

Europe's Disillusionment with Russia

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June 2013 marked the 10th anniversary of a crucial EU-Russia agreement. At the 2003 EU-Russia summit in St. Petersburg, both parties agreed to gradually proceed toward the establishment of “common spaces” in economics, justice, home affairs, external security, culture, education, and research. At face value, the assumption that all fundamental aspects of European and Russian life would come to be regulated by a set of similar rules was nothing less than a promise of total de facto integration.

Today's reality differs drastically from such a vision. In most respects, the European Union and Russia are not converging but drifting apart. Although the notion of an EU-Russia “strategic partnership” is still in use and summits are routinely held, it is difficult to see any results of the decade-long “progression” toward common spaces. Multiyear negotiations on a new “framework agreement” have stagnated. The Kremlin says it no longer even perceives Europe as a model, making the notion that Russia should harmonize its norms with those of the EU seem absurd.

In this context, a complete overhaul of current EU policy toward Russia is unlikely, but there will be change. The EU will continue to deal with Russia on an ad hoc basis and will not return to a comprehensive value-based policy. But the pragmatic understanding that the interests of the EU and Russia often differ, and will continue to do so, will likely result in a number of tougher policies to protect the interests of Europe, if need be at Russia's expense .

The Main Elements of Europe's Disillusionment

A new view of Russia and the future of EU-Russia relations emerged in 2011-13. Previously, European skeptics of Vladimir Putin's Russia conflicted with others who hoped for political liberalization, stemming from the rhetoric of then-president Dmitry Medvedev, and social change that was to be brought about by economic growth and the rise of a Russian middle class. Needless to say, certain business actors and lobbyists had a direct stake in portraying Russia in a positive light, and a number of politicians and civil servants were also interested to see and report “progress.” The U.S.-Russian “reset” also noticeably strengthened European hopes for cooperation with Russia. But after

September 2011, when Putin announced his return to the presidency, bullish arguments about Russia began to lose their persuasive power. Although the term “consensus” may seem like an exaggeration, public stances in Europe in defense of the Kremlin have become extremely rare.

Until recently European discussion on Russia’s political evolution concerned the country’s exact place on a scale of liberal democracy to authoritarianism (setting aside former German chancellor Gerhard Schröder’s 2004 characterization of Putin as a “flawless democrat”). Today the verdict is unambiguous and gloomy. French political scientist Marie Mendras has observed that 86 percent of French respondents in a survey conducted by the French Institute of Public Opinion in February 2013 believed that the situation regarding civic liberties and human rights in Russia was “not satisfactory.” German public opinion has been rather negative toward Russia for a long time, on top of which experienced German Russia-watcher Hannes Adomeit has recently noted:

“The overwhelming majority of German academic specialists on Russia, Moscow-based correspondents of the major German newspapers and television channels, the heads of German political foundations working in Russia, the Russia desk in the foreign office and (the few) members of parliament knowledgeable about Russia and Eastern Europe—all hold a negative view of the direction the country has taken under Putin.”

Another source of European frustration has been the apparent failure of the “Partnership for Modernization” program, pompously signed between Russia and almost all EU member states during Medvedev’s presidency and genuinely seen by many as a vehicle for pragmatic cooperation. Admittedly, many Europeans were not happy that the “Partnership” was supposed to lead in Russia’s view mainly to technology transfer, as opposed to comprehensive legal or political reform. But all this pales in comparison with Russia’s pronounced focus on huge state-run projects, the prioritization of the defense industry, and the demonstrative downgrading of the “modernization” plan’s flagship project, the Skolkovo Innovation Center.

Russia’s non-compliance with its new World Trade Organization commitments was a major blow to European perceptions of Russia as a credible partner. The EU was instrumental in the last stage of negotiating Russia’s accession to the WTO and strongly welcomed its entry in August 2012. Days after it joined, however, Russia introduced a “recycling fee” on imported cars, compensating itself for the newly-established lower tariffs. In March 2013, EU Commission President Jose Manuel Barroso accused Russia of not “applying the letter and the spirit of the commitments made.” More broadly, Russia’s refusal to consider further trade liberalization with the EU has effectively eliminated the possibility of achieving a free trade agreement, something many Europeans view to be desirable.

Russia’s intent to review its foreign policy priorities has also had an impact on EU perceptions. The issue is not Russia’s proclaimed “pivot to Asia,” which may or may not happen, but the notion that the “historical West” is in decline. This was the central

point of Russia's new Foreign Policy Concept, adopted in February 2013. It ascribes the EU a very modest role among Russia's external partners, barely mentioning it on a range of issues from Central Asia to the Arctic.

Russia's lack of cooperation on Syria, a priority issue for many leading EU members, was to be expected, taking into account the general trajectory of Putin's foreign policy. However, Moscow's decision not to obstruct Western actions during the Libyan crisis played a misleading role and, once again, raised false expectations that were later replaced by greater frustration. Meanwhile, the EU's attempts to convince Moscow to take part in European conflict resolution efforts in areas where Russia does not have direct interests, like Mali last winter and spring, and thus to create at least some positive cooperative momentum, met with no response.

Last but not least, Russia became topical again in Europe's security discussion. Unlike in 2009-10, when Russia's proposal to conclude a new security treaty was discussed with understanding, and even sympathy, now Moscow's actions are cause for concern not only in Poland and the Baltics, but even among, say, the Nordic states. In addition to Russia's rising defense expenditure and its multiple military exercises, which take place at a time when Europe's conventional arms control regime has been weakened by Russia's suspension of the Conventional Forces in Europe treaty, anxieties stem from certain provocative Russian actions. In March 2013, Russian planes reportedly carried out an exercise on the eastern edge of the Stockholm archipelago, which was interpreted as a simulated attack. All this is taking place as a real revolution is occurring in Europe's energy markets due to the arrival of mass quantities of LNG and shale gas technologies. As Europe's energy dependence on Russia decreases, it may feel less constrained in revising course.

Business Better than Usual?

One counter-argument to this gloomy picture of EU-Russia relations is that the economic cooperation between the two is thriving. In 2011, bilateral trade increased by 28.5 percent as compared to the previous year. In 2012 it increased another 4.1 percent and stayed at approximately the same level through May 2013. By comparison, in the same period Russian trade with the Eurasian Customs Union dropped by more than 10 percent. In 2012, European exports to Russia reached 123 billion euros while imports reached 213 billion euros. Significantly, the EU's negative trade balance did not grow over the last year despite the rising price of Russian energy exports.

At the moment, the state of the political relationship between an EU member and Russia does not noticeably affect their economic relations. Economic interests find their way through—or around—possible political complications. The best example of this is Russia's relations with the United Kingdom, which does not boast the same kind of traditional political proximity as Russia does with Germany, but nonetheless continues to increase exports to Russia, hosts dozens of Russian companies on the London Stock Exchange, and otherwise enjoys a vibrant bilateral economic relationship.

The weakening, if not absence, of the linkage between political and economic relations, however, has yet to be recognized. The unwillingness of the business

community to deal with any troublesome political complications prevails. To a large extent, this dictates the choice of national governments and, indirectly, Brussels. Aware of this, Moscow thinks it can safely ignore European concerns about Russia's domestic situation. The failure of attempts to push the EU toward following U.S. sanctions against Russian officials that violate human or civil rights bolsters this assumption.

... Or Changes Underway?

And yet, certain changes in the EU's approach toward Russia are apparent. The EU's legalistic and technocratic ways have begun to undermine the ability of some members and European businesses to pursue more expedient relations with Russia. The EU Commission is making a serious effort to prevent unfair competition and market distortions by external actors. The so-called Third Energy Package, which was adopted to eliminate the concentration and monopolization of production, transportation, and trade of gas, has caused serious tensions between Brussels and Moscow. In September 2012, the Commission opened an antitrust case against Gazprom on the grounds of hindering competition in Central and Eastern Europe. While the EU is willing to discuss certain aspects of the legislation's application, it will not revise its main principle—the “unbundling” of supply and transit.

Even more telling is an EU WTO case against Russia, started in July 2013, against Russia's recycling fee on imported cars. The case signals that the EU will not tolerate non-compliance with commitments that Russia has taken. It also shows that however small a particular violation may seem in the context of the total economic relationship, the matter can be significant enough to specific industries that openly welcome the EU's involvement.

The March 2013 banking crisis in Cyprus indicated that Russian interests and objections can be ignored when greater issues are at stake. The bailout package for bankrupt Cypriot banks included the de facto confiscation of deposits belonging to Russian citizens and, possibly, businesses, despite Moscow's protests.

Finally, a qualitative shift in the EU's relations with other Eastern neighbors looms. If at the November 2013 Vilnius summit of the Eastern Partnership the EU signs association and free trade agreements with Ukraine and/or initial agreements with Armenia, Georgia, and/or Moldova, these states will obtain a relationship with the EU that is unavailable to Russia for the foreseeable future. Several years ago, Russia's closest European partners, Germany in particular, would have viewed such a prospect as totally unacceptable.

The significance of the recent evolution of EU policy toward Russia is difficult to determine, but to deny it altogether is impossible. Europe is becoming more demanding and assertive in its relations with Russia. It is ready to make compromises but not unilateral concessions. It is more willing to defend Europe's legal and economic integrity. Altogether, Europe is trying to introduce and enforce certain new rules in its relationship with Russia. Acceptance of these rules by the latter, and respect for commitments taken, would eventually have a certain transformative effect in the country.

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