
Georgia, Obama, the Economic Crisis: Shifting Ground in Russia-EU Relations



Timofei Bordachev

January 2010

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ISBN: 978-2-86592-656-5

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Summary

The firmly entrenched stagnation of relations between Russia and the European Union is leading to mutual dissatisfaction and even distrust. The failure of current institutions and practices to adapt to the challenges of the international political and economic environment and the outdated (for both Russia and Europe) agenda, are responsible. Each side perceives almost all initiatives by the other as competitive, which does not help relations improve. This kind of situation is damaging to the European Union, reducing its capacity for action vis-à-vis Russia; Russia, in turn, is writing off sources for the country's modernization.

Introduction

Over the last year, Moscow's attitude towards the European Union (EU) and its foreign policy actions has been increasingly characterized by exasperation, verging on open distrust. The main reason for this development is the failure of both sides to hold a serious discussion about the problems each of them face. For Russia, the problem is the future of the pan-European security architecture. For the EU, it is Russia's prospects of integrating the world economy and opening its markets to European companies.¹

The only subject that really interests both sides, and on which they can hold a substantive dialogue is energy. However, even here the parties are divided into the rigid positions of net importer and net supplier. The solution could be the promotion of discussions contributing to real advances on practical questions of cooperation. This would draw together the economies and societies of the EU and Russia, in order to encourage joint responses to the most pressing problems.

The global economic crisis has put the EU dimension in Russian politics on a back burner. This in a context, most major states have united their efforts to develop common solutions to the crisis, whilst also appeasing public indignation. Russia's bilateral relations with the leading EU powers developed meaningfully, and Brussels was crowded out from the sphere of privileged dialogue. The thaw in Russian-American relations after the election of President Barack Obama in November 2008, and the new Russia-US agenda has also edged the EU out of Moscow's priorities.

EU attempts to compete with Russia in the former Soviet space have further alienated Russia. This trend has been strong under the EU presidencies of the Czech Republic and Sweden, both of which were very disadvantageous from the perspective of relations with Russia. The "Eastern Partnership" initiative and a barrage of proposals made by Brussels to capital cities in the former USSR in the energy sphere only added to Moscow's exasperation with the united Europe.

The reason for Moscow's annoyance regarding Brussels' competitive behavior is that Russia cannot, and does not intend to, accept Europe as a competitor for influence in the former Soviet states. The attempts at competitive policies by the EU are interpreted in Moscow as a betrayal of the Russia-EU partnership and are leading to unwillingness to deal with the EU as an organization. All the more so because the majority

Translated from Russian by Jennifer Northup.

¹ The position of each side has been confirmed multiple times in speeches by Russia's leaders as well as those from leading EU member states and EU institutions.

of EU member states prefer, as is logical and rational, to leave the discussion of the more complicated issues to Brussels.

This has resulted in Russia changing the format for its accession to the World Trade Organization (WTO, June 2009)² and its unequivocal rejection of the Energy Charter.³ Meanwhile, both questions have formed the basis of the EU strategy directed at opening the Russian market for EU companies and creating a general economic area or free trade zones in the future. Moscow's abandonment of the two goals was a tangible blow to all EU policies directed at Russia and demonstrated the low priority that Russian decision-makers ascribe to the EU's goals.

² Addressing the intergovernmental meeting of the EurAsEC Council and the supreme authority of the Customs Union (9 June, 2009), Prime Minister Vladimir Putin called "to advise the World Trade Organization of Russia's intention to start the negotiation process on the accession of the Customs Union of the Republic of Belarus, the Republic of Kazakhstan and the Russian Federation to the WTO as a single customs territory." This decision has been interpreted in a variety of ways but its essence—prioritizing economic integration in the framework of EurAsEC over Russia's accession to WTO—is not in doubt.

³ 7 August 2009: Vladimir Putin signed a decree that the government had decided not to participate in the Energy Charter Treaty (a multilateral document directed at liberalizing trade in energy resources in signatory countries) or the Protocol on Energy Efficiency and Related Environmental Aspects.

Political Instability

Both external and internal structural factors shape Russia's relations with the EU. That said, the significance of the strictly bilateral agenda, as well as the capabilities of institutions that have promoted this agenda, is gradually dwindling. This is partly the consequence of Brussels' politicization of cooperation in traditional areas such as economic relations or dialogue between the European Commission and the Russian government.

Among the most significant external factors are the influence of Russia-US relations and the action (or inaction) of regional security institutions like the Organization for Security and Cooperation in Europe (OSCE). The EU's effective diplomatic intervention during the Russian-Georgian conflict in August 2008 was facilitated by the almost total breakdown of contact between Moscow and Washington as well as the OSCE's removing itself from the process of reconciliation in the Caucasus. In addition, in some cases, relations between Russia and the EU are becoming dependent upon the development of domestic policy in the other states of the former USSR, sometimes becoming a tool in the hands of leaders in the post-Soviet space, notably Belarus.

The EU's dependence, in terms of foreign policy, on the country holding the presidency of the European Council and this country's bilateral relations with Russia is a key internal factor. As for efforts to work out a common position on key questions of external relations, the quality of decisions made has fallen. As a rule, in relations with Russia, they have taken on the form of "the lowest common denominator." Increasingly, Brussels and the leading EU states work to dampen the initiatives of certain member states.

Thanks to the energetic response of the President of France, Nicolas Sarkozy, the crisis of August 2008 became a foreign policy "triumph" for the EU. Rarely has the EU been able to play such an important political role. The diplomatic efforts made from Paris in August and September 2008 were greatly appreciated in Moscow. As the President of Russia, Dmitry Medvedev declared in November 2008 at a joint press conference after the Russia-EU summit in Nice, "I would like once again to thank our European colleagues and the President of France personally for taking part in helping to get through the difficulties during the tensest period and helping to reach peace agreements."⁴ In October 2008, the ability of

⁴ "Statement and Answers to Journalists' Questions after the 22nd Russia-EU Summit," 14 November 2008, Nice, <http://eng.kremlin.ru/speeches/2008/11/14/2126_type82914type82915_209207.shtml>.

Europe's expert community to hold discussions on the international agenda was demonstrated during the *World Policy Conference* in Evian.⁵

It was in the second half of 2008 that Russian political and expert circles were first compelled to acknowledge Europe's independent and constructive role in international relations.⁶ This acquired particular importance in the context of the presidential election campaign in the US. Victory for the Republican candidate, John McCain, which until the end of September 2008 was not unimaginable, would inevitably have led to the radicalization of US foreign policy. In such a situation, the EU's potential as a moderator would have been highly sought. One way or another, the Russian-Georgian conflict and the actions of the French President allowed the EU to earn considerable foreign policy capital.

Unfortunately, the positive impact of the EU's intervention in the Caucasus conflict was undermined by the decisions made at the Extraordinary European Council of 1 September 2008. With the decision to stop negotiations regarding a new strategic agreement until Moscow fulfilled its obligations under "the Sarkozy-Medvedev plan," the EU reproduced the tactics of certain member states (such as Poland) that do not enjoy the Kremlin's high esteem. We note that after Moscow acknowledged the independence of Abkhazia and South Ossetia, it became impossible to abide by all of the conditions of this plan. Russian leaders, although they received the Presidency Conclusions without concern, clearly did not expect a united Europe to add the tools of the Kaczynski brothers to its armory. Under the leadership of Jaroslaw and Lech Kaczynski, Poland repeatedly threatened the preparation for a strategic agreement between Russia and the EU in relation to parochial issues, such as the terms of export for Polish meat to Russia. Moscow has always considered the preparation of a new agreement too important a matter to make it hostage to conjuncture.

It is essential, however, to note that the key factor in strengthening political tensions between Russia and the EU since August 2008 has been the apprehension felt by countries of the EU concerning Russia's uncontrolled resurgence. Historically, Moscow's capacity for military action on a regional and even international level has been perceived by European countries as a threat, the neutralization of which has appeared an absolute priority. The war in Georgia, one of the US's closest "clients," may be considered by EU countries as crossing the line beyond which the military and strategic situation in Europe becomes unpredictable.

The EU's position at the start of September 2008 cancelled out the increase in respect that the French Presidency's intervention fostered in Russia's general political attitude with regard to the EU. In addition, the failure to coordinate a response to the global economic crisis—which was dealt with predominantly at a national level—further undermined Brussels' image.

⁵ Organized by the French Institute for International Relations <www.worldpolicyconference.com>.

⁶ "At a time when other forces in the world had no good will or ability to do this, we found in the EU an active, responsible and pragmatic partner." Dmitry Medvedev, speaking at the World Policy Conference, Evian, 8 October 2008, <http://eng.kremlin.ru/speeches/2008/10/08/2159_type82912type82914_207457.shtml>.

Questions regarding the overall EU policy in relation to Russia have ended up being left in the care of the most difficult of Russia's partners—the European Commission and the two “odd” presidencies (the Czech and the Swedish). This has led in turn to an increase in the influence of structural factors from within the EU on the bilateral relations between the EU and Russia. Firstly, the issue of approving the Lisbon treaty and the uncertainty surrounding the EU's external relations after this treaty comes into force cause problems. The second factor, the European Parliament elections, which were held in June 2009, intensified the unfavorable (from Russia's position) forces at work in this institution of the European Union. Thirdly, a clearly visible position has been occupied by discussion (since spring 2009) of the question regarding the leadership and composition of the new European Commission. A fourth factor is fierce debate within the EU about further steps to liberalize the gas market, within the framework of which the problem of relations between Moscow and transit countries has become a tool in the hands of those that support the diversification of energy sources and the creation, in the long term, of a common gas market.⁷ Finally, and, it must be said, inevitably, difficulties with discontinuity of policies as a result of the rotating presidency and the inability of some European governments to represent Europe on a global stage were also damaging to the EU-Russia relationship.

⁷ EU Energy Commissioner Andris Piebalgs, told the European parliament on 14 January 2009 that Moscow and Kyiv “have lost their reputation as dependable partners for the EU” and that “the EU cannot rely on external suppliers who have not fulfilled their contractual obligations and who do not consider the position of the consumer as essential for intensifying policies of diversification and reducing the EU's ‘energy dependency’ on Russia.”

Competition or Incomprehension?

One of the manifestations of the strong dependence of Russia-Europe relations on internal political discussions within the EU was the misconception on the part of the two sides surrounding relations with some of the post Soviet states. After the 2004 and 2007 enlargements of the EU, the Union integrated a whole group of states for which the former Soviet states are the main foreign policy focus. The authorities in the Baltic states, Poland and the Czech Republic see the potential to strengthen their positions in regard to Western Europe through interaction with the eastern neighbors, and consolidation of relations with Kyiv, Chisinau and even Minsk as a good opportunity to maintain anti-Russian hysteria as the central component of their foreign policy.

Russia, in turn, considers these states to be an area in which it has vital interests and is not interested in seeing external influences increasing here. All the more so because the states with which Russia has complex bilateral relations are part of the new “Eastern Partnership.” This policy plans to spend around 600 million euros over four years on projects involving cooperation with six countries in the post-Soviet region (Armenia, Azerbaijan, Belarus, Georgia, Moldavia and Ukraine), with conditions from the EU. Implementation of this foreign-policy project began at the summit between the EU and “the Six” held in Prague in May 2009, official invitations to which were sent to the leaders of all six states, including the president of Belarus, Alexander Lukashenko.

This EU project, despite its weak financing, has received a highly disgruntled response from Russia. In the first instance, this reaction is connected to the fact that strengthening the integration elements between the EU and “the Six” (regulatory convergence, formation of free trade zones, etc.) will lead to conflict with Russian integration projects. First and foremost, the creation of a customs union as part of EurAsEC.⁸ Also, a series of declarations by EU representatives attest to efforts to force former Soviet countries to renounce some of their obligations as members of the CIS and the Collective Security Treaty Organization (CSTO). This would erode the very same potential ground for preparing a new treaty on European security, which is receiving heightened attention in Moscow.

However, the EU’s ambition to compete with Russia in the post-Soviet region as a whole have caused increasing anger in Russia. Moscow does not wish to see the EU offering an alternative to the projects being

⁸ The Eurasian Economic Community (EurAsEC), established in 2001, is an international economic organization comprising Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan. It is dedicated to the formation of an external customs border, the development of a single foreign economic policy, tariffs, prices, and other components of a common market.

advanced by Russia especially when the EU conditions its cooperation programs with “the Six” upon their refusal to deepen cooperation with Russia. Russia interprets such actions as a purely “zero-sum” approach, which cannot receive any support. Suspicion with regard to all of the EU’s activities in the post-Soviet region is growing.

Another important negative consequence here, as noted by the French researcher Thomas Gomart, is a certain “provincialization” in relations between Russia and Europe.⁹ The increased focus of partners on pseudo-competition in a limited geographical and not the most significant region (from the perspective of the global stability) leads to limitation of the agenda and an inability to conduct dialogue on the issues that are truly important. This might result in the marginalization of Russian-European relations on an international scale, the consequences of which would be negative for both sides.

⁹ T. Gomart, “EU-Russia Relations, Toward a Way out of Depression,” IFRI/CSIS, July 2008, <www.ifri.org/files/Russie/Gomart_EU_Russia.pdf>.

Impact of the Global Financial Crisis

The escalation of negative trends in relations between Russia and the EU, which have been further provoked by Moscow's one-sided recognition of Abkhazian and South Ossetian independence, was moderated by the need to coordinate a reaction to the global economic crisis. This was particularly important for Russia, which has been one of the hardest-hit countries, due to the economy's dependence on the price of energy resources and—as the Russian leadership admits—ineffective anti-crisis policies. Russia's economy declined more than any other G20 nation and, for instance, in the second quarter of 2009, Russian GDP fell 10.9 percent in comparison to the same period in 2008.¹⁰

Paradoxically, the impact of the crisis on Russian-European relations was positive. Over the course of a great number of bilateral consultations, Moscow's position grew significantly closer to that of leading EU countries, such as Germany, Italy and France: three EU countries represented in the G20. The intensive exchange of opinions between Moscow and individual European capitals on the eve of the G20 summit in London on 1 April 2009 was evidence of progress in this area, as was the solidarity in their positions on a considerable number of issues (such as the development of a "Sustainability Charter") throughout the summit as a whole.

In addition, Russia and the majority of EU states have adopted the same strategies for adapting to the new economic and political situation. Thus, presentations by Dmitry Medvedev, Jose Luis Zapatero and François Fillon at the 2009 international forum in Yaroslavl showed marked similarities on a number of fundamental questions—the paramount role of the sovereign state and increased quality of state management as the most important tools for combating the crisis. Discrepancies between the Russian authorities and the leading states in the EU, however, were found in such questions as reform of international financial institutions, including possible reallocation of voting quotas in the International Monetary Fund (IMF) and World Bank (WB).

At the same time, the increased bilateral contacts between Moscow and Berlin, Moscow and Paris, and Moscow and Rome have had a negative effect on the Russia's negotiation process with the EU as a whole. Firstly, an understanding has been reached in the Kremlin and the Russian government that the fundamental questions on the international agenda will be decided at a strictly national level, and not at the EU level. The global

¹⁰ According to the assessment of FBK, a Russian auditors firm, <<http://games08.gazeta.ru/financial/2009/10/01/3268619.shtml>>.

financial and economic crisis has once again proven that it is inaccurate to talk of EU unity and the loss of member state sovereignty. Of course, the countries of the European Union—and this is a benefit of European integration—have avoided domestic measures that would harm their partners on the common market, and were even able to reach agreement on “crisis management.” However, concrete decisions regarding the assignment of government assistance or the nationalization of companies have been taken at a strictly national level. The main consequence of this for Moscow has been an intensification of bilateral contact and neglect of dialogue with the EU.

Secondly, the displacement of Brussels and the EU from crisis management internationally also played its part. In this regard, the predominant concern of the European Commission seemed to be an attempt to regain lost footing, multiplying aggressive measures towards Russia. This is particularly visible in the context of consultations about the new strategic agreement that is to replace the 1997 Partnership and Cooperation Agreement (PCA). According to certain Russian representatives the tone of the European Commission negotiators has become significantly harsher.

All in all, work on the new agreement is, for the time being, directed at developing the concept of four common spaces (Common Economic Space, the Common Space of Freedom, Security and Justice, the Common Space of External Security; the Common Space of Research and Education). One element that is common to the approaches of both Russia and the EU is the vision of a new political and legal basis for relations as a legally-binding document. Nevertheless, substantial differences of opinion on questions surrounding the necessary depth and degree of development of the agreement remain. According to the European Commission’s position, the contract must describe the signatories’ obligations (effectively Russia’s obligations) in detail, in particular the gradual approximation of laws and the opening of the markets. Russia maintains that while the question of its WTO membership is still pending, the question of a free trade zone cannot be discussed seriously in negotiations for a new contractual agreement.

Differences also remain on the question of the role that sectoral agreements will play and the possibility of including elements of the existing PCA in a new agreement. The two parties have not yet found agreement on these questions, nor the role that should be given to energy relations in a new agreement. The European Commission and its individual negotiators show little flexibility and act restrictively within the framework of their mandates. The Russian government reproaches the Commission for what it sees as an imperious and defiant attitude and what appears as attempts to position itself as the senior partner. On the whole, Brussels’ diplomatic actions in the winter of 2008-2009 were unsuccessful.

Finally, it cannot be excluded that the substantial damage to the Russian economy has increased nervousness regarding Russia-EU relations. This may be connected to efforts by individual EU member states to take advantage of the liberalization of economic and political life in

Russia, under the conditions of falling prices for energy resources, for one-sided gain. From the perspective of Russia, in turn, this kind of approach will elicit a highly disgruntled reaction and possibly an escalation in confrontational rhetoric.

The US Factor

The relationship between Moscow and Washington has a decisive impact on Russian policy towards the EU. As the world's second nuclear power, Russia consistently underlines this factor in relations with its other partners. Only the US is considered by Moscow an equal partner on the most important issues of global security, the problems connected with NATO's enlargement and the creation of a ballistic-missile defense system.

Therefore, the impetus given to Russian-American relations under the new US president could only have a negative effect on Russia's ongoing dialogue with the EU. The appearance on the agenda in spring-summer 2009 of such subjects as strategic nuclear disarmament negotiations and the fate of the US's third missile deployment area for anti-ballistic missile (ABM) systems concentrated Russia's diplomatic and political energy on America. The EU could not—and cannot—play an active role in these matters.

In military and political matters, Moscow considers the EU a junior partner to the US. This is an essential inhibitory factor in the development of EU-Russia dialogue on the issue of security. Furthermore, the new US administration has set out to strengthen relations with India and China. Barack Obama's international policies are further convincing Moscow that the center of world politics and the global economy is moving quickly from the Euro-Atlantic region towards the Asia-Pacific region, whereas the EU is weakening as a foreign policy player. The Russian leadership has understood that the vector of the US's main interests is shifting towards the Asia-Pacific region.

Immediately after Obama's election, the US broke off the implementation of a series of foreign policies that were proving highly sensitive for Russia. The expansion of NATO to include Ukraine and Georgia was effectively frozen, and as early as January 2009, the US created doubts surrounding the placement of the third ABM deployment in Poland and the Czech Republic. The final decision on this issue, taken at the start of September 2009, brought about a highly positive reaction both in Moscow and in the capitals of several EU member states.

Provided the new direction for Russian-American dialogue—the so-called “reset”—develops successfully and is strengthened by the growth of relations between businesses and expert communities, Europe will become a secondary priority in Moscow's foreign policy. Furthermore, this trend will be strengthened if Washington enters a serious discussion on a new European security architecture, a subject which currently remains outside official discussions.

Systemic Stagnation in EU-Russia Relations

The dialogue regarding the new architecture for European security will now be the most important subject in relations, both between Russia and the US and in the Russia-Europe-America triangle. The events of August 2008 clearly demonstrated the dilapidated state of Europe's regional security system. Not one of the international organizations acting in the region—the OSCE, NATO, the Council of Europe, the Collective Security Treaty Organization, the Community of Independent States or the EU—was able to prevent armed conflict breaking out.

However, Dmitry Medvedev's proposal in May 2008 was welcomed neither with unequivocal support, nor categorical rejection by EU member states. The most frequent criticism of the Russian initiative is that it is too general and that Russia has not outlined a concrete vision of the future structure. From the Russian perspective, the difficulty is the fact that the majority of EU countries are satisfied with the current security arrangements and view most problems as the result of Russia's refusal to accept the current order built on Western institutions and laws.

In this regard, the belief is growing in Moscow that because of its internal divisions and the existence of a weighty anti-Russian component, the EU in its current form is incapable of acting as an effective partner on many issues of security policy. The maximum scope for dialogue and cooperation here is limited to practical cooperation on fighting new global challenges, such as piracy.

However, a more thorough analysis of relations between 1991 and 2008 shows that the strain evident since the events in the Caucasus is, to a large extent, connected to the inertia of the intervening years. Nonetheless, the level of trade, economic, cultural and human connections between Russia and EU member states continues to increase steadily. Cooperation in regulatory spheres is also growing, promoted considerably by the joint plan for Four Common Spaces adopted in May 2005.

Russia's interests with regard to a number of security problems are, from an objective standpoint, consistent with those of the majority of EU states. In the first instance, this includes: preventing the remilitarization of international relations in Europe; overcoming the risks of a major war in response to the ongoing global redistribution of power; protecting the universal values embodied in international law and institutions; pursuing the peaceful settlement of conflicts; promoting stability in the Greater Middle East; and improving their economic competitiveness in the context of global competition.

However, it remains very difficult to find a mutually-acceptable solution in such important areas as political dialogue, international trade, energy and investments. Current formats have not been successfully adapted to the new problems and challenges; they are "running on empty."

The sluggish nature of relations is due, to a large extent, to the lack of clear strategic goals, a well-recognized problem. In the EU this problem is explained by the fact that member states have greatly differing views on these questions; their foreign policy priorities and relations with third states vary dramatically; and the EU is forced to find solutions which reconcile all 27 members. For Russia's part, it can be accounted for by the fluctuation between the exceptional pragmatism of foreign policy over the last 10 years and its sense of responsibility for the fate of the former USSR states. The last factor is, increasingly, nudging Moscow to consolidate its influence in the post-Soviet region.

The EU has been unsuccessful in the formation of a coherent policy. These efforts have been hindered by disappointment in the fact that Moscow has not followed the same path of liberal democratic development as countries of Central and Eastern Europe. Brussels does not know what model of relations to adopt. The form of capitalism that has developed in Russia is principally bureaucratic, and remains highly corrupt. In addition the power ministries frequently violate the rights of citizens. It is understandable that the EU regards such facts with a critical eye. It is thus up to Russia to develop and propose a suitable model for cooperation over the long term.

The EU's role in the complex modernization of Russia's economy and society remains unclear to Russia itself, because the Russian political class has not yet decided what kind of socio-economic model Russia needs. Yet tendencies in favor of a non-European path of development are strong. This would mean the rejection the rule of law, an end to democratic development, and abandoning the fight against corruption.

In this regard, the role of the EU remains a central question. Traditionally the Union has encouraged Russia to modernize social institutions; it has also been a source of investment, social values, and help to increase the innovation in the economy and develop transport and information infrastructure. It is unclear if the existing and proposed political and legal framework can facilitate progress in all of these directions.

That said, it is clear to the majority of Russia's elite that the country currently does not have any alternative to the European model for modernization. In the opinion of recognized Russian experts, "Europe is one of the main sources of Russian civilization and identity, and of Russian social and cultural modernization."¹¹ For Russia, the utility of experience from East Asia, Southeast Asia and India is objectively limited. Meanwhile, the stagnation of relations between Russia and the EU is impeding Russia's modernization and consolidation.

¹¹ S. Karaganov, I. Jurgens, "K soyuzu Evropy" [To the United Europe], *Rossiyskaya Gazeta*, 6 November 2008, <www.rg.ru/2008/11/06/russia-europe.html>.

The weariness of, annoyance with and disdain for Europe that has built up over recent months cannot possibly become a stable basis for Russian policy in the long term. For practical steps to be taken in regulatory rapprochement, as well as for deepening of economic relations, the EU-Russia political dialogue must be taken to a higher level. However, this requires effort not only from Russia, but also from Europe.