

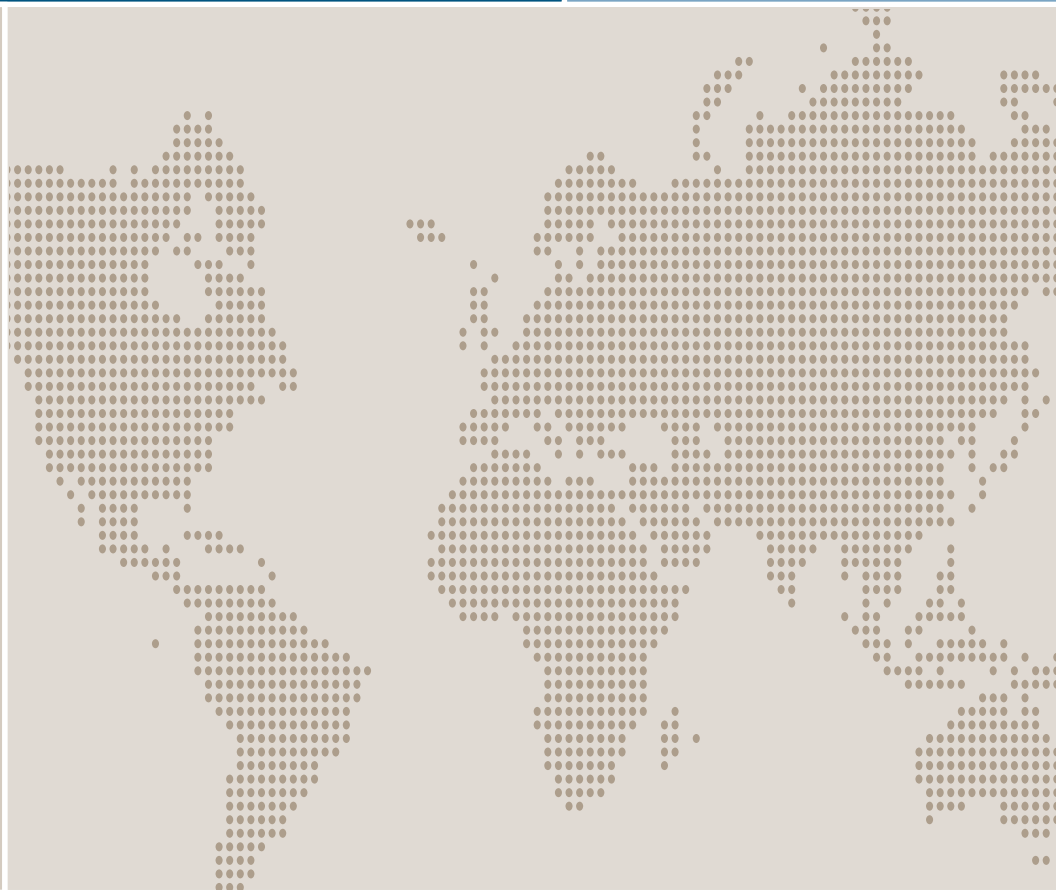
EU-Russia Relations

Toward a Way Out of Depression

AUTHOR
Thomas Gomart

PROJECT CODIRECTORS
Andrew C. Kuchins
Thomas Gomart

JULY 2008



EUROPE, RUSSIA, AND THE UNITED STATES
FINDING A NEW BALANCE



CSIS | CENTER FOR STRATEGIC &
INTERNATIONAL STUDIES

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Center for Strategic & International Studies
1800 K Street, NW, Washington, DC 20006
Tel: (202) 775-3119
Fax: (202) 775-3199
Web: www.csis.org

Institut Français des Relations Internationales
27 rue de la Procession, 75740 Paris Cedex 15, France
Tel: 33 (0)1 40 61 60 00
Fax: 33 (0)1 40 61 60 60
Web: www.ifri.org

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Preface

The joint CSIS/IFRI project “Europe, Russia, and the United States: Finding a New Balance” seeks to reframe this trilateral relationship for the relevant policymaking communities. We are motivated by the possibility that new opportunities may be emerging with leadership changes in Moscow and Washington. In particular, we hope that our analyses and recommendations will be useful as France takes over the chair of the European Union on July 1, 2008.

The title of the project reflects our sense that relations among Europe, Russia, and the United States have somehow lost their balance, their equilibrium. The situations of the key actors have changed a great deal for a variety of reasons, including but not limited to the wars in Afghanistan and Iraq, the expansion of NATO and the European Union, and the unexpectedly rapid economic recovery of Russia. At a deeper level, we find ourselves somewhat perplexed that nearly 20 years after the collapse of the Berlin Wall and the subsequent conclusion of the Cold War relations among Europe, Russia, and the United States seem strained on a multitude of issues. In Berlin in June 2008, President Dmitri Medvedev of Russia invoked the language articulated 15 years earlier by then-Presidents Bill Clinton and Boris Yeltsin about “unity between the whole Euro-Atlantic area from Vancouver to Vladivostok.” Despite many achievements over the past 15 years, it is hard not to conclude that collectively we have underachieved in building greater trust and cooperation. We are convinced that, for enhanced European as well as global security, we must increase the level of trust and cooperation among the transatlantic allies and Russia and that this cooperation must rest on a firm economic and political grounding.

We humbly acknowledge that we have no “magic bullet,” but we hope that the series of papers to be published in the summer and fall of 2008 as part of this project may contribute to thinking anew about some of the challenging issues that we in Europe, Russia, and the United States collectively face. We are very grateful to the excellent group of American, European, and Russian authors engaged in this task: Pierre Goldschmidt, Thomas Graham, Rainer Lindner, Vladimir Milov, Dmitri Trenin, and Julianne Smith. We also want to thank Keith Crane, Jonathan Elkind, Stephen Flanagan, James Goldgeier, Stephen Larrabee, Robert Nurick, Angela Stent, and Cory Welt, participants in the workshop held on May 16, 2008, in Washington, D.C., for their rich and thoughtful comments about the papers and the project. Finally, we want to thank Amy Beavin, research associate of the Russia and Eurasia Program at CSIS and Catherine Meniane and Dominic Fean of the Russia/NIS Center at IFRI for their indispensable support in making all aspects of the project a reality.

This project is the continuation of the IFRI/CSIS transatlantic cooperation started in 2006. We would like to thank warmly our financial supporters—France Telecom, the Ryan Charitable Trust, and particularly the Daimler **Fonds**.

By publishing some articles in Russian, *Russia in Global Affairs* will also take part in this project.

Thomas Gomart
IFRI

Andrew Kuchins
CSIS

EU-RUSSIA RELATIONS

Toward a Way Out of Depression?

Thomas Gomart¹

Having undergone a period of stagnation (2003–2006), relations between the European Union and Russia are now going through a period of depression (2006-present) that is rooted in a series of misunderstandings and frustration. Is this a profound depression or a temporary one? Like an old married couple obliged to live together and contractually bound to one another, the two partners are no longer attracted to each other and are unable to put their relationship into perspective. The obvious lack of desire for the other is clearly mutual. The current context is the perfect opportunity for redefining EU-Russia relations, considering Dmitry Medvedev's arrival at the Kremlin, flanked by Vladimir Putin as prime minister, in May 2008; the French presidency of the European Union, beginning in the second semester of 2008, with energy issues topping the agenda; and the presidential election in the United States in November 2008.

The European Union and Russia cannot make medium-term plans together without considering the nature of their partnership. However, they are wrapped up in themselves: Russia and the European Union definitely conceive their relations *in utero*, insofar as neither side takes into account the impact of their relationship on a regional, international, and global level. Yet the relationship has a direct impact on Eastern Europe (especially in the Black Sea region), the Caucasus, and Central Asia. Russia and the European Union also influence the conduct of major powers in Eurasia, foremost among these the United States and China, but also countries such as Turkey, India, and Japan. Ultimately, the European Union and Russia also have a direct bearing on a geopolitics of energy that is in the process of becoming global in its reach. Such self-absorption fuels the current depression by distracting the EU-Russia couple from the real challenges it faces.

This report aims to shed light on the current disagreements in order to find a way out of the current phase of depression, thereby furthering the interests of both parties. It is based on the key idea that EU-Russia interdependence cannot be avoided and will only get stronger in the future. Three related reasons help explain the current depression: the clash of their respective identities in a fast-moving context; a progressive “securitization” of their energy exchanges; and finally, negative mutual perceptions. Yet, for a number of other reasons, the two parties are unable to do without each other and cannot afford to avoid the redefinition of their partnership. This report

¹ Dr. Thomas Gomart is director of the Russian/NIS Center at the Institut Français des Relations Internationales (IFRI) in Paris and of the trilingual electronic collection *Russie.Nei.Visions*. He also lectures at the Special Military School of Saint-Cyr.

aims to draw up an outline for the coming period—that is, 2008 to 2012. In methodological terms, overcoming depression requires two successive stages: the identification of the main obstacles by the expert community; and the formulation of these obstacles in political terms. This dual progression requires adroit discernment of what should come under the public sphere (through public diplomacy) and what should be dealt with through specific channels.

The State of EU-Russia Relations

The Situation Today

On an institutional level, the plethora of mechanisms within the EU-Russia partnership encompasses joint structures (permanent council, working groups), bilateral agreements (Partnership and Cooperation Agreement [PCA], “Four Common Spaces”), and each party’s own instruments (strategies, European Neighborhood and Partnership Instrument [ENPI]). Russia is the only country with which the European Union organizes two summits a year. At first glance, this appears to highlight the discrepancy between the multitude of bilateral structures and the scarcity of feasible joint projects. Paradoxically, the institutionalization of the relationship has not institutionalized confidence between the partners. This impression of institutions disconnected from the core of exchanges between the two parties—particularly human and commercial relations—is reinforced by the complexity of the two parties’ decisionmaking processes. On the Russian side, several players are involved in drawing up European policy under the control of the presidential administration. The Ministry of Foreign Affairs (MFA) has no real power in coordinating this process;² however, the MFA may recover some prerogatives with the new presidential administration. In Europe, the complexity of the decisionmaking process is even more striking. Indeed, bilateral relations between the European capitals and Moscow are superimposed on the traditional tension between the European Commission and the European Council to control foreign policy.

On the political level, Vladimir Putin demonstrated great assertiveness vis-à-vis the European Union during his second term, showing that it no longer held the same cardinal value as it did at the start of his first term. In his statements, the Russian president never missed an opportunity to recall that his country “is an integral part of European civilization” and “completely [shares] the fundamental values and principles that form most Europeans’ vision of the world.” He adopted Romano Prodi’s expression “sharing everything but institutions” to describe his attitude toward Europe.³ Another important point is that Moscow does not restrict the Euro-Russia dialog to the

² For a complete description, see Karen Anderman et al., *Russia-EU External Security Relations: Russian Policy and Perceptions* (Stockholm: FOI Swedish Defence Research Agency, 2007), p. 17–29.

³ Vladimir Putin, “Vive la dialogue Europe-Russie!” [Long Live the European-Russian Dialog!], *Le Monde*, March 27, 2007.

EU-Russia dialog, resulting in it adopting a “selective”⁴ approach toward European institutions (European Union, NATO, Council of Europe, Organization for Security and Cooperation in Europe [OSCE], subregional forums).

Since his election in March 2008, Dmitry Medvedev visited Germany in June and delivered his first important statement on his vision of relations with the Western countries (including the United States). His speech brought up old ideas, which are taking on new meaning in the current context. Speaking about “the whole Euro-Atlantic area from Vancouver to Vladivostok” is nothing very new in Russian diplomacy. However, three main points should be underlined in considering this speech. First, “after almost a century of isolation and self-isolation” Russia is returning “to global politics and [the] global economy.” A point should be kept in mind: the Russian economy has never been as integrated into the world economy as it is today. Second, Dmitry Medvedev would like to build up “genuinely equal cooperation between Russia, the EU and North America as three branches of European civilization” in arguing that “Atlanticism” is over. In other words, irrespective of its real potential, Russia intends to equal both the United States and the European Union as a global player. Understanding this self-perception is key. Third, Russia is ready to work with the European Union on “an early warning mechanism in the energy sector,” as well as examine “the possibility of establishing international consortiums.”

The day after Medvedev’s election, José Manuel Barroso, president of the European Commission, expressed his confidence in the new Russian president, indicating that Russia and the European Union should reinforce their “strategic partnership,” based not only on “common interests” but also on “the respect of values.” However, having congratulated the new representative, the EU presidency deplored the conditions of the electoral process in Russia and, in particular, the opposition candidates’ lack of access to the media.⁵ Javier Solana, EU high representative for common foreign and security policy (CFSP), believes that the two parties must reap the benefits of their predecessors’ heritage, construct a common space based on the rule of law, and bring their declarations of intent and actual projects into line with one another.⁶ Behind official statements, the real situation is that the Kremlin no longer tolerates the slightest comment on its internal policy, while the European Union is concerned about its tough domestic stance and is trying to renew its policy vis-à-vis Russia. On a more practical level, the European Union is keeping rather quiet since Medvedev’s speech in Berlin. A “wait-and-see” attitude prevails in the

⁴ Angela Stent, “Reluctant Europeans: Three Centuries of Russian Ambivalence toward the West” in *Russian Foreign Policy in the 21st Century & the Shadow of the Past*, ed. Robert Legvold (New York: Columbia University Press, 2007), p. 421.

⁵ “The EU regrets, however, that the OSCE/ODIHR had to conclude that a meaningful election observation mission was not feasible. The EU also regrets that the electoral process did not allow for truly competitive elections. The lack of equal media access for the opposition candidates is of particular concern.” CFSP Statements, March 2, 2008, http://www.eu2008.si/en/News_and_Documents/CFSP_Statements/March/0304MZZ_Ruska_federacija_volitve.html.

⁶ Javier Solana, “Where Is Russia Going? A New Attempt for an All-European Security Order,” address given at the 44th Munich Conference on Security Policy, February 10, 2008, http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressdata/EN/discours/98707.pdf.

United States, and this certainly influences European behavior. However, it is worth wondering if the European Union should not seize this opportunity to change its attitude toward the Medvedev-Putin duo.

On the commercial level, Russia is now the EU 27's third-largest partner after the United States and China.⁷ In 2006, it accounted for 6.2 percent of EU exports and 10.4 percent of EU imports (these figures have risen from 2.7 percent and 6.4 percent respectively since 2000). The European Union is Russia's primary trade partner and accounted for more than 54 percent of its foreign trade in 2007. This very rapid increase in exchanges is also shown by a rise in the trade deficit, to the disadvantage of the European Union: it reached €69 billion in 2006 compared with €41 billion in 2000. This is mainly due to rising prices for energy products, which soared from €36 billion to €94 billion between 2000 and 2006. In 2006, EU-Russia trade reached €209 billion (compared with €85 billion in 2003). Within the European Union, Germany is Russia's main trading partner, being the principal exporter (32 percent of total exports in 2006), followed by Italy (11 percent) and Finland (9 percent). Germany is also the main importer (21 percent of total imports in 2006), followed by the Netherlands (12 percent) and Italy (10 percent).

Two important factors must be noted here. First, the EU member states have different political and economic interests in their relations with Moscow. Second, the last few years witnessed an increasingly marked deterioration of political relations and intensification of commercial relations between the European Union and Russia.

The Burden of the Past

The difference in the European Union and Russia's relation to space is also a difference in their relation to the past.⁸ An extremely sensitive subject, the link between history and memory of the twentieth century is felt by the two parties in different ways. Interpretations of the recent past weigh heavily on current political thought. At the risk of oversimplifying, the Russian elite (with notable exceptions, such as Memorial) finds "memory work" repugnant, preferring to refer to a reified and prestigious national history than to reconsider accepted interpretations of the past. In contrast, Europeans—led by the Germans and the French—made the *devoir de mémoire* the basis of the reconciliation of European peoples, which is at the heart of the European project. Without openly acknowledging it, Russia and certain EU countries are engaged in a "battle of memories," rooted in the interpretation of communism and Nazism on the one hand and of the Cold War on the other, not to mention World War II. This "battle of memories" instrumentalizes World War II with the aim of obtaining the other party's recognition of its honor—an obsession of warriors since Thucydides. The "battle" therefore comprises a psychological and identity dimension that is often ignored by the European Union in its exchanges with Moscow. The current resurgence of

⁷ These figures are taken from Eurostat, October 2007.

⁸ Thomas Gomart, "Russie: espace-temps perdu, espace-temps retrouvé" [Russia: Space-time lost, space-time found], *Politique étrangère*, special edition, "La Russie: Enjeux internationaux et intérieurs" [Russia: International and Internal Stakes] (September 2007): 7–22.

nationalism in Russia can be explained by a deep nostalgia shared by a large part of the Russian population (both old and young).⁹ In Russia, it is worth underlining that nostalgia is all that remains for those that have been left on the fringes of the general enrichment of recent years.¹⁰

This widespread nostalgia encourages a political discourse based on revenge. Victorious in 1945, dominating part of the world until 1989, then brutally demoted in 1991, Russia cannot conceive of having to reinterpret its contemporary history through introspection on the nature of its regime. This results in an ambivalent attitude toward Joseph Stalin, who remains in the eyes of many Russians the primary victor of the “Great Patriotic War.” It also results in intellectual trends with political aspirations, discernible in political parties like Yedinaya Rossiya and Rodina, which explain that the West’s “criminalization” of Stalin is mainly intended to take the 1945 victory away from the Russians. By reinterpreting the “Great Patriotic War” in this way, the West would seek to demote Russia on the international stage.

This debate could seem retrograde or limited to specific areas, but in reality it relates to one particularly sensitive subject: prestige. Russia’s power system is based on a close association between the prestige of the state and that of the army: in the imperial period, as in the Soviet period, military objectives took precedence over all others.¹¹ In other words, this “battle” of memory affects the founding militarism of the Russian system, challenging a strategic culture that has never exorcised the notion of military victory (following the example of the United States, unlike that of the Europeans) and, finally, affects the civil-military balance by encouraging the recourse to symbolism by groups in charge of the use of force (*siloviki*).¹²

In addition to the extreme attention paid to the memory of World War II, there are reinterpretations of the transition years. During Putin’s presidency, a new understanding arose to explain the difficulties of Russia’s political and economic development, difficulties arising not only from the Soviet heritage (and its 70-year duration—unlike former satellite states) but also from the “transition years.”¹³ At the risk of creating a false parallel, the ruling Russian elite reinterpret the “years of transition” and the enlargement of NATO as another Treaty of Versailles, ignoring that their country was not defeated in military terms and that their empire collapsed without causing major conflicts. A sense of geopolitical injustice arises from this interpretation, resulting from the memory of the socioeconomic upheavals of these years. Economic recovery and political restoration have favored a rereading, which prefers to understand the “transition

⁹ Sarah Mendelson and Theodore Gerber, “Soviet Nostalgia: An Impediment to Russian Democratization,” *Washington Quarterly* 29, no. 1 (Winter 2005–2006): 83–96

¹⁰ Georges Nivat, “Les paradoxes de l’affirmation eurasiennne” [The Paradoxes of Eurasian Affirmation], *Esprit* (October 2007): 118–119.

¹¹ Alexander Golts and Tonya Putnam, “State Militarism and Its Legacies,” *International Security* 29, no. 2 (Fall 2004): 121–158.

¹² Thomas Gomart, *Russian Civil-Military Relations: Putin’s Legacy* (Washington: Carnegie Endowment for International Peace, forthcoming).

¹³ Leonid Grigoriev, “Russian Modernization: Interests and Coalitions,” *Russia in Global Affairs*, no. 1 (January–March 2008): 8.

years” as years of pillage by the West. All these interpretations could be debated at length. The key point is to understand what impact they have on reciprocal perceptions.

The European Union would benefit from understanding that Russian policy toward it is fueled, in part, by strong resentment. It should take care to analyze more carefully the references to the past used by the Kremlin. When Putin declared that the fall of the USSR was “the greatest geopolitical catastrophe of the century” it shocked Europe and, particularly, the former Warsaw Pact countries that were long been subjected to Moscow’s yoke. However, by adding that the collapse was a “true drama” for the Russian people, he expresses the deep feeling of his fellow countrymen. Putin’s Russia does not feel any responsibility for its past. Putin’s career meant that he personally felt Russia’s international demotion. He seems to be obsessed with picking up the thread of the *grandeur* of a past that is largely idealized.¹⁴ The European Union should, therefore, closely observe any symbolism that Medvedev may or may not deploy. Owing to his age (42 years) and his career, it is possible that he does not see Russia as a demoted country but, by contrast, as a power that has been following a rising curve since he has been of an age to hold responsibility.

Objective 2012

Since the start of Putin’s second term, the European Commission has not ceased to express concerns in the face of tension between the interests and the values supposedly founding the “strategic partnership” between the European Union and Russia.¹⁵ At the same time, commercial exchanges between the two parties have increased considerably. This strong trend is unlikely to be reversed, owing to EU energy needs, Russian consumer demand, and the attraction the outside world holds for Russian society. Signed in 1994 and entering into force in 1997, the Partnership and Cooperation Agreement expired at the end of 2007. Without a new agreement, it has been renewed automatically. However, the intensification of trade underlines the need for a new framework, primarily in order to facilitate Euro-Russia commerce. Aside from numerous bilateral problems that have seriously complicated the EU-Russia relationship over the last three years (involving Poland, Estonia, Lithuania, and Great Britain), the new agreement suffers from a lack of political will and comes up against the issue of energy. For instance, besides a visa-free travel regime, what does Russia really want? Energy supply is currently seen by Russian elites as something invaluable and the key to the future of their country. Thanks to the lifting of the Lithuanian veto, the negotiations for a new accord will start in the second half of 2008 under the French EU presidency.

At the same time, it should be said that Russian expertise on the European Union has made significant progress. Russian authorities are in a much better situation to negotiate than they were in 1994. Though crisscrossed by internal debates, the Russian expert community regularly

¹⁴ Robert Legvold, “Russian Foreign Policy During Periods of Great State Transformation,” in *Russian Foreign Policy in the 21st Century*, ed. Legvold, p. 10.

¹⁵ “Communication from the Commission to the Council and the European Parliament on Relations with Russia,” COM (2004), February 9, 2004.

provides recommendations on the framework for exchanges.¹⁶ At the present time, there are two schools of thought for the next negotiations. The first favors a very short political declaration related to a set of sectoral agreements, avoiding references to common values. The second favors a longer negotiation process, and in this view, the new agreement could be directly related to Russia's accession to the World Trade Organization (WTO).

On the European side, the relationship is led by the European Commission, which has received a mandate from the European Council to open negotiations. The Commission must also reach a compromise with national diplomacies that pursue their own bilateral agendas, while seeking to influence the course of the EU-Russia dialog. Paris has made energy one of the priorities of its EU presidency, which will inevitably play into the development of relations with Russia. French president Nicolas Sarkozy intended to distance himself from the "complacency" of his predecessor, but so far his policy has been characterized by hesitation.¹⁷

On the more technical level of negotiations, the two parties face three problems. First, they must integrate the "four common spaces," agreed on at Saint Petersburg in May 2003, within a new framework agreement. They must address the very sensitive issue of security and, subsequently, the conception of their common neighborhood—most of these neighbors want to join the European Union. Second, the free-trade zone desired by the two parties still comes up against Russia's accession to the WTO and its energy component in particular. Third, the two parties must succeed in adhering to the "principles" of the Energy Charter set out at the 2006 G-8 summit in Saint Petersburg. The Commission will have to defend and promote the "reciprocity clause" in its "third energy package," which is seen in Moscow as an anti-Russia measure.

There is a possibility that too many resources have been allocated to finding a new agreement. The previous PCA will remain in force so long as there is no new agreement, meaning that there is still a legal framework for relations. A new framework is needed to facilitate the increasing economic and human exchanges between the sides, however. Added to this, the current PCA is inappropriate for the new *rapport de forces*. For the European Union, the problem is the following: other than Belarus, Russia is the only country it borders that does not want EU membership and openly refuses any type of political conditionality. Added to this, Russia is much more powerful and rich than it was in 2000. To be "assisted" is nowadays completely out of the Russian elite's mindset. There are only two ways to update and transform the PCA. The first has

¹⁶ Nadezhda Arbatova, "Russia-EU Beyond 2007: Russian Domestic Debates," *Russie.Nei.Visions*, no. 20 (June 2007); Timofei Bordachev, "Na puti k strategicheskomu soyuzu" [On the Path Toward a Strategic Union], in *Predely evropeizatsii: Rossya i Evropeyskiy soyuz 1991–2007* [The Limits of Europeanization: Russia and the European Union 1991–2007], ed. Timofei Bordachev (Moscow: Izdatelskiy dom GU VShE, 2007), p. 238–239; Dmitri Trenin, "Russia and the European Union: Redefining Strategic Partnership," in *Partnerships for Effective Multilateralism: EU Relations with Brazil, China, India and Russia*, Chaillot Paper, no. 109, ed. Giovanni Grevi and Álvaro de Vasconcelos (Paris: Institute for Security Studies, May 2008), p. 133–143.

¹⁷ Thomas Gomart, "Paris and the EU-Russian Dialog: A New Impulse with Nicolas Sarkozy?" *Russie.Nei.Visions*, no. 23 (October 2007).

been chosen by Ukraine and aims to deepen the integration process by accepting political conditionality. The second has probably been chosen by Russia and aims to think only in terms of association. In other words, the negotiation process for the new agreement will reflect the nature of the relationship actually desired by both sides. Paradoxically, political ambitions are lower, while economic ambitions are on the increase.

The Impulse behind the Depression and Related Perspectives

Clash of Identities, Clash of Potentials

The EU-Russia predicament can also be explained by the two partners' identity crises. Russia fluctuates between behaving like a proud dowager that has rediscovered her rank and acting like a vociferous upstart that believes anything can be bought at a price. For its part, the European Union presents itself as a political prototype but also as a bureaucracy (the Commission) reluctant to submit to democratic control. Russia adopts the conduct of a great power while the European Union continues to question its own identity (and its borders) without managing to become a really credible security player. One of the reasons for the current depression was the European Union's inability to anticipate Russia's recovery, which can be attributed to weak EU analytical abilities together with an ambiguous eastern policy. Such a lack of capability is worrying, as it brings to light the weaknesses of the European Union with regard to understanding its neighborhood and the world.

This lack of anticipation is linked to the lack of preparation on the Russian side for the 2004 EU enlargement. Moscow clearly underestimated this process. The European Union thought that enlargement would help Russia to adapt to European standards through its new proximity and via small-scale exchanges with its newly European neighbors. But enlargement occurred after a symbolic political and strategic break between "old Europe" and "new Europe" over the Iraq War. It took place at a time of soaring energy prices, thereby mechanically reinforcing the economic weight of Russia at the expense of its European partners. For similar reasons, the mandates of both Boris Yeltsin and Vladimir Putin, which began with avowed statements of European orientation, ended with Eurasian inflections.

Russia's return to power, however, does not allay uncertainties over the viability of its economic development, its political stability, and its strategic ambitions. We must not lose sight of the fact that its demographic and technological decline obliges it to form strategic partnerships. From this point of view, it cannot now avoid the redefinition of its ties with the European Union, the evolution of which will inevitably influence its own development. The European Union also faces a crisis of identity, both internally (integration of minorities) and externally (relations with its immediate neighbors). For reasons that sometimes coincide, it has severely complicated its relations with its two main neighbors: Turkey (an EU candidate country with a population of 80

million) and Russia (which refused to engage with the ENP and with a population of 143 million).

This situation is delicate. However, it opens up the following perspectives. To find a way out of the current depression, policymakers should consider:

- *The nature of the European Union and the nature of Russia.* Following Russia's example, the European Union can no longer avoid questioning its own nature in order to understand its relationship with Russia.¹⁸ At the same time, it cannot delay for much longer an internal debate on the nature of the political relations to be forged with Russia, a debate that will force the 27 member states to agree on a common analysis of Russia: is Russia a partner or a threat? As long as the Europeans fail to deal with this dilemma, they will be unable to draw up a common policy.
- *The reality of Russia's economic potential.* The EU member states are also unable to agree on Russia's economic potential and tend rather to focus on its political regression than on its rising economic power, which is mainly summarized as being due to the effect of energy resources. Yet Russia now claims to follow a specific development model based on a combination of economic development and authoritarian policy. This should lead the European Union to reevaluate Russia's economic potential, breaking away from a Potemkin understanding of its development. The European Union should develop a much more sophisticated approach to Russia, particularly with regard to changes deep within its society.
- *Anticipating the debate of counter-influence on values.* Russia no longer intends to be subject to a discourse on the universality of Western values; on the contrary, it intends to participate in a demonstration of their relativism. Russia will continue to be obsessed with "double standards." It claims that it is becoming one, among several, of the matrices of standards, values, and references not necessarily modeled on Western referents. From the Russian elite's viewpoint, the country has been able to recover only by breaking away from Western models. This trend will not be reversed under Medvedev, as it is driven by a threefold dynamic: the effect of energy resources in a period of high demand; a complete change in the behavior of the U.S. leadership; and the institutional mess of the European Union.
- *Anticipating the link between the transatlantic debate and the Euro-Russia debate.* Two debates are already recurring across the transatlantic expert community and will definitely affect the EU-Russia dialog in the relative short term. First, Russia's tougher stance with regard to European security (neighborhood policy, Conventional Armed Forces in Europe Treaty, Balkans, and missile defense) leads to the consideration of new forms of engagement (owing to Russia's importance vis-à-vis issues like Iran and proliferation) and/or of

¹⁸ James Sherr, *Russia and the West: A Reassessment*, Shrivvenham Papers, no. 6 (Swindon: Defence Academy of the United Kingdom, January 2008), p. 7.

containment.¹⁹ Second, Moscow's explicit opposition to a system based on Western values causes some observers to liken Russia to China in terms of opposition to Western democracy.²⁰ Clearly this approach is highly debatable on an analytical level, and its potential political consequences abound. In terms of respective interpretations and policymaking, it is certainly possible that an increasing gap between the European Union and Russia will appear on this very last point.

“Securitization” of Energy

In October 2000, Brussels and Moscow agreed to institute an “energy dialog” that was supposed to secure Russian supplies to Europe and European investments in Russia. The joint declaration allowed for the rationalization of production, European investments, and the ratification of the energy charter. In August 2007, Sarkozy denounced Russia's “brutality” in the energy sector, one month after the signing of the Shtokman agreement. In March 2000, oil cost \$31 per barrel; its price has quadrupled in eight years. Energy relations became a political matter during Putin's second term, primarily owing to the Ukrainian crisis in January 2006. This politicization of energy can be explained by a combination of three factors: strong global demand; liberalization of the European gas market; and renationalization of the energy sector, not only in Russia but also in other producing countries. For Russia, energy has also become a vehicle for projecting power, whereas for the European Union it should be embedded in market rationales. Delicate in itself, this combination has gradually been accompanied by a “securitization” of the energy relationship. This “securitization” has been translated into a discourse of threats and risks to the detriment of traditional political and economic exchanges.²¹ Consumer countries, such as Poland, would like energy to be included in NATO's competences, while producer countries, such as Iran, raise the threat of an OPEC-style organization for gas.²² Strategic arguments are mixed with commercial concerns without a clear hierarchy always being visible. Presented as a “factor of cooperation” at the start of the Putin era, energy relations have gradually become a “factor of tension.”

For the record, it is useful to recall that, on a global level, the European Union accounts for 2.9 percent of oil production and 7.1 percent of gas production. Yet it accounts for 18.6 percent of global consumption of oil and 17 percent of gas. Today, it imports 50 percent of the energy it consumes, and this proportion is expected to reach 70 percent in 2030. The European Union will therefore increase its energy dependency on all providers, at the head of which list is Russia: that country produces 12.3 percent and 21.3 percent of the world's oil and gas respectively, but its

¹⁹ Stephen J. Blank, *Towards a New Russia Policy* (Carlisle, PA: Strategic Studies Institute, U.S. Army War College, February 2008).

²⁰ Robert Kagan, “The End of the End of History,” *New Republic* (April 2008).

²¹ On the overall concept of “securitization,” see Edwin Bacon et al., *Securitising Russia. The Domestic Politics of Putin* (Manchester: Manchester University Press, 2006), p. 10–13. The authors refer explicitly to Barry Buzan et al., *Security: A New Framework for Analysis* (Boulder, CO: Lynne Rienner, 1998).

²² Andrew Monaghan, “Energy Security—What Role for NATO?” Research Paper no. 29, NATO Defense College, October 2006; Dominique Finon, “Russia and the ‘Gas-OPEC’: Real or Perceived Threat?” *Russie.Nei.Visions*, no. 24 (November 2007).

proportion of global consumption is only 3.3 percent and 15.1 percent. Moreover, Russian gas exports to the European Union account for 84.8 percent of Russia's total gas exports and 26.3 percent of European consumption. Oil exports from the Commonwealth of Independent States (CIS) to the European Union represent 83.3 percent of oil exports from this region and 38.7 percent of European consumption. A total of 75 percent of Russia's export revenue depends directly on the single European energy market. These figures are a reminder of Russian-European interdependence in energy matters.

In the public sphere, this interdependence is mainly presented as a source of mistrust. However, many energy companies portray this interdependence as functioning in a relatively satisfactory manner. European governments do not accord the same importance to energy security in general or to Russia in the overall operation. However, at the EU-Russia level, the proper functioning of this interdependence should rely on the following intertwined question: how can Russia be made not only to accept but also respect the regulations—political, commercial, and legal—of this interdependence, and, conversely, how can EU actions in the energy sector be made credible?

It is difficult for the European Union to respond to this question given the fact that its approach is essentially regulatory and contractual. Added to this, the driving forces behind Russia's energy-related conduct have been poorly understood. The renationalization of the energy sector in accordance with the principle of "national champions" was officially undertaken for the Russian people to benefit from natural resources and through the belief that the production-sharing agreements, signed during the 1990s, were "neocolonial." The ruling elite also benefited considerably from renationalization, which enabled a third generation of oligarchs to emerge. In this respect, we must never lose sight of the fact that Russian players in the energy sector tend to favor short-term financial gains (which explains the debate on the lack of investment in infrastructure).

Russia is now responding to EU "constructive ambiguity," on which the European Union has long prided itself, with an energy policy that intentionally fosters doubt. Apparently, this doubt is beneficial to Russia in the current context, insofar as it is akin to the pressure on energy prices. This "fuel-doubt" policy alternates constantly between a conciliatory and a confrontational dialog by sending mixed signals. As far as the Russian authorities are concerned, it is a matter of presenting Russia as one of the most reliable supply zones on a global scale—mirroring its image as a credible provider in the past. At the same time, Russia has to allow the threat of the political use of supplies to persist enough for Russia's geostrategic interests to be naturally integrated into the reasoning and conduct of its partners—the European Union first and foremost. From a realist point of view, this policy based on reconstituting "national champions" has enabled a return to influence, but it raises new problems with regard to politico-economic organization and, most importantly, investments and competition among Russian energy companies. It is worth remembering that Gazprom is not the only energy company in Russia. From this point of view, the main challenge of the Medvedev-Putin tandem will definitely be the future organization, successes, and failures of Gazprom.

This “securitization” of energy opens up the following perspectives:

- *The reliability of Russian supply.* Since 2006, the debate on the degree of energy interdependence has progressively moved into a debate on Gazprom’s reliability on three main points: its capacity to honor its export volumes; its structural industrial choices (Yamal and Shtokman) and management; and its ties to the Kremlin. This debate should also include the issue of Gazprom’s communication and lobbying policy vis-à-vis European institutions and capitals, as well as the impact of EU regulations on its operation.²³ From this point of view, Gazprom certainly intends to act in the same way as its main energy competitors (e.g., to use various channels of influence).
- *“We love Russian gas.”*²⁴ This unexpected declaration of love from Claude Mandil, former director of the International Energy Agency, clearly illustrates the twofold concern of French authorities on the eve of their EU presidency. Claude Mandil has just delivered a report to prepare the presidency on energy issues. First, his report highlights the inevitability of an energy partnership with Russia. Second, it supports the initiatives of European energy companies that want to invest in Russia, while seeking to play down the exchanges and not to appear to be running short of supplies, “which puts a client in a considerably weak position vis-à-vis the provider.”²⁵ In his view, the problem is not relying on Russia for gas (this situation cannot be reversed) but depending on it for marginal gas.
- *Not making energy the be-all and end-all of the EU-Russia dialog.* In the medium term, neither of the two parties should be interested in limiting discussions to energy exchanges. For Russia, this limitation would ultimately amount to restricting Russia to the role of the EU energy provider, a role from which it would not be able to escape and which would prevent it from continuing to diversify its economy. For the European Union, this limitation would accentuate its sense of dependence: in the current situation, the more discussions are held with Moscow on energy, the more power will be concentrated on the Russian side.
- *Toward a European security policy or a secured European energy market?* This is a proclaimed objective, but in order to achieve it the Europeans must show steadfastness. Indeed, the need to coordinate national energy policies is always expressed at times of rising prices: the higher prices have risen, the greater the need for unity has been felt. Unfortunately, the opposite is also true. The differences in the energy mix of each EU member state explain the plethora of European standpoints vis-à-vis Russia, the debate on long-term contracts, and the difficulty of reconciling a dialog of EU unity with the individual

²³ Catherine Locatelli, “EU Gas Liberalization as a Driver of Gazprom’s Strategies?” *Russie.Nei.Visions*, no. 26, (February 2008).

²⁴ Claude Mandil, “Sécurité énergétique et Union européenne: Propositions pour la présidence française” [Energy Security and the European Union: Propositions for the French Presidency], Rapport au Premier Ministre [Report to the Prime Minister], April 21, 2008, p. 17, <http://lesrapports.ladocumentationfrancaise.fr/BRP/084000245/0000.pdf>.

²⁵ *Ibid.*, p. 16.

and competitive conduct of European energy companies. These difficulties should not be formulated solely in the Euro-Russia framework but in a more global framework regarding the shortage of fossil fuels, which could stir up national selfishness and damage the European Union's international identity, which is primarily defined by its attachment to the principles of free trade.²⁶

Reciprocal Misperceptions

The 2004 EU enlargement to Moscow's former satellite states marked a turning point in the European Union and Russia's mutual perceptions. For Moscow, the enlargement coincided with the consolidation of Putin's power on a domestic level and with the first dividends of economic recovery. In this context, Moscow's conduct can be explained in the following way. First, Russia's recovery was associated with a discourse on the revival of "Russian civilization"—a secular civilization that is both linked to and distinct from that of Europe—intending to break away from any inferiority complex. In the eyes of the Russian political elite, the European Union has tangled itself up in its own contradictions and no longer represents a sufficiently dynamic economic development model. Second, the Kremlin is always careful to distinguish between Europe and the European Union, as it still nurtures the hope of a European continent based on two pillars: a Western pillar (the Union) and an Eastern pillar (led by Russia). This approach can be seen in the principle advocated by the Kremlin in its EU relations—a dialog between equals. A sign of this formula's success is that it is not contested, even though it does not correspond to the real balance of power. Moreover, attempts at forming regional groups under the Russian banner, such as the Common Economic Space, fail immediately owing to Russia's inability to move beyond its role as a traditional power and, therefore, to initiate an integration process that does not resemble a new form of domination over its neighbors.

The European Union is bothered by Russia for a number of reasons. Unlike Ankara, Moscow has never declared its willingness to join the European process; the usual EU instruments, which are based on the principles of conditionality and gradual rapprochement, are ineffective with Moscow for the most part. What is more, the European Union is confronted with a player that openly defies its values, insofar as Russia defends the principle of interaction that is not based on a system of constraints and common values. This results in Moscow adopting a position that is essentially defensive and reactive regarding European regulations and standards as attacks on its sovereignty. In addition, Russia is incapable of instigating a progressive integration process with its neighbors. Ultimately, therefore, Russia is caught in a paradox: its geopolitical omnipresence goes hand in hand with a profound political solitude. This solitary trend looks set to continue.²⁷

²⁶ Steve Wood, "Energy and Democracy: The European Union's Challenge," *Current History* (March 2008).

²⁷ Dmitri Trenin, "Russia's Threat Perception and Strategic Posture," in R. Craig Nation and Dmitri Trenin, *Russian Security Strategy under Putin: U.S. and Russian Perspectives* (Carlisle, PA: Strategic Studies Institute, U.S. Army War College, November 2007), p. 37.

The nature of the political relationship cannot be conceptualized without including the security aspect. From this point of view, two ruptures should be examined. The first lies in disillusionment with the European Security and Defense Policy (ESDP). This relates to some European countries such as France and Germany, but also to some Russian experts who, at the start of Putin's first term, tried to encourage exchanges between this embryonic European defense policy and the Russian armed forces, which were being reformed at the time. This interest has largely dissipated and contributes to the belief that NATO is the only credible counterpart in the security field.²⁸

The second lies in the missile defense system to be set up in Europe—in Poland and the Czech Republic. With regard to the antimissile system, the European Union's strategic marginalization is striking.²⁹ The Europeans have different opinions on the threat posed by Iran and on the progress of its nuclear and ballistic programs. Germany shows the strongest skepticism toward this threat. Even if the system does not threaten the credibility of the Russian deterrent, it remains a form of security reassurance vis-à-vis Russia for countries such as Poland.³⁰ Aside from the 10 interceptors necessary for the antimissile system, Warsaw requested that Patriot surface-to-air missiles also be deployed but received a flat refusal from Washington. These demands complicate the problems of perception and fuel Moscow's suspicions. In strategic matters, Poland favors a bilateral approach, but it denounces such an approach when it comes to energy matters, as demonstrated by its calls for NATO to become involved in energy security. At present, the missile defense debate is restricted to the U.S.-Russia framework; proposals are made that are immediately followed by counterproposals, without the Europeans being consulted. Thanks to the insistence of Chancellor Angela Merkel of Germany that it could not be otherwise (April 2007), this issue was to be dealt with in a multilateral context, namely NATO. Countries such as Germany, Canada, and Norway expressed their reservations, owing to the effects of this deployment on NATO-Russia relations. For Washington, these exchanges do not challenge the legitimacy of the project, all the more so given that countries such as Bulgaria, Greece, Romania, and Turkey would like the system to cover southeast Europe. The Bucharest summit enabled Washington to obtain NATO's support on this strategic project, reinforcing the strategic weight of the United States in Europe.

The essential problem in the EU-Russia relationship lies in the fact that, during Putin's second term, the European Union stopped appearing as even a slightly credible strategic player, capable of bringing to bear a different vision to NATO. In other words, while the European Union is now venturing out into the field of security, Moscow sees its actions as merely a maneuver by the

²⁸ Roy Allison, "Russian Security Engagement with the European Union" and "Russian Security Engagement with NATO," in Roy Allison et al., *Putin's Russia and the Enlarged Europe*, Chatham House Papers (London: Blackwell, 2006), pp. 72–93 and 94–129.

²⁹ Thomas Gomart, "L'Europe marginalisée" [Europe Marginalized], *Politique internationale*, no. 118 (Winter 2007–2008): 209–221.

³⁰ Thomas Bauer and Florian Baumann, "Missiles for Europe? U.S. Plans Expose Europe's Strategic Weaknesses," CAP Policy Analysis no. 3, Center for Policy Analysis, Munich, July 2007, p. 5.

United States and NATO. Moscow therefore adopts a typical, reactive stance. It is vitally important to take these misperceptions into consideration:

- *The energy-security link.* Ultimately, this development shows the European Union's inability to think as a strategic player. Despite its diplomatic presence (declarations by Javier Solana³¹) and the third common space (on foreign security), it simply cannot convince Moscow of its motivations and capacities. It seems to have resigned itself to policing activities and, without openly recognizing it, to leaving territorial defense issues (excluding national measures) and force projection to NATO. This delegation of responsibilities has not escaped Moscow's attention. In reality, the eagerness of the European leadership—especially Solana—to seize the energy-security dossier contrasts with its discretion over key strategic issues, such as missile defense. Yet the European Union must understand that in the eyes of Moscow, EU energy credibility is linked to strategic credibility—that is, the ability to be a global rather than just a market player.
- *A reactive Russia.* The current crisis cannot only be explained by Russia's conduct but also by the attitude shown by the European Union and the United States. We must never lose sight of the fundamentally reactive role of Russia's foreign policy, which indirectly serves to highlight its main congenital weakness: its very poor ability to attract. The European Union must consider its threat analysis and the type of power balance that it would or would not be prepared to establish with Russia. One thing is certain: even though it is necessary, repeating the mantra of the “rule of law” will not suffice.

Recommendations

Given this complex background, four main points may be considered as a springboard for action:

1. In the short-term, both sides should work toward a new PCA, but they should also focus on other important aspects of cooperation.

On the EU side: It is important to understand that the PCA is not the alpha and omega of the EU-Russia relationship, and it should not be considered as a sort of ultimate panacea. There is no reason for Europe to be on the defensive. It is much more important to restore the trust that has been seriously damaged since 2006 by proposing concrete joint projects based on mixed financing. On a more political level, the European Union should respond to the speech delivered by Dmitry Medvedev in Berlin on June 5, 2008. This speech brought up old ideas, which are taking on new meaning in the context of Russia's recovery and U.S. uncertainty on many international issues. We cannot expect any real change in U.S. policy toward Russia before January 2009; whoever wins the U.S. presidential election, Russia will not be at the top of the new administration's agenda. A “wait-and-see” attitude would be interpreted as European reluctance to take initiative and should thus be avoided.

³¹ Solana is remembered in Moscow as NATO secretary general during the 1999 bombing of Serbia.

On the Russian side: It is important to understand that the visa-free regime with the European Union does not equate to a genuine Europe policy. This short-term objective springs from the Russian obsession not to be considered a second-class citizen on the European continent. It is one thing to promise, as Dmitry Medvedev does, to “establish clear rules” for foreign entrepreneurs, it is another to have real judicial authority independent from the executive. The Russian authorities will need to demonstrate some strong business credentials if they really want to speak “the same legal or business language today” as the European Union. In terms of negotiations, Russia should not overestimate divisions among EU members and should understand that there is a growing lassitude toward Russia’s muscle flexing. It is clear that Russia is back, but this does not necessarily mean that Russia holds any attraction or fascination for its European partners. Russia should avoid becoming too obsessed with prestige. The longer it continues its “soft-revenge” approach in its relations with the West, the less it will get the trust it needs to form the ties that will ensure its development.

2. In the medium term, both sides should stop thinking about their relationship *in utero*.

It is clearly necessary to take into account the impact of this relationship on a regional (Black Sea area), international (transatlantic relations), and global level (geopolitics of energy). An eyeball-to-eyeball approach is definitely too restrictive and limits the relationship to old challenges stemming from the Cold War period.

On the EU side: EU institutions need to change their mindset on Russia. This mindset did not anticipate Russia’s recovery and its consequences. First, that means paying attention to the profound transformations in Russian society, which conflict with the strengthening of the state. The Kremlin is not the be-all and end-all in Russia. Simply put, Russia is not China. Second, the member states should clarify their interpretation of Russia in the strategic, political, and economic fields. It is no longer possible to pretend to have “a strategic partnership” with Russia and at the same time treat it as a threat. Russia is a difficult partner, but a crucial one. Third, if the European Union wants to be taken seriously, it should be present in the security field.

The European Union should also avoid the “provincialization” of the EU-Russia relationship, which must not become subsidiary to the Russian relationship with the West. Europe should take responsibility for its security. This requires a common position regarding U.S. antiballistic missile plans, as well as Russia’s counterproposals. More generally, Europeans have things to say both to Washington and to Moscow on the legitimate use of military force. From this point of view, EU member states should be very careful about Ukraine in order to avoid its transformation into a political and symbolic battlefield between the West and Russia. It is one thing to work on a long-term EU accession for Ukraine and to support its European aspirations; it is another to give a membership action plan (MAP) in the current context.

On the Russian side: There is a sort of delusion that there will be wholesale security bartering with the United States. Russia will not be a top priority for the new U.S. administration. Even if Russia has global ambitions, mainly founded on its energy power, it will remain principally

a Europe-oriented regional power. At least three main debates need to be developed. First, Russia should deal with the contradiction between its global aspirations and its basic strategic solitude. Second, even if, for the time being, modernization does not mean Europeanization, Russia will not be able to modernize and diversify its economy without Europe. Third, Russia has to make real and extremely difficult strategic decisions in terms of the political, industrial, and commercial organization of its natural resources.

3. In the long term, neither side can avoid the other.

Our understanding of this strong interdependence should not be limited to energy issues. The European Union is still in search of itself and can no longer avoid a critical reexamination of itself. It should understand that its international identity will depend on the ways in which it is perceived by other world players, not just the United States and China. The same can be said for Russia, which cannot avoid reconsidering itself and its global role. Russia is clearly linked to Europe, given the fact that Europe will remain by far its main trading and cultural partner for the next two decades.

