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COMMON AND DIVERGENT INTERESTS

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Russia and the EU proceed on the basis that “business as usual” is no longer possible. However, neither of them has specified what legacy of their relations before the crisis they are willing or ready to sacrifice, except for the strategic partnership rhetoric. Nor have they formulated any particular vision for their future relations that could become a “new business”. The working paper includes analysis of common and divergent interests, of mechanisms for cooperation, and gives recommendations on the first steps for renewing the cooperation.

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“The relationship between the EU and Russia is one of the biggest and most complicated challenges in European politics and foreign policy. It affects every significant European and Russian interest – energy, climate change, trade, security, crime, migration, the Middle East, Iran, the Balkans.

In the twentieth century, that relationship went through many phases: the emergence of Soviet Communism, the common fight against Nazism and the nuclear confrontation of the Cold War. In the twenty first century our enduring goal must, I believe, be a deep partnership, built around far-reaching economic integration embracing the European continent – including Russia.

To achieve that sort of partnership will not be easy or straightforward. We must take a long-term, strategic perspective on the relationship. But relations between the EU and Russia are going through a difficult period. Indeed, they contain a level of misunderstanding or even mistrust we have not seen since the end of the Cold War. Tensions and uncertainty are running high both within Russia, amongst her neighbours and in her relations with the European Union and its Member States. Each suspects the other of double standards. Both believe the other is using the energy weapon as an instrument of politics. Neither thinks they enjoy the respect and goodwill from the other they are entitled to expect”.

The EU and Russia: our joint political challenge.
Speech by Peter Mandelson.
Bologna, 20 April 2007.¹

¹ The EU and Russia: our joint political challenge. Speech by Peter Mandelson. Bologna, 20 April 2007.
URL: http://trade.ec.europa.eu/doclib/docs/2007/april/tradoc_134524.pdf.

1. LIMITATIONS OF THE METHODOLOGY

The above diagnosis of the state and challenges of Russia—EU relations given almost ten years ago by the former EU Trade Commissioner Peter Mandelson in an unusually open public speech broke rules of political correctness, yet since the time of his tenure on the Commission, it has been my favourite ever since. Since then, the Russia—EU relationship has continued to stagnate and deteriorate, reaching its current low over the Ukraine crisis.

This early warning was not heard, as weren't many others. All through the last decade and particularly during the current crisis, both Russia and the EU believe that they were (and still are) right while the other side was (and still is) wrong. Any attempt to reinvent or redefine common interests in order to repair the broken partnership is a welcome and helpful exercise. However, one should be aware of limitations since neither common nor divergent interests are especially new, though common interests have not prevented the current crisis and have poisoned the Russia—EU relationship.

Both Russia and the EU proceed on the basis that “business as usual” (i.e. returning to the relationship *ante* Ukraine crisis) is no longer possible. However, neither of them has specified what legacy of their relations before the crisis they are willing and/or ready to sacrifice, except for the strategic partnership rhetoric. Nor have they formulated any particular vision for their future relations that could become a “new business”.

Identifying common interests and emphasizing them over disagreements is a widely acknowledged method for encouraging cooperation. Agreeing on what is of the common interest and reminding of their existence is an indispensable part of any attempt to repair a broken relationship. However, this method, as any other, does not necessarily guarantee that common interests will prevail over differences.

Firstly, common interests do not automatically translate into politics. However important, their relevance is relative to the dispute costs. Indeed, the common interests of Russia and the EU as perceived today are not very much different from what they were three, five or ten years ago. However, this did not prevent Russia—EU relations from a state of progressive deterioration before and particularly during the current crisis. The question is therefore, why (and how) any renewed understanding of common interests would make a difference. Particularly taking into account the new landscape marked by general mistrust and a deep rift between Russia and the West on a number of principled issues that are perceived by many as outweighing any other considerations.

Secondly, even if common interests are acknowledged and believed to be worth pursuing despite differences, structural incompatibilities (the Devil is in the details) often prevent the perceived common interests from being translated into practical policies. The recent history of Russia —EU cooperation well before the

Ukraine crisis stands as a perfect example for missed opportunities to fix apparently simple problems: from a failure to implement reasonable proposals aimed at improving customs clearance procedures at the Russia —EU border through a failure to work together on external security issues despite the initially articulated strong political will to do so.

Despite of the increasing convergence over the past two decades of their security threats perceptions centered around transnational threats primarily by non-state actors' activities, the EU and Russia have failed to discover each other as partners in addressing those threats. Both developed different responses to similar or common threats and institutionalized them in separate regional (EU- and Eurasia-based) frameworks.²

Thirdly, re-inventing the common interest, or identifying the 'new normal' between Russia and the EU is not easy for the reason that the EU is not (yet) a sovereign actor. What is often considered to be an EU interest, in fact is an eclectic mixture, or a common denominator (often a minimal common denominator, particularly now, given the split within the EU on its Russia-policy) of sometimes substantially different views of its member states.

This common denominator is evolving over time and may significantly change particularly at dramatic moments. It experienced a severe shock over the Ukraine crisis and, as long as the internal EU debate on what should and could be a "new business" with Russia continues, the minimal common denominator seems to be to have no particular Russia policy for a while.

As a result, despite the underlying common interests, Russia and the EU find themselves at a crossroads and have yet to figure out where they want to go.

² See, *inter alia*, an early analysis in: Zagorski, A. The limits of a global consensus on security: the case of Russia. In L. Peral (Ed.). Global security in a multipolar world. Chaillot paper. 2009, No. 118, pp. 82–83.

2. COMMON INTERESTS

Almost every common interest raised in the contemporary discussion of Russia—EU relationship is not new, and they form a rather long list.³ Those include, *inter alia*:

- economic interests (trade, investment, financial cooperation, etc.);
- shared security challenges, such as the proliferation of weapons and technologies of mass destruction or international terrorism;
- cooperation on relevant regional crises or issues of mutual concern, such as the Iranian nuclear dossier, Middle East, chemical disarmament in Syria, or a political solution to the Syrian civil war;
- working together on the settlement of the Ukraine crisis and the implementation of the Minsk agreements;
- resolving protracted conflicts, such as those in Nagorny-Karabakh or Transnistria;
- combatting piracy and transnational organized crime, including trafficking in human beings or cybercrime;
- strengthening regional cooperation, including in the Baltic Sea Region or Central Asia in view of the unfolding new Silk Road cooperation;
- working together on climate change;
- developing cooperation in outer space, nuclear energy or, more generally, in science and technology;
- promoting regional and trans-border cooperation, people-to people contacts, cooperation, etc.

Restoring the European security order, as well as maintaining and reinforcing a stable international order and functioning of the United Nations system is often seen as an explicit common interest. Identifying a new *modus vivendi* in relations between Russia and the EU is part of this.

Indeed, practical cooperation on many of those avenues has continued despite the current crisis without attracting much public attention. Discussing bilateral trade issues, or issues of common interest on the WTO agenda or within the G20, as well as the harmonization of technical regulation continued smoothly at the working (expert) or even at ministerial level after the suspension of meetings within the formal Russia—EU institutions.

The most quoted examples of the Iranian nuclear dossier or Syria are not an exception but, rather the most visible part of a continued broader dialogue and cooperation between Russia and the EU on a variety of international security issues. An international conference on the Middle East conducted in Paris in June 2016 at the initiative of France, for instance, included Russia by default as part

³ See, *inter alia*: Entin, M., Entina E. New agenda for Russia-EU relations. RIAC Policy Brief. May 2016, No. 4.

of the Middle East Quartet alongside the U.S., the EU and the United Nations.⁴ This is also true with regard to broader cooperation between Russia and the West (not involving the EU) as exemplified by U.S. and NATO forces transit through Russia from Afghanistan which continued well into 2015, or the resumed funding of Russian spare parts supply for helicopters in service of the Afghan army and security forces.

In order to reduce the complexity of the multiple areas of common interest, five major avenues of pursuing them can be highlighted:

- economic cooperation, including trade, energy cooperation, investment and financial cooperation, much of which, though not all, has suffered under the current crisis;
- crises management outside Europe;
- combatting transnational threats and particularly international terrorism;
- reversing the increasing detachment and alienation between our societies by promoting people-to-people contacts;
- restoring European order and identifying a new *modus vivendi* in the relationship between Russia and the EU.

Pursuing common interests in these areas depends not only on the restoration of dialogue and cooperation between Russia and the EU but, also, on overcoming structural problems that prevented them from fostering sustainable partnership before the current crisis.

2.1. Economic Interests

Both Russia and the EU continue to suffer economically from sanctions and counter-sanctions introduced in the course of the Ukraine crisis, although they have been affected differently by them.

Mutual trade has been on decline particularly in 2014 and 2015, losing about one third of its volume in 2015 as compared to 2013. Russia lost its position to Switzerland as the third largest trade partner of the EU which it held from 2004 (see figure 1).

The value of Russian exports to the EU dropped by one quarter in 2015. However, this decline was primarily due to the decline in the value of exported crude oil, oil products and gas amounting to 68 per cent of total Russian exports to the EU and reflecting the low oil price rather than the effect of sanctions. In some other sectors, at the same time, Russia even expanded the value of its exports despite the depreciation of its national currency (see figure 2), and it has been able to increase the volume of its energy exports to the EU.

EU exports to Russia dropped by almost 40 per cent in 2015 as compared to 2013 and were much strongly hit by mutual sanctions. Food exports and manufactured goods, particularly machinery exports suffered the most (see figure 3).

In turn, Russian economic performance has suffered primarily due to financial and sectoral sanctions that have put strong pressure on its currency and finan-

⁴ Israel-Palestine Peace Conference in Paris Set to Happen Early June // Sputnik.com. May 17, 2016. URL: <http://sputniknews.com/middleeast/20160517/1039748197/israel-palestine-peace-conference.html>.

cial stability, leading its economy into a recession for two years in a row. Economic modernization has slowed down, and import substitution and a declared “pivot to Asia” (China) have not provided any significant relief pending relevant investment and technology transfer.

Nevertheless, despite these recent developments, Russia and the EU remain and will remain *crucial economic partners* in the time to come. The European Union remains the recipient of more than half of Russian exports and supplies over 40 per cent of Russian imports. As figures 4 and 5 highlight, there is no Russian economic pivot to Asia. For Russia, Asian and particularly Chinese markets are an important complement, but not an alternative to the EU either in terms of trade, or in terms of investment and financial cooperation. Trade, financial, investment and energy cooperation will remain an essential part of Russia—EU cooperation in the future.

2.2. External Security

Early in the last decade, following progress in developing the European Security and Defence Policy, Russia and the EU set an ambitious agenda for cooperation on security in Europe and around the world.⁵ That agenda embraced a wide range of issues including crisis management, non-proliferation of weapons of mass destruction, arms control, the fight against transnational crime and terrorism, combatting illegal narcotic drugs trafficking etc. In 2005, major avenues for practical cooperation in those fields were specified in the Russia—EU road map on the common space of external security.⁶

Both had high expectations with regard to developing closer cooperation particularly in international *crisis management*. In a Joint Statement signed at the Paris summit meeting in 2000,⁷ they decided to:

- institute specific consultations on security and defence matters;
- develop a strategic dialogue on matters, particularly in regard to security, which have implications for the Russian Federation and the European Union;
- extend the scope of regular consultations at the expert level on issues of disarmament, arms control and non-proliferation;
- promote cooperation in operational crisis management.

In 2002, they further decided to concentrate practical cooperation on such issues, as conflict prevention, demining, and the use of Russian strategic air lift capabilities by the European Union.⁸ They considered Russian participation in

⁵ For a brief history of consultations between Russia and the EU on crisis management issues see: Areas of Cooperation. Crisis management // Permanent Mission of the Russian Federation to the European Union. URL: <http://russiaeu.ru/en/areas-cooperation>.

⁶ Road Map on the Common Space of External Security. May 2005. URL: http://www.russianmission.eu/userfiles/file/road_map_on_the_common_space_of_external_security_2005_english.pdf.

⁷ Joint Statement on strengthening dialogue and cooperation on political and security matters in Europe by the President of the Russian Federation, V.V. Putin, the President of the European Council, J. Chirac, assisted by the Secretary-General of the Council of the EU/High Representative for the Common Foreign and Security Policy of the EU, J. Solana, and the President of the Commission of the European Communities, R. Prodi. Paris, October 30, 2000. URL: <http://en.special.kremlin.ru/supplement/3409>.

⁸ Annex I. Joint Declaration on further practical steps in developing political dialogue and cooperation on crisis management and security matters. Moscow, May 29, 2002. URL: <http://en.kremlin.ru/supplement/3485>.

the EU Police Mission in Bosnia and Herzegovina, and agreed to inform each other of the results of their international contacts and negotiations on matters related to security and crisis management and to consider concrete proposals for cooperation and joint action.⁹

However, Russia—EU cooperation in crisis management never became a success story. Despite positive experiences earned particularly from the participation of a Russian Aviation Group in the EUFOR in Chad/CAR in 2008–2009, or from coordination of their operations in the Gulf of Aden, Russia and the EU failed to properly institutionalize this ad hoc cooperation.

Moscow never was eager to simply follow the 2002 Seville “Arrangements for Consultation and Cooperation between the European Union and Russia on Crisis Management”¹⁰ which allowed for Russia’s participation in EU-led operations. It insisted on recognizing the equal status of the parties by at least theoretically admitting, in a special framework agreement and other relevant instruments providing a legal basis for joint crisis management, the possibility for EU participation on Russia-led missions, as well as for joint decision-making on launching joint missions.

The Russian defence establishment was disappointed in the command and control chain supporting ESDP missions, and did not accept the EU Military Committee and Staff as appropriate partners in planning and conducting joint military operations, or as an appropriate substitute for a permanent military staff. As a result, the initially anticipated cooperation with the EU in crisis management failed to develop into a substitute for NATO—Russia peace operations cooperation in the Balkans which Russia quitted in 2003.¹¹

What remained is regular political consultations on a wide range of international security issues allowing Russia and the EU to compare notes and work together on political solutions to relevant issues of mutual interest. Settling (together with the US) the Iranian nuclear dossier is but one of the examples of such cooperation. However, attempts to appropriately institutionalize political dialogue on external security issues largely failed over the past fifteen years, too. While, initially, regular communication between the EU Political and Security Committee Troika and the Russian Ambassador to the EU were supposed to take the lead in coordinating this work,¹² after the entry into force of the Lisbon Treaty this avenue is no longer relevant.

Russia and the EU never properly explored the proposal to establish a Russia—EU Political and Security Committee that was supposed to serve as a high-level forum for the exchange of views on international political and security issues, establish ground rules for joint EU—Russia civil/military crisis management op-

⁹ Ibidem.

¹⁰ Annex IV. Arrangements for Consultation and Cooperation between the European Union and Russia on Crisis Management. From Laeken to Copenhagen. European defence: core documents. Chaillot paper, compiled by Jean-Yves Haine. Paris: EU ISS, 2003, Vol. III, pp. 90–92.

¹¹ Zagorski, A. Peace support and regional security governance. Moscow: IMEMO, 2015, p. 87.

¹² Annex I. Joint Declaration on further practical steps in developing political dialogue and cooperation on crisis management and security matters. Moscow, May 29, 2002.

erations, and allow the actors to “exchange views on and draft recommendations on specific issues of cooperation, including to institutionalize political dialogue and joint decision-making on external security issues, including various conflicts and crisis situations which the EU and Russia jointly contribute to resolve within the framework of appropriate multilateral formats”.¹³ With the Ukraine crisis, this proposal seems to have disappeared, at least for years to come.

With this, regular consultations between the Russian mission with the EU Political and Security Committee remains the single most important channel for regular communication on external security issues.

Nonproliferation and **arms control** never were prominent on the Russia—EU agenda with the notable exception of cooperation in dealing with the Iranian nuclear dossier. Except for the EU contribution to the International Science and Technology Center established in Moscow in the 1990s, cooperation on these issues reduced itself to consultations and the pursuit in wider international frameworks of similar or compatible policies on relevant issues, such as strengthening nuclear non-proliferation, chemical and biological weapons conventions regimes, a comprehensive nuclear test-ban, or strengthening and expanding various export-control regimes.¹⁴ However, except for generally maintaining similar positions on a wide range of issues, for obvious reasons Russia and the EU never had any specific direct arms control business with each other.

Similarly, **combatting international terrorism** never was an issue on the agenda for direct cooperation between Russia and the EU.¹⁵ After both developed their own distinct instruments to respond to this common challenge, their cooperative framework essentially boiled down to signing the 2003 agreement between Russia and Europol¹⁶ and recognizing the need for enhanced information exchange. Otherwise, Moscow and Brussels concentrated on collaboration within relevant international and regional fora in order to safeguard the early signature and ratification of relevant counter-terrorism conventions and protocols, smooth and rapid implementation of relevant UN Security Council Resolutions; early finalisation of the UN Comprehensive Convention against International Terrorism and the International Convention for the Suppression of Acts of Nuclear Terrorism; enhancing common efforts to stop the financing of terrorism, including freezing funds and other financial assets of terrorist (with FATF leading the effort) and strengthening co-operation with and support to third countries in implementing the 2001 UN Security Council Resolution 1373.¹⁷

¹³ Memorandum. Meeting of Chancellor Angela Merkel and President Dmitri Medvedev on 2-5 June 2010 in Meseberg. URL: <http://www.russianmission.eu/sites/default/files/user/files/2010-06-05-meseberg-memorandum.pdf>.

¹⁴ For a short review see: Areas of Cooperation. Non-proliferation, export control and disarmament // Permanent Mission of the Russian Federation to the European Union.

¹⁵ For a review see: Areas of Cooperation. Fight against transnational crime and terrorism // Permanent Mission of the Russian Federation to the European Union.

¹⁶ Agreement between the European Police Office and the Russian Federation. November 6, 2003. URL: http://russiaeu.ru/userfiles/file/agreement_on_co_operation_between_the_european_police_office_and_the_russian_federation_2003_english.pdf.

¹⁷ EU-Russia Summit. Brussels, November 11, 2002. Joint Statement on the fight against terrorism. Areas of EU-Russia Cooperation in the fight against terrorism. From Laeken to Copenhagen. European defence: core documents. Vol. III, pp. 278–280.

2.3. Freedom of Movement

Lifting visa requirements can hardly be included on the list of genuine common interests and success stories of Russia and the EU. This issue was rigorously pursued by Moscow, particularly after the Schengen regime replaced the previously visa-free travel between Russia and East Central European countries on their way to accession to the European Union. Visa liberalization was also strongly supported by many interest groups within the EU, not least by the business community and civil society, and seems to be a plausible solution taking into account the number of Schengen visas issued every year to Russian citizens (see figure 6). But the introduction of visa-free travel has also been resisted by various actors in the EU,¹⁸ and is also closely linked to the discussion of migration issues¹⁹ and the implementation of the 2006 Russia—EU Agreement on readmission.²⁰

Dialogue on visa freedom between Russia and the EU²¹ thus evolved uneasily. After signing the 2006 visa facilitation agreement,²² in 2011 they launched negotiations on amending it. In 2007, they also launched a dialogue on visa freedom concentrating on four thematic blocs: document security, including biometrics; illegal migration, including readmission; public order and security; external relations. The exploratory phase of the dialogue was concluded in March 2010 allowing the assessment of legislative and administrative practices in areas covered by thematic blocs. In 2011, Russia and the EU agreed on a list of common steps to move towards visa-free short-term travel of EU and Russian citizens. However, early in 2014 this dialogue was suspended just after the Permanent Cooperation Council on Freedom, Security and Justice had stated the need to intensify the implementation of the Common Steps and to consider recommendations and proposals worked out by the EU and Russian experts.²³

Taking into account the current state of relations between Russia and the EU, it is hard to anticipate that the visa dialogue will resume any time soon and would be pursued rigorously.

¹⁸ For an in-depth study of the issue see: Salminen, M.-M., Moshes, A. Practise what you preach. The prospects for visa freedom in Russia-EU Relations. FIIA Report. Helsinki: The Finnish Institute of International Affairs, No.19, 2009.

¹⁹ For a review see: Areas of Cooperation. Migration issues // Permanent Mission of the Russian Federation to the European Union.

²⁰ Agreement between the Russian Federation and the European Community on readmission. May 25, 2006. URL: http://russiaeu.ru/userfiles/file/agreement_on_readmission_2006_english.pdf.

²¹ For a review see: Areas of Cooperation. Visa issues // Permanent Mission of the Russian Federation to the European Union.

²² Agreement between the Russian Federation and the European Community on the facilitation of the issuance of visas to the citizens of the Russian Federation and the European Union. May 25, 2006. URL: http://russiaeu.ru/userfiles/file/agreement_on_the_facilitation_of_the_issuance_of_visas_2006_english.pdf.

²³ Progress Report approved by the Coordinators of the EU—Russia Partnership for Modernization for information to the EU—Russia Summit on 28 January 2014. January 28, 2014, p. 5.

3. DIVERGENT INTERESTS

Besides particular differences that existed in specific areas of cooperation, several more fundamental divergences accumulated over the last decade and a half, largely arresting progress in the further development of partnership relations between Russia and the EU.

First of all, while the EU tended to see Russia as one of its eastern neighbors “to be Europeanised without becoming a member of all institutions”,²⁴ Moscow’s ambition was to be treated as an *distinct and equal partner rather than another “neighbor”* of the EU.²⁵ On the one hand, Russia sought to avoid unilateral approximation of its legislation with the EU’s *aquis*, as anticipated in a number of areas by the 1994 Partnership and Cooperation Agreement (PCA).²⁶ The desire to reflect full equality of the partners and reciprocity in their relations was extended to and manifested itself practically in all areas of cooperation.

This dispute was tentatively resolved by agreeing on the goal of developing a Common European Economic Space (CEES) and endorsing, in 2003, the CEES concept paper which proceeded on the basis of *selective* adoption by Russia of the EU *aquis* while putting emphasis on the development of *compatible, not necessarily common* rules, regulations and administrative practices.²⁷ Despite ambiguities implied in this concept,²⁸ it provided guidance for sectoral dialogues between Russia and the EU established on the basis of the 2005 Road Map for a Common Economic Space²⁹ that specified areas in which the compatibility of regulatory systems was to be developed. However, this consensus gradually eroded as long as Moscow increasingly shifted the focus of its policy from developing a common economic space with the EU toward prioritizing Eurasian integration, particularly so from 2009 when it accelerated the construction of a Customs Union with Belarus and Kazakhstan later to become the Eurasian Economic Union (EAEU).

²⁴ Sutela, P. EU, Russia, and Common Economic Space. Helsinki: BOFIT, No.3, 2005, p. 5.
URL: http://www.suomenpankki.fi/bofit/tutkimus/tutkimusjulkaisut/policy_brief/Documents/bon0305.pdf?hl=ecu.

²⁵ Klitsunova, E. EU-Russia Relations through the Prism of Four Common Spaces: How Russia Views Them. In A. Duleba (Ed.). Searching for New Momentum in EU—Russia Relations: Agenda, Tools and Institutions. Bratislava, Research Center of the Slovak Foreign Policy Association, 2009, p. 147; Sutela, P. EU, Russia, and Common Economic Space, Helsinki: BOFIT, No.3, 2005, p. 5.

²⁶ Article 55. Agreement on Partnership and Cooperation establishing a partnership between the European Communities and their Member States, of the one part, and the Russian Federation, on the other part (further PCA). 1994. URL: http://www.russianmission.eu/userfiles/file/partnership_and_cooperation_agreement_1997_english.pdf.

²⁷ Annex I. The Common European Economic Space (CEES) – Concept Paper. 12th EU—Russia Summit. Rome, November 6, 2003, pp. 5–9. URL: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/declarations/77846.pdf; Dolgov, S.I. Common economic space – a new integration format under conditions of globalization // Rossiyskiy vneshneekonomicheskiy vestnik. 2010, No. 9, pp. 7–9; Sutela, P. EU, Russia, and Common Economic Space, Helsinki: BOFIT, No.3, 2005, p. 6.

²⁸ On this see: Pursiainen, C. The Ambiguity of the Common European Economic Space: a Strength or A Weakness? RECEP paper. 2004. URL: http://www.recep.ru/files/documents/04_07_26_Economic_Space_En.pdf.

²⁹ Road Map on the Common Economic Space. May 10, 2005. URL: http://russiaeu.ru/userfiles/file/road_map_on_the_common_economic_space_2005_english.pdf.

The claim for an equal partnership manifested itself in other areas of cooperation as well. As described above, it was the underlying desire behind Moscow's insistence on insufficiency of the Seville mechanism that would allow the EU to engage Russia in crisis management but not vice versa. It also strongly affected discussions within the framework of Russia—EU result-oriented dialogue on the rule of law and human rights, and it strongly affected the unfinished process of negotiating a new basic treaty which was supposed to replace the PCA.

Over the past fifteen years, Moscow was also increasingly departing from the **values based conditionality** of its relations with the European Union. Such conditionality was explicit in the 1994 PCA that provided that “the full implementation of partnership presupposes the continuation and accomplishment of Russia's political and economic reforms”. This included, in particular, recognition of “the paramount importance of the rule of law and respect for human rights, particularly those of minorities, the establishment of a multiparty system with free and democratic elections and economic liberalization aimed at setting up a market economy”.³⁰ In redefining its relations with the EU, Moscow sought to establish a contractual relationship based on common interest rather than common values, thus seeking to escape the effects of the EU's “normative power” and policy of conditionality.³¹

Continuously over the last decade and a half, differences between Russia and the EU have accumulated and grown over the goals of their policies in the **common neighbourhood**, increasingly portrayed as a competition³² of integration projects offered to the countries concerned by Russia and the EU and often confronting them with a difficult ‘either or’ choice. From the very beginning, Moscow sought to exempt the common neighborhood from cooperation with the European Union³³ on external security matters to the extent possible.

Controversy over Russia's and EU's policies started growing particularly from 2009 after the introduction of the Eastern Partnership. The Eastern Partnership's offer of political association and integration with the European Union, extended to Russia's neighbors in Eastern Europe and South Caucasus was interpreted in Moscow as a policy leading toward disassociation and disintegration of those countries from Russia.³⁴ This made Moscow believe that the EU was increasingly becoming a revisionist power in Eastern Europe crossing red lines, never agreed upon but strongly upheld by the Russian political class.³⁵ Ever since, Moscow has sought to communicate to Brussels that a policy of integration of Eastern neighbors with the EU was incompatible with the goal of developing strategic partnership with Russia.³⁶ This competition culminated in the crisis in and around Ukraine in 2013 and 2014.

³⁰ Preamble. PCA. p. 5.

³¹ Zagorski, A. A Strategic Partnership Lacking a Strategic Vision. In A. Duleba (ed.). Searching for New Momentum in EU—Russia Relations: Agenda, Tools and Institutions. Bratislava, Research Center of the Slovak Foreign Policy Association, 2009, pp. 115–136.

³² See, *inter alia*: Popescu, N., Wilson, A. The Limits of Enlargement-lite: European and Russian Power in the Troubled Neighbourhood. London: ECFR, 2009.

³³ Sutela, S. EU, Russia, and Common Economic Space. Helsinki: BOFIT, No.3, 2005, p. 5.

³⁴ Zagorski, A. Eastern Partnership from the Russian Perspective. Internationale Politik und Gesellschaft. 2011, No.3, pp. 41–61.

³⁵ Zagorski, A. A Strategic Partnership Lacking a Strategic Vision. pp. 128, 132.

³⁶ Ibidem, p. 133.

The current crisis in Russia—EU relations, and between Russia and the West more generally, has highlighted their even more fundamental differences on the ***foundations of the European order***, its architecture and the place and role of Russia and of the common neighbourhood in that order.³⁷ As regards the future of Russia—EU relations representing one essential building bloc of the broader European architecture, Moscow and Brussels not only lack a common vision, but have neither clearly formulated or articulated where they would like to take this relationship next. The appreciation of the previously agreed common goal of developing a Common European Economic Space by increasing the compatibility of regulatory frameworks and administrative practices has gradually eroded long before the current crisis broke out, and it is not yet replaced by a different vision.

It is not at all obvious that Moscow wants to further pursue this vision. Rather not. The general assessment is that attempts at developing common spaces with the EU, or pursuing the ‘Partnership for modernization’ have largely failed over broader political differences.³⁸ Moscow continuously has put forward grand designs by suggesting the development of either a common economic space between Lisbon and Vladivostok including the Eurasian Economic Union,³⁹ or, most recently, adding China to the vision of a “Wider Eurasia”.⁴⁰ However, these proposals have progressively watered down the vision of increased compatibility between Russia and the EU and significantly contributed to the erosion of political support for this vision. They rather documented Russia’s drift towards a simpler deal that would allow it to exchange energy resources against European state of the art technologies and investment⁴¹ and, at the same time, shield its neighbourhood from further penetration by Western institutions and domestic developments from Western influence.

While deeply divided on the underlying goals of its Russia policy, the EU is apparently drifting away in the opposite direction. Having dropped the language of ‘strategic partnership’, its current objectives formulated in March 2016⁴² move it exactly into the direction that can only increase mistrust and anxiety in Moscow over the goals of a ‘revisionist’ EU that seeks to push further its Eastern Partnership, penetrate Central Asia, and foster links with Russian civil society. At the same time, it is not at all obvious whether, by admitting the need to engage Moscow on issues of interest for the European Union, the EU means to reciprocally allow Moscow to engage it on issues of interest for Russia.

³⁷ See, inter alia: Entin, M., Entina, E. New agenda for Russia-EU relations. p. 4.

³⁸ Ibidem. p. 4.

³⁹ Putin, V. A new integration project for Eurasia— the future that is born today // Izvestiya, October 3, 2011. URL: <http://izvestia.ru/news/502761>.

⁴⁰ The Wider Eurasia project is declared open // Rossiyskaya Gazeta. June 20, 2016. URL: <https://rg.ru/2016/06/19/reg-szfo/vladimir-putin-proekt-bolshoj-evrazii-otkryt-i-dlia-evropy.html>.

⁴¹ Meshkov, A. Russia – Europe: What next? // International Affairs. 2015, No. 9, p. 11.

⁴² Outcome of the Council meeting. 3457th Council meeting. Foreign Affairs. 7042/16. Brussels, March 14, 2016.

4. MECHANISMS FOR COOPERATION

Institutions and mechanisms of Russia—EU dialogue established on the basis of the PCA – semiannual summit meetings, biannual meetings of the Russian Government with the European Commission, ministerial-level Permanent Partnership Council, the Parliamentary Cooperation Committee, as well as multiple sectoral dialogues and working groups have been put on hold by the EU during the Ukraine crisis. However, as indicated above, dialogue across the wide spectrum of practical issues of mutual interest at the level of experts, occasionally at the ministerial level as well, was not interrupted⁴³ and continues, although formally it takes place outside the suspended official formats.

The effectiveness and the rationale of a dense network of Russia—EU dialogues is disputed.⁴⁴ Often, it is asserted that, over time, these mechanisms degenerated into talking shops while their deliverables have been relatively modest as compared to initial expectations. This critique, however, is only partially justified as particularly expert level cooperation increasingly suffered from a lack of clear political guidance and an eroding understanding of the common purpose of Russia—EU cooperation.

At the same time, *working level* dialogues became an important platform for exchanging experiences and best practices. They effectively served the purpose of providing information concerning forthcoming regulatory changes, thus avoiding surprises and allowing them to identify potential problems and discuss solutions before they would resonate politically or lead to disputes brought before the WTO. They also served the purpose of policy discussions of Russia and the EU in wider international fora, such as the WTO or the G20.⁴⁵ These functions are continuously performed by regular expert-level dialogue which was not substantially affected by the EU sanctions.

Apparently, the weakest part of the Russia—EU dialogue mechanisms was not the expert but the *mid-level*. Ministerial-level sectoral permanent partnership councils were supposed to serve as an important intermediary helping to translate recommendations agreed by experts at the political level and seek solutions to issues which were not agreed upon by experts, before those issues were brought to the attention of summit meetings. For all sorts of reasons, including irregularity of meetings of many sectoral councils, not least due to the continuous reshuffling of the Russian government, on many instances the ministerial level failed to appropriately perform this function thus not allowing the vertical filters of the Russia—EU mechanism to work appropriately.

⁴³ Russia-EU expert consultations on Drugs held in September 2016 are just one of many examples of continued expert-level dialogue: Russia-EU Expert Consultations on Drugs // Permanent Mission of the Russian Federation to the European Union. URL: <http://russiaeu.ru/en/news/russia-eu-expert-consultations-drugs-0>.

⁴⁴ For a discussion of Russia—EU mechanism and institutions see, *inter alia*: Entin, M., Entina, E. New agenda for Russia-EU relations. pp. 7–9.

⁴⁵ See, *inter alia*: EU—Russia Common Spaces Progress Report 2011. February 2012; Progress Report approved by the Coordinators of the EU—Russia Partnership for Modernization for information to the EU—Russia Summit on 28 January 2014. January 28, 2014, pp. 1–2.

The more open question, at the same time, is not the previous deliverables of these mechanisms but, rather, whether Russia and the EU should resume their operation after the current crisis in their relations is over, or whether they should consider a different architecture of those mechanisms. There is no clear answer to this question as long as the common purpose, or the agreed goal of these institutions remains unclear. Should Russia and the EU decide to return to the goal of harmonizing their regulatory systems and practices, large parts of the previous mechanisms could resume working on this.

As long as both sides maintain ambiguity as regards to the long-term vision for their relationship, cooperation will be managed primarily by continuous communication at the working level and, whenever deemed necessary, by conducting meetings at the ministerial level on issues of mutual interest. However, they should realize that even a dense communication at the expert (technical) level cannot be expected to generate any strong political impetus or a more or less coherent vision for the future of Russia—EU relations. Defining a common purpose and providing political guidance is a task that can only be performed at a higher political level. This is a reason why Russia—EU summits will remain an indispensable part of this mechanism.

Otherwise, any restored architecture of Russia—EU cooperation should be informed by relevant PCA provisions, at least as long as neither side withdraws from the agreement, or until it is replaced by another instrument. This also implies that, at some point in time, summit meetings will have to be resumed, although their regularity may be reduced from twice to once a year. These meetings will have to be supported by the ministerial-level Permanent Partnership Council structured along the future agenda of Russia—EU cooperation.

5. CONCLUSIONS AND RECOMMENDATIONS

1. While recognizing that in the near term, Russia—EU cooperation will be primarily carried further at the working (expert) level, it should also be recognized that defining a common purpose for this cooperation – whatever it ultimately might be – will be impossible without ***resuming proper communication and dialogue at political level*** which so far remains suspended over the Ukraine crisis. For this dialogue to be effective, Moscow should formulate and articulate what it wants from this cooperation. The European Union has yet to find consensus among its member states on a vision for its future relations with Russia which goes beyond the rigid formula adopted in March 2016.

2. Taking into consideration the apparently protracted nature of the settlement of the Ukraine crisis, and of the implementation of the 2015 Minsk agreement, the Russia—EU dialogue should not be held hostage to this process indefinitely and some sort of ***parallelity*** of discussing fundamentals of Russia—EU relations with the Minsk process should be admitted as early at the earliest possible convenience while re-confirming that Minsk agreements should be *fully* implemented by *all* parties and in good faith.

3. As an matter of urgency, the EU and Russia should ***address the consequences of Association and DCFTA agreements*** of a number of Eastern Partnership countries with the EU in order to reduce legitimate concerns on the side of Russia by addressing relevant trade or technical regulations issues in order to restore and promote mutual trade instead of inhibiting it. Such consultations should be conducted initially at the expert level in order to identify relevant issues and explore solutions. They can build upon trilateral discussions between Russia, the EU and Ukraine conducted in 2015 but should be extended in order to involve Georgia and Moldova, who also have entered an association with the EU in 2015. These issues should be addressed in a similarly cooperative manner as Russia and the EU did address consequences of the 2004 enlargement of 2004 for Russian trade with ECE countries.

4. The EU should consider options for developing ***dialogue with the Eurasian Economic Commission*** on relevant issues within their competencies, such as technical regulations, beyond the current stage of technical exchange in order to ensure the maximum attainable compatibility of the association with the EU and the membership in the Eurasian Economic Union (EAEU).⁴⁶ Establishing and developing dialogue between the European Commission and the Eurasian Economic Commission could help approach the issue of developing a Europe-wide common economic space from Lisbon through Vladivostok and, in particular, exploring long-term prospects for establishing a free trade area embracing both the EU and the EAEU.⁴⁷

⁴⁶ For a thoughtful analysis of an eventual dialogue between the EU and the EAEU see: Van der Togt, T., Montesano, S.F., Kozak, I. From Competition to Compatibility. Striking a Eurasian balance in EU-Russia relations. Clingendael, 2015.

⁴⁷ On this see, *inter alia*: Free Trade from Lisbon to Vladivostok. A Tool for Peace and Prosperity: The Effects of a Free Trade Area between the EU and the Eurasian Region. Focus Paper. Carl-Bertelsmann Stiftung, 2016.

5. Without waiting for a political agreement on a sustainable vision for the future Russia—EU relations, Moscow and Brussels should resume full-scale dialogue on issues that are prominent on their agenda, such as **energy dialogue**. With the changing European and global energy markets, both sides need long term predictability on both the supply and the demand side, in order to make appropriate long term investments.

6. Prospects for Russia—EU defense cooperation and crisis management seem to have faded, at the best, for quite some time to come. However, **consultations on external security** issues should be continued. Regular (as a rule, monthly) meetings between the permanent representative of Russia and the EU Political and Security Committee⁴⁸ will remain the main mechanism for such consultations.

7. The resumption of dialogue on the freedom of movement between Russia and the EU is desirable, although it is difficult to expect fast progress in the near future.

⁴⁸ Meetings between Permanent Representative and PSC // Permanent Mission of the Russian Federation to the European Union. URL: <http://russiaeu.ru/en/meetings-between-permanent-representative-and-psc>.

6. FIGURES

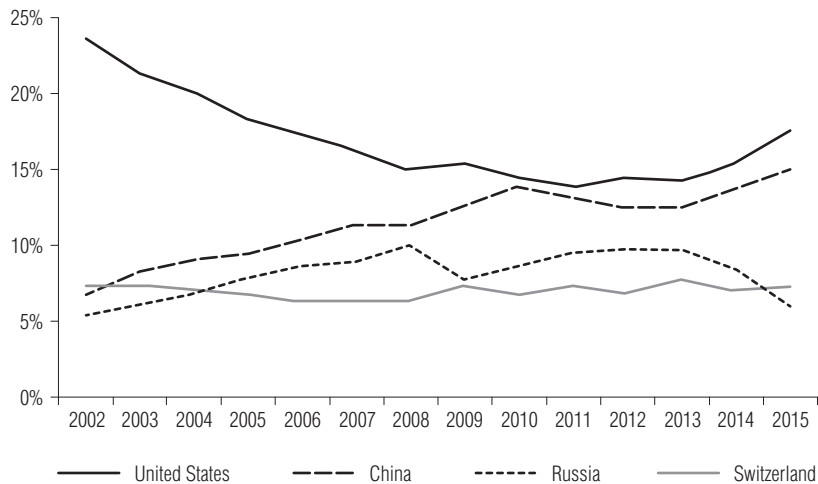


Figure 1. EU Trade 2002–2015

Source: Russia's share of EU trade has declined sharply // Eurostat. 2015.
URL: http://www.eeas.europa.eu/top_stories/2016/010416_ru.htm (in Russian).

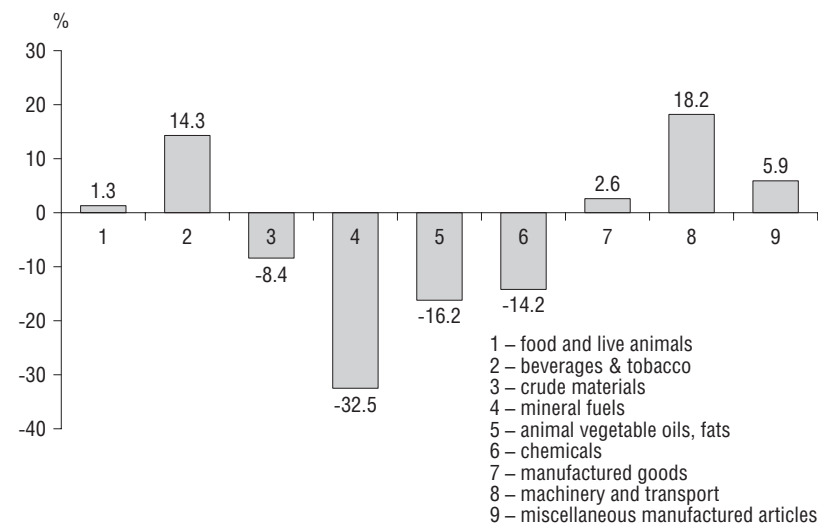


Figure 2. EU Imports from Russia, change in 2015

Source: European Union, Trade in goods with Russia // Eurostat.
URL: http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113440.pdf

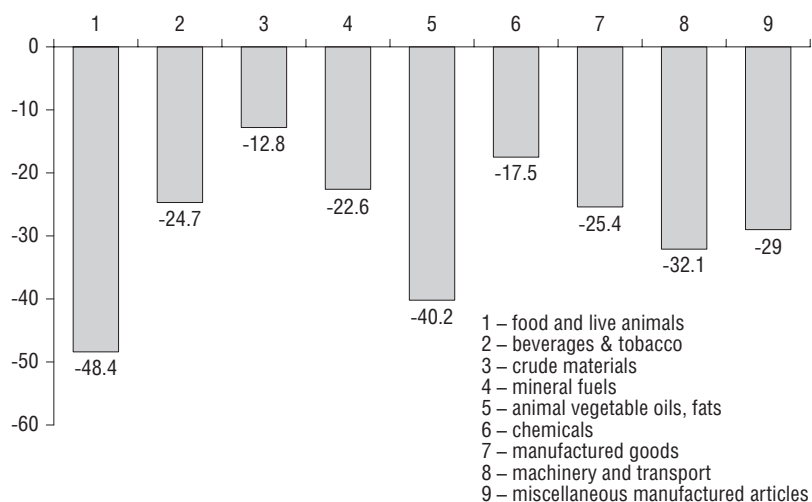


Figure 3. EU Exports to Russia, change in 2015

Source: European Union, Trade in goods with Russia // Eurostat.
URL: http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113440.pdf.

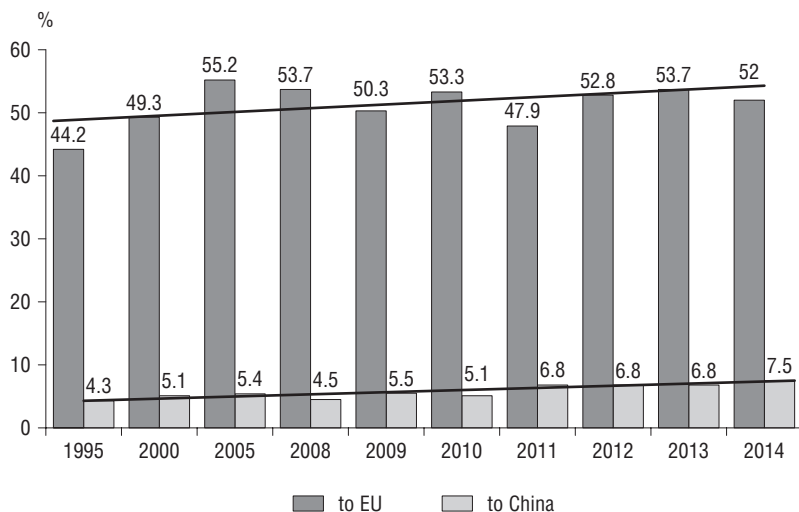


Figure 4. Shares of the EU and China in Russian exports

Source: Based on Russian State Statistical Committee data.

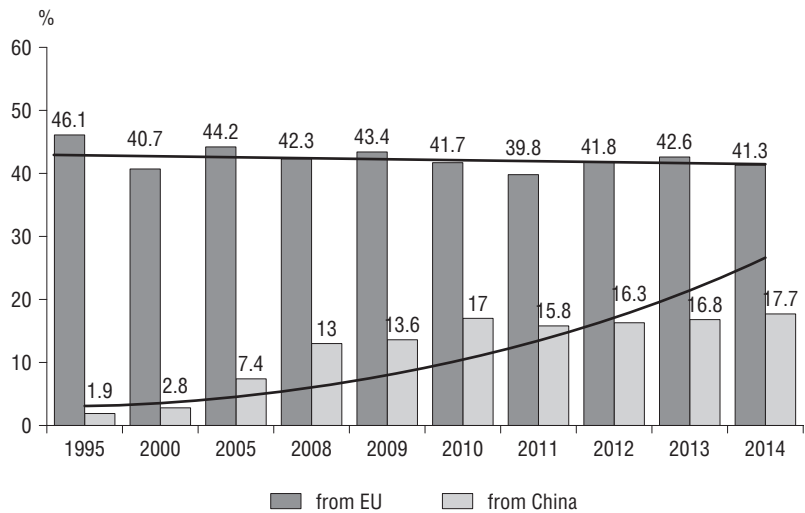


Figure 5. Shares of the EU and China in Russian imports

Source: Russian State Committee for Statistics.

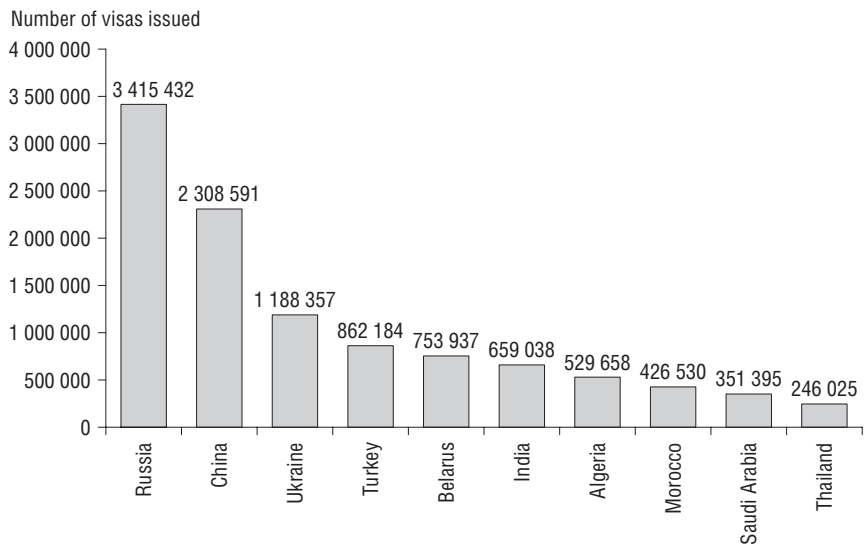


Figure 6. Schengen visas issued in 2015

Source: Schengen Visa Info // Schengen Visa Statistics by Third Country – 2015.
URL: <http://www.schengenvisainfo.com/schengen-visa-statistics-third-country-2015/>.

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Notes