

## EU-Russia Relations and the Common Neighborhood: The Ball is on the EU's Side

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# DGAPanalyse

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## EU-Russia Relations and the Common Neighborhood: The Ball is on the EU's Side

by Stefan Meister



## Summary/Zusammenfassung

# EU-Russia Relations and the Common Neighborhood: The Ball is on the EU's Side

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Relations between the EU and Russia have been stagnating for many years. Expectations on both sides differ greatly, and their non-fulfillment compounds mutual frustration. The EU needs a more realistic assessment of the current situation in Russia, one that is not based on hopes, unrealistic expectations, and stereotypes. The right approach lies neither in focusing entirely on human right issues nor in only doing business with Russia. Rather, the EU should concentrate on setting the rules, even if this comes at a cost in the short run. The analysis of three key areas in the relations—energy, neighborhood, and visa policy—shows the degree to which the assessments of relations differ. It also underlines how security concerns still influence policy. The conclusion is that even if Russia is a difficult partner—especially now, as it blocks nearly every cooperation initiative—the EU can and must do more. First of all, the EU should not accept Russian rules for the relationship but set and enforce its own rules. Secondly, the EU should use and apply existing instruments in a less ideological, but more pragmatic way. Finally, rather than give priority to stabilizing the ruling elite, Brussels should refocus its policy on potential partners within the elite and society at large.

# EU-Russland Beziehungen und die gemeinsame Nachbarschaft: Die EU ist am Zug

Die Beziehungen zwischen der EU und Russland stagnieren seit Jahren. Die Erwartungen zum Beispiel in Bezug auf die Modernisierungspartnerschaft sind sehr unterschiedlich, deren Nichterfüllung führt zu wachsender Frustration auf beiden Seiten. Die EU braucht eine realistische Einschätzung über die aktuelle Situation in Russland, die nicht auf Hoffnungen, unrealistischen Erwartungen oder Stereotypen basiert. Der richtige Ansatz ist weder eine einseitige Fokussierung auf Menschenrechtsfragen noch auf wirtschaftliche Beziehungen. Vielmehr sollte die EU sich auf das Durchsetzen von Rechtsprinzipien konzentrieren, auch wenn das kurzfristig Nachteile mit sich bringt. Diese Analyse von den drei Schlüsselbereichen in den EU-Russland-Beziehungen, Energie-, Nachbarschafts- und Visapolitik, zeigt das Ausmaß der unterschiedlichen Einschätzung der Beziehungen. Als Ergebnis wird deutlich: Auch wenn Russland ein schwieriger Partner ist, so kann und sollte die EU mehr tun. Erstens sollte sie keine russischen Regeln für die Beziehungen akzeptieren, sondern ihre eigenen Prinzipien konsequenter durchsetzen. Zweitens sollte die EU die vorhandenen Instrumente auf eine weniger ideologische, sondern pragmatischere Art und Weise nutzen und umsetzen. Drittens, anstatt sich auf die Stabilisierung der herrschenden Elite zu konzentrieren, sollte Brüssel seine Politik auf andere potenzielle Partner in der Elite und Gesellschaft ausrichten.

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Die DGAP trägt mit wissenschaftlichen Untersuchungen und Veröffentlichungen zur Bewertung internationaler Entwicklungen und zur Diskussion hierüber bei. Die in den Veröffentlichungen geäußerten Meinungen sind die der Autoren.

# EU-Russia Relations and the Common Neighborhood: The Ball is on the EU's Side

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## Introduction

EU-Russia relations can be described as stagnating. Both sides have been negotiating a new partnership and cooperation agreement since 2008—without results—, and the four common spaces have never become fundamentally relevant for the relations. EU member states are frustrated by Russia's limited political and institutional modernization and democratization (Russia fatigue). In Russian discourse, meanwhile, the EU is seen as mired in such deep institutional crisis that it no longer serves as a viable model for Russia's modernization (EU fatigue). The Russian government's new official focus is no longer Europe but Asia and Eurasia. With Vladimir Putin's third presidential term, the Russian elite has to deal increasingly with domestic uncertainties and to concentrate its foreign policy on managing its Eurasian neighborhood—and balancing China. The result is more isolation from the EU and, for the time being, the end of Russia's gradual Europeanization.<sup>1</sup>

Perception and stereotypes play a key role in EU-Russia relations. Expectations on both sides differ greatly, and their non-fulfillment leads to frustration. EU-Russia summits are mere simulations of relevance; if decisions are made, they do not occur in the context of such summits but rather only with the involvement of individual member states.<sup>2</sup> Taking the modernization partnership as an example, the EU's aim is "to help modernize Russia's economy" and to induce Russia to adopt EU's norms and standards as a guideline.

The current Russian regime, however, never had the goal of accepting the EU's norms and principles; instead, it wants to set its own norms, which are at the same time still uncertain. Russia's (national) interests still lack a clear definition.<sup>3</sup> At present, the Russian leadership's main interest is

technological—the transfer of know-how—which will help stabilize the existing political and economic regime, but not political modernization.

The EU needs a more realistic assessment of the current situation in Russia, one that is not based exclusively on hopes, unrealistic expectations, and stereotypes. The right approach lies neither in focusing entirely on human right issues—and cultivating a confrontational relationship with the country—nor in only doing business with Russia. Trade between Europe and Russia is growing, especially for the German economy,<sup>4</sup> but Russia's lack of rule of law and transparency, the prevalence of corruption, and the dominance of the state continue to shape its political landscape. The EU's current policy actually reinforces these negative aspects; it is driven more by securitization and politicization than by a focus on normative practice and good governance.<sup>5</sup> There are areas where limited cooperation is possible, but the questions are: under which conditions? Who sets the rules?

An analysis of three examples—energy relations, neighborhood policy, and visa policy—highlights the degree to which the assessments of relations differ and how strongly security concerns influence policy on both sides. As long as EU member states view Russia more as a threat than as a challenge, neither side will be able to move away from stagnating relations. Although Russia is not seen as a real threat in a traditional way, it and its policy are still securitized which is part of the problem for the EU's Russia policy itself. This view serves also the interest of the Russian elite, which wants to see their country as important as possible. Russia is not a static country; its society and partly its elite are undergoing tremendous change—a fact that challenges the regime itself. Russian leadership understands the language of interests and strength but has yet to grasp the language of compromise.

The EU has more leeway on Russia than it believes, but Brussels and the individual member states must understand how the mechanisms work and how to set a better framework for relations.

The following chapters analyze different perceptions of energy policy, the common neighborhood, and visa policy. These three areas are key for EU-Russia relations and, potentially, for cooperation. At the same time, however, they often lead to conflicts. The main question is how the EU can engage Russia without accepting Russian rules. This paper's main thesis is that the EU, by securitizing and politicizing certain policy areas (such as energy, neighborhood policy, and visa policy), is contradicting its normative agenda, which has considerably weakened the EU's Eastern Neighborhood and Russia policy. Setting and implementing norms and rules rather than politicizing and securitizing relations would be a far more fruitful course of action.

## Energy Relations

Energy relations are a main area of cooperation between Russia and the EU. Russia is the most important supplier of oil, gas, and coal to the EU, and the EU member states are Moscow's most important trade partners and customers for resources. In 2010, 34.5 percent of crude oil imports to the EU were from Russia. The import of hard coal grew from 13.1 percent in 2002 to 27.1 percent in 2010, while that of natural gas declined from 45.1 percent to 31.8 percent between 2003 and 2010.<sup>6</sup>

The "threat" of high European dependency on Russian energy comes not from the amount of resources imported from Russia, but from the fact that some member states receive 100 percent of their gas from Gazprom and lack alternatives, giving Gazprom a monopoly on supply. This is especially the case with some eastern member states like Bulgaria, the Baltic States, and Romania, for whom gas plays an important role in the energy mix.<sup>7</sup> This problematic dependency resulted in the Russian-Ukrainian gas crisis of winter 2008/09, leading to an interruption of supply that fundamentally challenged some countries' energy and heating abilities.

While energy was for a long time primarily understood as an area of cooperation in EU-Russia relations, it has increasingly become an area of conflict. This came about with the accession to the EU in 2004 of the Baltic States and the post-socialist countries—nearly all countries with a special historic relationship to Russia and comprehensive gas dependency on it. Other factors have affected EU-Russia energy relations as well: the EU's Third Energy Package, adopted in 2009, which undermines Gazprom's business model; the inflexibility of Gazprom in a changing global gas market; and the securitization of energy on both sides. The EU's energy policy in particular has led to harsh criticism from Gazprom and the Russian government because it aims to unbundle energy and gas distribution from production.<sup>8</sup> Gazprom tried to undermine the European Commission's policy, lobbying against the Third Energy Package through its partner companies in the EU. The main goal of the Commission is to foster more competition in the EU energy market, which undermines Gazprom's pipeline and long-term contract policy.

Energy dependence on Russia is criticized in the public and political discourses of many EU countries. It is argued that the Kremlin uses energy as a weapon against its Western neighbors. "In Soviet times, it was tanks and rockets, today the source of Russian great power policy is oil and gas," is one example of this line of argument.<sup>9</sup> The discussion is influenced by security experts but often lacks comprehensive economic analysis.<sup>10</sup> Gazprom is described as an instrument of the Kremlin to increase Russia's influence, and the monopoly of Russian gas is seen as enforcing political and economic interests. It is pointed out that EU member states have limited alternatives and depend too much on Russian gas. Russia's perceived goal is to turn itself into an energy super power. As Martin Schulz, president of the European Parliament, told *Deutschlandfunk*, "Gas—Putin always used this company [Gazprom] as a kind of a weapon, as a kind of a gas weapon."<sup>11</sup> In response, the EU is urged to build alternative pipelines; Nabucco or TAP (Trans-Adriatic-Pipeline) in the framework of the Southern gas corridor are cited as examples of the so called necessary diversification of energy import routes. Günther Oettinger, the EU commis-

sioner for energy, has in several statements underlined the EU's need to diversify its energy supply and reduce its dependency on Russia.<sup>12</sup> The argument of a “gas war” between Russia and the EU, however, is based on a one-sided selection of facts and arguments. In short, the dominant discourse simply securitizes the issue, while ignoring other facts.

The reality of EU-Russia energy relations is more complex. Rather than being a matter of one-sided dependency, relations are characterized by interdependence. Europe is responsible for approximately 60 percent of Gazprom exports, followed by the Commonwealth of Independent States (CIS), which have less than 30 percent, and Turkey, with less than 10 percent.<sup>13</sup> Yet, both the markets in the EU (Gazprom's biggest export market) and in the post-Soviet states (especially Ukraine) are either stagnating or decreasing. The CIS countries in particular are expected to need less gas in the future, due to economic stagnation and the huge potential to save energy. The International Energy Agency challenges the expectations of a massive increase in gas demand in Europe, arguing that the economic crisis and the increasing amount of renewable energy in the EU will lead to a rather stagnating market.<sup>14</sup> That means Gazprom has a diversification problem. In 2012, two thirds of its earnings came from EU member states, Turkey, and CIS countries, with the Russian market accounting for only one third of earnings. In the same year, however, it sold more than 55 percent to the Russian market and only 45 percent abroad.<sup>15</sup> Russia's focus on the European market is because of the existing pipeline infrastructure, which is the core of Russian energy policy. The company has started to invest too late in infrastructure for the Asian, and especially the Chinese, market—currently the fastest-growing markets. Because gas prices remain low on the regulated domestic market, however, Gazprom (as the export monopolist) makes most of its profit abroad. In 2011, the average domestic gas price was 63.5 Euro per bcm (without tax and customs duties) compared with 213.9 bcm in Europe.<sup>16</sup> On the domestic market Gazprom competes increasingly with independent gas companies like Novatek, which has a more flexible price policy, but also with Rosneft, which invests in the gas market.

The Russian government has failed to diversify its economy; its budget is one-sided and dependent on the export of resources, especially oil. At present it needs an oil price of around 120 dollars per barrel to have a balanced budget.<sup>17</sup> At the same time the global gas market has changed fundamentally with the rise of liquefied natural gas (LNG) and shale gas. Pipeline gas, the main means of exporting Russian gas, with long-term contracts and fixed amounts of gas, is partly being replaced on the stock market by cheaper gas, which is exported as LNG by tanker. Gazprom's role in the LNG market is very limited. With Sachalin 2, there is only one LNG terminal in Russia, which supplies the Asian market; several others are planned.<sup>18</sup> By sleeping through these developments, Gazprom lost share in the European market. Thanks to flexible contracts and lower prices, the share of gas from Qatar on the EU market rose from less than 1 percent in 2003 to 8.6 percent in 2010.<sup>19</sup> Meanwhile, gas imports to the US have decreased as a result of the increasing domestic extraction of shale gas, and there is a shrinking demand on the world market for gas due to the global financial crisis after 2008. LNG has become cheaper than Russian pipeline gas. Finally, conflicts over price between Gazprom and European gas companies often lead to decreasing prices for the Russian company.<sup>20</sup>

### Rethink Conflicts between Gazprom and European Energy Companies

The several conflicts that have taken place between Gazprom and its partners in the past can better be explained in terms of economic interests than by a one-sided focus on power policy interests. Gazprom did not always prevail in these conflicts, which shows that it has to balance its own goals with the political interest of the Russian state and the interests of its business partners. Turkish state-owned oil and gas company Botas, for example, diminished the contracted quantity of gas after completion of the Blue-Stream Pipeline through the Black Sea in 2003 and was able to beat down the price because of its economic interests and negotiation power. In light of the interruption of gas supply that took place during the Ukraine-Russia gas disputes of 2005/06 and 2008/09, this



policy can be interpreted not only as geopolitical games of the Kremlin, but as a strategy of Gazprom and the Ukrainian Naftogaz to win price concessions from one another. Both sides lost credibility in the process and have since learned to be more cautious if they do not want to damage their relations with the EU.

Rather than view Gazprom's 100-percent takeover of the Belarusian company Beltransgas in 2011 in purely geopolitical terms, one must consider other factors, particularly the economic fact that it secures transit routes to Gazprom's most important market: Western Europe. The purchase of pipeline networks in transit countries; the foundation of a gas consortium in Ukraine for the pipeline system; establishing long-term contracts—all of these actions make sense from an economic point of view, considering the high costs and the specific investment of Gazprom in pipelines.<sup>21</sup> At the same time, building new pipelines in the North and South of Europe can also increase the security of supply for the EU and cements Gazprom's dependency on the European market. Another question is, whether all these pipelines will ever be economically viable and whether Gazprom's investment is not economically risky, considering the changing global gas market and the extremely high costs for South Stream. This, however, is not a problem for the EU but rather for Gazprom itself and the other pipeline shareholders. What is important is that the EU develops its policy not on the basis of one-dimensional security perceptions but based on facts and with an analysis of the whole picture.

What then is the right policy for EU member states? They should do business with Russia as they have been doing with states like Azerbaijan, Kazakhstan, Qatar, and Nigeria: without overblown threat perceptions. It is necessary to diversify the mix of resources; to increase security of supply inside the EU through storages and interconnectors; to implement a transparent, open, and competitive energy market. The Third Energy Package is the right vehicle for pursuing this goal. Furthermore it makes sense for the EU member states to develop an anti-monopoly policy toward Russia and to use their leverage as the main consumer of Russian oil and gas to change Gazprom's business

concept. In September 2012 the European Commission launched an anti-trust case against Gazprom to ensure a genuine single market in gas.<sup>22</sup> The reaction in Russia has been an ongoing debate about how Gazprom should change its business model.<sup>23</sup> Moreover, with Rosneft and Novatek, the emergence of new players on the Russian gas market may change the domestic gas market and bring new Russian players—competitors with Gazprom—into European and Asian gas markets. It is therefore important for the EU to set the norms and regulations for the gas business on its territory and to ensure an open and competitive market. The grounds for EU policy should not be over-securitized debates about the threat of Gazprom but the desire to build up a functioning energy market that might include Gazprom and other Russian companies playing by international and EU rules.

## Failure of the Common Neighborhood Policy

The common neighborhood of the EU and Russia is a second key area of tension. While the EU wants to import its norms to the Eastern Neighborhood and integrate these countries in its market and value system, Russian elites understand the “near abroad” as its main area of interest. Vladimir Putin started his third term as Russian president with a clear message: that Eurasian integration is the main focus of his foreign policy.<sup>24</sup> This priority can also be interpreted as a decision to distance Russia from Europe and to abandon the gradual Europeanization that had been the (rhetorical) paradigm during his two first terms as well as under Dmitri Medvedev's presidency (2008–2012). Increasingly, the debate over European/Western influence on Russian/post-Soviet domestic politics—and, more generally, the divergent values of “Russia and the West”—plays out in the issue of the common neighborhood.

While Russia for a long time ignored the EU's activities in the post-Soviet region, this changed with the EU's Eastern Partnership (EaP) policy, which was launched in May 2009. The policy was designed to increase the EU's integration with six

direct post-Soviet neighbors—Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine—in areas like free trade and energy and to support administrative reforms and good governance, without offering the prospect of EU membership.<sup>25</sup> EU member states agreed to inaugurate the EaP especially as a result of an increased perception of insecurity in the Eastern Neighborhood resulting from the Russian-Georgian war in August 2008 and the Ukrainian-Russian gas crisis of winter 2008/09.<sup>26</sup> This policy did not involve Russia from the beginning and was focused on enhancing the EU's relations with the six EaP states (the bilateral platform) and—as an innovation—among them (the multilateral platform).<sup>27</sup> The EU's increasing activities in the common neighborhood have pushed it into the role of a competitor for Russia.<sup>28</sup> The EU has opened the negotiation of free trade and association agreements with those EaP-states that are “willing and able to enter into a deeper engagement and gradual integration in the EU economy” and visa facilitation negotiations.<sup>29</sup>

The export of EU norms and regulations to the common neighborhood challenges Russia's role as the main political player in the region. In response, Russia has started to develop its own integration projects along similar lines, while integrating its neighbors in a Customs Union with Belarus and Kazakhstan in 2012 and a Eurasian Economic Union in 2015. In his 2011 article for the daily paper *Izvestia*, Putin declared that the Eurasian Economic Union seeks to implement EU-like integration while avoiding the EU's mistakes.<sup>30</sup> What makes the Customs Union and the Eurasian Economic Union more relevant than previous institutions is the more consistent institutionalization, which has become apparent through the introduction of common duties with respect to third countries and a common customs code. The Common Economic Space, which came into effect on January 1, 2012, will implement a liberalization agenda including the free movement of labor and capital among the three states. It is still too early to assess these integration steps while Russia defers its political ambitions and focuses on economic and trade rapprochement with two post-Soviet states; for the time being, however, it seems to be more successful than all its past integration projects.

In Europe, the political and public discourse on the Eastern Neighborhood and especially on Ukraine has focused on a competition between integration with the EU or with Russia. This heats up the debate about different interests.<sup>31</sup> More and more, the EU has accepted the rhetoric of competition while at the same time being unwilling to invest sufficient resources into its policy. That means we observe a rhetoric of competition between both sides while the EU is unable and unwilling to play its soft power toward the Eastern Neighborhood. “As a consequence, the EU has been locked into an integration competition with Russia over Eastern Europe, although it has been both unwilling and ill-equipped to play this game.”<sup>32</sup>

### Ukraine between Russia and the EU

In the last years, the EU's main goal in the framework of its European Neighborhood Policy (ENP) and especially the EaP has been to develop Ukraine as the best practice example for integration while negotiating its ambitious Deep and Comprehensive Free Trade Agreement (DCFTA). The change of the leadership in Ukraine after the 2010 presidential elections and the increasingly authoritarian policy of President Victor Yanukovich have led to a shift in the EU's debate and policy. In terms of introducing political and economic reform, Ukraine's success has been notably limited. While the EU and some member states tolerated these democratic shortcomings under the Orange coalition (2005–2010)—because of the pluralistic political environment that prevailed at the time—they are now focused on introducing minimum standards of democracy before signing the DCFTA. The EU has started a policy of ultimatums to increase the democratic situation in the country. A dominant discussion in the EU is that Brussels will sign the agreement if the opposition politician Yulia Tymoshenko is released from jail and some basic democratic principles are fulfilled. After Commissioner Stefan Fülle's meetings with high-ranking Ukrainian officials in Kiev in February 2013, a list of 19 democratic demands for signing the agreement became public. They touch on areas like the election code, independence of courts, and judicial reform.<sup>33</sup> Commissioner Fülle has set a deadline for the Ukrainian government to implement reforms

for signing the agreement at the EaP summit in November 2013.

A competing popular argument is that if Ukraine's EU-integration fails, Ukraine will come under Russian area of influence.<sup>34</sup> This line of argument puts pressure on the EU because it challenges the democratization approach as a precondition for the DCFTA and questions the EU's credibility. The main points of focus for both discourses are Russia and Timoshenko—not how to integrate Ukraine in the EU or who the relevant partners in the country are. The EU lacks a clear political statement of its interest in integrating Ukraine, and it lacks a policy that takes Ukrainian realities into consideration and would bring Ukraine closer to the EU. On one hand, the lack of democracy in Ukraine is used as an excuse for the failure of EU policy, while on the other hand it is argued that democratic reforms should be disregarded because of the seriousness of the Russia threat. At the same time the insistence on the release of Yulia Timoshenko has brought EU-Ukraine relations into a dead end. It is important to analyze all three sides in the relationship and follow a consistent approach, one that will help integrate Ukraine into the EU while at the same time not legitimizing the Ukrainian elites.

For Russia, Ukraine is the second biggest country of the post-Soviet region and is therefore key to all its integration projects. Russia's main focus is therefore to push Ukraine into the Customs Union and prevent it from signing the DCFTA with the EU. In this context, Russia uses Ukraine's dependence on Russian gas supply to offer a discount on gas and the foundation of a gas consortium in exchange for participation in the Customs Union. Ukraine could benefit from a lower gas price of up to 8 billion dollars per annum.<sup>35</sup> There are several statements by Russian officials that underline the benefits to the Ukrainian economy of integrating with the Customs Union and that threaten the Ukraine would lose its important trade partner through sanctions, if it signs the DCFTA with the EU.<sup>36</sup> As economic analyses show, signing the DCFTA would bring comprehensive long-term and structural benefits for the Ukrainian economy compared to joining the Customs Union. It would decrease trade barriers, reduce corruption,

and enhance competition and direct investment through improvement of the regulation basis.<sup>37</sup> At the same time, Russia's WTO membership (since August 2012) and Ukraine's (since May 2008) will reduce the possibilities of Russia imposing sanctions on Ukraine. Ukraine could use institutional mechanisms in the WTO context to address Russian sanctions.

### The Mismatch between the EU and Ukraine

The EU mistakenly thinks Ukrainian elites have a main interest in signing the DCFTA. In fact, Yanukovich's policy is focused on maintaining power—with or without the DCFTA. Ukrainian elites think like most post-Soviet elites: in the short term. This reality needs to be integrated into the EU's strategy—and its understanding of the Ukrainian political context. Firstly, Yanukovich is above all interested not in signing the DCFTA, but in securing his own power position and winning the 2015 presidential elections. Secondly, for this he needs to sign a new gas contract with Russia, which will give him more financial leeway to implement popular measures before the presidential elections. Credit from the IMF is not an option because this would be linked with unpopular measures like increasing domestic gas prices, which would in turn diminish the president's popularity. Thirdly, post-Soviet elites will never accept democratization as a prerequisite for smoother relations with the EU, because any democratic reform will challenge their power position and economic privileges. None of this bodes well for Ukrainian economic and political reform, but EU neighborhood policy must nonetheless take it into consideration.

The current Ukrainian government tries to use uncertainty about whether it will sign the DCFTA or integrate with the Customs Union in order to balance both sides. On the one hand, Yanukovich has no interest in joining the Customs Union with Russia, Kazakhstan, and Belarus; its benefits are limited and the costs would be high.<sup>38</sup> The Ukrainian leadership is therefore lobbying for an observer position in the Customs Union. On the other hand, Yanukovich has not released Timoshenko; instead, he plays with the EU while at the same time fulfilling other demands, such as releas-

ing the former minister of internal affairs and close Timoshenko ally, Yuri Lutsenko. The EU is becoming increasingly nervous that the trade agreement will not be signed, and that it will lose its momentum—and credibility. By focusing on the DCFTA signature at the EaP summit in Vilnius at the end of November 2013, it is sending contradictory messages to Ukraine.

### Losing the Common Neighborhood

The perception that the EU will lose Ukraine to Russia is grounded in a wrong understanding of post-Soviet policy. The relationship between the post-Soviet states and Russia is not integration but balancing. No authoritarian (post-Soviet) state will give up sovereignty—especially not to Russia, the dominant player in the region. With regard to the Customs Union, this might change for some short-term economic benefits, but Kazakhstan and Belarus have put a stop to latest political integration dreams harbored by the Russian leadership.<sup>39</sup>

Russia's own political, economic, and social model is not attractive to the societies of these states. Russia's Eurasian Union project can also be interpreted as the last of the attempts to integrate post-Soviet states that have been floundering since the end of the Soviet Union. Observing the weaknesses of the EU neighborhood policy as well as the EU's financial and economic crisis, Moscow tries to integrate these states when the EU seems to be weak. That does not mean Russia is strong, or that conditions for integration have changed, but rather that Russia is simply trying to leverage the current weakness of the EU to its own advantage. In terms of soft power, the EU is still attractive, but it has to make a decision for more integration with post-Soviet states and to put more resources and commitment into the process.

If the EU genuinely wants greater integration with post-Soviet states, the discussion should not be about whether a (problematic) opposition leader like Timoshenko is freed from prison. Rather, it should be about how to implement DCFTA and the integration measures as well as about how to draw civil society into the process of implementation. In the case of Ukraine, this strategy is also

relevant for the (still unpublished) "Fülle list," which involves demands that are in the short term impossible for the Ukrainian government to fulfill because of the existing gap between the written law and the ability to implement it. All of these key issues have to be brought into focus in the DCFTA implementation process.<sup>40</sup> Accepting the argument of a competition with Russia over Ukraine, the EU accepts this paradigm without developing a serious policy that can challenge Russia's approach. The EU has been offering economic benefits depending on the neighbors' ability and willingness to implement the Union's normative agenda. The EU is willing to give its neighbors influence only when they want to implement the Union's demands, but it does not have a policy that clearly outlines how that is to be done.<sup>41</sup>

EU policy should be developed in line with its strengths, which are in institution building and implementing rules (even if it also has weaknesses here, considering certain democratic deficits inside the EU itself). The EU should not be distracted by a geopolitical discussion about Russia but focus on how to implement its policy. In the case of Ukraine, the DCFTA is a strong instrument; the focus of EU policy therefore should not be on finishing a process with the agreement's signature but on starting a process, which responds more effectively to the reality of post-Soviet elites, in Ukraine and elsewhere. Clear benchmarks in this process have to be built up, as well as sanctions that respond to regular review reports. Key partners for this review process should be the Ukrainian civil society organizations, which are able to communicate to the public the successes and failures of their government. To involve Ukrainian civil society in the implementation process of the DCFTA would strengthen their position toward the political decision makers as well as to society as a whole.

If the EU fails in this process, the main threat is not that these countries will be bound more closely into the Russian orbit but rather that a vacuum will grow in the common neighborhood that neither Russia nor the EU will be able to fill. Russia has no relevant modernization path to offer; it only imitates reforms and integration. In the end, both the EU and Russia have ended up in missing their

goals and being played off one another by the countries between them. This becomes visible in the post-Soviet conflict zones in the Caucasus and Moldova, where a lack of engagement from outside (i.e., by the EU) shows that Russia is neither willing nor able to play a positive role in conflict resolution or even conflict management. The frustration about the disinterest of their own elites and the lack of real reform alternatives can increase the protest potential of post-Soviet societies. As a result, the political and economic situation in the countries of the common neighborhood is deteriorating, and social polarization is on the rise.

## The Visa Question as a Litmus Test for the EU

A third key topic in EU-Russia relations is the visa question. Russian government and society have a huge interest in visa facilitation and ultimately establishing visa-free travel. The main incentives for ENP and for deepening relations with Russia are to enhance economic and trade relations, mobility, and migration as well as to improve regional and financial cooperation. If the EU wants to promote democracy, rule of law, and good governance in Russia it needs to promote greater exchange with Russian society. In the long term, only Russians themselves can change Russian politics from within, and if the EU wants to be a partner in this process, it needs to support the empowerment of Russian society. Visa liberalization is a key element of this process, with visa abolition as the final goal. But for the EaP states as well as for Russia, visa liberalization is a long-term goal that will be provided for individual countries on a case-by-case basis. For a long time, domestic politicians of some EU member states dominated the debate with a focus on the “invasion” of poor migrants, illegal immigration, and organized crime. The failure to liberalize visas is a main factor undermining the EU’s credibility in Russia and the EaP countries, especially in broader society. The EU’s policy in this area increases the gap between EU and societies to the East.<sup>42</sup> Instead of enhancing exchange and demonstrating more openness, many EU member states reinforce the existing status quo.

While some EU member states have for a long time blocked visa negotiations with Russia, the constant lobbying of companies and civil society organizations has managed to shift the position of many states, including Germany.<sup>43</sup> The main arguments for more visa freedom are that increasing exchange between societies will improve social and economic relations and strengthen the EU’s soft power. The Committee on Eastern European Economic Relations, in coordination with other European economic confederations, quantifies the financial burden of visa regulations for European countries as amounting to several hundreds of million Euros per year.<sup>44</sup> More social exchange would, moreover, ultimately support political change in Russia and other post-Soviet countries. On the official Russian side, the difficulty obtaining visas has always been cited as example in the argument that the EU has no genuine interest in open borders and social exchange. At the same time, it was important for the government to be able to give members of their bureaucratic apparatus as well as private and state entrepreneurs the possibility of traveling and doing business abroad. In the past, this was part of the Putin’s system contract with the Russian elite: no political engagement in exchange for travel and the possibility of doing business and holding property abroad.

Since March 2012, with Putin’s third presidential term, there has been a shift in Russian policy toward the elite. One policy currently being debated in the Russian leadership is the introduction of a special number of visa-free service passports available to an unspecified circle of people. Moscow has linked visa freedom for service passports with visa ease for other special groups. A high number of service passports without visa restrictions would strengthen Putin’s power position. The Kremlin’s goal is to control who gets these passports—without transparency toward the EU. This is part of the Russian leadership’s renationalization policy, in which the government has used a campaign against corruption and private property of state officials to bring Russian bureaucrats under control.<sup>45</sup> The visa freedom for service passports by decision of the Kremlin would become an instrument to reward loyalty—and sanction disloyalty. Visa freedom for all Russian cit-

izens is rather less in the interest of the ruling elite, because it would give more freedom to the people.

For its part, the EU's main interest is to increase exchange with Russian society. In the EU, the debate is based either on making compromises with the Russian side or getting something in return for visa ease. From a EU perspective, all people are equal, and it should not accept preference for officials over the rest of society. Steps for visa freedom for all groups should therefore proceed simultaneously. By now it would be much easier in the framework of the existing visa rules to give more and longer visas to Russian citizens; some member states like Finland are already doing that. This cannot replace the symbolic (and real) importance of a visa-facilitation agreement between Russia and the EU and the relevance of visa freedom, but it would send an important signal to Russian society and the business community—to show that EU has no problems with more Russians traveling to the EU member states.

## EU-Russia Relations: Is the Ball on the EU's Side?

The simplified understanding of what is going on in Russia and how to understand Russian foreign policy is a main hindrance of EU's Russia policy. Russia is much more complex, diverse, and pluralistic than the dominant public discourse within EU member states allows. It is not only about an authoritarian Putin system that violates the human and democratic rights of its citizens, but is also about a society that is skeptical both of its own politicians and of Western influence. At the same time, Russian society is in a process of change. A growing portion of citizens no longer accepts the Putin contract of being apolitical in exchange for consumption incentives. It wants to participate in the political sphere—or at least to be able to criticize the state's failure in the public sector in their city or region.<sup>46</sup> Russians do not see the main tasks of their leadership in strengthening Russia's role in the world or weakening conflicts among nationalities but instead in supporting economic growth and the fight against corruption. Corruption in the

education and health system is of much greater concern to the people than external threats.<sup>47</sup> For more and more people, the lack of public services and the increasing dysfunction of infrastructure at the regional and municipal level are the reason for civic engagement and voicing criticism.

Many EU member states see Russia the way they want to see it. German political elites are frustrated by Putin's return for a third term and by the country's lack of democratization.<sup>48</sup> Central eastern governments feel vindicated that the Putin regime is what it has always been: authoritarian and indifferent to modernization. But the expectations of how Russia should change are often unrealistic. While EU member states have in fact very limited influence on Russian domestic policy, they can change the direction and capability of EU policy. EU member states need to clarify what is in their interest in cooperation with Russia. They must rethink what is possible. The EU has the instruments to engage with Russia and to influence some developments. Even if there is a strong resistance by the current Russian leadership with regard to cooperation and compromises, the EU member states can do more. The economic and social interdependence of the EU and Russia is a strong tool for engagement. The EU and its member states should not invest less interest and resources in their relations with Russia because of Putin's return but rather engage Russian society and its different elites in a broader way. It must, in short, use its instruments more intelligently and confidently.

Firstly, the EU should not accept Russian rules for the relationship but set and enforce its own rules. This should be the case with energy policy as well as visa policy. Gazprom wants to enforce long-term contracts and secure its transport monopoly. That is its legitimate interest, but EU does not have to accept it. Gazprom is dependent on the EU energy market in terms of revenues and infrastructure. There is a discussion in Russia about splitting Gazprom in reaction to the EU's Third Energy Package and the European Commission's anti-trust case. While implementing these principles, the EU sets clear conditions on its energy market and introduces transparency and competition. If Gazprom will not accept this, it will lose market share. At the

same time, division of Gazprom and the loss of export monopoly would in fact have positive effects for the Russian energy market. It would increase competition in the domestic market and as well as outside the country. The result would be falling gas prices and requirements for more efficient management. This could influence the role of the state in Gazprom and in the whole energy sector.

In the case of the visa negotiations, EU member states have to understand and communicate to their own societies that visa ease—or visa-free conditions—within the common neighborhood would bring benefits in terms of enhancing economic cooperation, promoting social change, and increasing the EU's attractiveness and security in the neighborhood. However, to accept Russian rules by compromising on service passports, as the Russian government wants, would undermine the EU's credibility in Russian society as a whole, and increase the gap between normal citizens and those in power. It is important that the EU side controls who gets visa freedom and how. To give this instrument to the Russian government would legitimize its opaque and corrupt ways of addressing the question. The visa issue is critical because it sends an important signal that the EU is interested in increasing exchange with Russian society. It is also as helpful for civil society exchange as it is for economic relations. We should not underestimate the importance of the fact that outside recognition (i.e., by the EU) of policies and rules created by post-Soviet elites is a main source for these governments' domestic legitimacy.

Secondly, the EU should use and enforce existing instruments in a less ideological but more pragmatic way. The member states and the Commission should not concentrate their policy on democratizing post-Soviet countries from outside—i.e., by signing agreements—but on the implementation process of the contracts and involving society. Post-Soviet elites have no interest in political change because this would challenge their power positions and privileges. They do need foreign investments, however, along with market access, technology transfer, and consumer imports. Taking EU-EaP relations—and relations with Ukraine in particular—as examples, the focus should be on

implementing the DCFTA rather than on simply signing an agreement with a democratic government. It is unrealistic to wait until post-Soviet elites have democratized themselves (as a result of the offer of deeper economic integration and signing an association agreement). Until a sustainable economic and political system can be established, post-Soviet elites need certain openness to other markets but have at the same time an interest in shielding internal politics from outside influence.

Thirdly, the EU should learn from its failures in the countries affected by the so-called Arab Spring and refocus its policy on potential partners within the elite and society at large—but not, first of all, on stabilizing the ruling elite. This is not a plea for completely redirecting the EU's policy toward civil society but rather an argument for a more balanced approach between maintaining professional relations with the ruling elites and identifying possible partners for long-term change. These partners are not primarily the very small group of pro-Western civil society actors but rather small- and medium-sized entrepreneurs, all of whom belong to civil society and agree in universal democratic principles and, finally, the more open and liberal part of the elite. To learn about the interests and needs of different parts or groups of society, to build up platforms for communication with these groups and with elite are important tasks for better understanding developments in Russia and the post-Soviet states. Communication and change is not a one-way street leading from Europe to Russia but rather a two-way process in which societies learn from each other. Abolishing, or at least facilitating, visas and promoting exchange programs on different levels are preconditions for improving our understanding of Russia—and our Russia policy. Only a deeper knowledge about the relations between society and power in Russia and especially in Russian regions can help to develop a more effective Eastern policy of the EU.

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## Notes

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