliament, Final Report on the Green Paper "Towards a European Strategy for the Security of Energy Supply"*, Brussels, Commission of the European Communities, 26 June 2002 http://europa.eu.int/comm/energy_transport/en/lpi_lv_en1.html
- ³⁵ *Report on the Green Paper on Energy*, Directorate-General for Energy and Transportation, Luxembourg: Office for Official Publications of the European Communities, 2005
- ³⁶ For the EU-Russia summit agendas and joint statements see http://europa.eu.int/comm/external_relations/russia/intro/summit.htm

³⁷ For the joint statement of the St Petersburg summit see:

http://europa.eu.int/comm/external_relations/russia/sum05_03/js.htm

Permanent Partnership Councils on Justice and Home Affairs issues and on Environment issues were later established at the 13th summit in May 2004.

³⁸ For the 'road maps' see http://europa.eu.int/comm/external_relations/russia/summit_05_05/#1

³⁹ These bilateral 'interconnections' were referred to rather tetchily by prime minister Blair at his joint press conference with European Commission President José Manuel Barroso at the EU informal summit, Hampton Court, 27 October 2005. <http://www.eu2005.gov.uk>

⁴⁰ The group was established under [Council Directive 2004/67/EC](#) 26 April 2004 concerning measures to safeguard security of natural gas supply.

⁴¹ The Russian-German North European Gas Pipeline Company is 51 percent owned by Gazprom, while German E.ON and BASF hold 24.5 percent each.

⁴² For the Swedish work plan see http://eu2001.se/static/pdf/program/ordfprogram_eng.pdf

See also the Swedish Presidency Conclusions, Goteborg European Council, 15-16 June 2001.

http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/ec/00200-r1.en1.pdf

Leif Pagrotsky, Sweden's Minister for Foreign Trade was particularly active in pushing the EU-Russia agenda.

⁴³ Reported in *The Guardian* 26 September 2001.

⁴⁴ See, for example, the Declaration by The Rt Hon Chris Patten, CH at the European Parliament Development Committee 12 November, IP/02/1655 - Brussels, 12 November 2002 at

http://europa.eu.int/comm/external_relations/news/patten/ip02_1655.htm