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## **RUSSIA AND THE EUROPEAN UNION: PROBLEMS AND PROSPECTS AS VIEWED BY RUSSIAN ANALYSTS**

**Tamara Gella\***

### **ABSTRACT**

This article is devoted to the problems and prospects of development of relations between Russia and the European Union at the present stage. The focus is on the analysis of assessments of Russian analysts on such critical issues as the state of economic relations between Russia and the EU, a new framework agreement and the problems of the Russian and European politicians associated with the work on it, Russia and the EU policy in the post-Soviet space, and the possible scenarios of the Russian-EU relationship in the future.

**Key words:** Russian-EU relationship, economic cooperation, PCA, the New Basic Agreement, post-Soviet space, the Eurasian Union, Greater Europe

### **Introduction**

Russia's foreign policy has been in the centre of world attention since the country emerged as a great power. Relations with the EU take a unique place in the external relations of the Russian Federation. As important a role the EU plays in foreign economic relations of Russia and in human contacts of its citizens abroad, as low, as recent experience shows, is the degree of understanding of the most elites of Russia and Europe. In this regard, it is of interest for Russian political scientists and observers to evaluate the contemporary state of the Russian – EU relations, complex problems and prospects of development of these relations for the near future.

As a rule, in the publications of Russian authors, rather complicated relations of Russia and EU in the economic sphere are emphasized. On the one hand, in a number of publications there are positive assessments of the significance of Russia-EU relations for both sides. Firstly, we are talking about the economic component of these relations. Thus, a number of researchers have noted that today Russia has quite close economic ties with the EU, and cooperation in the economic sphere is developing rather successfully. The EU

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\* prof. Tamara Gella is Professor and Dean at the Faculty of History, Orel State University, Komsomolskaya ploshchad', d. 95, 302026 Oryol, Russia, gellat@mail.ru.

countries are the main trading partners of Russia, and its turnover continues to grow, despite the stagnation in Europe. In theory, economic relations between Russia and the EU should be regulated by the revised partnership and cooperation agreement (PCA). However, it is exactly the issues of trade, investment and business model, which have proven to be stumbling blocks to progress in negotiations over the new PCA.

## **1 Economic relations and cooperation between Russia and the EU**

Economic relations between Russia and the EU seem very dynamic. European countries have traditionally been Russia's most important partners. The EU accounts for nearly half of the Russian foreign trade turnover (48% in 2011, according to the data from the Federal Customs Service of Russia) and about 70% of accumulated foreign investment (calculated using the data of the balance of payments). Trade turnover between the two is steadily growing. Over the past decade Russia has risen in the hierarchy of the major EU trade partners, and currently holds the third place after the US and China; it accounts for 7% of the EU export and 11,6% of the EU import.

According to Eurostat, the European Union is the leading trade partner of the Russian Federation. The EU Member States account for about 50% of the total Russian exports and imports. For instance, over the past decade the EU-Russia turnover in goods tripled and by the year 2012 reached 336.5 billion Euros. The volume of Russia's goods exports to the European Union increased 3.5 times and grew from 64.5 billion Euros in 2002 to 213.3 billion Euros in 2012. Over the same period Russian imports of goods from the European Union rose from 34.4 billion Euros to 123.2 billion Euros, i.e. 3.5 times (*Trade*, 2014). Germany, Italy, the Netherlands, Poland and France are the main EU exporters to Russia. Among EU Member States, Germany (€ 27.4 billion, i.e. 30% of the EU exports) was by far the largest exporter to Russia in the first nine months of 2013, followed by Italy (€ 8.0 billion, i.e. 9%), the Netherlands and Poland (both € 6.1 billion, i.e. 7%) and France (€ 6.0 billion, i.e. 7%). Germany (€ 28.8 billion, i.e. 19% of the EU imports) was also the largest importer, followed by the Netherlands (€ 22.4 billion, i.e. 14%), Italy (€ 14.9 billion, i.e. 10%) and Poland (€ 13.9 billion, i.e. 9%) (*Eurostat*, 2014).

According to **N. Kaveshnikov**, expert of the Russian Council on International Affairs, there is, however, much more asymmetry than

interdependence in relations between the two. A significant gap still remains in the commodity composition of trade. Energy resources account for three quarters of Russian export, with unrefined oil forming the majority, while machines and equipment account for less than 1%. The EU countries export chemicals (16%), food supplies (8.5%) and equipment (about 48%) to Russia, with industrial equipment amounting only to 8%, which is indicative of the slow pace of technological modernisation of Russian industry. A similar gap exists within specific economic sectors as well. For example, Russia exports chemicals and mineral fertilizers, i.e. low value-added goods, whereas the EU exports pharmaceutical and perfumery products. As for the service trade, it suffers not only from an unfavourable structure, but also from limited scale (Kaveshnikov, 2013).

36% of the EU's total gas imports, 31% of crude oil imports and 30% of coal imports come from Russia. In turn, the share of oil, gas and coal deliveries to the European Union accounts for 80%, 70% and 50% (respectively) of Russian energy exports. Thus, energy interaction with the EU involves a significant revenue stream for Russia's national budget and Russian supplies are a matter of national energy security for many EU members. The result is an energy relationship between the EU and Russia that is characterised by high levels of interdependence and politicisation (*РСМД [Электронный ресурс]*, 2014).

The European Union is the largest investor in the Russian economy. About 75% of direct foreign investment comes to Russia from the EU Member States. The European Union has a surplus in bilateral trade in services. In 2011, the EU exports of services to Russia amounted to 24 billion Euros, while its corresponding imports were about 14 billion Euros. For example, the UK also has investments in Russia – in the form of BP oil. The company has roughly 20% share in the biggest Russian oil producer, Rosneft, which, in turn, generates profits for the British-owned company. British firms have been encouraged to explore new trade opportunities with Russia. According to a report from December 2012, more than 600 UK companies were operating in Russia (*BBC NEWS*, 2014).

After 18 years of negotiations Russia became the 156<sup>th</sup> member of the WTO. Russia's WTO accession is of great importance for the European Union as well, since trade and economic activities on the basis of single principles and rules encourage mutual investments and strengthen trade relations between the partners.

In accordance with its WTO commitments, after the accession Russia brought down the average rate of its import duties from 10 to 7.8%. In such key sectors as automotive industry, import duties were lowered from 30 to 25%. Upon the expiry of the seven-year transitional period they will be reduced to 15%. It is estimated that, on average, the reduction of import duties will enable EU exporters to save up to 2.5 billion Euros annually. Additional growth of exports of EU goods to the Russian Federation is expected to reach about 3.9 billion Euros annually.

However, according to Russian analysts, there are a number of contradictions in the Russian-EU economic relations. In particular, European business still regards Russia as a supplier of cheap resources and a receptive market outlet for finished products. It sees little value in the comparatively cheap and highly-qualified workforce. Examples of use of Russian scientific and technological capabilities are extremely rare. Russian TNCs invest into the European economy first and foremost in order to increase sales and occasionally gain access to technology (e.g. in machine engineering).

In the opinion of **N. Kaveshnikov**, the existing capacity for economic cooperation is far from being fully exploited, to put it mildly. Russia-EU economic cooperation is essentially developing due to the efforts of big companies. For middle-sized European companies that have competitive advantages in specific sectors (and therefore can be quite beneficial for the Russian economy), political risks and corruption forms are insurmountable barriers. Russian business is poorly represented in European industrial associations, which decreases its lobbying opportunities. Russian small business is barely internationalised at all, with the exception of very narrow segments (such as software development). On the whole, economic cooperation has not yet led to establishing a consolidated network of corporate contacts which could mitigate political differences (Kaveshnikov, 2013).

Another problem, according to estimates by Russian economists, is that the export of raw materials is a key to understanding contemporary Russian-European relations, with all other factors being secondary. The European Union accounts for 63% of Russian oil and 65% of gas export. Russia is the largest single external supplier of oil to the EU, accounting for 20% of total imports or some 27% of total EU oil consumption. Russia also accounts for some 44% of EU gas imports, or around 24% of total gas consumption (Permanent Mission of the Russian Federation to the EU, 2013). Stronger cooperation in this area requires joint management of energy risks, which implies the development of a

common legal framework determining the relationship between suppliers and consumers.

However, as the Russian political scientist **N. Kanevskii** believes, it is obvious that the main differences of perception between Russia and the EU are to be found in the energy sector. This is mainly related to the policies of EU bodies, the European Parliament and European Commission and numerous committees and consultative councils established under specific legislative and administrative acts, which are often aimed at the “containment” of Russian energy companies. For example, the Third Energy Package adopted by the European Commission in March 2011, which was aimed at market liberalisation, was perceived by many as an attempt to limit Gazprom’s control over gas supplies. Both theoretically and in practice, Russian corporations are able to bypass the legal restrictions imposed on them (Kanevskii, P., 2013).

Another stumbling block in successful development of relations between Russia and the EU in the economic sphere arises from differences on the Third Energy Package (EC, 2011). Gazprom would not fit into Brussels’ policies on the liberalisation of the electricity and gas markets. Approved by the EU in 2009, the Third Energy Package includes six pieces of legislation that envision limits on vertically integrated companies regarding the possession and management of energy transportation networks. It also obliges EU members to unite their national energy systems before the end of 2014. Although Gazprom had applied to obtain 100-percent capacity of the Nord Stream branch pipelines, and received the requisite permission from the German regulator, the European Commission rejected its application. The EU ramped up the formation of the common energy market as soon as the European Commission began its investigation of Gazprom (government-owned by more than 50 percent) over monopoly activities, hampering free competition in Europe (Katsulani, 2012).

Possibly, as **N. Arbatova**, expert of the Russian Council on International Affairs believes, a solution could be found in setting up a new monopoly, separate from Gazprom and similar to Transneft, which would not produce oil and, consequently, would not have a conflict of interests. The restructuring of Gazprom has long been in the wind, starting in the late 1990s on the IMF’s initiative. The Russian Ministry for Economic Development also spent several futile years attempting to break up the gas monopoly. But experts are certain that, sooner or later, the government will return to this idea. Most likely, production will be separated from transportation, establishing a state company like Transneft. Experts believe this would help both the domestic gas market

and Gazprom (Arbatova, 2013).

On the other hand, such steps would be regarded as antagonistic behaviour which clashes with the EU position. Thus, we can frame the problem more clearly: Russia needs a way to provide incentives for economic cooperation with European countries that harmoniously link the positive factors of raw materials export with the creation of a mutually advantageous investment environment (Kanevskii, 2013).

Another problem, according to Russian analysts, is the problem of creating a favourable investment climate. Thus, according to **Mikhail Butusov**, Doctor of physics and mathematics, Director of Research and Technologies at Activil Corporation and an expert in scientific research commercialisation and the restructuring of science industries and research institutions, the present Russian innovation business, to say nothing of the economy as a whole, is facing a difficult task – to become more attractive for investments from the European Union. In order to address this task, the Russian government and Russian business must find a different perspective on the existing social and political technologies. This is especially true of “soft power”, which can be used not only to advance innovations and economic interests, but also to improve the country’s investment image, and to increase the effectiveness of foreign policy strategy (Russian Council, 2013).

One of the major issues in the development of Russian-EU relations at the present stage is the signing of a new framework agreement (NFA) instead of the Partnership and Cooperation Agreement (PCA), lapsed in 2007. Along with the economic aspects, which we discussed above, a whole set of problems of a political nature are still controversial for political elites of Russia and the EU. The Russian experts have different approaches to evaluation of factors that hamper the work on the signing of the NFA.

They include the analysis of the political and economic state of Russia and the EU by 2014. Most researchers agree to the fact that the European Union is now going through hard times, not only because of the economic crisis of 2008-2009.

Thus, in the opinion of **O. Butorina**, expert of the Russian Council on International Affairs, the global financial crisis, which started in 2008, disclosed certain drawbacks in the European integration model that no one, at least among the general public, ever suspected. It turned out that the Economic (with a capital E) and currency union comprises two, non-matching, parts. The European Central Bank, a supranational body, executes the common fiscal and

credit policy, while common European policy is carried out on the basis of intergovernmental cooperation. This means that the executive powers of each EU member-state play a key role. The EU's governing bodies stiffened the requirements of the Stability and Growth Pact (SGP) introduced a banking supervision system, and enhanced macroeconomic monitoring procedures. This is an impressive achievement in its own right. However, it comes at a price: these reforms have an extremely high social cost. This repressive fiscal policy is depressing economic growth and aggravating the unemployment rate in the EU, especially among the youth (Butorina, 2013).

Another serious problem, according to the Russian analysts, is the idea of European integration, i.e. there is a strong feeling in Europe that the ideal of European integration has faded. As a result of economic crisis the romantic vision of democracy's victory over totalitarian regimes and the free market's triumph over the managed economy dissipated. Instead, the EU citizens started to ask uneasy questions about the benefits of the capitalist system. The ideological vacuum was exacerbated by the failure of the EU institutions to explain the essence of the European unified identity and protect traditional values.

The wide-ranging debates on the future of the European Union are a welcoming sign, but, according to **O. Butorina**, there is a nagging suspicion that it may well be too late. EU leaders have for too long avoided an open and candid dialogue with the people of Europe over the particularly difficult problems of the integration process. Now, amid the recession, restoring confidence between the elites and the people would be a mammoth task. Moreover, in June 2014, the EU's legitimacy will be tested again, in the European Parliament elections (Butorina, 2013).

## **2 The European Union's routine problems also affect its relations with Russia.**

The absence of a coherent strategic action plan regarding one foreign policy partner is clearly a major lacuna. In summer 1999, the European Union put forward a common strategy towards Russia, and Russia immediately reciprocated. But this was the last time that Moscow responded appropriately. All 27 EU member-countries approved a comprehensive and detailed action plan covering relations with Russia for 2007-2013 (European Union External Action, 2013). It was accompanied by the National Indicative Program for 2007-

2010 (European Union External Action, 2010) which incorporated a financial plan, list of priorities, summary of expected results, risks and tools to make it happen (Butorina, 2013).

Modern state of Russian-EU relations is influenced by the integration processes in Europe which, in turn, have their limits. According to the Russian analysts, the reunification of Europe has closed down the agenda not only for the European Union but also for its relations with a major partner, Russia. What next? Nobody knows. The crisis showed that the EU's territorial expansion has objective limits. In the coming years, the EU can embrace smaller nations, but not Turkey and definitely not Ukraine. Acute social problems coupled with the failure of "multiculturalism" as a policy have strengthened Europeans' desire to define Europe's boundaries, and to distinguish between "us" and "them". Russia found itself on the other side of the curtain, albeit not the Iron Curtain (Butorina, 2013).

At the start of the 21<sup>st</sup> Century, the post-Soviet states found themselves in a new geopolitical situation. The expansion of the EU from 2004-2007 brought its borders right up to the republics of the former USSR, which has raised their importance for Brussels. Russia has left the crisis mode of the 1990s behind and is asserting its growing international role, primarily in the post-Soviet space. As a result, the ex-USSR republics (except for the Baltic states) have become a zone of intersecting interests between two major actors, Russia and the European Union, and need to build relations with each of them. Both Russia and the EU regard the post-Soviet states as foreign policy entities with no agenda of their own that must choose a pattern of cooperation that is offered from by external actors.

In this regard, Russia has natural interest in strengthening its position in Eurasia. This is another tangle of contradictions between Russia and the EU concerning the activation of rivalry between them and the former Soviet and Asian space. On the agenda are important questions: Is peaceful coexistence of the two sides possible or is an increase in competition between them with the aim of attracting new members inevitable? Is Russia able to offer a viable alternative to multilateral economic and political cooperation to states that claim that the main aim of their foreign policy is to obtain membership in the EU? How does the EU see the limits on its relations with countries to the east of its current borders?

In 2008-2009, the EU has developed new forms of regional cooperation. The EU's "Eastern Partnership" program became a key element in the system

of multilateral relations developed for 6 countries – Belarus, Ukraine, Moldova, Georgia, Armenia and Azerbaijan. Analyst of the RCIA **I. Bolgova** tends to assume that despite being widespread and deeply rooted in both expert and political domains, the “Eastern Partnership” is not a direct reaction to the “Colour Revolutions” in the post-Soviet space or to the “Caucasian war” of 2008. The program is not bluntly anti-Russian, providing for Moscow’s participation in certain projects on the partnership basis. It is more of a geographic specificity for a very blurry neighbourhood policy. Declared a new initiative, the “Eastern Partnership” has become a superstructure to the ENP (European Neighbourhood Policy) while remaining within the framework of the already suggested paradigm of interaction with partner-states (Arutiunian, O., & Sergunin, A., 2012; Bolgova, 2012, 2013).

It is this component of the “Eastern Partnership” aimed at influencing the development of the multilateral regional cooperation and the economic convergence of the partner-states with the EU markets that has caused the greatest concern in Russia. Russia sees it as a threat to its own integration initiatives in the post-Soviet space, first and foremost to the project of establishing a Customs Union/Common Economic Space and the attempts to engage Ukraine in this project.

### **3 Contradictions**

The complex contradictions between Russia and the EU in the post-Soviet space can be summarized as follows:

*First*, there is a difference in understanding of the place of liberal and democratic values in their policies in the post-Soviet space. Seeing the former USSR as a region in transformation, the European Union is eager to make a historic contribution to this process. In practical terms, this means that changes should match both EU visions and interests promoted by Brussels through several joint programs and numerous target projects. For the EU it is important for the countries-partners to share «European values», they put it as a necessity between the two integration centres. While Russian foreign policy is founded on more pragmatic interests, which stress the artificial character of opposing “European” and “Russian” values.

*Secondly*, both pursue their own goals, which do not fully satisfy the post-Soviet states. As **I. Bolgova** notes, the objective of Russia can be defined as a search for stable political and economic partners in order to establish a

powerful centre of influence. The objective of the EU is confined to overcoming the consequences of enlargement and putting off the acceptance of new members from the post-Soviet space according to an undefined timeframe (Bolgova, 2012).

In the framework of “Neighbourhood Policy Plus” and “Eastern Partnership” Brussels is attempting to implement a values-oriented cooperation policy, yet on the other, it is seeking to ensure its economic and geopolitical interests in the region. The result is recurrent conflicts of values and interests seen most vividly in relations with Central Asian countries and Azerbaijan, the oil and gas suppliers. Unquestionably interested in closer energy cooperation with them in order to lower dependence on Russia, the EU does not emphasise its traditional demands for democracy and human rights. Hence, political conditionality gives way to economic and geopolitical interests.

In recent years, Moscow has stepped up its integration efforts and presented clear-cut cooperation priorities. The Eurasian Economic Community platform was used to establish the Customs Union (CU) of Russia, Belarus and Kazakhstan; the creation of the Common Economic Space (CES) is underway; the creation of a supranational Eurasian Economic Commission is in progress; and plans for establishment of the Eurasian Economic Union are in the making. Taking into account existing economic ties, Eurasian integration is likely to attract the post-Soviet countries. At the same time, it will mandate full-fledged participation in integration projects, giving rise to problem (already existent in the EU) of the states’ desire and capacity to take part. Members of the Customs Union would like to take in the economically developed Ukraine, while the current aspirants are Kyrgyzstan and Tajikistan, both of whom fail to fully meet the preconditions. Currently, Russia and its CU-CES partners see their key task as raising the efficiency of their association in order to generate real economic profits for the participants and increase its attractiveness for states wanted by the CU.

Thus, according to the political scientist **L. Babykina**, the post-Soviet countries have been offered a choice of cooperation models or, actually, models for development. This statement mostly refers to the six states of the Eastern Partnership, since Central Asia is geopolitically specific and cannot fully work towards the European Union (Babykina, 2013).

*Third*, the EU and the CU offer the post-Soviet states two very different futures. The CU-CES positions itself as an open association ready to admit new members willing to be in and meeting certain requirements, while the EU

offerings fail to provide membership, even in the medium run and even if they satisfy the required conditions. On the contrary, both the Neighbourhood Policy and the Eastern Partnership have been developed as an alternative to EU membership (and not without reason, the Neighbourhood Policy does not apply to the Western Balkan countries).

*Fourth*, competition really only affects two or three countries of interest for both the EU and Russia, which for certain reasons cannot clearly define their positions. At the same time, all post-Soviet states one way or another use their ties with the EU as a lever in relations with Russia to reach their aims in the bilateral format. As for Russia, it keeps overreacting within this scenario, especially as the EU usually increases its advances toward the post-Soviet states when its dialogue with Russia goes sour (Babykina, 2013).

As the Russian analysts believe, the program's deficiencies are obvious: its unilateral orientation, an undersized budget, the prevailing bilateral relations of the EU with each of the six states over the common approach with the Eastern Partnership, and application within an amalgamation of states with diverse political setups and differing aspirations toward the European Union. Hence, no major collective breakthrough seems likely, while a deeper EU relationship with one of these countries is more likely, for example with Ukraine which may boast the most advanced format of interaction with the European Union.

As for Russia, it should profit from closely watching the Eastern Partnership projects and possibly participating in them, including developing civil society contacts. This approach will seemingly curb anti-Russian sentiments within the program and stimulate a multilateral format for its advancement.

## **4 Eurasian integration and Russia-EU relationship**

Eurasian integration is changing the configuration of the Russia-EU relationship, making it markedly more sophisticated. Russia's key interest in post-Soviet economic integration is understood as being linked to bigger accessible markets and higher competitiveness.

European observers note important distinctions between post-Soviet integration and the early, post-war, West European integration processes (Blockmans, Kostanyan, & Vorobiov, 2012). Frequent statements about the relatively poorly balanced structure of the Eurasian Community (Russia is "too

big” compared to its partners), limited trade between Russia, on the one hand, and Belarus and Kazakhstan, on the other, and the extremely low level of trade between Belarus and Kazakhstan sometimes prompt more general pronouncements that economic integration within the EAEC has little future.

However, it remains true for many CIS countries, including Russia, that the EU is a more important trade partner than their immediate neighbours. This, objectively, enhances the effect of European regulations and standards in the post-Soviet territories. China’s role as a source of investment and loans for Central Asian countries, Belarus and Ukraine, has been increasing.

As the Russian political scientist **M. Sterzhneva** notes, most international actors and foreign analysts seem to agree that these different vectors of post-Soviet and European integration are inherently incompatible, and, as a result, countries such as Ukraine, Belarus and Moldova will, in the long run, have to choose one trajectory or the other. The European Union’s position is that Customs Union obligations make it impossible for its members to benefit from a free trade zone with the EU, in contrast to the CIS Multilateral Free Trade Zone (based on the October 2011 Treaty signed by Kazakhstan, Russia, Belarus, Kirgiz Republic, Tajikistan, Armenia, Moldova and Ukraine) that makes no provision for supranational bodies (Sterzhneva, 2013, p. 43).

Nevertheless, the very first steps taken by the Customs Union of Russia, Kazakhstan and Belarus turned out to be quite noticeable for integrated Europe. From January 1, 2010, the Customs Union introduced a common external tariff. This resulted in worse conditions for the Europeans, additional costs for European exporters and caused the European Commission to forward a formal request to avoid any such surprises in future. Later the EU and the Customs Union reached an agreement on a transitional period after the Customs Code came into effect in July 2010.

In their economic relations, both the European Union, which supports liberal trends in the world economy, and Russia would want more than the set of terms and conditions upon which Russia joined the WTO, by agreeing on something like WTO+. This position, according to **M. Sterzhneva**, while being reasonable in the longer term, fails to account for the ongoing adjustment in Russia’s economy in response to its WTO accession that means Moscow is less motivated to reinforce its efforts to liberalise its foreign trade any further (Sterzhneva, 2013).

Among Russian analysts are those who do not support the idea of establishing a Eurasian Union. Among them, for example, is **V. Inozemtsev**,

scientific director and director of the Centre for Post-Industrial Studies. The essence of his objections can be summarised as follows:

*First*, economic union with Belarus, Kazakhstan and other Central Asian countries is pointless. In the case of Belarus or Kyrgyzstan Russia receives "customs hole", in the case of Kazakhstan – the country with the same commodity structure of the economy and better than in Russia, conditions for entrepreneurs. The country is guaranteed to suffer economic losses. However, even after uniting with Belarus and Central Asia, Russian GDP will be increased no more than 15-20%, so that the Russian «weight» in the world economy it will not change.

*Secondly*, politically Russia will unite with dictatorial, completely outdated regimes from Minsk to Dushanbe. Such an Alliance cannot be considered a «Eurasian» in the sense in which they were the USSR territory from the Baltic States and Moldova to Armenia and Turkmenistan. In general, for Russia this Union will mean its asianisation and regress.

*Third*, attempts to build such a Union would exacerbate external and internal problems of Russia. External – because Ukraine will do everything not to become a part of such an unattractive association; internal – because the Russian leadership will continue to keep the borders with Central Asia open and to encourage migration, which, to put it mildly, is not very popular among Russian citizens. In other words, the Eurasian Union implies and cannot not to assume a radical deterioration in the level of human capital in Russia.

*Fourthly*, and finally, there are specific security factors that would be undermined in this case. In fact, it would bring the Russian border to the former external contour of the USSR – that is, come in direct contact with the same Afghanistan with its heroin and other unstable countries of Asia.

In general, **V. Inozemtsev** does not see bright prospects in implementing the project of creation of the Eurasian Union (2013).

## **5 New framework between Russia and the EU?**

The process of signing a new framework agreement between Russia and the EU thus acquires a series of problems, long discussions, unresolved or partially resolved issues. In the Russian political discourse, generally one can distinguish several approaches to the question about NFA.

*First*, Russian analysts agree on a combination of factors that impede the successful completion of the NFA. The competing Eurasian and European

integration projects push Moscow and Brussels to the edge of a geopolitical conflict, and deprive Russian-EU integration initiatives – from a free-trade zone to a visa-free regime – of any serious prospect. The energy cooperation, which, by virtue of its scope, could have become an anchor and a driver of bilateral cooperation, has been permanently generating mutual scares of “dependence” and “discrimination”, turning into an area of enduring tension. There is a growing value divide between the EU and Russia, reducing the already low chance of the parties to find a common strategic interest (*PCMД*, 2014b).

*Secondly*, most of them stress the importance of NFA for the development of further relations between Russia and the EU. Thus, **A. Tevdoj-Burmuli**, RCIA expert, stresses that a new agreement should become, at the very least, an indicator of progressive evolution of the bilateral relations, while the lack of the new framework agreement today is perceived as a sign of trouble.

**A. Kortunov**, RCIA Director General, believes that the framework agreement is an important political document reflecting the understanding between the parties as to which way they want their relations to evolve. The framework agreement should also set the priorities and fix the practical objectives for the near future and in a longer term. The new EU-Russia framework agreement should obviously be a step towards a Eurasian free trade area. It is also obvious that the parties should proceed from the common WTO rules to which Russia has finally adhered to.

**N. Kaveshnikov**, RCIA expert, believes that The New Basic Agreement (NBA) has been planned as a brief document covering the overall package of economic and political relations. The NBA should also reject any kind of asymmetric political conditionality, and, if needed, could be augmented with sectoral agreements for detailed regulation of certain cooperation areas (*PCMД*, 2014b).

*Thirdly*, Russian analysts put together the understanding the content of the NBA. Thus, according to, **A. Tevdoj-Burmuli**, in the absence of strategic consensus, the new framework agreement should focus on the pragmatic aspects of bilateral collaboration, i.e. issues of industrial dialogue, easing access to markets, political cooperation in areas of common interest (cross-border crime, etc.). This area of sector-specific cooperation has already acquired its own momentum and, given a proper legislative support (including that of the framework agreement), is quite capable of laying the basis for a strategic leap sometime in the future, if and when the conditions are right for it.

**S. Utkin**, PhD, Head of the Strategic Assessments Unit at the Case Study Centre of the Russian Academy of Sciences holds a more prosaic approach. He estimates that the economic dimension of new framework agreement will require setting up a free trade zone, unifying standards in order to facilitate industrial cooperation, and arriving at a common understanding over the energy market rules. Politically, it may implement the key idea of the 2010 Meseberg Memorandum, creating an EU-Russia Political and Security Committee empowered to take decisions and making Russia's and the EU's efforts in the international arena more coordinated.

**N. Kaveshnikov** links content NBS with the norms and principles of WTO. The first one is the new WTO-based regime for trade and investment interaction providing for progressive elimination of non-tariff barriers, primarily in investing and regulatory cooperation to facilitate trade and commerce. The other one includes the modernisation of goals, principles and mechanisms in foreign policy cooperation, among other things, in order to establish an effective basis for interaction in crisis management (*PCMD*, 2014b).

It is significant that a number of analysts have expressed scepticism about the NBA, as **S. Utkin**, in particular, because there is hardly anything positive in the current Russia-EU relations. He believes that neither party is disposed to pursue further rapprochement. Even if the text is signed, its ratification may take years. I am convinced therefore that today is not the time to sign an agreement which, because of the political setup, will be either meaningless or destructive.

**A. Tevdoj-Burmuli** also warily speaks about the NBA. He believes that the European choice of an "encyclopaedic agreement" in order to regulate the entire gamut of relations that Russia and the EU have maintained so far, and to offer a long-term strategic perspective accepted during the negotiations of Russia and EU, appears hardly feasible. The fact is supported by six years of ongoing negotiations. By comparison, the effective PCA was agreed upon in just slightly over two years.

Thus, among Russian analysts there is no consensus regarding the main framework agreement. And finally, many of them disagree on questions of perspectives and scenarios of development of relations between Russia and EU.

**N. Arbatova** thinks that the farfetched and utterly false "the West or Russia" dilemma for the CIS has long poisoned the development of a Russia–EU partnership. No real cooperation, especially in the settlement of CIS

conflicts, can be expected until Russia and the European Union stop regarding these new independent states as a vacuum to be filled by any means possible along zero sum lines. She concludes that the EU's long-term international role will hinge on the restoration of its economic might, soft power, and the overall attractiveness of the European model. As for Russia, the only promising development path lies through its departure from a commodity export economy on the European democratic footing, high technologies and orientation to modernisation alliances. A favourable scenario for Russia–EU cooperation will not just make Europe the most stable and prosperous continent, but will also significantly strengthen the global governance mechanism (Arbatova, 2013, pp. 37-38).

**O. Butyrina** offers two variants of possible relations of Russia and EU, based on the idea of signing a new agreement on strategic partnership (PCA). The first possible scenario, although the least likely, would be reaching a consensus about the wording of the agreement, followed by the formal signing within the next one-to-two years. If all goes well, the PCA would be ratified by Russia and all the EU member-states, including Poland and the Baltic States which still harbour resentment (and claims) against Russia, and finally the agreement would come into force. But European partners are not ready for this scenario. Until now, the EU representatives rejected the very idea of starting a dialogue between the EU and the Euro-Asian Economic Community Council or the Commonwealth of Independent States (CIS).

The second, and most probable, scenario involves prolonged negotiations and the preservation of the status quo. Russia and the EU would be left with no alternative but to use the old legal and political platform as the basis for their relations: the obsolete but prolonged PCA, four roadmaps and the Partnership for Modernisation program. Russia would continue to claim a rather symbolic gain, the visa-free regime, and the EU would demand energy supply security while attempting to lessen its dependence on Russian natural gas. According to **O. Butorina**, there is a certain probability that both sides are happy about the delays in negotiations. Both might have something to gain from stalling the process. By not signing the PCA with Russia, and thus avoiding any political concessions, the EU secures its positions regarding even tougher negotiations that are looming with more powerful parties, Japan and the United States. Russia, in turn, can use this time-out to foster relations with its neighbours, including Kazakhstan and China (Butorina, 2013).

## Conclusion – Which Greater Europe?

Some politicians, such as former Minister of Foreign Affairs of Russia **I. Ivanov**, support the idea of building a greater Europe (Greater Europe). It is a new European cooperative project: One that conceives of Europe in its broadest sense geographically and politically, from Norway in the north to Turkey in the south and from Portugal in the west to Russia in the east. A project that has as its goal not the creation of a single institution, but the creation of a Greater European zone of overlapping and deepening security, economic, political and cultural cooperation between all countries and institutions in the region.

Notable are the statements of the leading expert on the countries of Western Europe, Deputy Director of the History of Europe of Russian Academy of Sciences **A. Gromyko** that there is no alternative to the development of relations between Russia and the EU. According to him, a number of factors determine the need for further development of Russian-EU relations. These inter alia, include the following:

*First*, bilateral economic interdependence can only be expected to increase, primarily in strategic sectors such as energy.

*Second*, in the foreseeable future, technical modernisation of the Russian economy and the creation of modern, competitive enterprises in Russia seem impossible without West European business and expertise. West European stock exchanges are the key channel for Russia's access to the global credit market.

*Third*, the European Union space is the nearest and most attractive in civilisation and culture terms, acting as a powerful draw for Russian entrepreneurs, tourists, students and scientists.

*Fourth*, Russia and the European Union, as well as its key members, are irreplaceable partners in the settlement of many regional and global problems.

*Fifth*, in the foreseeable future, both Eastern and Western Europe (from Lisbon to Vladivostok) for objective reasons, are likely to lose their global positions in demography, global GDP share and competitiveness to the new regional and global centres of influence. In the medium- and long-term perspective, this trend only seems surmountable through the extended integration and removal of barriers preventing the European states from taking a common stand (Gromyko, 2013, pp. 16-17).

Whatever the plans and scenarios of development of relations between Russia and the EU today they face serious difficulties caused by the political

crisis in Ukraine. Further steps to strengthen and expand cooperation between Russia and the European Union in the foreseeable future depend on whether Russia and the European Union in the person of their leaders and state structures will be able to overcome all the differences in the estimates of the causes and content of the Ukrainian crisis, to start a political dialogue on its settlement with observance of all norms of international law.

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