

# EU-Russia: Towards the Four Spaces

By Dr. Tatiana Romanova & Dr. Natalia Zaslavskaya \*

## 1. EU-Russian Relations 1991-2003 – An Overview

Almost till the very end of the Cold War there had been no official relations between the Soviet Union and the European Communities. The Soviet officials considered Communities an economic partner of NATO, the Soviet major ideological opponent. Besides, the Soviet Union and its allies united in the Council for Mutual Economic Assistance (COMECON) wanted its reciprocal recognition by the Communities, which was not acceptable for the EC. Absence of official relations caused serious economic disadvantages to the Soviet Union and its allies. Only in the late 1980s when

Michael Gorbachev steered the USSR did it become possible to establish official relations. First, COMECON established relations with the European Economic Community on the basis of a declaration. Then the Soviet Union and the European Communities signed an Agreement on Trade and Economic Cooperation.

The end of the Cold War became a turning point in the EU-Russian relations. It signified major changes in Europe. On one hand, the European Communities' Member States agreed to create the European Union and to reinforce political cooperation in the form of Common Foreign and Security Policy (CFSP) and judicial co-operation in the form of the third pillar (Justice and Home Affairs).

On the other hand, the Soviet Union collapsed leaving 15 independent states on the post-soviet territory. Eventually, each of these states had to determine its priorities in the relations with the European Union. Russia was not satisfied with the nature of her relations with the EU inherited from the Soviet Union. In 1992, Jacques Delors visited Moscow and emphasised the necessity to prepare a new agreement which would better reflect EU-Russian relations. Almost two years of negotiations resulted in the Partnership and Cooperation Agreement (PCA)<sup>1</sup> signed in 1994 in Corfu. Ratification process complicated by the enlargement of 1995 and war in Chechnya took a few years, and the agreement finally came into force in 1997.

\* Dr. Tatiana Romanova & Dr. Natalia Zaslavskaya are with the School of International Relations, St. Petersburg State University.

The PCA was meant to indicate a new level of the EU-Russian relations upgraded to partnership based on common 'respect for democratic principles and human rights'. The agreement determined major areas of cooperation between the EU and Russia: political cooperation, trade and economic cooperation. It also provided a basis for further development of cooperation in other policy areas such as science, education, environment, transport, tourism, social development, etc.

In the area of *political cooperation*, the agreement created a new form of cooperation, 'political dialogue', and indicated its major objectives: rapprochement between the EU and Russia, political and economic reforms in Russia and development of other forms of cooperation. Political dialogue was supported by the *institutional structure* in the form of regular political consultations of the EU and Russian officials at different levels: at a top executive level (summits), at a ministerial level (Cooperation Council), at a senior official level (Cooperation Committee), at an experts' level (Sub-Committees), at a parliamentary level (Parliamentary

Cooperation Committee). The top officials from Russia (the President) and the European Union (the President of the Council and the President of the Commission) would meet twice a year. Later it was agreed that the meeting in the first half of the year would take place in Russia (usually in Moscow with only one exception in 2003 when this meeting took place in St. Petersburg because of its 300<sup>th</sup> anniversary) and in the second half of the year it would be organised in the country holding the Presidency in the Council (again with the only exception in November 2002 when it was moved from Copenhagen to Brussels because of political contradictions between Russia and Denmark caused by the Chechen Convention in Copenhagen).

The Cooperation Council presents the ministerial level and consists of the members of the Council and members of the Commission at the EU side and of the members of the Russian government at the Russian side. They meet regularly at least once a year in order to discuss cooperation in certain policy areas. In 2003, at the EU-Russian summit in St. Petersburg, it was decided to create a Permanent Part-

nership Council. Now it can meet more frequently and in different formats depending on a negotiated issue. The Cooperation Committee was created to assist the Cooperation Council. In addition, at the experts' level, there are Sub-Committees or working groups concentrated on particular issues. The Parliamentary Cooperation Committee composed of the European Parliament's members and Russia's Federal Assembly members was supposed to provide the democratic control over implementation of the agreement.

In the area of *economic cooperation*, the PCA granted Russia a transit economy status. At that time it was an important step forward from the country with a state economy status but later the transit economy status caused certain problems for the Russian producers, in particular provoking multiple anti-dumping procedures against the Russian goods. Only in 2002 Russian Government managed to get agreement of the European Commission to grant Russia a market economy status. The PCA abolished quantitative restrictions for the Russian goods with the exception of steel, textile and nuclear mate-

rials. The agreement declared an ambitious objective of a free trade area. In 1998, the EU and Russian officials could decide on opening negotiations to discuss prospects of a free trade area, but then Russian economy was going through a serious financial crisis, when trade between the EU and Russia had significantly dropped, and negotiations were postponed.

European communities started providing *economic and technical assistance* to Russia in 1991 on a basis of the Agreement on Trade and Economic Cooperation they had with the Soviet Union. After the collapse of the Soviet Union, Communities continued to support newly independent states. The programme was called Tacis (Technical Assistance to the Commonwealth of Independent States) and it became one of the major instruments of Brussels' policy towards Russia and the most significant instrument of international economic and technical assistance to Russia as in the period of 10 years from 1991 till 2001 Russia received 2.4 bln. euro. The EU enlargement in 1995 facilitated further cooperation between the EU and

Russia and created a new framework for the EU economic assistance to Russia, as new Member States suggested development of the Northern Dimension in order to promote economic growth and social stability in the bordering area. The Northern Dimension became an important instrument of the EU policy in Northern Europe, including Northwestern Russia. It was also meant to erase the difference between internal and external policies and involve Russia into a new kind of co-operation.

In June 1999, during the European Council meeting in Cologne, the European Union adopted the Common Strategy on Russia. It indicated priorities of the EU-Russian relations: reinforcement of democracy and the rule of law, Russia's integration into Europe, stable and secure environment, common challenges. A few months later the Russian Government adopted the Russian Federation Middle Term Strategy towards the European Union (2000-2010), which determined Russia's priorities in the EU-Russian relations: 'strategic partnership' between Russia and the European Union, widening the scope of a political dialogue,

development of trade and investment, financial cooperation, protection of Russia's interests from the negative impact of enlargement, development of transport cooperation, cross-border cooperation, justice and home affairs cooperation, convergence of technical standards, etc. Both documents demonstrated mutual interest in the development of relations but also indicated different preferences.

The PCA was agreed upon for the initial period of 10 years. Obviously, today's situation is different from the early 1990s when the agreement was negotiated. The European Union has significantly changed; it has been deepened with the extension of the Community competence and widened with the enlargement. During the last decade, Russia also has gone through economic and political reform and became different from the country it used to be. It became necessary either to amend the PCA according to the nowadays situation, or to adopt new documents that would better satisfy interests of both Russia and the European Union. The Russian authorities consider the agreement outdated and suggest its radical modi-

fication or even a new document to provide a basis for development of the EU-Russian relations while the EU officials argue that it is still possible to use the current agreement more efficiently without radical changes. Moreover, Brussels strongly criticized Russia's search for new institutions instead of efficient use of the existing ones.

The EU Eastern enlargement raised the question of further development of the EU-Russian relations. The EU was extending its influence eastwards by moving closer to the Russian borders. The Central and Eastern European countries were ready to join the European Union. Participating in the CFSP formation, they would be able to influence the EU policy towards Russia. Extension of the Single European Market eastwards could undermine the interests of Russian industry oriented towards Central and Eastern European countries. Increase of the common border could improve mutual understanding and could create common interest in the area along the common border. All the changes in the EU and Russia forced to reconsider priorities of

the EU-Russian relations. One of the acceding countries, Poland, suggested reconsidering the EU policy towards Eastern neighbours and to promote cooperation with the countries neighbouring the EU in the East in the framework of the Eastern Dimension. However, Warsaw preferred that Moscow stayed away from the co-operation and that the Eastern Dimension would be concentrated on Belarus, Moldova and Ukraine. The European Commission supported this idea but suggested increasing its geographical scope and extending this policy also to Southern neighbours.

Eventually, this idea was transformed into the European Neighbourhood Policy targeted at the neighbouring states with no real opportunity of EU membership with the objective to create a 'ring of friends', a stable and prosperous environment around the European Union, to ensure democracy and the rule of law and to support economic and political reforms in the neighbouring countries. Russia was considered one of these neighbours. The European Neighbourhood Policy provided only a general approach leaving room for ma-

noeuvre to determine particular strategy towards each of the neighbouring countries, which had to be specified in an individual action plan for each country.<sup>2</sup> Financial resources in the form of the Neighbourhood Instrument supported this policy.

Development of common spaces was prepared by the PCA which was supposed to 'provide an appropriate framework for the gradual integration between Russia and a wider area of cooperation in Europe'. The original idea was to strengthen economic cooperation and to create the Common European Economic Space (CEES). In 2001, European and Russian leaders decided to examine the potential of this initiative. Two years later, at the EU-Russian summit in St. Petersburg, they agreed to extend this concept and develop four common spaces: (1) a common economic space, (2) a common space of freedom, security and justice, (3) a space of co-operation in the field of external security, (4) a space of research and education, including cultural aspects.

## 2. European Union-Russia Common Spaces

### 2.1. Common Economic Space

#### *Some History*

Out of the four spaces that are now under construction in the EU-Russian relations the common economic space is the oldest. The PCA's perspective to establish an EU-Russian free trade zone introduced the idea of the first stage of economic integration between the two partners. Basic ideas about trade and investment facilitation as well as about legal harmonisation where firmly fixed in the PCA.

After a slow start a discussion on the topic of closer economic ties and some form of integration was further intensified in a narrow – energy – field where the ties between the European Union and Russia are the strongest. As a result the parties, in 2002, drew the Energy Dialogue's agenda, which took into account both EU needs for stable supply and Russia's quest for investment. Constant exchange of information has pro-

ceeded since 2002 but up to now has produced only modest results.

Furthermore, at the Moscow summit in 2001 the EU and Russia decided to set up a Common European Economic Space (CEES) to further intensify their economic relations. To develop a concept of the CEES, a High Level Group consisting of Viktor Khristenko (currently Minister for Industry and Energy) on the Russian part and Chris Patten (Commissioner for External Affairs, later substituted with Gunter Verheugen, Commissioner for Enlargement) was set up. The results of their work, presented in autumn 2003, were quite modest and disappointing. A vague concept of the CEES foresaw "an open and integrated market between the EU and Russia, based on the implementation of common or compatible rules and regulations, including compatible administrative practices, as a basis for synergies and economies of scale associated with a higher degree of competition in bigger markets"<sup>3</sup>. But at the same time trade and investment facilitation with close collaboration in energy and transport infrastructure were in the centre of the dis-

cussion thus undermining the idea of full four freedoms (i.e. movement of goods, services, capital and labour) that the integrated market normally meant.

To further develop the concept, the High Level Group asked to extend their mandate but by that time the CEES was subsumed by the new idea of developing EU-Russian co-operation through the four spaces. So, instead of the extension of the mandate of the High Level Group for the CEES it was decided to elaborate the action plans (later transformed into the roadmaps) for the development of the four spaces.

#### *The Essence*

The preconditions of EU-Russian closer economic co-operation are evident. The European Union is the major destination for Russian exports: more than 50% of Russia's total external trade is targeted at the EU market. Russia is the EU's fifth trading partner (after the US, Switzerland, China and Japan). However, the structure of exchange remains unbalanced, with the EU supplying industrial goods and services and Russia providing mostly natural re-

sources. Total EU-Russian trade in 2003 reached € 84 billion with the EU trade deficit of € 18 billion. Mutual dependence was further enhanced through the 2004 accession of the eight Central European countries to the European Union.

The idea of the Common Economic Space (CES), introduced at the May 2003 summit in St. Petersburg and endorsed at the Rome summit in November 2003, basically substitutes that of the Common European Economic Space although, interestingly, Russian participants continue to call it Common European Economic Space.

European participants of this discussion specify that the CES is broader than the CEES because it covers not only economic issues but also specific energy co-operation and environment. Two things are outstanding in this formula:

- The EU side insists on the integration of the previously separate energy co-operation into a general economic discussion and maintaining there the momentum for the Energy Dialogue;
- The EU underlines the very prominent position that the environment co-operation takes.

### *Points of Contradiction*

The discussion on the Common Economic Space is fraught with contradictions. The main issue is how the EU and Russia regard this co-operation. According to the EU representatives, the discussion is about regulatory convergence and gradual establishment of the four freedoms between Russia and the European Union. This basically means the extension of the EFTA model of relations with the EU to Russia. Oli Rehn, current Commissioner for Enlargement, summed it up by saying:

The ultimate goal of the CES is to create an open and integrated market between the EU and Russia, to promote trade, investment and the competitiveness of our economic operators. However, to promote economic integration it is not enough to liberalise trade. The essential efforts must be geared towards the promotion of compatible regulatory frameworks and the proper enforcement of rules.<sup>4</sup>

Thus, in the EU's view, the CES is about gradual liberalisation and regula-

tory and legal approximation.

Russian official position is not that clear-cut. According to the chief negotiator, Viktor Khristenko, real economic integration will be based on investment and industrial co-operation. However, the work should be based on two pillars that are soft legal harmonisation and deep economic co-operation in some specific spheres. In present situation

full harmonisation of economic and legal systems seems to be the issue of the long-term perspective. Therefore, in the short-term we have to stress co-operation in separate prepared for the intense co-operation and integration sectors. This does not exclude harmonisation of the most fundamental norms of economic activity (property rights, contract law, competition, non-discrimination, stability of tax-law, transparency etc.), however, in all other relations regulatory convergence will take place gradually under the influence of the practical needs in integration processes.<sup>5</sup>

At the same time, an official representative of the Russian Ministry of Foreign Affairs, Anatolii Yakovenko, stressed that

the main goal of the Common Economic Space is to introduce four freedoms (that of free movement of goods, services, capitals and labour). Besides trade and economic relations, Common Economic Space include co-operation in the energy and transport fields and in the environment sphere.<sup>6</sup>

Thus, in the view of Mr. Yakovenko, the conceptual ground of the EU-Russian economic co-operation is similar to the EU's. This is probably true in the long-term perspective. In the short-term, Russia is prepared to talk about some regulatory approximation but not about full legal harmonisation including the aspects of liberalisation. Therefore the Russian solution is to initially talk only about regulatory aspects in the framework of the WTO. Secondly, Russia believes that the Energy co-operation should be preserved separately whereas the European Union insists on its integration into the framework of the CES.

At his intervention during the meeting of the EU-Russian Round Table of Industrialists, Mr. Khristenko went so far as to call the ideas of integrating the Energy Dialogue into the Common Economic Space destructive. Whereas Brussels believes that the Energy Dialogue is nothing but a part of the general economic framework to be guided by common standards of relations, the Russian side is willing to stress high integration potential of the energy field and the possibility that it will play the role of a locomotive in the EU-Russian relations. Moreover, peculiarity of the energy co-operation is that Russia is taken as an equal partner here and its separate treatment allows Moscow to stress the very particular character of the EU-Russian relations. However, the parties state that they are reasonably close to achieving an agreement in this field.

## **2.2. Common Space of Freedom, Security and Justice**

### *Some History*

EU-Russian co-operation in the field of justice and home affairs was foreseen

already at the time of the PCA conclusion in 1994 and was reiterated in the EU Common Strategy on Russia. However, until 2000 any co-operation in this field was virtually absent from the agenda.

The progress was reached in April 2000 when the Action Plan Against Organised Crime was finalised and set the agenda for further co-operation.

The discussion on democracy and human rights has always been present in the bilateral relations although has, since mid-1990s, given way to a more pragmatic EU attitude.

Terrorist attacks of the new millennium (11 September 2001 in the United States, 2002 theatre stage in Moscow as well as March 2004 attack in Madrid) led to the inclusion of a new issue to the EU-Russian dialogue – that of combating terrorism. Thus at the October 2001 summit the first Joint Statement on International Terrorism was made, followed by the second one in November 2002.

Another issue which was brought up in the discussion in 2002 was the issue of visa-free travel for Russian citizens. Sev-

eral factors provoked the discussion – one being the EU gradual enlargement and the need to avoid new dividing lines in people-to-people contacts, coupled with a specific problem of Kaliningrad transit. Another factor was active discussions which surrounded the work on the Common European Economic Space and foresaw free movement of labour in the distant future. This was countered by the European Union with the proposal to discuss the notorious readmission agreements and Russia's border management.

Finally, in November 2003, the Europol and the Russian Interior Ministry signed an agreement that provided a framework for co-operation in criminal matters.

### *The Concept*

The Common Space of Freedom, Security and Justice currently includes all the issues that have been identified since the establishment of co-operation in this field. These are co-operation in preventing illegal activities, such as trafficking in drugs, money-laundering, organised

crime, corruption, and vehicle theft; crime-investigation, fight against border crimes and illegal migration, improvement of visa-regime (the use of flexibilities in the Schengen regime) with its gradual long-term elimination.

In this context the EU-Russian negotiations on the readmission agreement commenced on 23 January 2003 and are currently ongoing. Moreover, a feasibility study launched by the European Commission in March 2003 outlined proper measures for combating trafficking in women originating from and transiting through Russia. Assistance to Russia is to be provided for developing border and other infrastructures, upgrading customs and cross-border posts, and enhancing the skills of their personnel.

The St. Petersburg statement, which initiated the discussion on common spaces, also confirmed the importance of common values, which both sides pledged to respect, as the basis on which to further strengthen our strategic partnership. These are democracy, human rights and the rule of law.

### *Points of Contradiction*

One of the oldest debates between the European Union and Russia is visa-free travel. The parties seem to be deaf in this discussion. Russian participants talk mainly about flexibility of the Schengen regime with the eventual visa abolishment. The European Union counters it with the insistence to conclude the readmission agreement and improve Russian border management. The issue of readmission and good border management are certainly linked with each other because the better one guards the borders the less difficulties it has implementing the readmission agreement. However, readmission agreements and good border management as such have nothing to do with visa-free travel as the last is to be provided only to Russian citizens and not to whoever enters the European Union through Russia. The real issue that has to be targeted here is better passport protection in Russia. As for the readmission agreement, according to the Ministry of Foreign Affairs officials, it might turn Russia into a "filtration camp" and therefore Moscow is very wary in these negotiations.

Secondly, the EU enlargement led to the intensification of the debates on common values and hardening of the critique of Moscow policy in Chechnya as well as some Russia's internal initiatives. Evidently, new member-states are trying to find their way in the EU foreign policy through mentoring Russia and stressing the difference with it. Moscow, however, countered this with the demands to provide Russian-speaking minorities in the Baltic countries (some of whom are still non-citizens) with the treatment that is equal to the rights of any European citizen (including participation in the European Parliament and municipal elections, defence of their legitimate interests within the EU, etc.). Furthermore, Moscow requires that the new member states follow the OSCE and Council of Europe recommendations and ratify the Convention on the Minority Rights. The EU statements that Estonia and Latvia comply with the Copenhagen criteria, which in particular include respect for human rights and basic freedoms, even made one Russian official representative say that if that

view is true there is something wrong with those criteria.

One further problem of the EU-Russian relations in this space is outstanding border agreements with Estonia and Latvia and not fully demarcated border with Lithuania.

Thirdly, Moscow continues keeping the issue of terrorists' extradition on the agenda, which sometimes collides with the norms of human rights protection in certain EU member states.

All these contradictions make the Space of Freedom, Security and Justice the most difficult one in the EU-Russian relations. The search for common positions is further complicated by the fact that this cooperation touches upon the competence of many different ministries and official bodies and requires their common agreement.

### ***2.3. Common Space of Co-operation in the Field of External Security***

#### ***Some History***

Cooperation in the area of external security largely depended on political

priorities and capabilities of Russia and the EU. In terms of political priorities, both Russia and the EU were interested in development of this cooperation as it would strengthen stability and ensure security in Europe. In the 1990s, the European Union had gone through a series of important reforms, increasing its political influence. It struggled hard to shed its reputation of an 'economic giant but political dwarf'. The Common Foreign and Security Policy (CFSP) introduced in the Maastricht Treaty enabled the Europeans to unite their efforts to adopt common foreign policy positions and to undertake joint actions. The Amsterdam Treaty enabled further development of the CFSP and created new instrument of the CFSP - common strategies. This extension of the EU activities to external security allowed the EU to cooperate on these issues with third countries, including Russia. On the other hand, Russia, going through dramatic reforms of the 1990s and trying to preserve its political influence on the international arena and particularly in Europe, was interested in reinforced cooperation with the

European countries in external security issues. In contrast to economic cooperation, in the sphere of political cooperation Russia could provide substantial resources and expect equal partnership with the EU. Moreover, it could provide Moscow with an extra leverage in the dialogue with the US. Eventually, cooperation in the area of external security reflected interests of both the EU and Russia, enabled them to combine their efforts in order to create a more secure environment in Europe.

Political dialogue established by the PCA was a framework for political cooperation as the agreement 'shall bring about and increasing convergence of positions on international issues of mutual concern thus increasing security and stability'. The common strategy of the European Union on Russia stressed common strategic interests on the security issues and outlined necessity for further cooperation to ensure stability and security and to confront common challenges in Europe. The Russian strategy towards the European Union also expressed Russia's interest to increase political cooperation with the EU in or-

der to create effective collective security system in Europe. Moreover, it indicated Russia's desire to extend security cooperation to the issues of peace-keeping, crisis management and disarmament<sup>8</sup>.

The European Security and Defence Policy (ESDP) created by the European Council in 1999 in Cologne launched a process of formation of the EU military capabilities in order to increase the Europeans' responsibility for security in Europe. The ESDP would enable the EU to act in the situations when NATO decides not to intervene into conflict. It should be based on cooperation with the third countries. In 2000, during the EU-Russia summit in Paris, it was decided to reinforce political and security cooperation. In 2001, at the summit in Brussels, the EU and Russian representatives decided to create additional institutional structure to coordinate security and defence cooperation.

The existing mechanisms have enabled the EU and Russia to converge their positions on important international problems. They coordinated their policies on the issues of non-proliferation of weap-

ons of mass destruction, the Middle East and war in Iraq. The Russian contingent took part in the EU-led police mission in Bosnia, one of the first operations in the framework of the ESDP.

### *The Concept*

The EU-Russian security cooperation has already covered a wide range of issues. The concept of the common space of cooperation in the field of external security should strengthen political dialogue, intensify cooperation between Russia and the European Union in order to confront major security challenges: regional conflicts, terrorism and proliferation of weapons of mass destruction, and to reinforce civil protection in cases of natural disasters.

This cooperation should be based on the principles of shared values and should reflect interests of both Russia and the EU. The eastern enlargement brings the EU to the borders of Russia and increases the areas for potential cooperation between the EU and Russia. The new neighbours of the European Union, e.g., Moldova and Georgia, are also neighbours of Russia.

Interested in promoting secure environment in this part of Europe and finding solutions to the regional conflicts in these countries, the EU and Russia can combine their efforts to project stability in the region.

The EU-Russian external security cooperation should be developed in accordance with the principles of international law and with respect to the role of the United Nations, the OSCE and the Council of Europe.

### *Points of Contradiction*

Russian position on the issues of the external security cooperation is controversial. Russia is interested in this cooperation. It definitely creates new opportunities for Russia and reflects the principle interests. However, the EU-Russian security cooperation has two major points of contradiction.

The first point of contradiction is the problem of Russia's participation in the decision-making if Russia is involved in the EU-led operation because the Russian officials want to be able to influence deci-

sions which can affect the Russian nationals. However, Russia's participation in the police mission in Bosnia demonstrates an example when this obstacle was overcome.

The second point of contradiction is Russia's concern about the growing EU influence in the neighbouring area, which Russia traditionally has considered very important to its national interests. Russian officials particularly worry about the 'frozen conflicts' in Transnistria and the South Caucasus<sup>9</sup>. Of course, Russia is interested in political stability in the neighbouring countries. But it seems that the European Union has approach different from Russia's approach. The major point of contradiction is the presence of Russia's peacekeeping forces in Moldova and Georgia. Russia insists on the necessity to continue these operations until the final solution of the conflicts, while the EU demands the Russian contingent to leave.

These obstacles make it more difficult to agree on further development of the EU-Russian security cooperation. Nevertheless, it seems that the EU and Russia are highly motivated to continue this

cooperation and can overcome the existing problems.

## **2.4. Common Space of Research, Education and Culture**

### *Some History*

The PCA determined the major directions of the EU-Russian cooperation in the area of research, education and culture. This cooperation was targeted at promoting cooperation between researchers and research institutes, development of general education and professional qualifications, providing of knowledge about the languages and cultures of the EU Members States and Russia.

The major instrument of educational cooperation was a Tempus TACIS programme. It started financing educational projects in Russia in 1993. It supported contacts between higher educational establishments of Russia and the EU and encouraged mobility of students and professors. Numerous educational programmes have been worked out with the assistance of the Tempus. Today it

supports participation of Russian universities in the Bologna process in order to help them raise their competitiveness. The major instrument of research cooperation promotion was INTAS, the International Association for Technical Assistance, created in 1993. It financed research projects in the Newly Independent States, including Russia. The 6<sup>th</sup> Framework Programme for Research (2003-2006) supports international research cooperation, promotes participation of Russian scholars in the international research projects and finances research institutes in Russia. As of 2004, another EU programme, Erasmus Mundus, will be extended to Russia.

### *The Concept*

The common space of research, education and culture is an attempt to produce added value in the field of research and technological development through sharing of their rich intellectual heritage. It is based on the assumption that communication between researchers and scholars will raise intellectual and knowledge potential, contribute to economic devel-

opment and reinforce the EU and Russia's capabilities. A vast role in this cooperation is reserved to the civil society. It will increase scientific and cultural exchanges. Intensified contacts between individual citizens of Russia and the EU Member States will improve mutual understanding and contribute to a better political climate of relationship. The common space of research, education and culture will enable average citizens to benefit from the EU-Russian cooperation. In connection to this, it is important to mention that not only scholars from non-governmental research and high education institutions will be able to participate in the exchanges; it will provide opportunities for Russian civil servants to learn more about public administration practices implemented in the EU Member States.

### *Points of Contradiction*

The major point of contradiction in this cooperation is different academic practices and educational requirements, different standards of quality assurance and problematic credit and grades trans-

fer. These are not only the differences between Russia and the EU Member States, or between Western and Eastern Europe; almost every European country has different standards and practices in the fields of research and education. The Bologna process targeted at educational harmonisation in Europe provides only a partial solution to this problem. It is necessary to ensure that harmonisation of academic practices does not undermine the basic principle of freedom of innovation and creativeness which is an important part of the European system of values.

## **3. Challenges to the EU-Russian Relations**

### *3.1. Qualitative Difference of the*

#### *Two Partners*

The European Union and Russia highly differ from each other and this fact is the first challenge of their co-operation. This difference is manifest in several instances.

Firstly, the European Union is a profoundly post-modern power in the sense

expressed by both François Duchêne and Robert Kagan. François Duchêne, back in the 1970s, stressed that the European Communities might become the first post-modern power, i.e. power that does not possess all the instruments of a normal state (including those of coherent diplomacy and military might) but is taken seriously by its counterparts.<sup>10</sup> And, despite the development of the second pillar in the European Union, continuing discussion on the formation of the military potential to conduct humanitarian operations, fight terrorism and possibly provide for common defence, the European Union continues to be primarily a civilian actor. Its main instruments and most of the strengths are concentrated in the field of trade and other economic relations, technical assistance and humanitarian aid. Russia, on the other hand, is a fully-fledged actor but its strongest side is precisely military power and political weight whereas economic diplomacy has only recently been discovered in Moscow.

Robert Kagan, at the threshold of this millennium, wrote about the difference that marks the EU-US relations saying that while Washington still lives in the world

of power politics the European Union has changed to non-power politics based on the Kantian idea of eternal peace and relations based solely on law without any recourse to force.<sup>11</sup> Russia, in this choice between power and non-power politics, is firmly on the side of power politics and not much different from the US, therefore Moscow treats its partners in the international arena accordingly.

Secondly, the issue of interest-based politics vs. value-based politics profoundly separates Russia from the European Union. In a way, the argument is a continuation of the debate about modernity and post-modernity but it characterises the approach, the manner of behaviour rather than the respective structures of the foreign policy conduct.

The difference between the EU insistence on values and Russia's quest for interests has been present in the EU-Russian relations from the very beginning. However, it has recently grown in importance due to the EU enlargement and the attention that new member states pay to any irregularity in Russian politics. Interestingly new member states are more will-

ing to put the values higher than the interests in the EU-Russian relations. This contrasts sharply with the approach of the old member-states. Back in the early 1990s, the EU also tried to pursue the value-based politics but eventually decided to shift to the interest-based relations in the field of energy and more generally in all EU-Russian economic relations as well as in certain aspects of external and internal security. One possible explanation is that old member states approach the EU-Russian relations more pragmatically whereas the dominating issue for the new member states is to dissociate themselves from the past, to do draw a value demarcation line and prove their true belonging to the European culture.

One corollary to the EU insistence on values as opposed to interests is the principle of political conditionality that the European Union introduced and fully integrated in its relations with most of the third countries. It was initially applied to the candidate countries and their entry was made dependent on their democratic transformation, respect of the rule of law as well as settlement of all the disputes with the neighbours. In the mid-1990s, this

issue was also introduced in the relations of the European Union with the least developed countries of the ACP<sup>12</sup> Group. Now the question is raised about the application of this very principle to Russia in the context of all the discussions as well as EU technical assistance. The reality is, however, that what the Union could once apply to the candidate countries because it had a carrot of membership, and what it can now practice in its relations with relatively weak ACP countries cannot be used in the dialogue with Moscow. The only possible result will be Russia's alienation.

Thirdly, the European Union profoundly contrasts Russia in its being so heterogeneous as opposed to Russia's homogeneity. The reason behind is that the European Union is not a state but a union of multiple countries with their own culture and traditions but also with their specific perception of international relations and preferences in the world arena. This also creates multiple points of entering the discussion with the European Union – the most obvious being national and European Union levels. It also undetermines the development of a single line

towards Russia and gives Moscow a perfect chance to play on the EU internal contradictions. Russia in this respect is a single homogeneous actor.

Last but not least, comes the divergent approach to sovereignty in the European Union and Russia. For Russia, sovereignty is mostly indivisible, it does not separate economic aspects from the political ones with the possibility of the economic relations being subjected to the full application of law or surrendered to any type of an integrated organisation. Transfer of some sovereignty within the European Union is a normal thing; it is the condition that the member states have to fulfill when they enter the EU. The problem for the EU-Russian relations here is precisely that any type of deep relations with the European Union and establishments of common spaces require division of sovereignty and surrender of some of it to an integrationist organisation or an integrationist set of rules.

These differences are outlined here not for purely academic purposes but to demonstrate the profound divergence between the two actors that immensely complicates

their bilateral relations. Effective dialogue requires attention to each other's peculiarities, which is far from being the case with the EU-Russian relations. These differences also present a significant challenge to the continuation of the dialogue and deepening the relations, not to speak about any form of integration.

### ***3.2. The Process of Permanent Evolution of the Two Actors***

The European Union and Russia are the actors that are in the process of profound transformations. For the European Union, these are the concurrent processes of enlargement and deepening of integration. With the last round of enlargement that was completed in 2004, 10 new states acceded the European Union. This brought immense growth of the EU territory and population but also increased its heterogeneity while dramatically decreasing the GDP per capita.

In the specific area of the EU-Russian relations, the enlargement increased the importance of the European Union for

Russia, particularly in the economic field. The European Union is now by far Russia's biggest trade and investment partner. The enlargement also changed the climate of the bilateral political dialogue with a number of new policy-makers and civil servants from the new members who are far from being friendly and co-operative towards Russia. President Putin's representative on the EU-Russian relations, Sergey Yasterzhembski, went so far as to say that some MEPs from the new member states brought "the spirit of confrontation and intolerance to Russia" and they "jumped from the communist yesterday to the refined democratic today without having learnt political correctness and tolerance"<sup>13</sup>. Moreover, the issues that were previously discussed in the framework of Russia's bilateral relations with the new member states have acquired a new venue – that of the EU, and their scale can now be amplified with the possibility of bringing some old issues of the EU-Russian relations to the background.

Furthermore, the process of the EU

reform and constitutionalisation profoundly changes it as a partner. The new constitutional treaty modifies the institutions and decision-making rules, redistributes the competences between the European Union and its member states in the number of fields, including those that are subjects of the EU-Russian relations. The Charter of Fundamental Rights for the first time becomes binding, although only for the European institutions and for the member states whenever they fulfil the obligations of the European Union. Finally, the European Union, for the first time in its history, is provided with the legal personality, which makes it easier to negotiate an agreement with it.

Russia is undergoing quite important transformations as well. Some of them are linked to the continuous democratisation while the fight against terrorism and strengthening of the vertical power provoke the others. The last initiatives on substituting elections of the regional leaders for nomination and accompanying measures caused loud uproar in the European

Union. There are strong reasons for this, as Russia has never bothered to explain the reasons for changes and their constitutional basis to its European partners.

Moreover, the redistribution of power between the federal centre and the regions might significantly change the EU-Russian regional and cross-border co-operation. The North-West of Russia is particularly notable in this respect, as here the two partners come in the immediate contact and therefore some innovative practices can be explored.

Inconsistencies between federal and regional legislation as well as between laws and bylaws and regulations in Russia further complicate the story of co-operation with Russia and its regions. And there is very little hope that these inconsistencies will be eliminated any time soon.

Constant transformations of the two partners in the search for efficiency and stabilisation significantly complicate the process of bilateral relations and therefore present the second challenge to the new strategic partnership embodied in the concept of the four spaces.

### **3.3. Russian Superpower Stance vs. EU Policy**

The third challenge of the EU-Russian relations is represented by Russia's stance on its uniqueness that collides with the EU low flexibility in its external relations.

Russia's stance on its uniqueness is well known. This is a huge country with a long history and the tradition of superpower, which made it firmly believe in its exclusivity and always seek for a special treatment. At the same time, the European Union has developed only a limited number of models of the relations with the outside world: one of them is for the economically developed post-industrial countries (like the United States, Japan or Switzerland), another one is for future candidates or countries of the third world, who strive for special preferences, assistance or EU membership. None of the two models is applicable to Russia. It is not that strong to put its message through in the way the "equal" EU partners do, but at the same time it does not aspire membership nor does it look for any specific assis-

tance. Thus the European Union and Russia are bound to collide in search of a specific compromise.

One perfect example is the European Union strategy of Wider Europe that turned into the European Neighbourhood Policy in 2004. Russia as one of the immediate neighbours was also included into this policy initiative. This attitude practically negated the strategic character of the EU-Russian relations. The described approach was partly corrected in the Strategy Paper on the European Neighbourhood Policy (ENP). However, Russia still objects being put exclusively in the framework of the ENP. There are serious reasons for this, of which at least three Russian officials repeatedly state. Firstly, the goals and tasks of the EU-Russian relations are different from those that the EU pursues in the relations with other neighbours. Thus one strategy cannot describe the EU policy line with all the partners. Secondly, the needs of the respective EU neighbours are different as are specific infrastructure projects. So, putting them together will dilute their effectiveness. Thirdly, the fate of such co-operation struc-

tures as the Northern Dimension provokes numerous questions.<sup>14</sup> The fact that the European Union has not provided a country report on Russia in the context of the European Neighbourhood Policy, and the partners now talk about roadmaps (as opposed to action plans with the other partners) signifies that the European Union is willing to consider some of Russia's objections. However, the issue is still full of contradictions.

The Neighbourhood Policy also provides another illustration. Initially, Wider Europe Communication did not foresee any role for Moscow in Western NIS countries. This shortsighted approach was partly corrected through the introduction of the clauses on specific relations with Russia and EU-Russian common responsibility in Western NIS countries in the 2004 Strategy Paper. However, the difference of views remains.

The fundamental question is that equating Russia to other partners eliminates the strategic character of the EU-Russian partnership both for Russia and for other actors in the international arena. Therefore, Russia insists that the ENP concept

should be applied to Russia only to provide added value to the existent instruments and structures while the European Union insists on the strategic character of the EU-Russian relations within the Neighbourhood Policy. The difference is small but not that insignificant.

Yet another illustration of Russia feeling very special and the EU being uneasy with the models of co-operation is the competition of the two actors in the three Western NIS, i.e. Ukraine, Belarus and Ukraine. Although the European Union declares that it sees Russia as a true partner in the countries in question, it actually perceives Moscow as a vicious competitor. This can be seen from the reaction to the Russian initiative to create a Single Economic Space with some countries of the CIS. In particular, the European Union made a point to Kiev in 2003, following the signature of the agreement, that Ukraine had to define its geopolitical and foreign policy priorities. The debates about the presidential elections in Ukraine that unleashed in November 2004 and the tension that accompanied EU-Russian summit also provide a good illustration.

The European Union declares the region to be that of the shared responsibility. Moscow stresses that the project of the Single Economic Space is fully compatible with the Common Economic Space and therefore with other integration initiatives in Europe with the participation of the European Union. Yet the feeling is that of integration competition rather than co-operation with the view of better development. The fact that Russia has developed its own culture of legal approximation within the CIS further disturbs Brussels.

Thus, summing up the arguments of this part, we should stress that the third challenge of the EU-Russian relations is the search for an appropriate model that will accommodate both EU practices and Russia's ambitions. These models are needed both in the bilateral relations and in the relations of the EU and Russia with the countries in-between, i.e. Belarus, Ukraine and Moldova.

### ***3.4. Legal Approximation as a Tool for the Construction of the Four Spaces***

The establishment of the four spaces

between the European Union and Russia hinge upon the so-called legal approximation between the European Union and Russia. EU-Russian legal approximation can be defined as a complex of actions targeted at levelling the difference in the regulation of the firms and individual activities. The goal is to achieve a degree of approximation that allows the four spaces to function effectively and competition conditions to remain equal on the whole territory. From the practical point of view this means:

- Adoption of European norms, rules and laws in the Russian legal system (possibly with minor differences);
- Creation of the conditions for their effective enforcement through the transformation of other parts of Russia's legislation;
- Elimination of contradictions between new (EU dictated) norms and rules and other laws and bylaws both at the federal and regional levels.

In fact, the EU dictates the concept of legal approximation. Russia plays a rather subordinate role because the complex of legal norms and acts was established in the EU whereas Russia is still in the pro-

cess of transformation. Moreover, the European Union has a rich experience in this sphere, which by far outstrips that of Russia and put the latter in the subordinate position.

Two major problems characterise the process, however.

The first problem is a legal one. The parties possess a wide variety of instruments for legal harmonisation but hardly know the goal that they want to reach. The European Union has developed its instruments of legal harmonisation through constant legal harmonisation within the EU on the basis of the Articles 94 and 95 of the Consolidated Treaty Establishing the European Communities, preparation of candidate countries to membership and dialogue with the neighbours. These instruments include: 1) methods of harmonisation ranging from very soft ones (like an open method of co-ordination) to strict and compulsory harmonisation, 2) forms of harmonisation from obligatory and wholesale (like co-operation with the EFTA members) to voluntary and partial (the case of the EU-Swiss relations). The EU also defined the

levels of legal approximation from the development of the norm through its implementation to the monitoring of its application.

However, the goal which the European Union and Russia pursue is far from being clear. The theory of economic integration is quite developed by now and defines the stages of economic integration as a free trade zone, custom union, single market, and economic and monetary union. While the PCA was quite clear-cut in defining the goal of the EU-Russian co-operation as eventual free-trade zone, today's goal is not that clear. It is not a free trade zone any more but it is hardly a common market. There is no discussion about any custom union. Russian wish to prioritise only some sectors while leaving the others to the future further complicates the story. The most developed instruments cannot help when the final goal is not defined and the parties do not agree on what they want to construct. The second problem is of political nature. One-way flow of legal norms from the European Union to Russia and unilateral shaping of the rules will result in

hardening the problem of democratic deficit in Russia. Traditional weakness will be complemented by the fact that Russia will have to accept norms and rules which were developed without any involvement of its people, its legislative or executive bodies. Low transparency of the EU policy-making further complicates the story. The best that Russia can get is a stake in the so-called decision shaping. This means participation in the development of the new norms at the time of their preparation in the Commission as well as discussion in the Council's working groups but without any voting rights<sup>15</sup>. Although 80% of the EU legislation is shaped at this stage, the most controversial issues go up for the discussion in the Council. Thus the limits that will be put on Russia's legislative freedom seem to be considerable.

Furthermore, it will lead to continuous downgrading of the Federal Assembly of Russia in favour of the executive branch of power. The right to veto that might be created for the Federal Assembly by the analogy to what exists in the framework of the EEA for the EFTA countries will most

probably remain on paper. As the case of the EEA illustrates, none of the EFTA countries seriously considers invoking it for the fear of disruption of close relations.

The only way to compensate for this democratic deficit is to transfer to a essentially new system of governance that is based on the participation of all interested parties in the decision-making process. For example, Russia could achieve this through the participation of its companies and interest groups in the European associations and joint lobbying. But this is the question of only very remote future.

Thus legal harmonisation as a tool of implementing four spaces presents a considerable difficulty for the EU-Russian relations, and there is very little the partners can do to remedy it. Therefore, legal harmonisation will remain the most controversial and contested by Russia issue on the agenda of the construction of the four spaces.

## Conclusion

Examination of the EU-Russian relations demonstrates continuing rapproche-

ment. Considering that official relations between the Soviet Union and the European Communities were established only in the late 1980s, Russia and the European Union have achieved significant progress as nowadays they consider each other 'strategic partners' and discuss the prospects of establishing common spaces.

The common spaces concept suggests deep mutual integration between the European Union and Russia in four areas: economy; justice and home affairs; external security; research, education and culture. In essence, these spaces reflect the spheres of co-operation and integration within the EU, which is highly significant in itself.

Establishment of the common spaces is a way to bring the EU-Russian relations to a totally new level. Of course, it is impossible to consider complete integration of Russia into the EU and eventual membership, but common spaces already require a very high degree of political integration and legal harmonisation between the EU and Russia. Eventually, it will mean the extension of the EFTA model of relations with the EU to Russia.

Moreover, the common spaces can provide the solution to many existing problems between the European Union and Russia, e.g. it can help avoiding new dividing lines in Europe after the enlargement; in particular, in people-to-people contacts, it can provide solution to the Kaliningrad problem and facilitate regulatory and legal convergence. It will also ease many aspects of co-operation on the European continent as a whole.

However, this co-operation is not without problems. We outlined four challenges of bilateral relations that are yet to be overcome. Today's crisis in the bilateral relations is provoked precisely by these challenges.

It was expected that the EU-Russian summit in the Hague in November 2004 would approve roadmaps to achieve common spaces but the summit failed to do so. Both sides took certain political obligations in this regard. However, as the summit approached it became evident that the four roadmaps would not be ready in time. The EU rejected Russia's idea of gradual adoption of four roadmaps one by one according to their readiness. Two of the spaces'

concepts were more or less ready – these were roadmaps on the common economic space and on research, education and culture. Their implementation, however, would be more in the interests of Moscow than Brussels. The European Union was particularly interested in the co-operation in the field of freedom, security and justice, where the agreement was far from being achieved. Therefore Brussels pressed for the package of four roadmaps to be adopted together. As a result, the summit in the Hague agreed interim implementation of some aspects of the ready roadmaps. The final decision was postponed till the next summit in Moscow in May 2005. The success in meeting this deadline will, however, depend on the partners' ability to solve at least some of the outlined challenges.

<sup>1</sup> Agreement on Partnership and Cooperation. Full text signed in Corfu on 24 June 1994 by the European Union and the Russian Federation.

<sup>2</sup> European Commission. Wider Europe – Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours. Communication from the Commission, Brus-

sels, 2003. COM (2003) 104 final. European Neighbourhood Policy. Strategy Paper. Brussels, 2004. COM(2004) 373 final

<sup>3</sup> Joint Press Statement by S. Berlusconi, President of the European Council, assisted by J. Solana, Secretary-General of the Council/High Representative for EU Common Foreign and Security Policy, R. Prodi, President of the Commission of the European Communities and V.V. Putin, President of Russian Federation. Annex I. The Common European Economic Space (CEES). Concept Paper.

<sup>4</sup> Rehn, O. The Common Economic Space with Russia: State of Play of the Negotiations and the Role of Industry. EU-Russian Round Table of Industrialists. The Hague, 10 November 2004.

<sup>5</sup> Doklad V.B. Khristenko na Shestom Obshchem sobranii Kruglogo stola promyshlennikov Rossii i Evropejskogo Soyuz, The Hague, 10 November 2004. Unofficial translation by Tatiana Romanova.

<sup>6</sup> Otvety ofitsialnogo predstavitelia MID Rossii A.V. Yakovenko na voprosy rossijskikh SMI po otnosheniyam Rossiya-Evrosoyuz. Moskva, 25 November 2004.

<sup>7</sup> Agreement on Partnership and Cooperation. Article 6.

<sup>8</sup> The Modern Strategy of Development Relations between the Russian Federation and the

European Union (2000-2010). Moscow, 1999.

<sup>9</sup> Lynch, D. Russia faces Europe. Paris: European Union Institute for Security Studies, 2003. Chaillot Papers. No. 60, pp. 96-103.

<sup>10</sup> Duchêne, F. Europe's Role in World Peace in: Hayne, R. (ed) *Europe Tomorrow*. 16 Europeans Look Ahead, Fontane, London 1973.

<sup>11</sup> Kagan, R. Power and Weakness // *Policy Review* 2002. No 113.

<sup>12</sup> Africa, Caribbean Sea and Pacific Ocean.

<sup>13</sup> 'Eti ljudi primesti v Evrosoyuz duh primitivnoj rusefobii', Interviu s S.Yastrzhebskim / *Nezavisimaya Gazeta*, 26 November 2004.

<sup>14</sup> Chizhov V., Rossiya-ES. Strategiya partnerstva // *Mezhdunarodnaya Zhizn'*, 2004, No 9.

<sup>15</sup> Romanova T. New Dimensions of EU-Russian Relations In Khudoley, K. (ed.). *New Security Challenges as Challenges to Peace Research. 16th Nordic and 4th Baltic Peace Research Conference Proceedings*. St. Petersburg, 11-13 2003. St. Petersburg, 2004; Romanova, T.

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