

How Russia conceives of moving closer to the EU

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On 25-26 November, Prime Minister Vladimir Putin paid a working visit to Berlin. The speech he made there, as well as his article published in the *Süddeutsche Zeitung* on the day he arrived, was in effect a policy announcement. They were used to present a Russian vision of closer cooperation between Moscow and the European Union, especially in the economic area. This in fact boils down to the exchange of capital between the partners, and the transfer of EU technology to Russia in exchange for Russian natural raw materials and market access. In Russia's intention, intensifying joint investment projects should take place as soon as possible, whereas the process of adapting Russian law to Western standards should be gradual in nature and spread out over time.

The call for the EU to intensify its economic involvement in Russia is important for Moscow – on one hand, within the context of the need to limit Russian economic dependence on raw energy materials, as the global economic crisis has made clear to the Russian ruling class; and on the other hand, strengthening cooperation with the EU is intended to strengthen the Russian Federation's international position and serve as a counterweight to the growing power of China.

However, Russia's ambitions are only likely to be realised to a limited extent. We may expect a continuing influx of European investments to Russia, but without changes to Russian policy, this will not happen to the extent Moscow would like.

The model of Russian/EU cooperation, according to Prime Minister Putin

In his concept of the Russian/EU relationship, Putin has reverted to previously proposed principles for cooperation, including those included in two joint documents: the Partnership and Cooperation Agreement [PCA] of 1997, and the so-called EU/Russia Road Maps of Common Spaces, from 2005. This time, however, the Russian PM has presented his own interpretation of the implementation of those proposals. In his opinion, Russia and the European Union should first develop cooperation on the basis of large joint business projects (including the exchange of assets), and in the next stage seek to progressively harmonise their laws and standards (by the creation of a free trade zone and further economic integration). Prime Minister Putin illustrated this process with the example of German unification in 1990, when the political decision preceded the adjustment process.

At the same time, Putin is really demands influence on the evolution of the EU's internal law, in a bid to have it revised by retaining of vertically-integrated energy companies, and as a result, gaining access for the Russian gas monopoly to all segments of the EU's gas sector; and by blocking any further liberalisation of the EU gas market (the so-called 'third energy package'), which would be unfavourable for Gazprom. The EU should additionally contribute

advanced technologies as part of these relations. In return, Russia will offer its natural raw materials and access to its market (as part of this, it will not rule out admitting foreign investors onto the Russian energy market).

The Russian strategy is also based on developing cooperation outside the energy sphere, including in the machinery, aerospace and pharmaceutical industries, through the creation of strategic Russian/EU business ventures (Germany's Siemens and France's Renault already have experience in this field).

Russia's deeds contradict its words

Russia's declarations that it wants to intensify cooperation stand in contrast to its actions, for example, its protectionist policy and the other activities which have delayed its membership in the World Trade Organisation (negotiations on which have been ongoing since 1993). An example might be how, contrary to the protocol signed in 2004 with the EU, Moscow has raised export duties on timber, or its creation of a customs union in 2010 with Belarus and Kazakhstan.

Doubts have also been raised by Russia's stated readiness to open up to private investors, including those from abroad. On one hand, Moscow has indeed significantly restricted its list of strategic companies, announced a broad plan for privatisation over the next five years, and simplified the immigration law for highly qualified specialists. On the other hand, however, the planned privatisation is mainly intended to cover minority shareholdings, which means that the state still retains its tight control over the economy; the scale of corruption in Russia is constantly rising; the judicial system does not guarantee the effective defence of legal rights, and the interests of foreign investors in Russia have been infringed (the Shell energy group and BP are examples of this). At the same time, when Russian capital invests in Europe, it does not always adapt to local law; an example of this was the Russian company Renova secretly buying up shares in the Swiss company Oerlikon, or Russia's Vnieshtorgbank doing the same to the European defence company EADS.

The meaning of Russia's declarations...

The ideas which Prime Minister Putin has put forward are another Russian incentive for EU business to engage in modernising the Russian economy through investment and technology transfer. This is particularly important in the context of the recent global economic crisis, which has brought home to the Russian ruling class the danger of depending on an upturn in profits from raw energy materials.

The EU is a natural economic partner for Russia (EU members are the most important trading partners and investors in the Russian Federation), which simultaneously guarantees fairly attractive conditions for cooperation (among other things, they are ready to pay high prices for Russian raw materials, in contrast to China).

In a global context, the Russian declarations for closer cooperation with the EU are also aimed at strengthening Russia's position in its talks with China, and in developing multipolarity in international relations.

...and the prospects for their implementation

Prime Minister Putin announced his initiative just before the EU/Russia summit scheduled for 7 December. It was no accident that he chose to do this in Germany, which is Russia's main partner in the EU, and has advocated a policy of moving closer to Moscow. The Russian Prime Minister had counted on German support for these proposals. The initial official reaction from Berlin (such as that from Chancellor Angela Merkel) was quite critical, underlining the discrepancies in Russia's actions and statements. Thereafter, however, the German position softened, and politicians together with representatives of big German business generally supported the Russian ideas of how to move closer to the EU.

The Russian ideas have only limited opportunities for implementation. A further rise in investment from large EU companies in Russia should be expected, as they have already agreed on the Kremlin's terms of their presence on the Russian market, and their increased activity in Russia is of great importance to them.

It seems that lobbying big EU businesses may not be enough to bring about the implementation of the other Russian ideas. The EU's current position is at variance with the Russian vision. The EU's institutions have demanded that Russia makes extensive changes to its laws which will bring it closer to European standards. This particularly concerns guaranteeing the security of investments, in such a way that small and medium-sized enterprises also have opportunities to develop their cooperation with the Russian Federation. Moreover, despite the Russian ideas, Brussels has consistently sought the further liberalisation of the EU's gas market.