

Europe and Russia, Beyond Energy



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Much has recently been written on EU-Russian relations, and Russia often appears to have dominated the European foreign policy agenda during the last two years. Both analysis and policy-making have focused overwhelmingly on the issue of energy. Europe's relations with Russia have in this sense become emblematic of the tension that is widely presumed to exist between principle and self-interest. While such a focus is understandable, this paper argues that the EU must develop a longer-term vision towards Russia that more fully comprehends the complex relationship between Russia's authoritarian drift and European foreign policies. The EU must lift its eyes from the challenges of the immediate juncture – with negotiations due for a new EU-Russia Strategic Partnership Agreement – and understand better how these flow from underlying political changes. This paper seeks to contribute to the already-rich debate on this topic by suggesting that Russia's deep-seated political reconfiguration requires the EU to stake out a more coherent prioritisation of its objectives towards Russia.

I. A New Paradigm

Russia's energy disputes with Ukraine and Belarus – in early 2006 and 2007, respectively – have propelled energy security to the top of the European foreign policy agenda. The likeliness of a Russian energy cut to Europe has been subject to exhaustive consideration in both analysis and the media. European policy makers risk underplaying the fact that energy is but one of the tools an increasingly autocratic Russia employs to advance its strategic goals, and that its use reflects an underlying geopolitical reshuffle. Energy security concerns are certainly justified. But policy unduly driven by the so-called 'gas wars' will tend towards short-termism and militate against a truly comprehensive, coherent approach towards Russia.

¹ The author wishes to thank Nicu Popescu, Michael Emerson and Jos Boonstra for their reviews of an earlier version of the paper, and diplomats, activists and experts interviewed in Moscow in November 2006.

Russia has changed, and so has the basic nature of EU-Russian relations. Russia no longer depends on the 'good will' of the West. High energy prices have made it economically independent and politically assertive. Today, Russia wants neither charity nor lectures – it seeks stability at home and respect abroad.

For some time, the EU has felt it could let things slide with Russia. Now, for the first time since the end of the Cold War, suddenly the picture of Russia is no longer 'of pity, but of alarm',² and Europe is struggling to adapt and develop new policies to deal with a powerfully re-emerging giant whose nature is still hard fully to grasp. The EU needs Russia's energy, transit routes and markets; and Russia is an indispensable partner for finding solutions to pressing regional and global problems. The mix of such dependencies with Russia's increasing political volatility is a cocktail that has engendered growing unease. At the same time, Russia's financial independence has substantially reduced Western leverage. On the European side, significant changes have taken place too: several changes of government in EU member states, and most importantly, Eastern European enlargement, are giving the EU a new face.

European-Russian relations are thus at a crucial juncture. As one expert suggests, '[t]he old paradigm is lost, and it is time to start looking for a new one'.³ The new paradigm of EU-Russian relations is due to be laid down in a Strategic Partnership Agreement, to replace the Partnership and Cooperation Agreement (PCA), which currently forms the legal basis for the EU's relationship with Russia. The European Commission's draft negotiating mandate was adopted in July 2006. Poland is currently withholding its agreement to the opening of negotiations, ostensibly in protest at Russia's ban on the import of Polish meat products. According to the draft negotiating mandate, the new treaty should be based on 'common values such

² Charles William Maynes, 'A soft power tool-kit for dealing with Russia', *Europe's World*, Summer 2006.

³ Dmitri Trenin, 'Russia Leaves the West', *Foreign Affairs*, July-August 2006.

as democracy, human rights and the rule of law', but it remains unclear what this will mean in policy terms.

The PCA has been in force for ten years (since December 1997) and is set to expire on 1 December 2007. It is automatically extended unless either side serves notice. After President Vladimir Putin's rejection of the European Neighbourhood Policy (ENP), in May 2003, the European Union and Russia agreed on a framework of cooperation to supplement the PCA. This framework was built around cooperation in 'Four Common Spaces': economy; foreign and security policy; justice and home affairs; and culture, information and education. In 2005, four 'Road Maps' for the implementation of the Common Spaces were adopted. There is general agreement that concrete progress on these areas of cooperation has been limited.

The new Strategic Partnership Agreement is intended to be a 'legally binding' set of general principles and objectives for cooperation, covering a period of at least ten years. Beyond these parameters, the content and modalities of the document are yet to be agreed upon. Russia sees a new agreement as a means of strengthening its own position in comparison to the current PCA. Europeans see it as an opportunity to tie the politically volatile giant neighbour down to a set of legally binding democratic and market-based principles.⁴

Given the well-known European dependency on Russian gas supply, it appears natural and reasonable for the EU to secure energy interests first before turning to other longer-term goals. But this suggests a power imbalance that does not exist in terms of objective supply figures. Europe is not more dependent on Russian energy supply than Russia is on European demand. Some experts even identify a certain European advantage: while Russia has no other such rich market to sell its gas to, they argue, the EU does have the capacity to diversify supply

sources.⁵ If the EU has failed to exert leverage from its position as Russia's main customer, this has been due to Europe's own internal divisions.⁶

The Ukrainian gas dispute and subsequent incidents in relation to Georgia and Moldova have had a distorting effect on European public discourse, analysis and policy-making. This distortion is twofold. On the one hand, these incidents have diverted attention from the fact that Europe's major problem is much less Russia's willingness to supply energy than its future ability to do so – due to a lack of investment in opening up new fields, transport links and general infrastructure. This has been belatedly recognised. Speaking to an audience in Moscow in late 2006, External Relations commissioner Benita Ferrero-Waldner admitted: 'The economic sphere has been dominated by energy this year. In many ways, the entire EU-Russia relationship has been focused on energy (...). You need more investment in new production and infrastructure, and in fact our biggest concern is that without that investment you may not be in a position to meet our future energy needs'.⁷

On the other hand, as reflected in both policy documents and analysis, the gas rows have narrowed the European view on Russia to a relatively one-dimensional focus on energy security. German foreign minister Frank-Walter Steinmeier recently complained about the 'present hysteria', in which fear of Russian energy cuts was 'being deliberately stoked'.⁸ Member states have – to greater or lesser degrees – sought to retain some dimensions of a value-based partnership with Russia, while awkwardly combining this with a prioritisation of some short-term interests, in a way that undercuts the EU's supposed rules-based influence.

⁵ For example Roland Götz, 'Schweigen für Gas?', Deutschlands Abhängigkeit von Russlands Energielieferungen, SWP, September 2004; Alan Riley, 'The Coming of the Russian Gas Deficit: Consequences and Solutions', CEPS Policy brief No. 116, October 2006.

⁶ Vladimir Socor, *Jamestown Eurasian Daily Monitor*, 15 December 2006.

⁷ Benita Ferrero-Waldner, European Commissioner for External Relations, Speech at the European Studies Institute, Moscow State Institute for International Relations (MGIMO), 23 October 2006.

⁸ Interview with German Foreign Minister Frank-Walter Steinmeier, *Der Spiegel*, 15 January 2007.

⁴ Katinka Barysch, 'The EU and Russia: From principle to pragmatism?', CER policy brief, November 2006.

Many analysts posit a policy choice of 'values or fuel?'. However, 'values' and 'fuel' would be better understood as interdependent rather than mutually exclusive alternatives. Russia's will and capacity to supply energy are integrally tied with its drift away from democratic and market-based codes of conduct.

Russia's high share of European energy imports is not a novelty. Instead, it is Russia's political metamorphosis that raises new concerns over long-standing dependencies. Europe's main problem in its relations with Russia, thus, is not primarily the Kremlin's particular policies in energy matters, but the broader political context within which these are situated. A more enlightened, interest-led policy choice for Europe would not be to secure energy supply by ignoring Russia's authoritarian drift, but rather by *not* ignoring it.

Instead of considering Russian energy and trade policies from a broader general foreign and security policy perspective, the European approach appears to be further narrowing. While EU policy documents recognise the dangers of Russia's increasing political volatility, actions display a more technical and economic focus. Or they advocate diversification away from Russian supplies almost to circumvent the need to deal with an autocratic Russia. This looks like a 'head in the sand' neglect of just how deep Russia's reconfiguration runs.

II. Russian Reconfiguration

The Kremlin's inability to prevent the democratic 'colour' revolutions in several former Soviet states was a shock that led to a change of paradigm in Russian policies. In Ivan Krastev's words, 'The Orange Revolution was Russia's 9/11'.⁹ But the Russian leadership drew its conclusions and learnt its lessons. The Kremlin has since initiated a reassessment and redefinition of political strategies and tools aimed at the maintenance of authoritarian rule. Russia's strategy to deconstruct democracy at home and prevent it from spreading abroad is leading to a broader trend among authoritarian regimes systematically to counter democratic change.¹⁰

Putin has transformed Russia into a 'Potemkin democracy' *par excellence*. Surrogate democratic institutions and mechanisms are established to replace truly democratic ones, among them political offices for public grievances, ersatz non-governmental organisations (NGOs) and agencies for democracy promotion, and a whole range of public diplomacy mechanisms (such as Putin's regular live call-in show on Russian TV), sustained by a political discourse using the vocabulary of democracy to express its opposite. Instead of repressing the entirety of critical popular voices and institutions, the regime attempts to allow for the necessary outlets for liberals wherever they are in no danger of being heard. Systematic disinformation is not a difficult task due to the Kremlin's monopoly on nationally operating media.

In what Russian analyst Lilia Shevtsova calls 'imitation' or 'ersatz democracy',¹¹ the need to

⁹ Ivan Krastev, 'Russia's post-orange empire', *Open Democracy*, 20 October 2005, <http://www.opendemocracy.net>

¹⁰ National Endowment for Democracy, 'The Backlash Against Democracy Assistance', NED, 8 June 2006.

¹¹ Lilia Shevtsova, 'Russia's Ersatz Democracy', *Current History*, October 2006.

legitimise the system by popular consultation creates a catch-22 dilemma for the Russian leadership that threatens its long-term survival. On the one hand, harsh authoritarian measures risk completely delegitimising the country's democratic façade; on the other hand, truly following democratic rules may endanger the government's permanence in power. 'This tension of means leaves the system inherently torn by incompatible principles that undermine its sustainability', writes Shevtsova, '[t]hus does Russia stagnate in a twilight zone of political incoherence'.¹²

Vladimir Putin once claimed centralised power to be 'part of Russia's DNA'. Centralised state power is conceived as the means of modernisation.¹³ The presidential office is now the only well-functioning institution. There is a blacklist of people who the government ensures can neither contest elections nor make themselves heard by a broader public. The whole political landscape is dominated by the Kremlin and the United Russia party. The predicament this presents for Europe is summed up by one EU diplomat in Moscow: 'the first and basic question to any undertaking in Russia is always: what is your relationship to the Kremlin?'

Contrary to the picture often painted by the Western media and analysis, all this is not simply a question of Putin himself, as an individual. While Putin is certainly the central figure, executive power lies in the hands of a ruling elite with different factions, commonly referred to as the *siloviki* ('strongmen'; mostly former members of the secret services who now hold key positions in the central bureaucracy). Putin is the chief bureaucrat and most influential actor, a 'guardian of a complex web of power and wealth sharing arrangements',¹⁴ but at the same time also himself largely hostage to the bureaucracy, which uses the presidency to consolidate its power and advance its interests. 'The key element in

this system', writes analyst Nikolay Petrov, 'is not the top and certainly not the base, but the bureaucratic skeleton'.¹⁵ United Russia is not actually a ruling party in the strict sense, but a top-down mechanism to ensure loyalty to the Kremlin; according to Petrov, '[s]trictly speaking, it is not even a political party, but a trade union of bureaucrats'.

One political observer in Moscow emphasised that Putin benefits from being 'still largely seen through the Yeltsin prism', through which Putin compares favourably with his predecessor in competence, appearance and rhetorical skills. Crucially, by restoring the economy, relative domestic stability, and the nation's self-confidence, Putin has delivered what the Russian people most eagerly yearned for.

Crucially for European policy calculations, the centralisation of political and economic power in Russia have gone hand in hand, thus enhancing the Kremlin's political role. The systematic takeover of strategic assets gives the elite the tools and outreach it needs to implement its strategy and advance its own interests. Particularly the energy industry has seen a significant degree of de facto re-nationalisation, with the government – already holding a monopoly in the gas and oil markets – further seeking to expand its control over resources and strategic transit networks in Russia and over the whole Eurasian continent. Remaining regional dependencies allow the Kremlin to put pressure on former Soviet countries and induce them to agree to asset swaps, particularly in regards to transit networks and shares in national energy companies. At the same time, the Kremlin maintains tight protectionism of the Russian energy sector, in an apparent attempt to safeguard from oligarchs and foreigners what it considers its most valuable asset.

While the Kremlin essentially relies on its energy reserves as a power basis, it is questionable whether this will remain a feasible option in the longer run. The coming supply deficit, which experts predict will become acute as early as 2010, arises above all from

¹² Lilia Shevtsova, 'Imitation Russia', *The American Interest*, November-December 2006.

¹³ Andrew Kuchins, 'Russian Democracy and Civil Society: Back to the Future', Testimony before the US Commission on Security and Cooperation in Europe, 8 February 2006.

¹⁴ Mark Medish, 'Again, Russia Is Waiting for Godunov', *Financial Times*, 8 December 2006.

¹⁵ Petrov, 'The Full Cycle of Political Evolution in Russia', op. cit.

the lack of investment in both existing infrastructure and in new fields. This reflects Gazprom's preference for investing existing capital in foreign acquisitions and export infrastructure. Moreover, many foreign companies that are prepared to take the risk of investing the huge amount of capital needed in the Russian gas sector are either scared off by harsh investment conditions or actively prevented from getting involved.¹⁶ A quota on foreign shareholder value launched by the government establishes that control of assets by foreign investors cannot exceed 49 percent, and in practice foreign investors must often accept even lower shares due to a widespread hostility to foreign direct investment (FDI).¹⁷ Furthermore, in December 2006, the Russian State Duma adopted a draft law expected to become effective in 2007, which establishes a minimum quota of 50 percent state ownership for new major gas pipelines, and 75 percent for oil pipelines, restricting foreign stakes to 20 percent. Russia (rightly) complains at persistent EU protectionism, but the restrictions it places on access to its own market are even more stringent.

Recent moves by the Russian government in relation to Shell's licence for exploration at the Sakhalin field engendered heightened Western concerns over investment security. Russia also declined to invite Western investors to bid for contracts for the giant Shtokman gas field. The government has acted increasingly in favour of Gazprom to the detriment of existing Western projects not only from Shell, ExxonMobil and BP, but other Western firms as well, on the grounds of tax and ecological protection.¹⁸ Accordingly, the International Energy Agency in its 2006 World Energy Outlook stated that 'the ability and willingness of major oil and gas producers to step up investment in order to meet rising global demand are particularly uncertain'.¹⁹ *The Economist* also comments that, 'The Russian state's insistence on developing its oil and gas by itself is bad news for

almost anyone in the world who consumes power or fuel'.²⁰

Russia's apparent economic success in recent years is in part misleading. The current boom is mainly due to high energy prices. These are both boon and bane, as they reduce pressure and limit incentives to implement overdue reforms and thus help to maintain a non-competitive, inefficient system. Economic growth that allows the regime to disregard its governance crisis is a trap. Instead of taking advantage of the possibilities the full coffers offer to reduce the Russian economy's dependence on energy exports, points out a Moscow-based journalist, the elite exploits the 'resources party [windfall]' as much as it can. This risks a rude awakening as Russia approaches the limits of the petro-economy. In short, and contrary to much press commentary, Russia's power is based more on the new era of high oil prices than on the magnitude of its reserves.

In order to provide ideological legitimacy, the government has emphasised the concept of 'sovereign democracy'. This was introduced by Kremlin chief ideologist Vladimir Surkov, and is the latest and most sophisticated of a whole series of 'democracy-with-adjectives' lately applied to the Russian system. The idea is to link 'democracy' to non-interference by the West, meant as a counter-point to the colour revolutions. Observers in Moscow stress that the concept is also 'a clear message to the West not to mess with our affairs' and a normative counter to US-style democracy promotion. The concept of 'sovereign democracy' is supposed to give Putin's system a democratic make-up, and fill the ideological gap before the West can do so.²¹

President Putin captured the nation's feelings when he said, in an address to the Russian Federal Assembly in April 2005, that the Soviet Union's collapse had been 'the biggest geopolitical catastrophe of the century'.²² This statement reflects a sense of the Russian nation

¹⁶ Riley, 'The Coming of the Russian Gas Deficit: Consequences and Solutions', op. cit.

¹⁷ Ibid.

¹⁸ *Jamestown Eurasia Daily Monitor*, 15 December 2006.

¹⁹ International Energy Agency (IEA), *World Energy Outlook 2006*.

²⁰ 'Don't mess with Russia', *The Economist*, 16 December 2006.

²¹ Nicu Popescu, 'Russia's Soft Power Ambitions', CEPS Policy brief, October 2006.

²² Vladimir Putin, Address to the Federal Assembly of the Russian Federation, 25 April 2005.

whose 'status as a superpower in a bipolar world was reduced to that of a struggling regional power in a unipolar world'.²³ As Vladimir Baranovsky points out, from a psychological point of view, Russia's 'period of national self-disparagement has already gone on way too long', as post-Soviet Russia 'cannot afford any more years of remorse without risking an irreversible loss of national identity (...). The pendulum of Russian self-confidence was in any case about to start swinging back'.²⁴ Observers suggest this backlash comprises a complex mix of insecurity and self-assertiveness.

Russia's relations with the West have been described as an uneasy mix of selective partnership with selective restraint, combining the appearance of partnership with adversarial policies.²⁵ Critics have questioned how long this stance can be kept up. The Russian leadership 'may come to understand how difficult it is to slalom with skis pointing in opposite directions'.²⁶

The Kremlin and Gazprom regularly deny that energy is being used as a tool of political pressure. The evidence suggests otherwise. Gazprom deputy chairman, Alexander Medvedev, claims that threatening a cut in supply to neighbours in a row over prices is nothing but 'pure commerce'.²⁷ Russia's demand for more market-based prices in its energy supplies to former Soviet states is entirely reasonable. But the tactics adopted to this end reveal the extent of political motive. The asset swap deals increasingly offered by Moscow in return for below-market prices in its former satellites is a convenient way of getting hold of strategic energy assets, such as transit routes to Europe and shares in national energy markets. (They are also used increasingly in relations with EU member states).

The quest for political power is reflected not only in energy policy, but increasingly seems to be a general principle of foreign trade. In December 2006 the

²³ Andrew Kuchins, 'Europe's Last Geopolitician?', *Profil*, May 2005.

²⁴ Vladimir Baranovsky, 'Moscow no longer in the mood for "lessons" from the West', *Europe's World*, Summer 2006.

²⁵ Lilia Shevtsova, 'Imitation Russia', *op. cit.*

²⁶ *Ibid.*

²⁷ *Jamestown Eurasia Daily Monitor*, 9 November 2006.

Russian State Duma voted in a first reading to authorise the Russian president to impose economic sanctions on foreign countries via a new law that would allow the president personally to freeze trade contracts, stop financial transactions, prohibit tourism, and impose other kinds of sanctions – all without any oversight or control mechanisms. The use of economic blackmail, to some critics, looks set to become a central tool of Russian foreign policy.²⁸ Examples include the sanctions imposed against Polish meat imports; numerous temporary energy shutoffs to Latvia and Lithuania; the 2006 blockades against Moldova and Georgia; and the Russian attempt to block the Nabucco gas pipeline project (a EU priority) and the expansion of the Caspian Pipeline Consortium.²⁹

In sum, Russia's increasingly autocratic political regime is linked to European energy policy approaches in several ways. First, the absence of the rule of law and the presence of arbitrary protectionist policies inhibit urgently needed foreign investment in the energy sector, thus undermining Russia's future supply capacity. By building its foreign policy on its presumed identity as an energy-superpower, while at the same time inhibiting the investments necessary to secure future production, the Russian government ironically undermines its own foreign policy rationale.

Second, the centralisation of powers in the Kremlin and the elimination of checks and balances reduce predictability. 'Autocrats', writes Michael McFaul, 'never make for good allies in the long run. First and foremost, the internal stability that dictators provide is never permanent (...). Second, they answer to no one and can reverse external commitment at a moment's notice'.³⁰ Russia's attempts to encourage its neighbours to follow its authoritarian example further spread the potential of instability. Arbitrary behaviour is no basis for partnership. Neither a sustainable European energy policy, nor broader European security can be based on Russian roulette.

²⁸ *Jamestown Eurasia Daily Monitor*, 8 December 2006.

²⁹ *Jamestown Eurasian Daily Monitor*, 15 December 2006.

³⁰ Michael A. McFaul, 'The False Promise of Autocratic Stability', *Hoover Institution Weekly Essays*, 14 September 2005.

III. Towards Elections and a New Agreement

The apparent policy dilemma of 'silence for gas' only scratches the surface of these changes. European governments reflex to prioritise, overwhelmingly, issues of energy security, seen through a narrow economic lens, has obviously been leading towards an alliance-building dynamic that subordinates any focus on democracy and human rights. But broader strategic thinking is also required. The perception that some European governments expressly bolster the Russian slide into authoritarianism undermines the credibility of EU strictures on democracy elsewhere, arguably making it more difficult to achieve objectives in other states in the European neighbourhood. A European Union shaken by a crisis of identity must be fully aware of the implications for its general international standing of its choice of policy towards one of its most powerful and least democratic neighbours.

The EU's challenge will be to fashion a policy framework that does a number of things simultaneously: offering Russia status as a strategic partner, making available concrete incentives capable of exerting influence over Moscow, and at the same time locking Russia more effectively into a partnership based on democratic and market-based values and practices. This will be a demanding endeavour as Russia will undoubtedly be offering the EU a pragmatic partnership based on interests, not values. Russia's EU ambassador Vladimir Chizhov has tried already to nudge Europe in this direction, suggesting that the '[p]romotion of democracy is more part of the agenda on the other side of the Atlantic'.³¹

The 2008 presidential elections in Russia add further uncertainty to the future of EU-Russia relations. They also provide a decisive opportunity for the EU to

³¹ *EUObserver*, 16 October 2006.

present a clear and coherent strategic stance in response to Russia's autocratic drift. At present, the assumption must be that the ruling elite will engineer a form of power transfer that will maintain the current policy course. Over the past two years, electoral legislation has been repeatedly readjusted so that 'no undesired forces or figures can slip through the process'.³² While the prospects for substantial European leverage over the outcome of the elections are poor, the European reaction to these will still be a test case for EU unity and strategic vision. Indeed, European diplomats in Moscow themselves warn that the EU's response to both the election process and its result will be perceived as a signpost for future European strategy towards Russia.

As the elections draw nearer, the ruling elite is engaged in an increasingly fierce struggle between clans inside the Kremlin for power, resources and political influence, as everyone fears for their personal future after Putin leaves office. Disputes among rivals and adversaries 'grow ever more intense and vicious, creating an atmosphere of rampant corruption and crime',³³ in which contract killings are used to force a certain course and put pressure on Putin. 'The real competition', writes *The Economist*, 'is occurring now'.³⁴ European governments should be reacting now, and not waiting until election day – their conclusions on the elections at that late stage will doubtless point to a few minor misdemeanours, when the 'succession' will in practice have already been sown up.

While a common strategic choice is still in the making, lip service to bringing energy and trade policies into harmony with a genuine European commitment to democratic standards is easily paid. The Commission's March 2006 *Green Paper* on Energy³⁵ recognised the need to renew relations with Russia and promised a 'better integration' of energy objectives into the

³² Masha Lipman, 'Russia's Hidden Power Struggle', *Washington Post*, 2 December 2006.

³³ *Ibid.*

³⁴ 'Murder most opaque', *The Economist*, 16 December 2006.

³⁵ EU Commission, *A European Strategy for Sustainable, Competitive and Secure Energy*, Brussels, March 2006.

Union's foreign policy. By the same token, a June 2006 EU Commission/Council paper contained a barely veiled allusion to Russia: 'Increasing dependence on imports from unstable regions as suppliers presents a serious risk. Some major producers and consumers have been using energy as a political lever. Other risks include the effects on the EU internal energy market of external actors not playing by the same market rules nor being subject to the same competitive pressures domestically'.³⁶

Nevertheless, EU policy documents largely continue to reflect a narrow economic approach. So far, the EU's response to the Kremlin's energy policy has been to try to convince Russia to ratify the Energy Charter Treaty (ECT) and its Transit Protocol (which would open up access to Gazprom's pipelines), and to extend the regulations of Europe's internal market. While these measures make perfect sense, they treat only the symptoms not the root causes of current concerns. In January 2007 the EU Commission presented a comprehensive 'Strategic Energy Review' of policy proposals for the European energy sector, which envisages a 'fully-fledged energy partnership (...) that creates the conditions necessary for new investments'.³⁷ How such a partnership 'based on mutual interest, transparency, predictability and reciprocity' is to be secured with an essentially non-transparent and unpredictable Russia remains unclear.

Tensions are increasing between, on the one hand, those EU member states more concerned with the dangers of democratic backsliding and its implications for Russian foreign and trade policy, and, on the other hand, those more inclined to prioritise narrower security and economic interests. Among the member states more inclined to strategic alliance-building with Russia are Italy, Spain, and France. The significant question of how

far German policy will change from the Schröder era remains open. Angela Merkel has promised 'less friendship, more partnership', while moving cautiously at the head of an unwieldy coalition. It also remains unclear whether French policy will change towards Russia after Jacques Chirac leaves the Elysée.

On the other side, the Nordic states and Austria have joined the new Eastern European member states in their more critical stance towards Russian authoritarianism. Led by Poland, the latter have been lobbying for a stronger EU stance on Russia. The latest round of EU enlargement may prove to have an important impact on the substance of EU foreign policy.

The Polish decision to use its veto to block the Common Position needed to initiate negotiations with Russia on the PCA-successor agreement gives a foretaste of how this shift may come further to affect EU policy-making. One member state diplomat in Moscow hints that several governments have been 'hiding behind' Poland, expressing certain satisfaction that 'someone shows Russia that the EU takes a stand'. It is clear that Poland's motivation for the veto has not been primarily meat exports, but political principle. The sense of European disunity is painfully evident.

IV. Reconceptualising the Relationship

This account reveals two concerns. First, the EU has been working with policy instruments that do include some apparently clear principles, but without a coherent longer-term strategic vision for its relationship with Russia. Second, while expounding rules-based principles, different parts of the EU foreign policy system (be they some individual member states or some parts of some Brussels institutions) have regularly and increasingly prioritised the extracting of short term benefit in their dealings with Russia. In terms of specific policy instruments there is no simple solution, no obvious and untried measure that will

³⁶ EU Commission and Secretary General / High Representative, *An External Policy to Serve Europe's Energy Interests*, Paper from the Commission / SG/ HR for the European Council, Brussels, *Datum*, http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/relations/90082.pdf

³⁷ EU Commission, *An Energy Policy for Europe. Communication from the Commission to the European Council and the European Parliament*, Brussels, 10 January 2007, http://ec.europa.eu/energy/energy_policy/index_en.htm

easily solve current challenges. However, the point made here is a broader one, namely that as a prerequisite to deliberation on how the EU can sharpen its 'soft power toolbox', Europe needs to be guided by a longer-term vision of what type of relationship it seeks with Russia – and that such a vision must reflect the deep-seated changes underway in Russia's own political system and external projection.

It can be argued that a principled focus on political rights could itself be a core element of longer-term EU energy security.³⁸ 'The false promise of autocratic stability'³⁹ lies in the fact that autocratic governments are not accountable to anyone and can thus change commitments from one day to another. The EU makes much of its commitment in international relations to rules and legal structures. This begs the question of how such an approach can be pursued in partnership with a partner whose government so fundamentally disrespects these norms. This would seem to be an abuse of the EU's concept of its own (rules-based) self-interest. European diplomats' stress on the presumably 'legally binding' nature of the future Strategic Partnership Agreement with Russia looks like wishful thinking.

Robert Cooper suggested that the EU should deal with states like Russia through 'the laws of the jungle'.⁴⁰ It is certainly true that the EU sometimes gives the impression of turning a blind eye to democratic abuses in order not to disturb its standard patterns of engagement. However, the way forward with Russia must not lie in abandoning the concept of values-based power. To do so would undermine the whole credibility, identity and rationale of the EU's 'post-modern' system. Charles William Maynes warns: 'What Europe has accomplished over the past 50 years should be the envy of the rest of the world, but much of that progress could be jeopardised if (...) we end up creating new

'devils' to the East through policies of isolation or neglect'.⁴¹

The EU has supported a limited number of governance and judicial reform initiatives in Russia, but these have been pursued on a small scale and focused on relatively technical aspects rather than broader political concerns. This is the domain where the EU should invest more effort and pursue its policies with greater vigour.

It is reasonable to argue that in the case of Russia public criticism and overtly coercive measures would be at best ineffective and, at worst, counterproductive. An approach of determined and rigorous persuasion – traditionally Europe's strength – might be more promising. In practice, the current state of EU-Russian relations clearly illustrates how weak the EU's soft power is when dealing with any country not eligible for membership. So far the EU has failed to find the incentives capable of enticing Russia and positively influencing its actions. The current framework based on four 'Common Spaces' looks like a poor version of the ENP, itself a poor version of accession. Moreover, Putin's rejection of the EU's attempt to bring Russia into the European Neighbourhood Policy suggests that a successful strategy is unlikely to flow from the EU treating Russia like 'just another state' in its neighbourhood. With its soft power toolbox thereby substantially reduced, the EU must seek new sources of influence, which means, above all, identifying new, strong incentives that are sufficiently attractive to Russia.

In many ways, the choice of a more strategic and subtle diplomacy might prove a good start. Public prodding at high level meetings, while convenient for European politicians to satisfy the demands of their electorates, may produce nothing but stubborn rebukes. Russia is clearly too powerful and too important for the EU to be treated in a coercive fashion, and even less so in public, as this entails a degradation and counterproductive loss of face for the Russian

³⁸ Richard Youngs, 'Europe's energy policy: economics, ethics, geopolitics', *Open Democracy*, 10 January 2007.

³⁹ McFaul, 'The False Promise of Autocratic Stability', op. cit.

⁴⁰ Robert Cooper, 'The post-modern state', in Mark Leonard (ed.), *Re-Ordering the World: The long-term implications of September 11*, Foreign Policy Centre, 2002.

⁴¹ Maynes, 'A soft power tool-kit for dealing with Russia', op. cit.

president. When making the case for democracy and pluralism towards the Kremlin, rather than directly lecturing Russia on their superior forms of governance, EU officials should underline the tangible benefits these principles might entail with regards to Russian interests, in particular in terms of investment and economic growth. The EU needs to temper the prevailing Russian judgement that the more centralised and undemocratic its government becomes, the more European trade officials and investors bend to Moscow's will. Furthermore, European governments can remind Russian leaders of the commitments to certain democratic standards they have subscribed to by joining or even presiding over various international organisations. Assuming that 'the Russians are far too proud to let anyone tell them what to do' – in the words of a Moscow-based German democracy worker – a partnership-based discourse should be retained, while the reform focus of that cooperation is deepened.

'Partnership through integration' is the approach the German EU Presidency has put forward in the framework of an intensified 'new *Ostpolitik*'. Integration can happen at many levels. The prospect of allowing Russian state energy firms to buy shares in the European energy retail market should be welcomed, to the extent that Russia reciprocates in opening its markets. Russian firms' involvement in the European market may be one of the most effective methods of bringing them and the Russian system closer to European norms. Crucially for European policy design, economic integration and cooperation bear the greatest potential for providing effective incentives for reform, given the deeply economic rationale that provides the drive for the Kremlin's policies and the actions of self-interested private actors. The key is to harness foreign investment in both directions between the EU and Russia, and Russia's future World Trade Organisation (WTO) membership, as platforms for governance reforms.

Market integration, especially in the energy sector, through the creation of a single EU-Russia liberalised energy market would also constitute a forceful incentive for Russia to review its current protectionist

policies and arbitrary behaviour towards foreign investors, as it might be the key to prevent substantial gas shortages and at the same time provide the potential for Russian energy companies significantly to enhance their market power. Europe should open up its energy market to third country investors, and press Russia to open its markets to EU investors – which would, in turn, and to some modest degree, help prise Gazprom from the Russian state. As a Russian ratification of the ECT is unlikely at this stage, the integration of the Charter's basic principles (and those of the Transit Protocol) into the new EU-Russian partnership agreement will constitute an important challenge.⁴² On the other hand, a Russian NGO representative in Moscow argued that the Russian failure to ratify the ECT was a blessing in disguise, as this would prevent the EU from focusing on the more politically sensitive areas of democracy's dismantling.

Several European and Russian observers in Moscow expressed the hope that economic development will strengthen the middle class, which at some point might become more politically engaged than hitherto and demand better governance and rule of law in order to preserve its wealth. On the other hand, they all admitted that in today's Russia this point had not been reached. After the difficult legacies of the recent past, stability and prosperity still come before democracy in ordinary Russians' ranking of priorities. This view is further nurtured by the government's efforts to promulgate the idea of Russian exceptionalism, according to which democracy sits uneasily with the Russian soul. Many Russian analysts argue that any future Russian opening is more likely to be rooted in a wish for economic stability and prosperity than in the people's normative commitment and yearning for democracy.

Crucial for European policy calculations, crude prosperity might thus provide the powerful magnet accidentally drawing Russia towards European values. In policy terms, this means that the EU should push for

⁴² Riley, 'The Coming of the Russian Gas Deficit: Consequences and Solutions', *op. cit.*

market integration and governance reforms closely accompanied to this. This economic incentive is the most promising instrument for strategic, political, and security interests. Provided a successful integration of a minimum of market guarantees in the PCA successor agreement, Europeans might also find it less difficult to open their markets to Russian companies once strategic political and security considerations gain a greater weight in its decision-making in the economic sphere.

With regards to political integration, it is still widely hoped that integrating Russia into international organisations that stand for liberal ideas and that require commitments to democracy from their members will have a 'socialising' effect on Russia. So far, this has not happened in any obvious sense. Moscow human rights advocates laconically point out that the recent debate on the appropriateness of Russia holding the chair of the Council of Europe echoed the controversy that took place during the Yeltsin government when Russia joined the Council of Europe against the backdrop of the first Chechen war.

Likewise, allowing Russia into the G7 was meant politically to tie Moscow to the West and enhance its respect for democratic norms. In the case of the Russian NGO law, this approach of socialising-through-integration has had a modest impact: EU institutions' and especially the US's careful lobbying resulted in a (light) softening of the original draconian draft. Putin did just enough to avert the danger of being kicked out of the G8 – an instance demonstrating how the symbolism of great power status can act as leverage over Russia. A German Moscow diplomat insists that Russia's behaviour in international human rights bodies has been positive. Gernot Erler, minister of State in the German Foreign Office, argues that 'the controversial Russian chairmanship of the Council of Europe has shown that stronger pressure to reform can be put on [autocratic] countries when they are integrated into multilateral organisations'.⁴³

At a deeper level, however, socialisation has had a limited impact. This stresses the importance of investing lower level cooperation with greater substance and to pursue this with a more active socialisation dynamic in mind. So far, the EU-Russia road maps for the creation of the Four Common Spaces, meant to adapt Russian practices to European standards, offer only a set of very general objectives with no hard commitments. According to one critic, they represent 'just paper over a growing gap'.⁴⁴

It is important to note, however, that socialisation does not stop at the Kremlin's doorsteps. 'The West must realise that its most powerful instruments with respect to Russia are not its king-making abilities at the very top, but human contacts of all kinds at all levels'.⁴⁵ As Europe itself knows best from its own experience, long-term socialising activities, both governmental and non-governmental, and especially among the younger generations, have proved to be among the most effective policy tools to lay the roots for a democratic mindset. More concretely, the EU could boost people-to-people ties on a far larger scale than is currently the case with Tempus, Erasmus Mundus, and other programmes.

The difficulties Europe encounters in resolving its political dilemmas are further hampered by institutional constraints inherent to EU internal consensus-building and decision-making. The well known lack of an audible and common European voice on Russian issues makes the EU more vulnerable. Individual countries' special interests peculiar to their own circumstances often cause them to prioritise these interests while hesitating to address concerns over larger political challenges. This lack of shared concern gives Kremlin officials an easy platform to 'discount the importance of individual European voices and attribute allegedly anti-Russian feelings to criticisms from individual European states'.⁴⁶

⁴³ Gernot Erler, quoted in 'Berlin plant neue Zentralasienstrategie', *Handelsblatt*, 10 March 2006.

⁴⁴ Trenin, 'Russia Leaves the West', *op. cit.*

⁴⁵ Trenin, 'Reading Russia Right', *op. cit.*

⁴⁶ Maynes, 'A soft power tool-kit for dealing with Russia', *op. cit.*

From the Russian point of view, the accession of Central and East European countries has clearly made the EU more hostile towards Russia. Thus, the Russian presidential office often tries to sideline these countries by calling on 'old Europe' to bring the 'new' members to order, and directly negotiates with the big countries on a bilateral basis. But Russian leaders' keenness publicly to emphasise the EU's inability to form a common posture also indicates their relief that Europe has been divided, and their implied concern at the power a truly common European voice might develop.

In the field of energy, the sensation of being dependent on Russian energy supply gains truth to the degree that every member state negotiates unilaterally. The comprehensive vision expressed in formal EU policy documents, along with isolated governance and democracy projects, will remain secondary as long as EU bilateralism persists.

In an interview on the prospects for the German EU-Presidency, German Foreign minister Steinmeier recently recognised that '[w]ithin Europe, it is becoming clear what deficits there are in terms of consensus-building and decision-making processes, and how urgently we need to overcome [these]'. Asked how

he wanted to achieve this greater unity, however, Steinmeier said: 'In the end, that will only work via the constitution'.⁴⁷ Therefore, in the end the key for the future of EU-Russian relations is intimately linked to Europe's current crisis of identity. This is most definitely not to suggest that a new constitution is a prerequisite to a more effective policy on Russia; but rather that the political values that provide the foundation of the European identity are not an obstacle but the key to stability in Europe's east.

This discussion suggests that there is no 'magic wand' in terms of new EU policy instruments. It might be pointed out that many of the approaches mentioned here have to a greater or lesser extent been present in EU policies for a decade. Yet, this paper also reveals that EU policy has been inconstant; insufficiently prised of the scale of political change in Russia; and bereft of a clear longer-term vision. That longer-term vision is desperately needed to lift the EU's attention from short-term energy deals and address the more fundamental question of how Europe's basic geopolitical aims stand in relation to Russia's political trajectory. Only then can the EU begin to design more effective policy tools and apply these in a more consistent and effective fashion.

⁴⁷Interview with German Foreign Minister Frank-Walter Steinmeier, *Süddeutsche Zeitung*, 21 December 2006.

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Much has recently been written on EU-Russian relations, and Russia often appears to have dominated the European foreign policy agenda during the last two years. Both analysis and policy-making have focused overwhelmingly on the issue of energy. Europe's relations with Russia have in this sense become emblematic of the tension that is widely presumed to exist between principle and self-interest. While such a focus is understandable, this paper argues that the EU must develop a longer-term vision towards Russia that more fully comprehends the complex relationship between Russia's authoritarian drift and European foreign policies. The EU must lift its eyes from the challenges of the immediate juncture – with negotiations due for a new EU-Russian Strategic Partnership Agreement – and understand better how these flow from underlying political changes. This paper seeks to contribute to the already-rich debate on this topic by suggesting that Russia's deep-seated political reconfiguration requires the EU to stake out a more coherent prioritisation of its objectives towards Russia.

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