
UE Crisis: What Opportunities for Russia?



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October 2005



**Research Programme
Russia/CIS**

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Abstract

Despite the lack of any clear signs of proper 'Europeanization' or any desire to formally join the European integration process (to become a full member of the European Union – EU), Russia has already become an insider in European political and economic life. Her interaction with the EU, both on a global level and in the sphere of private interests, depends on and is influenced by events within the EU. In this context, Russia can and must show initiative and take part in the wide discussions on the future of Europe and its place in the world, and must also fully consider tactical changes occurring within decision-making mechanisms, and the balance of power within the EU.

Russia: Insider or Outsider?

During the trilateral meeting in Kaliningrad (July 2005), devoted to the celebration of 750 years of Russian presence in the Baltics, the French President, Jacques Chirac, and the German Chancellor, Gerhard Schroeder, were practically unanimous in suppressing their Russian colleague's attempts to discuss Russian concern over the state of affairs within the EU. In their words, the internal political crisis in the EU, which was provoked by the failure of referendums held in France (29.05) and the Netherlands (01.06) on the EU Constitutional Treaty and the failed EU summit in Brussels (June 2005), does not have any bearing on Russia's perspectives for cooperation with an united Europe.¹ Later on in Moscow, the Greek Minister for Foreign Affairs expressed the same feeling (July 2005).

In a sense, that is true. Those who are even slightly familiar with the current state of political-economic relations between Russia and the EU know that bilateral rapprochement, as a rule, does not get further than declaration of intentions and trade limited by the weak power capacities of pipelines built in Soviet era. This is a familiar appraisal in the European Union of Russia's internal political processes over recent years and their 'conformity' with European ideas about marketable democracy.

Russia is not participating in the process of European integration, and the statement that 'We are not seeking to join the European Union' has already become one of the postulates of its national foreign policy, despite the fact that the flaw of this assertion as a 'cornerstone' that any diplomacy needs is obvious even to the officials in the Kremlin administration.

Even the assertion about 'the convergence of legislative standards between Russia and the EU', spelt out in every third paragraph of the 'road map' for the Russia-EU common economic space (CES), officially approved at the summit on May 10, 2005, can be interpreted extremely broadly.² And the

Translated from Russian by Jennifer Northup.

¹ Press Conference Following the Meeting with Federal Chancellor of Germany Gerhard Schroeder and President of France Jacques Chirac, 3 July 2005, Kaliningrad, <www.kremlin.ru/eng/speeches/2005/07/03/2302_type82914type82915type82917_90815.shtm>.

² 'Road map' on the common economic space, approved 10 May 2005 in Moscow by the President of Russia Vladimir Putin, the Prime Minister of Luxembourg Jean-Claude Juncker, and a European Commission President Jose Manuel Barroso and the EU High Representative for the Common Foreign and Security Policy Javier Solana. <www.kremlin.ru/interdocs/2005/05/10/1940_type72067_87994.shtml>.

'map' itself is not a legally-binding document (international treaty) and represents nothing more than a document for internal administrative use both in Moscow and Brussels. It is no coincidence that a provision for the possibility of creating a 'free trade zone', which remains in one of the articles of the Partnership and Cooperation Agreement (1997-2007), was removed from this 'road map'.³

In addition to this, even the slightest responsibility for one's actions assumes an understanding that the aim of 'creating an open and integrated market' (CES 'road map') implies a rapprochement unprecedented in both scale and depth. The work that is already being done, or is going to be done, by administrative authorities in Russia and the EU logically presupposes that the content of Russian reforms will gradually become more related to the European legislation (*acquis communautaire*). Substantial investments have been made for this within the framework of programs for technical cooperation, led by the European Commission.⁴ Concrete examples already exist of convergence between Russian standards and the European legislation (*acquis*) in such areas as financial accounting, customs legislation and several aspects of standardization.

Russia is increasingly connecting to the 'Bologna Process' with regard to higher education, which could provoke questions regarding the freedom of movement of workforce. Cultural links between Russia and the EU are indisputable.

The proposition that EU countries make a huge contribution to Russia's turnover from foreign trade, with all its asymmetry, cannot be contested as an argument 'for' reciprocally including Russia in the EU. The energy argument – which is currently ongoing and presupposes a mutual interdependence of Russia and the EU in the area of natural resources and products for processing them – also speaks in favour of this. The activities of many Russian companies depend directly not only on the state of the 'Common Market', but also on the regulatory activity of the European Commission.⁵

Therefore, even if the program of 'strategic partnership' was thought up purely as a claiming cover for the drain of Russian energy resources (and there are those who hold this opinion), the geographical proximity and the attraction of the markets would not allow relations to stop on the level of an oil-and-gas 'pipeline'. And this, combined with the officially-prescribed objective of 'creating an open and integrated market' allows, in the capacity of intellectual provocation, serious doubt to be cast on the words of the two 'Vladimir's friends'.

³ *Partnership and Cooperation Agreement* (PCA, 1994), <www.delrus.cec.eu.int/ru/p_318.htm>.

⁴ See for an example of this kind of financing: <www.recep.ru/ru/about.htm>.

⁵ Paradoxically, Russian business associations are excluded from the dialogue with the EU. Even in Moscow, the Commission Delegation associates solely with European companies. See: *European Business and the European Commission holding discussions in Moscow regarding steps in the light of the May EU-Russia summit*, <www.delrus.cec.eu.int/ru/news_687.htm>.

Russia is, to a considerable extent, already an insider in Europe. Despite their ambiguous legal nature, the 'road maps' for the CES and the common space on research, education and culture space strengthen this status on paper and reveal opportunities for extensive citations.

This theory (that Russia is an insider in united Europe) may give rise to serious apprehension in official circles, both in Moscow and in the capital cities of the European Union. Further complication, and this kind of 'clouded picture' of European politics, combined with an absence of any signs of 'Europeanization' across the expanse of the Russian Federation over the past 15 years could be considered completely unnecessary from a practical point of view. Moreover, accepting Russia's insider status would signify the need to let her be represented in informal or even in formal mechanisms for developing the European approach and interests. For the time being, nobody in Brussels or other European capitals is prepared to allow this.

However, this ambitious assertion may reveal yet more possibilities, in particular considering the fundamentally new reality that has grown in the European Union since the double 'no' vote in the French and Dutch referendums and the EU budgetary summit in Brussels (June 2005), which yielded such ambiguous results.

A Changing Context: Crises of Development and Confidence in the European Union

The dramatic events in the European Union in May-June 2005 have created a radically new context for relations between the EU and Russia. As is always the case with bilateral relations, this context is defined by two fundamental characteristics of the situation within the EU, which could, although riskily, be defined as a systematic crisis. Firstly, after the prolonged period of 'buckling pedals', the process of European integration is undergoing a **crisis of development**. From an observer's point of view, the EU has lost its distinct and visible orientation towards development. Nowadays, neither the elite in member states nor 'Brussels' have any clear perception of the path for further progression.

An important factor in this context has been the enlargement of the EU to include 10 countries from Central, Eastern and Southern Europe, which introduced a powerful heterogeneous factor to a more or less homogenous (in terms of socio-political and economic development, and mentality) European Union. Despite the fact that the candidate countries were required to adopt all 'common policies' unconditionally and join all the areas of integration, their internal characteristics (attitude to sovereignty and the state, quality of political process, shortcomings of the compromise culture, 'hawkishness' in matters of foreign policy) were vastly different from the principles, rules and norms that have been developing for decades in Western Europe. Moreover, the conduct of many new member states has provoked a revival in conservative rhetoric, and awakened the 'demons of the past' in certain founding countries of the EU.

In this context, the decision made at the June EU summit to take a break from constitutional issues for a year and then return to discussing the perspectives of this document is considered the only possible option. Over the course of the year, the EU will be in the state of uncertainty, which in the first instance concerns models and momentum for integration. During this period, extensive discussions will be held on the subject of what kind of European Union and with which decision making mechanism is in the best interests of European citizens and economy.

In addition to the crisis of development, the European Union is also experiencing a major **crisis of confidence**. The double failure of the ratification of the Constitution has altered the public mood. The number of those who now oppose the EU Constitution has increased even in countries

which previously appeared to be strongly in favour of it, and the leaders of which have declared from the outset that they will hold referendums 'in any case'.

Official 'Brussels', which until then had not enjoyed particular popularity, appeared to be in an even more difficult and uncertain position. The **problem of the democracy deficit** in managing European integration processes has become even more apparent, as well as the gap between the supranational bureaucracy, of which the European Commission appears to be the centre and embodiment, and the European 'men in the street'. It has become clear that the integration process only runs smoothly when the most important decisions are taken in Brussels and, for a variety of reasons, are accepted almost without a murmur by the political elite in member states. However, as soon as a decision has been approved and put to the people, the process grinds to a halt.

Despite the frequently-convincing efforts to 'save face' and pretend that nothing untoward has happened, the crises of development and confidence in the EU are forming a new background for relations between the European Union and Russia. The consequences of the changes that have taken place may have a two-fold impact: political (debates regarding the future of Europe), and technical and administrative (a system for decision-making). In both spheres Russia is closely connected to the EU.

The Debate on the Future of Europe and Russia

Systematic crisis does not mean that the project for European integration has been exhausted and a disintegration process will begin. It is not possible to destroy the network of connections that has formed in the EU and neither the elite in EU member states, nor the majority of the European population, nor influential external players are concerned about this from an objective point of view. However, the debate surrounding the future model for European integration and Europe's role in the world will become the main subject matter of European politics over the next year.

Intent on finding answers to the crisis of confidence, it is hardly likely that the EU will be prepared to discuss **fundamental problems regarding relations** with Moscow, or work out common strategic goals and a long-term vision of Russia's position in the European context. The EU is expected to devote less attention to its external surroundings. A withdrawal to the level of fundamental problems could force Russia beyond the boundaries of 'political Europe'.

One cannot rule out the possibility of the EU administrative body (the Commission) backing out of the start of preparations for the new Treaty with Russia. Taking the very lowest expectations of Europe's political elite concerning Russia's movement along a supposed 'European' path, officials in Brussels consider the current 'road map' the most appropriate instrument for solving concrete issues (furthering their interests) given the continued existence of the 'dead' but nevertheless annually renewed agreement of 1994. The impression is forming that, even today, the question of strategic relations with Russia is moving away in a long-term, historical direction and is posed subject to the development of the internal political situation in the Russian Federation, the pace and the results of the electoral cycle in 2007-2008.

On the other hand, discussions within Europe may also touch on fundamental issues of foreign policy. First and foremost, Russia would be interested in reviewing the practice of implementing a common European policy regarding the countries within its borders.

The most large-scale project in terms of EU foreign policy over the last few decades has been European enlargement to include 10 new countries – this project was handled almost exclusively under the control of the European Commission. Building on methods and instruments tested on current member states, the Commission based the enlargement on a theory of 'convergence of

legal systems' as an instrument to *europeanize* partners and act on their domestic political and economic situation. The 'new neighbourhood' policy, developed by the Commission on the basis of the corresponding decision taken by the Council, was also built around the theory of 'convergence of legal systems' and became a sort of 'lightened' version of the Copenhagen criteria.

Despite the fact that relations between Russia and the EU are beyond 'neighbourhood', the Commission's attitude to the content of the documents has not changed. As a result, the EU-Russia 'road map' has become an even more *simplified version of the Copenhagen criteria*. Programs to prepare candidate countries for EU accession have pointed to an obligation to converge legal systems and indicated the prospect of joining the European Union, but the 'Action plans' within the framework of 'neighbourhood' (for example, in the case of Ukraine) demand a convergence of legal systems without membership. The EU-Russia 'road maps' contain neither guidelines for any obligation to converge legal systems, nor any institutional prospect of relations (which the Russian government has, in principle, also completely arranged).⁶

Partner	Version	Motivation	Effect
Candidate countries	Regular	High + (membership)	High
Ukraine, Moldova	Lights	High – (possible membership)	Medium
Russia	Super lights	Low (partner)	None

The **international context** for relations between Russia and the EU has become more complicated. '*We are going to Washington to show the American President the power and strength of Europe*', - declared Jean-Claude Juncker sarcastically at the press conference between the EU summit in Brussels and the EU/US meeting (20th June, 2005). The EU's inability to agree on constitutional and budget issues coincides with clear difficulties for implementing its economic agenda (the 'Lisbon Strategy'). As a result, the outside world is becoming more and more convinced that Europe has lost its impetus for development, and, in the long term, will not be able to become a 'world power' able to compete with the USA and China.

However, in its immediate peripheral areas the European Union will, in contrast, try to reinforce and emphasize its role, pushing forward an alternative project to the Russian one for integration within the framework of the 'New neighbourhood' policy. The activities of the European Union in the CIS have, for the most part, a 'virtual' character, and even in the most 'pro-European' states (such as Ukraine) which are not supported by any prospect of formal EU membership. Even in the case of 'Europe's last dictatorship', the European Union is not yet showing any sign of willingness to put words into actions.

⁶ M. Emerson, 'Four Common Spaces and the Proliferation of the Fuzzy', *CEPS Policy Brief*, n. 71, May 2005, <www.shop.ceps.be/BookDetail.php?item_id=1224>.

In spite of this, it is Brussels and not Moscow that appears to be the guiding point for the majority of the post-Soviet elite. It is no coincidence that in summer 2005, tension grew between Russia and the EU over the Transnistria issue, and demands intensified from Chisinau for withdrawal of the Russian peace-keeping contingent from Transnistria and for transfer of their peace-keeping mission to the European Union. Despite the opportunities currently available for joint decisions between Russia and the EU, as described convincingly in Dov Lynch's works⁷, Moscow is openly irritated by any form of European involvement in CIS affairs, and this tendency is not expected to be overcome in Brussels. Russia and the European Union differ even more markedly in their assessment of the situation in several countries of Central Asia.

However, even minor action by Russia could help recover some benefit/advantage for all parties from European uncertainty. The European Union's waning chances of transforming into a major geopolitical player in the near future not only contribute to a decrease EU ambitions, but also significantly increase Russia's assets as a geostrategic partner.

Under such circumstances it would be worthwhile for Russia to hold out the hand of friendship to 'political Europe' and, in the context of common European discussions on strategies for EU development, to come forward and contribute their own initiative for such a geostrategic partnership. This initiative could be implemented in the light of preparations for a strategic agreement between Russia and the EU regarding long-term cooperation and rapprochement, the question of which remains all the more topical.

⁷ D. Lynch, 'Shared Neighbourhood or New Frontline? The Crossroads in Moldova', *Russie.Cei.Visions*, n.2, April 2005, <www.ifri.org/files/Russie/lynch_anglais.pdf>.

New Conditions for Practical Cooperation

At first approximation, the systematic crisis in the EU does not appear to be directly affecting the working partnership between the European Union and its external partners, including Russia. The two referendums and the summit in June 2005 did not change the EU's current institutional structure and did not lead to any formal restrictions of the European Commission's authority, neither in the work on unification the EU's juridical and legal areas, nor on the room for manoeuvre for negotiations with external partners.

And the political crisis has indeed not touched the middle and lower sections of European bureaucracy – the main institutional foundation of the EU – which will, in all likelihood, not only continue to work as they have been, but also increase their tempo.

Moreover, the EU's internal political discussions will, most probably, lead to a large field of external contacts and negotiation processes being allowed 'to slide'. The attention of the political elite in EU countries is concentrated on fundamental issues relating to the development of European integration, and representatives of the Commission of the European Union will, when communicating with external EU partners, attempt to behave as if nothing had happened.

As far as Russia is concerned, the May 2005 approval of the 'road maps' – bureaucratic instructions from the Commission and the Russian government – gives Berlaymont⁸ an opportunity to monopolize current contacts with Moscow and to force it beyond the boundaries of open political discussion. This is aided further by the fact that most European leaders are tired of dialogue with their Russian colleague, whose words more often than not vary from the actions of his entourage. By the way, as one high-ranking diplomat admitted to the author of this piece, the Commission has a great deal of experience of working with authoritarian regimes.

Another reasonable assumption would be that Brussels will aim to compensate for losses made in areas of domestic policy with successes in terms of external contacts. This is backed up further by the decisive manner in which Peter Mandelson, European commissioner for External Trade, conducted negotiations with China's trade authorities, on the issue of exporting

⁸ Berlaymont: the building housing the head office of the European Commission in Brussels (Foreign Relations and Trade Directions).

Chinese textiles to EU countries, on 10th June. This also had a considerable bearing on negotiations between the EU and Russia in the context of the latter's preparation for entry to the WTO, over which the Commission retains exclusive authority. After the June summit, the EU Commission was already making a range of ultimative demands of Russia on the question of energy and air transport, the scale of which considerably exceeded the conditions agreed when the 'deal on Russia's entry to the WTO' was concluded in May 2004.⁹

In addition, political events have led to a certain redistribution of power within the European Union, between individual countries and national institutions of the EU (Commission and Parliament). The European Commission under J. Barroso proved from the outset to be a 'lame duck', after the problem of appointing certain candidates to posts as members of the commission was put to the public. The political defeat Barroso suffered at the European Parliament in October 2004 seriously affected the Commission's reputation. But the crisis of summer 2005 has not only further undermined the authority of the EU's executive body, but also strengthened the Parliament – the only directly-elected supranational body within the European Union. Against the background of guilty heads of state and a weak Commission, the Parliament is quite rightfully basking in its own democratic legitimacy.

No formal changes are being made to the system of power distribution. However, after the declaration that the EU is 'not in crisis, but in deep crisis'¹⁰, the process for transferring additional powers to the Commission is clearly slowing down, even in spheres where it is needed to achieve the aims set out by EU member states.

In this context, the example set by the last EU Council regarding to issues of transport, telecommunications and the energy industry has become a benchmark. Among other things, it was studied as a model with regard to the matter of the Commission's 'vertical' mandate for negotiations with Russia and China on the topic of air transport. The Commission put forward this demand as early as March 2005, when Barroso's office revealed an ambitious plan to set up an area of shared air space with these two partners.¹¹

In accordance with a group decision taken by ministers from 25 member states, the Commission was denied. Ministers claimed that bilateral agreements in the field of civil aviation would, even in future, remain a basis for mutual relations with third countries. Moreover, a law allowing EU states to independently conduct negotiations and enter into agreements with third countries has been frozen. However, in addition to this, the Council has effectively demanded that the Commission elicit from Russia a full and

⁹ The term 'deal' appears officially on the website of the European Commission. See <www.delrus.cec.eu.int/en/news_582.htm>.

¹⁰ See the Prime Minister of Luxembourg, Jean-Claude Juncker's announcement of 18th June 2005, <www.eu2005.lu/en/actualites/communiqués/2005/06/17jcl-pf/index.html>.

¹¹ *A Framework for Developing Relations with the Russian Federation in the Field of Air Transport*, COM(2005) 77 final, <www.europa.eu.int/comm/transport/air/international/doc/com_2005_0077_en.pdf>.

unconditional revocation of all payments owed by EU countries for using Trans-Siberian air lanes. It was also emphasized that Russia's unconditional compliance with these requests was a 'preliminary condition for any future progress in negotiations with Russia'¹². In this way, the Commission was put in an exceptionally difficult position, and could extricate itself only with the cooperation of the Russian government.

¹² Press Release, 2671st Council Meeting, Transport, Telecommunications and Energy, Luxembourg, 27 and 28 June 2005, 10285/05, (Presse 156), <www.ue.eu.int/ueDocs/newsWord/en/trans/85602.doc>.

What Might Russia Propose?

Europe is on the move. The two components of the systematic crisis in the EU – the crisis of development and the crisis of confidence – are intensifying the general discussion about the future of Europe and leaving it more susceptible to external influences. As a result, new and dynamic scope for action by Russia is emerging in the European Union.

Increased heterogeneity within the European Union is opening up new opportunities for its external partners and, in particular, for the 'strange insider', Russia. There is no argument, these days there is much more expectation, that the forces outside the EU's institutional network will endeavour to extract some specific benefit from the disarray within Europe, even if this has negative consequences in the long run.

However, this kind of influence or better, participation, also creates opportunities to work on 'the positive side'. Russia has always encountered difficulties in implementing foreign policy beyond 'the zero sum game'. This being so, the 'European solution', even in crisis conditions, does not assume the existence of clearly-defined winning and losing sides.

In the current circumstances, Russia hardly needs to 'rush into an embrace' with Brussels, and solve the EU's problems on its behalf (in relations between member states of the European Union or the Commission and member states). However, neither is it worthwhile for Russia to simply speculate on the growing instability, nor to distance itself from the EU on the pretext that nothing there can be made sense of and it is better to wait.¹³

In essence, relations between Russia and the European Union are suffering from the same problems that brought about the systematic crisis within the EU: absence of commonly-shared aims for development and a lack of democracy. The former is partially substituted by a distinct EU vision of the optimum path for Russia's development, and partially by indecipherable terms such as *strategic partnership*. The latter (a lack of democracy) is conveyed by the elimination of businesses, civil society and expertise from the process of elaboration and discussion of concrete plans. With regard to this new situation,

¹³ All the more so as from 1 July 2005, presidency of the EU is held by the United Kingdom, whose relations with the Kremlin are ambivalent. See A. Monaghan, 'From Plans to Substance: EU-Russia Relations During the British Presidency', *Russie.Cei.Visions*, August 2005, <www.ifri.org/files/Russie/monaghan_english.pdf>.

Russia's initiatives should be aimed at resolving these two fundamental problems jointly with European Union.

Preparation of a new Treaty (Agreement) between Russia and the European Union. In the first instance, Russia could clearly state that the fourth 'road map', while of course being remarkable, does not solve any strategic issues relating to Russia's position in Europe. The task of creating something without a definite name cannot form the base of stable relations. What must be considered is a future treaty between Russia and the European Union, which will replace the Partnership and Cooperation Agreement of 1994. Moscow could make its own proposals with regard to the format and content of a new international legal document. In which case the actual achievements ('four common spaces') could, in part, be used.

Involvement of Russian representatives in discussions regarding the future of Europe and its political structures. The discussion on the future of Europe, either with this constitution or another, cannot be held without the participation of Russia, the 'strange insider', the largest country of Eurasia situated outside the formal boundaries of the EU. Investments merit the inclusion of Russian experts, and representatives from civil society and business in European forums, conferences and panel discussions.

Expansion of the formal framework for political dialogue. In conditions where there is very little mutual understanding between Russian and European elites, there is little point in compensating it by increased bureaucratic activities. Even if the Russian government and the Commission could agree on technical perimeters for rapprochement, implementation of these would be sabotaged by the elites and businesses. In connection with this, support could be provided for the Russian proposals (initiatives of Russia's MID) to change the format of the 'working dialogue' – regular contacts between Russian representatives and the Committee 'troika' on Political Issues and Security – into a new permanent mechanism. The framework for this kind of mechanism could be broader and include non-governmental actors (for example, business associations).

Redefining relations between the European Commission and Russia. Unfortunately, Russian representatives are not yet prepared to cooperate in an appropriate manner, to 'play on the same level' as the Commission and significantly overestimate their actual abilities and rights. The practice of the relationship confirms that it is the actions of Commission representatives that lead to the most conflicts, in particular with regard to the interests of Russian businesses in such areas as air transport and energy industry.

Creation of new mechanisms for dialogue between civil society and government and representation of Russian business interests. Representing interests appears to be one of the foundation stones for the stability of the European integration model.¹⁴ The extent of mutual

¹⁴ J. Greenwood, *Representing Interests in the European Union*, Palgrave, Macmillan 2002.

interdependence between Russia and the EU is such that official authorities from both sides must make efforts to extend the framework and opportunities for representing business interests in Moscow and Brussels. Civilized lobbying is not an affair only for private companies and must be supported at a state level. Otherwise, it will be further supplanted by other methods for protecting business interests. In this instance Russia and the EU need: a) a common legal basis for representing private interests (a separate agreement for access to government information and participation in preliminary consultations); b) to allocate some state resources for supporting the activities of business associations in Moscow and Brussels; c) investments for training Russian specialists on EU matters.

Paradoxically, instability within the European Union may benefit perspectives for relations with its external partners, improve its design and bring it closer to the real needs of population. Until it finds its feet, it is much easier for Russia to have dealings with a dynamic EU than a 'steadfast' one. And it is an essential admission by Europeans themselves that by no means everyone within the European Union can assist in looking at external relations, including those with the 'strange insider', Russia, in this new light. The necessary admission by Europeans themselves that not all is perfect within EU can help them to reappraise external relations, including those with the 'strange insider', that Russia is. It is vital to take advantage of this opportunity.