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## The EU and Russia's modernisation: one partnership, two views

LSE Ideas

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Over the past year, 'modernisation' has emerged as a buzzword in the EU-Russia partnership, apparently giving flesh to a relationship that was largely said to be stalling before a new initiative, the [Partnership for Modernisation](#), was launched in June 2010. The rationale for this project is similar to that underpinning the EU-Russia strategic partnership: a combination of strong interdependence and high complementarity between partners.

Modernisation is needed in order for Russia to mitigate the negative consequences of globalisation (largely described as a threat in Russia's major policy documents) and to enhance its competitiveness in the world arena. The emergence of modernisation as an overarching economic policy objective goes back to the end of Putin's second term as president. The economic and financial crisis only made it more urgent for Russia to go forward in the modernisation process. Even though Russian economy grew by 4% in 2010, the recovery is both bumpy and fragile. The country needs to diversify its economy with a view to reducing what President Medvedev called 'a humiliating dependence' on natural resources and raw materials.

In this context, the EU has much to offer for Russia to modernise. Both the intensive trade flows (about 48% of total Russian trade in 2009, with a likely increase in 2010) and the dense institutional dialogue (over 30 working groups and dialogue formats) that connect the EU and Russia together make it a natural partner for Russia's reform efforts. China and the US may be other options, yet the dialogue with the EU is thicker and the Union is likely to remain Russia's major trade and investment partner in the foreseeable future. Moreover, whatever its reluctance towards a greater EU involvement in the post-Soviet space may be, Russia does not regard the EU as a competitor to the extent it does with China or the US. The European Union, therefore, is better placed to help Russia modernise, although Russia also seeks support from other partners in this process.

To what extent, then, is the Partnership for Modernisation likely to allow for a fresh start in the EU-Russia relationship? Conversely, to what extent does it reflect the long-standing flaws that have hindered the EU-Russia partnership? While the Partnership for Modernisation may give a new impetus to the EU-Russia relationship, it may do so on a biased basis. Clearly, the EU and Russia do not share a similar understanding of their partnership's new building block, 'modernisation'.

For the EU, modernisation is closely connected to *liberalisation*. It is necessarily wide-ranging and entails deep reforms to promote a market-based economy, the rule of law and democratisation. Modernisation entails developing stable, predictable and transparent rules for trade and investment, including in the energy sector which is crucial for the Union. To that purpose, the EU strongly supports Russia's accession to the WTO which it considers critical both for Russia's economic reform and investment climate and for a qualitative step forward in EU-Russia relations.

However, in spite of recent positive developments regarding Russia's accession to the WTO (e.g. conclusion of bilateral EU-Russia negotiations at the end of 2010, progress in multilateral negotiations and expected accession in 2011), the EU (by far Russia's first trading partner) is concerned by intra-CIS trade regime developments, for example the 2010 Customs Union concluded between Russia, Kazakhstan and Belarus with the ultimate aim of economic integration. While such step may eventually remain rhetorical, this brings confusion as to the hierarchy of objectives pursued by Russia. For the EU, modernisation also entails in-depth governance reforms, *inter alia* to enhance the independence of the judiciary and to eradicate corruption. Against that background, the latest developments in the Khodorkovskii/Lebedev case (both being sentenced to six additional years of imprisonment) were implicitly criticised by the EU's High Representative who further called Russia to respect its international commitments in the field of human rights and the rule of law.

For Russia, modernisation primarily appears as a pragmatic attempt to foster the country's economic diversification and competitiveness rather than a shift towards good governance and the rule of law and a significant rapprochement with the EU. Even though the two assertions are not mutually exclusive over the long term, in the short run there is no clear indication of a fundamental shift in Russia's political regime and in the Russian authorities' attitude to the strategic partnership with the EU.

Modernisation, then, is primarily understood as *innovation*. The core project announced by Russian authorities, the [Skolkovo](#) high technology business complex, seems overly ambitious at Russia's current stage of development, and therefore financial,



Van Rompuy and Medvedev at the Rostov-on-Don Summit, 1 June 2010

scientific and intellectual resources are needed from foreign partners. Such understanding of modernisation entails that the EU serves as a reform supporter and a technology provider, a much more limited role than the one it plays in guiding the reform process and providing a model under the enlargement and (to a lesser extent) neighbourhood policies. Moreover, this understanding of modernisation as innovation seems to rule out political reforms in Russia in the near future. Modernisation, then, is expected to consolidate the current authorities as well as state power over the short term.

Whether EU and Russian views on modernisation are compatible (and the degree to which they are compatible) remains to be seen. During the Partnership for Modernisation's first year of implementation, projects have been jointly agreed upon in those areas which are not politically sensitive: expanding opportunities for investment, strengthening cooperation and exchanging best practices on energy efficiency, or identifying technical regulations for aligning Russian and EU standards. At the same time, there has been no substantial progress in those areas which are considered highly sensitive for either partner. For example, the EU has put forward proposals to support judicial reform and to strengthen the dialogue with civil society, which have not been transformed into cooperation projects yet; the same holds true with the Russian proposal to liberalise the visa regime.

However, the Partnership for Modernisation is still in the making and Russia's reform process is in a state of flux. In spite of the apparent political stability and beyond the so-called Putin-Medvedev rivalry, there is currently a major dilemma which is deeply rooted in the country's history. On the one hand, there is an urgent need for change and modernisation; on the other, change has often been perceived as a factor of destabilisation in Russia. In other words, even though no sharp political evolution can be expected in the near future, Russia currently stands at a crossroads in the transformation process started in the early 1990s.

Behind the ambiguous discourse on modernisation there is indeed a major choice to be made between a narrow understanding of this concept, focusing on innovation and technologies, and a wide-ranging and systemic reform process dealing also with good governance and the rule of law (e.g. corruption) and human capital (e.g. health, education); that is, those issue areas which have been neglected over the past two decades. President Medvedev has repeatedly made it clear that modernisation also requires transforming Russia's political system, fighting corruption and creating an efficient and independent judiciary.

While Russia currently sticks to a narrow view of modernisation under its partnership with the EU, the Union has undoubtedly a valuable role to play in promoting a wider understanding, accompanying a reform process which should be fully owned by Russia, and stimulating reform through supporting drivers of change (e.g. small businesses, civil society) in that country. To that end, the EU should adopt a functional approach and focus on depoliticised issues as a first step. This does not mean that it should refrain from defending its values in its relationship with Moscow; only that it will be more successful over the long term by using a learning-by-doing approach, rather than lecturing Russia.

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