



EU-Russia relations: Partnership on ice?

by Ian Bond

When President Vladimir Putin comes to Brussels for the EU-Russia summit at the end of January, his mind may be elsewhere. Ten days later he will open the Winter Olympics in Sochi. The EU-Russia Summit will have a slightly lower profile. It was postponed from November 2013, so this year there will be three such meetings. That is two too many. The EU has one summit a year with other major powers, including the US. Russia alone gets two, for no added value.

The relationship is process-heavy, but substance-light. From summit meetings to dialogues on 'forest-based industries', EU-Russia encounters generate progress reports reporting no progress. One from March 2013, for example, notes that the last meeting of an EU-Russia dialogue on industrial products in May 2012 discussed (apparently without agreement) Commission proposals to wind up non-operational working groups – hardly a major problem in trade relations. The recommendations from the EU-Russia Industrialists' Roundtable – where major companies on both sides meet – have an air of déjà vu about them: before every summit they urge removal of barriers to trade, improved conditions for investors and an end to discrimination against foreign investors. Leaders congratulate themselves on constructive talks but take no decisions on the recommendations.

In the real world, however, the EU-Russia relationship is going badly, despite regular repetition of the mantra of 'strategic partnership'.

In recent months Russia has held military exercises to practise invading its EU neighbours; it has obstructed EU exports and strong-armed Ukraine into not signing an association agreement with the EU. It is time that the EU adopted a new approach to its difficult neighbour.

There is a fundamental divergence in the objectives of the two parties. In the immediate post-Soviet period, both sides expected Russia to become more like the rest of Europe. In its 1999 Common Strategy for Russia, the EU welcomed "Russia's return to its rightful place in the European family". Putin spoke in 2003 of Russia "becoming truly integrated with Europe". That is no longer his aim. Russia is challenging the EU across the board.

In trade relations, despite its 2012 accession to the WTO, Russia was responsible for one third of all the protectionist measures introduced by members of the G20 in 2013 and has failed to implement WTO pre-accession commitments, in particular to

abolish royalties paid by foreign (but not Russian) airlines to fly over Siberia. It remains a difficult place to do business, and not just for European companies, it is in joint 127th place in Transparency International's 2013 Corruption Perceptions Index and 92nd place in the World Bank's Ease of Doing Business index. A member of the International Olympic Committee has said publicly that a third of the \$55 billion budget for the Sochi games has been corruptly siphoned off. One of the few helpful institutions for foreign businessmen seeking redress, the Supreme Arbitration Court, dealing with commercial disputes, is under threat since Putin proposed merging it with the (less independent-minded) Supreme Court.

The roadmap for the EU-Russia Common Space of Freedom, Security and Justice (one of four "common spaces" setting out objectives in the key areas of the EU-Russia relationship) speaks of a partnership based on common values; but in his December 2013 address to the Federal Assembly Putin contrasted Russia's "great history and culture" with "so-called tolerance, barren and neutered", in the West. Despite the pre-Christmas amnesty for some prominent regime opponents, the human rights situation remains poor, with Russia accounting for more than 20 per cent of the pending applications to the European Court of Human Rights.

In external security, Russia is ever more hard-nosed in defence of what it sees as its interests, particularly in its neighbourhood. Apart from seeking to entice or coerce former Soviet states into the Russian-led Customs Union, it is even trying to establish footholds within the EU, for example through access for its armed forces to an airbase and a port in Cyprus. And though it has played a positive role in securing the removal of chemical weapons from Syria, Moscow has continued to arm the Assad regime and protect it from UN Security Council condemnation.

The Russian government has decided that its interests and values are not the same as the EU's. The EU should accept this. In some areas, notably energy supply, Russia will continue to be a key partner for many member-states. But the EU should look for ways to rebalance the relationship, so that the leverage is not all on one side.

The Commission's efforts to force Gazprom to abide by EU rules are a good start. It should ignore the suggestion from the Russian ambassador to the EU that an exception should be made for the state-controlled monopoly; it should be as firm with Gazprom as it has been in the past with Microsoft. And the EU should reduce its dependence on Russian energy through greater energy efficiency, diversifying

sources of supply and improving intra-EU pipeline infrastructure.

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The Commission should also be tough in pursuing Russia in the WTO. It has already persuaded the country to change its discriminatory automobile recycling fee (applied to cars imported from outside the Customs Union of Russia, Belarus and Kazakhstan); it should use the organisation's dispute settlement process again if Russia, as it has threatened, retains over-flight royalties.

The EU cannot stop corruption in Russia, but it can do more to prevent the proceeds being laundered through EU banks. The latest EU anti-money laundering directive, likely to take effect in 2016 at the earliest, should ensure that governments apply the rules more consistently than at present. But the UK (among others) could step up its scrutiny of the real ownership of brass-plate companies in its overseas territories, to make it harder for Russian officials to hide bribes and embezzled funds in the European financial system.

Finally, the EU should ensure that its eastern neighbourhood is not sucked into Russia's self-proclaimed zone of privileged interest. Leaders like Ukraine's President Viktor Yanukovich may prefer the familiar embrace of Moscow. But it is clear that many of the region's people would prefer a European future; and that Europe's interests will also be better served by having stable and prosperous democracies as neighbours rather than corrupt oligarchies. Moldova and Georgia, which have initialled association agreements with the EU, are likely to come under intense Russian pressure in the coming months. The EU will need to engage with them equally intensively to keep them on the European path.

Putin (along with soul-mate Aleksandr Lukashenko, the Belarusian president) has already tried out the Olympic rink in Sochi. In his foreign policy as well as on the ice, Putin's preferred sport is ice hockey, not ice dance. The EU should be ready with helmet, stick and pads: it will be a tough match.

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