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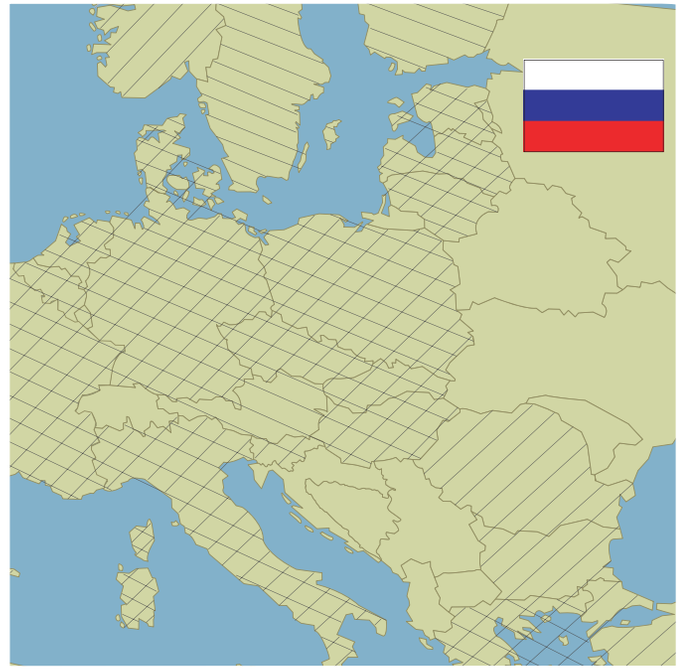
Ingmar Oldberg

Membership or Partnership:

The Relations of Russia and Its Neighbours with NATO and the EU in the Enlargement Context



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Membership or Partnership. The Relations of Russia and Its Neighbours with NATO and the EU in the Enlargement Context

Abstract (not more than 200 words)

Russia's relations with NATO have developed under Putin mainly in the name of fighting terrorism despite NATO enlargement to the Baltic states. There are strong obstacles to membership, e g Russia's great power ambitions and democratic deficit. Also Russia's relations with the EU have strengthened through trade and several agreements, but the prospect of EU membership is even slimmer due to EU standards, the present antidemocratic trend in Russia and the brutal war in Chechnya. A growing divergence of values can be observed.

Belarus has worse relations with NATO and the EU than Russia because of Lukashenko's dictatorship, anti-Western policy and the unreformed economy. Its extreme dependence on Russia makes it susceptible to Russian integration efforts, but Lukashenko's wish to retain his power retards the process.

Ukraine, by contrast, is a more suitable candidate for NATO and EU membership, chiefly because this is its proclaimed goal. However, NATO membership is unlikely as long as NATO's relations with Russia are good. Both NATO and the EU have condemned corruption and antidemocratic tendencies under President Kuchma. Putin has supported Kuchma against his political opponents and Ukraine remains very dependent on trade with Russia. Its balancing act between the West and Russia will probably go on.

The small and poor Moldova, finally, is also most dependent on Russia economically, and Russia backs a separatist regime in Transnistria. However, the reintegration of that region is the main goal of the Moldovan government, which has recently turned to the EU for support. This is an urgent task for the EU's peacekeeping ambitions.

Keywords

Russia, Belarus, Ukraine, Moldova, NATO, EU, Baltic states, enlargement, membership, partnership, energy, borders

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Medlemskap eller partnerskap: Rysslands och dess grannars relationer med Nato och EU i utvidgningarnas ljus

Sammanfattning (högst 200 ord)

Rysslands relationer med Nato har under Putin främst utvecklats i den antiterroristiska kampens tecken trots Natos utvidgning till baltstaterna, men det finns stora hinder för medlemskap, t ex Rysslands stormaktsambitioner och brist på demokrati. Även Rysslands relationer med EU har stärkts genom ökad handel och en rad avtal, men utsikterna till medlemskap är ännu mindre pga EU:s många inträdeskrav, den antidemokratiska trenden i Ryssland och det brutala kriget mot terrorismen i Tjetjenien. Klyftan i fråga om värderingar växer.

Vitryssland har sämre relationer med Nato och EU än Ryssland pga Lukasjenkos diktatur, hans antivästliga politik och landets oreformerade ekonomi. Dess extrema beroende av Ryssland gör det mottagligt för ryska integrationssträvanden, men Lukasjenkos önskan att behålla sin makt försenar processen.

Ukraina däremot är en lämpligare kandidat till Nato- och EU-medlemskap, främst eftersom detta är landets proklamerade mål. Men Nato-medlemskap är ändå osannolikt så länge Natos relationer med Ryssland är goda. Både Nato och EU har fördömt korruptionen och president Kutjmas odemokratiska metoder. Putin har stött Kutjmas kamp mot oppositionen. Dessutom är Ukraina fortfarande mycket beroende av handel med Ryssland. Dess balansakt mellan väst och Ryssland torde därför fortsätta.

Det lilla och fattiga Moldavien, slutligen, är också mest ekonomiskt beroende av Ryssland, och Ryssland understöder en separatistisk regim i Transnistrien. Att återvinna denna region är den moldaviska regeringens främsta mål och den har på senare tid alltmer sökt stöd från EU. Detta är en trängande uppgift för EU: s fredsskapande.

Nyckelord

Ryssland, Vitryssland, Ukraina, Moldavien, Nato, EU, Baltikum, utvidgning, medlemskap, partnerskap, energi, gränser

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Preface

The enlargement of NATO and the European Union (EU) in March–May 2004 is the most spectacular change of the security political landscape in the Baltic Sea region and in Europe at large since the dissolution of the Warsaw Pact and the Soviet Union. This report analyses the reactions of NATO's and the EU's eastern neighbours to these enlargements, the reasons and likely effects for the future. The focus is on Russia, a country which has always played an important role in Swedish security policy. Due attention is also paid to the eastern policy of the European Union, in which Sweden is a member and whose policy it helps to form.

The report has been written within the framework of the FOI research group on Russian foreign, defence and security policy. It will form part of the basis for the group's bi-annual report on Russian military capability in a ten-year perspective, which is commissioned by the Ministry of Defence. It belongs to a series of reports on Russia and its neighbours, and it elaborates themes to be found in my previous reports on related topics (see back cover). The report is also intended as a contribution to international scholarly exchange.

A preliminary version was presented at an FOI research seminar on 6 September 2004, where Ph.D. Rikard Bengtsson, Senior Lecturer at the School of International Migration and Ethnic Relations, Malmö University, acted as reviewer. I am grateful to him and others, in particular my colleagues Ph.D. Carolina Vendil Pallin and Robert L. Larsson, who read the manuscript and gave constructive criticism. I have also benefited from participation in conferences on related topics in Stockholm, The Hague and Riga in 2004.

Concerning the transliteration of words I have used a modified version of the US Library of Congress system. The 'Я', 'Е' and 'Ю' are consistently transcribed as 'Ia', 'E' and 'Iu', respectively, and the soft and hard signs (Ь, Ъ) are omitted. Exceptions are made for persons, who have their own transliteration into English, and for established spellings of names such as Yeltsin and Chechnya.

Ingmar Oldberg, Stockholm, October 2004 ingold@foi.se

Aims and definitions

The enlargements of NATO and the European Union (EU) in March–May 2004 are the biggest enlargements since these organisations were created and they profoundly changed the political landscape in Europe. The enlargements are bound strongly to affect not only the old and the new member states[1] but also the new neighbours in Eastern Europe; Russia, Belarus, Ukraine and Moldova, which remain outside. The aim of this report is to investigate whether the latter states are likely to remain partners or have any chances of becoming members of NATO and the EU in the future. The distinction between partnership and membership is nowadays a commonplace in NATO and EU relations with their neighbours, and one assumption is that very good partnership may lead to membership.

Most attention is devoted to Russia, which until the late 1980s totally controlled the eastern part of the continent and still aspires to be one of the main players on the global arena. The report also analyses the relations of Ukraine, Belarus and Moldova with NATO and EU as compared with their relations with Russia, to which they all formerly belonged. Next to Russia, Ukraine is the most important member of the Commonwealth of Independent States (CIS). Belarus is included for its central location in Europe, and Moldova because of its complex problems. All these states can be called the new borderlands between the expanding NATO–EU block and Eurasia. To different extents, they all aspire to be European and fear the emergence of a new fault line across Europe. After all, there is no inclusion without exclusion.

NATO is here conceived as a politico-military organisation, in which the United States of America has a strong influence, whereas the EU is seen mainly as an economic European organisation with a more dispersed division of power. However, the organisations are interconnected, since their membership overlap and they are based on common values. Therefore they cooperate or divide their labours, for example in relation to third parties, which will be illustrated below,

[1] See special issue *Die Einigung Europas* in *Osteuropa*, no. 5–6, 2004, and Hishow, Ognian, 'EU–Osterweiterung: Anhaltendes West–Ost-Wohlstandsgefälle', *Südosteuropa*, vol. 52, no. 10–12, 2003, pp. 597 ff.

though it is not focussed in the study.[2] The British political scientist Richard Sakwa characterises the EU as the most important form of European solidarity, which is based on exclusive membership, supra-nationalism, internal adaptation and a particularistic form of universalism aiming at capitalist democracy. By contrast, for example the OSCE (Organisation for Security and Cooperation in Europe), in which the four countries in question are members, is intergovernmental, governed by consensus voting, pluralistic and inclusive rather than hegemonic and exclusive, and a universal application of democracy and human rights.[3] Similarly, NATO can be labelled as an intergovernmental organisation based on consensus and exclusive membership, adaptive and aiming at democratic defence.

In order to reach the stated aim the report analyses the character, the problems and the development of the military, political and economic relations between the parties since the 1990s with an emphasis on the years since 2000. Of course, these relations are intertwined and difficult to keep apart. The military relations are here mainly examined in the NATO chapters, whereas the economic ones are mainly to be found in the EU chapters. However, exceptions are made insofar as the EU also has acquired a military dimension. Political relations are understood as those concerned with power and influence in and between states.

In the relations between the parties, the report analyses signs of and reasons for cooperation and common interests versus conflict in a *pro-et-contra* fashion, so as to clarify the complexity of the problems at hand, but when possible, changes over time are also considered.

Relations are here seen as an interplay of policies between actors, and in the bilateral relationships the ambition is to examine both sides fairly if not equally. Policies are understood to encompass the actors' views as well as their actions. Expressed views may reflect real motives and perceptions but also be a means of influence or deception.[4] In many cases, it is therefore important to note who says what to whom, when and where. 'Actions' here means behaviour such as military moves, organisational changes, economic aid and trade etc. As Karl

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[2] More on this in Menkiszak, Marek (2004) 'NATO–EU Partnership in Transforming the Eastern Neighbourhood?' in Maurer, Andreas & Lang, Kai-Olaf & Whitlock, Eugene (eds.) (2004) *New Stimulus or Integration Backlash? EU Enlargement and Transatlantic Relations*, Berlin, Stiftung Wissenschaft und Politik, pp. 75 ff.

[3] Sakwa, Richard (2002) 'The keystone in the arch: inclusion, democracy promotion and universalism in Central and Eastern Europe' in Cottey, Andrew & Averre, Derek (2002) *New security challenges in postcommunist Europe*, Manchester and New York, Manchester University Press, pp. 133 ff.

[4] Compare Bengtsson, Rikard, *The EU as a Security Policy Actor. Russian and US Perceptions*, Research Report 36, Stockholm, Swedish Institute of International Affairs 2004 , pp. 2 f.

Marx expressed it in 1875: 'Every step of real movement is more important than a dozen programmes'.[5]

To a high degree, the report deals with the views and actions of 'states' as expounded or undertaken by their official representatives. In Russia, Ukraine, Belarus and Moldova, this means the presidents, who according to the constitutions and in practice have the most influence in foreign policy, and ministers and other high officials like the ambassadors, who are appointed by the presidents.[6] However, differences among the official actors and changes of views are recorded in important cases. Some attention is also devoted to politicians of the opposition, companies, researchers and public opinion, when they are deemed to have a bearing on the official line. As for the West European states, which are represented in NATO and the EU, most attention is paid to the governments and their officials, since these states are parliamentary democracies.

Concerning NATO and the EU as actors, the focus is on their top officials and collective decisions. In the EU with its far-flung and complicated organisational network most attention is paid to the European Commission and its officials (president and commissioners e. g. for external affairs and enlargement), which is a permanent executive body acting in the interest of the Union as a whole. It proposes legislation to the Council and Parliament, manages and implements policies and represents the Union on the international stage. For example, it works out analyses and recommendations of policy with respect to Russia, and participates in summits and agreements with Russia. In some cases, the EU is here represented by the Council (of the European Union), composed by ministers from each country answerable to their parliaments, including a General Affairs and External Relations Council and a Presidency rotating between the states every half-year. The Council is the main decision-making body, e. g. by passing laws, signing international agreements and developing a Common Foreign and Defence Policy, for which there is a High Representative, Javier Solana, who is also Secretary-General of the Council. Since this report sets out to scrutinise the relations between several state actors over a considerable period, space does not permit an investigation of internal decision-making processes. This task must be left for future research.

To the extent that this report deals with states as actors competing for power and influence, it can be said to reflect a neorealist approach as analysed by e.g. Kenneth Waltz. However, since it also deals with supra- and sub-national organisations bent on cooperation and since it includes economic gain, legal

[5] Quote in *Dagens Nyheter*, culture section, 5 October 2004.
[6] The presidents are elected directly by the citizens in these states except Moldova, where he/she is elected by parliament since 2001.

norms, culturally based values, prestige and identities as possible reasons/motives for 'rational' behaviour , there are several elements of a constructivist approach.[7]

As can be gleaned from the footnotes, the report builds on official material from the main actors, statements, agreements, interviews, etc, which are found on Internet websites, in newspapers, journals and books. A good deal of material is taken from the websites of Radio Free Europe/Radio Liberty and the BBC Monitoring Global Newsline, which provide slightly edited material from the radio and TV stations, news agencies and newspapers of the four countries in question on a daily basis. For the evaluation of the above material and as background, comments and analyses by researchers and observers in several countries are also used. In this context a caveat must be made for economic figures. They should be interpreted with caution, mainly as indications of relative sizes and trends.

The report begins with a survey of Russia's bilateral relations with NATO since the 1990s as a background for an analysis of its policy regarding the latest NATO enlargement, where the focus is on the Baltic Sea area. Thereafter the relations of Belarus, Ukraine and Moldova with NATO and the Russian policies to counter them are explored so as to find out where these states are heading. Then the analysis proceeds in a similar fashion with regard to the four states' relations with the EU and their attitude to EU enlargement. The EU-related chapters make up the bulk of the report. In the conclusion, the findings are summarised country-wise, some comparisons are made and possible future developments sketched.

[7] For more on these approaches, see Heikka, Henrikki, 'Beyond Neorealism and Constructivism: Desire, Identity and Russian Foreign Policy' in Hopf, Ted (ed.) (1999) *Understandings of Russian Foreign Policy*, University Park, The Pennsylvania University Press.

Russian relations with NATO since the 1990s

Russia has ever since Soviet days considered NATO, as a military organisation dominated by the United States, to be a threat and therefore wanted it to be dissolved in the same way as the Warsaw Pact was. Instead Russia recommended the strengthening of the OSCE as an all-European security organisation, in which Russia is an equal member. However, the NATO members wanted to maintain and transform the organisation for new tasks while developing cooperation with Russia and other non-members. Russia reluctantly accepted this and gradually improved its relations with NATO. In 1994 it signed a Partnership for Peace agreement with NATO and in 1997 also a Founding Act with NATO on consultations and security cooperation, including a Joint Permanent Council.

When NATO under US leadership in 1999 attacked Yugoslavia to avert a humanitarian catastrophe in Kosovo, Russia broke off its official relations with the organisation, since the war was seen as a violation of the principle of territorial integrity and was not legitimized by the UN Security Council (where Russia could veto it). Russia was also alarmed when NATO during the war adopted a new strategic concept, which allowed operations without UN mandate outside the North Atlantic area. Russia feared this would open the door for NATO interventions also in the former Soviet Union sphere.

Nevertheless, President Yeltsin in the end helped NATO persuade Yugoslavia to withdraw from Kosovo, and Russian troops participated in NATO's peacekeeping force there. When NATO in early 2000 took the initiative to restore the official relations with Russia, Putin reacted positively and even talked about joining NATO – if Russian national interests were heeded. However, this idea was largely hypothetical, since Russia could and would not fulfil NATO's conditions for membership due to its huge size and great-power ambitions.

Russia supported the US declaration of war on terrorism after the 11 September 2001 events and the subsequent US-led intervention in Afghanistan, because it had long considered terrorism in Chechnya and Muslim fundamentalism its main security problem. This radically improved Russian relations with both the USA and NATO. Russia allowed NATO aircraft to use its airspace and railways for the operations in Afghanistan and accepted the establishment of NATO air

bases in Central Asia. In May 2002 the parties formed a new common council, the NATO–Russia Council (NRC), in which Russia was one of twenty members. Its goal was to promote cooperation concerning not only the fight against terrorism but also crisis management, non-proliferation of weapons of mass destruction, arms control, regional air defence, rescue operations and emergency situations. This caused President Vladimir Putin to conclude that the relations had reached a new level and quality and that NATO was changing into a more political and less military organisation, which Russia had called for throughout the 1990s.[8] The NRC drew up a basic concept for joint peacekeeping operations, and preparations were made for the first military-political exercises in accordance with it. The cooperation was based on consensus, equal executive responsibility and observance of international legal commitments, including the UN Charter. Bodies were created on several levels, with foreign ministers meeting twice a year. Russian authorities saw the Council as a useful forum for cooperation and for taking up issues that concerned them.[9] Russia also proposed military industrial cooperation with NATO, for example Russian delivery or leasing of heavy transport aircraft for counter-terrorist operations. Some agreements on modernising helicopters were signed, chiefly with French and British firms.[10] However, no major deal was made. Apparently with some apprehension Russia instead took stock of NATO's decisions in November 2002 to reform itself by introducing a division of labour with European allies, for instance regarding strategic airlift capacity, by trimming the command structure, and—most importantly—by creating a NATO rapid-response force with state-of-the-art weapons, which could be deployed practically anywhere in the world.[11]

Russia was openly critical of the new US security strategy of September 2002, which explicitly allowed for pre-emptive war against the new threats. American plans of developing new low-yield nuclear weapons were said to lower the threshold for a nuclear war. A new Russian defence concept, published in October 2003, demanded a change of NATO's 'offensive doctrine' and a removal of its 'anti-Russian elements', otherwise Russia would radically adapt its military planning and strategy accordingly. Defence Minister Sergei Ivanov did not exclude pre-emptive use of force for the defence of Russia and its allies.[12] Large-scale manoeuvres simulating the use of nuclear weapons, claimed

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[8] Prezident Rossii, official website of, Vystupleniia (speeches), 'Vystuplenie na zasedanii Soveta Rossii–NATO', 28 May 2002 (www.president.kremlin.ru/text).

[9] Kelin, Andrei (2004) 'Attitude to NATO Expansion: Calmly Negative', *International Affairs*, vol. 50, no. 1, , pp. 23–24.

[10] ITAR-TASS, 25 Sept. 2003, RIA, 6 Nov. 2003 (BBC Monitoring Global Newsline).

[11] Kelin (2004) p. 20 f.

[12] Ministerstvo oborony Rossiiskoi Federatsii website, *Aktualnye zadachi razvitiia Vooruzhennykh Sil Rossiiskoi Federatsii*, (http://www.mil.ru/index) October 2002, p. 19, Ivanov, Sergei, 'The Armed Forces of Russia and Its Geopolitical Priorities', *Russia in*

to meet terrorist attacks but actually similar to Cold War scenarios, were held. Russia decided not to participate any more in NATO-led peacekeeping operations, for example in Afghanistan, and withdrew such units from the Balkans.

Russia opposed the US–British attack on Iraq in March 2003 and the subsequent occupation, in which several other NATO states participated. Officials also criticised plans of transferring responsibility to NATO rather than to the UN and the Iraqis. At the same time Russia intensified cooperation with France and Germany—NATO states that also opposed the war.[13] It signed agreements with these states allowing them to transit troops to Afghanistan across Russian territory.[14]

Despite these problems both Russia and NATO were anxious to maintain and develop cooperation in the NRC. A joint working group on antimissile defence was set up.[15] For the year 2004 the parties adopted a plan of cooperation including 35 joint peacekeeping, rescue and antiterrorism exercises and made an agreement on the legal status of servicemen on each other's territory. The USA offered Russia to take part in large NATO exercises in the North Atlantic, which was accepted, and Russia suggested joint naval patrols in the Mediterranean. A joint exercise on the Kola peninsula simulating a search for components of weapons of mass destruction was to be held in the summer.[16] When NATO's new Secretary-General Jaap de Hoop Scheffer visited Moscow, he said that NATO and Russia needed each other to solve the problems of terrorism and arms proliferation, and agreed with President Putin on the need for greater coordination on international issues.[17]

The above thus shows that Russia has found new common interests and improved its institutional cooperation with NATO, but divergent military-strategic, political and economic interests remain. A basic problem for Russia is that it is the smaller and weaker party in the relationship, and that NATO has other problems to attend to, both restructuring for new tasks, the integration of new members and the improvement of cohesion in the wake of the Iraq war.

Global Affairs, no. 1, 2004, 17 February 2004 (www.ln.mid.ru,); RFE/RL Newsline, no. 65, part 1, 7 April 2004.

[13] Kelin (2004) p. 23.

[14] Socor, Vladimir, 'Sergei Ivanov misuses NATO Forum', *Eurasia Daily Monitor (EDM)* volume 1, 18 October 2004, issue 107.

[15] ITAR-TASS, 10 October 2003 (BBC), *Jane's Defence Weekly*, 12 March 2003.

[16] RFE/RL Newsline, no. 69, part 1, 14 April 2004, no. 63, part 1, 5 April 2004, No 64, part 1, 6 April 2004; *Interfax*, 4 April 2004 (BBC).

[17] RFE/RL Newsline, no. 67, part 1, 9 April 2004, Ekho Moskvy radio, 8 April 2004 (BBC).

This also makes Russian membership in NATO most unlikely for the foreseeable future. NATO would have to agree to defend Russian borders in Asia, for instance vis-à-vis China, and all NATO states, including the new Baltic and Central European members, must find Russian membership to accord with their security interests. Further, as will be shown below, it seems doubtful whether Russia shares the common values of NATO such as democracy, human rights and the rule of law, and whether it fulfils accession criteria such as democratic control over the military, peaceful solution of ethnic and territorial conflicts etc.[18] Finally, Russia does not appear to strive for NATO membership, even though Yeltsin and Putin have mentioned it as an option. Russia would always be second to the United States in the Alliance and be constrained in its great power ambitions by the other members as never before.

[18] Menkiszak (2004) pp. 72 f.

Russia and NATO enlargement in the Baltic area

The above analysis partly explains why the enlargement question has been a major problem in Russian relations with NATO. Throughout the 1990s Russia strongly opposed NATO membership for the former Warsaw Pact states Poland, the Czech Republic and Hungary, which was seen as a threat to Russian security, and it warned of countermeasures.

Still, NATO decided to admit the three states in July 1997, but in order to appease Russia, it first signed the Founding Act on cooperation with Russia, in which it assured that it did not intend to place military bases or nuclear weapons in the three states. The Russian campaign died out, and the states joined NATO in March 1999. When they made efforts to improve relations with Russia, Russia gradually warmed. In January 2002 President Putin paid a visit to Warsaw, declaring that the relations were now free from political problems and emphasising economic cooperation.[19] Relations were also normalised with the Czech Republic and Hungary, kindling Russian hopes that arms export to these countries could be resumed despite their NATO membership.

When NATO thereafter started to prepare for another, bigger enlargement, Russia particularly opposed the inclusion of the three Baltic countries for several reasons. (The opposition to the former enlargement could be seen as a way to forestall the latter.) The Baltic states had been part of the Soviet Union until 1991, and seeing them join NATO obviously hurt Russian prestige. Their NATO membership was also regarded as a military threat, as NATO forces could be placed near vital parts of Russia, and the Kaliningrad exclave would be totally surrounded by NATO states. Russia was further worried that the East European member states, which formerly had been under Soviet control or part of the Soviet Union, would make the alliance more critical of Russia, for example with respect to Chechnya. The Baltic states openly acted against Russian interests by supporting the integration of Ukraine and Georgia into NATO.

Since NATO made the solution of outstanding territorial and ethnic issues a condition for membership, Russia intensified its campaign against the "discrimination" of the Russian-speaking inhabitants in Estonia and Latvia, a

[19] Prezident Rossii, 'Vystuplenie Prezidenta' 16 January 2002 (www.president.kremlin.ru).

campaign which at the same time satisfied nationalist sentiments in Russia. The Russian government also refused to sign border agreements with Estonia and Latvia, and the Duma did not ratify the border treaty that President Yeltsin had signed with Lithuania in 1997. Political relations with the Baltic states remained at a low level. Especially Russian nationalists and military officials threatened to strengthen military positions in their vicinity.

Russia also demanded that prior to NATO accession, the Baltic states should sign the European treaty on conventional forces in Europe (CFE), which had been signed in 1990 when the states did not yet exist. Russia claimed that this omission created a grey zone facilitating military build-ups threatening Russia. The problem was that the treaty had been adapted in 1999 but had not been ratified by any NATO states, because Russia did not fulfil its commitment made at the OSCE conference in Istanbul in 1999 to withdraw its troops from Moldova and Georgia (see below).[20]

However, as the new US administration and leading NATO states seemed intent on admitting the Baltic states regardless of Russian objections, President Putin started to acquiesce with this fact, too.[21] In early September 2001 he declared that even if the enlargement was unnecessary since there was no threat to the Baltic states, Russia respected their independence and would not start any "hysterical campaign", which could only impair the situation.[22]

The improved relations with the United States and NATO after 11 September 2001, which gave Russia a greater role as a partner, obviously made it easier for Russia to accept the following NATO enlargement. Also the Baltic states greeted this rapprochement, and called for improved relations with Russia.

When NATO at a summit in Prague in November 2002 decided to admit the Baltic and four other states, namely Slovenia and Russia's former allies Slovakia, Romania and Bulgaria, Putin—unlike many other CIS leaders—did not attend. However, the Russian protests were relatively weak, and no countermeasures were taken. Russia welcomed NATO's declaration that it wanted intensified cooperation with Russia and that the decision was not aimed against Russia. It also appreciated NATO's confirmation of the Founding Act, which dictated restraint in locating forces and nuclear weapons in new member states. When President Bush immediately afterwards came to meet Putin in St. Petersburg, Putin again labelled the enlargement as unnecessary, but he hoped

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[20] Lachowski, Zdzislaw, *The Adapted CFE Treaty and the Admission of the Baltic States to NATO*, Stockholm, SIPRI, pp. 23 ff.

[21] More on this in Oldberg (2003) *Reluctant Rapprochement. Russia and the Baltic States in the Context of NATO and EU Enlargements*, FOI–R-0808–SE, Stockholm, pp. 23 ff.

[22] Prezident Rossii, 'Vystuplenie Prezidenta' 3 Sept. 2001 (www.president.kremlin.ru/events).

for a "positive development of relations with all members of NATO" and with the block as it reformed itself.[23]

The pending NATO accession of Slovakia, Romania, Bulgaria and Slovenia did not hinder Russia from developing the old ties with these states, especially in the economic and political sphere. The accession may even have pushed Romania, the most difficult former ally, finally to sign a bilateral treaty with Russia, despite old grievances, and Russia did not let Romanian support for the US attack on Iraq or invitations to move NATO bases to Romania stand in the way.[24]

In contrast, Russia was slow in normalising its relations with Estonia and Latvia and continued to refuse signing border treaties with these states and to attack their minority policy. Thus Deputy Foreign Minister Chizhov in September 2003 said that the problems facing the Russian-speaking populations of Latvia and Estonia 'must be removed from the agenda before these Baltic countries join the EU and NATO', which sounds as an ultimatum.[25]

An exception was made for Lithuania, when the Russian Duma in May 2003 finally ratified the border treaty with Lithuania. This may be explained by the fact that Russia remains dependent on Lithuania for transit to Kaliningrad and that Lithuania has no Russian minority problem as the other two states.

When NATO started air patrols and based four aircraft in Lithuania, as the Baltic states in April 2004 formally joined NATO and its air defence system, Russia put up stiff resistance against these measures. Defence Minister Ivanov declared that Russia could accept NATO moving bases to Bulgaria and Romania as aimed against terrorism in the Middle East, but he could not see any such threat in the Baltics. Therefore he proposed Russian monitoring facilities at NATO bases to make sure that they posed no threat to Russia.[26] The Foreign Ministry called the decision a threat to Russian security, which did not correspond to the spirit of partnership between NATO and Russia.[27] The Russian military threatened to take countermeasures and started its own air patrols along the border and over the Baltic Sea. At this time Russia also

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[23] Prezident Rossii, 'Press-konferentsiia po itogam rossiisko–amerikanskikh peregovorov', 22 November 2002 (www.president.kremlin.ru/text/appears).
[24] Tomius, Eugen, 'Romania/Russia: Political treaty sealed after decade of uneasy relations', (www.refrl.org/features/2003/05/0605).
[25] ITAR-TASS, 16 September 2003 (BBC).
[26] RFE/RL Newsline, no. 26, part 1, 10 Febr. 2004.
[27] RFE/RL Newsline, no. 56, part 1, 24 March 2004.

intensified espionage against the Baltic states, which led to the expulsion of Russian diplomats and Russian expulsions of Baltic diplomats.[28]

As the formal accession of the Baltic states to NATO drew closer, Russia also reinforced its demands for the Baltic states (and Slovenia) to sign the CFE treaty as a way to restrict build-ups there. It called on the NATO states to ratify the treaty without linkage to Russian troop pullouts from Georgia and Moldova. It openly rejected promises to withdraw from these states and instead sought ways to legitimize its continued presence. Defence Minister Ivanov labelled the CFE as useless in its actual form, and some high-ranking officers wanted Russia to give it up, which would remove limitations on Russian forces, for instance in the Pskov and Leningrad military districts.[29] In late March the Duma stated in a resolution that unless NATO took Russian concerns into account, it recommended re-evaluation of conventional arms control treaties, enhancement of the Russian nuclear potential and the deployment of additional forces in regions bordering NATO states.[30] Russian nationalist politicians and defence experts took even harsher positions, advising the president to boost the military budget, form a new Warsaw Pact, or strengthen forces in Kaliningrad.[31] As if to support the official Russian position poll results were published indicating that many Russians (44 per cent) saw NATO as a threat.[32]

Apparently in response to this Russian opposition, Scheffer on his appointment as NATO's new Secretary General visited Moscow in April 2004. He reassured Russia that the enlargement was no threat to Russia and repeated NATO's promise not to deploy nuclear weapons in the new member states. NATO would only to deploy conventional forces commensurate with their security needs. He reassured that the Baltic states wanted to join the CFE when it went into force (which depended on Russian pullouts), and finally he invited Putin to the following NATO summit in Istanbul.[33]

As a result, the Russian protests were soon scaled down like on previous occasions. The defence minister and top military officers declared that the NATO deployments (small as they were) did not currently pose a threat to

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[28] RFE/RL Newsline, no. 39, part 1, 1 March, no. 52, part 2, 22 March, no. 55, part 2, 23 March 2004.

[29] RFE/RL Newsline, no. 39, part 1, 1 March 2004, Grigoriev, Evgenii, 'Rossiia v tsepkikh obiatiiakh NATO', *Nezavisimoe Voennoe Obozrenie*, no. 11, 2004. More on this in Larsson, Robert (2004) *Ryssland och CFE. Problem, utveckling och framtid*, Strategiskt forum, no. 14, Stockholm, FOI.

[30] Interfax (BBC) 31 March 2004.

[31] Gazeta.ru. network newspaper, 26 March 2004 (www.gazeta.ru); RFE/RL Newsline, no. 67, part 1, 9 April 2004.

[32] Ekho Moskvy, 31 March (BBC). In a later poll, 71 per cent saw NATO as aggressive. (Ekho Moskvy, 8 April 2004 (BBC)).

[33] RFE/RL Newsline, no. 63, part 1, 5 April 2004.

Russia.[34] Deputy head of the General Staff, Yurii Baluevskii announced that Russia's primary goal in the face of NATO expansion was that it did not become isolated, and he assured that NATO was not interested in confrontation.[35] Mikhail Margelov, foreign committee chairman of the Federal Council, even concluded that the enlargement only was a threat to Russia in the sense that NATO actually became less geared to meeting the terrorist threat.[36] Some officials like the Duma International Affairs Committee chairman Kosachev wished the Russian Duma to ratify the adapted CFE treaty irrespective of NATO.[37] Putin sent his foreign minister Lavrov to the NATO–Russia Council, in which the new members participated. Lavrov stressed the importance of the adapted CFE and its ratification.[38] Putin received and made agreements with de Hoop Scheffer on further cooperation as mentioned above.[39] He even told an Estonian ex-Prime Minister that Russia should sign a border agreement with Estonia, which it had long refused, and did not take up the minority issue.[40]

Thus Russia's interest in maintaining good relations with NATO seemed to be stronger than its anger over Baltic NATO accession. This accession had been decided already long ago, Russia could not stop it and counteracting it would only make things worse. The Russian protests concerning NATO air patrols are therefore best seen as last-ditch attempts to limit NATO presence in the Baltic area.

At the same time they can be interpreted as concessions to nationalists at home in connection with the presidential election campaign. Even if Russia finally were to normalize relations with all the Baltic states, it may therefore go on criticizing NATO enlargement and putting pressure on these states. For example, at an NRC meeting in October 2004 Defence Minister Ivanov used the Russian agreements with Germany and France on transit to Afghanistan as arguments for facilitating Russian military transit across Latvia and Lithuania to Kaliningrad.[41]

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[34] RFE/RL Newsline, no. 57, part 1, 26 March, ITAR-TASS, 30 March (BBC).
[35] RFE/RL Newsline, no. 69, part 1, 14 April 2004.
[36] TV Channel One, 4 April 2004 (BBC).
[37] ITAR-TASS, 29 March (BBC). See also Ministerstvo Inostrannykh Del (MID) website, Foreign Minister Lavrov, 'Stenogramma vystupleniia', 18 March 2004 (www.ln.mid.ru).
[38] Prezident Rossii, 'Stenogramma press-konferentsii, 3 April 2004 (www.ln.mid.ru).
[39] RFE/RL Newsline, no. 67, part 1, 9 April 2004, Prezident Rossii, 'Vstrecha s Generalnym Sekretarem', www.president.kremlin.ru, 8 April.
[40] RFE/RL Newsline, No. 68, Part 2, 13 April 2004. De Hoop Scheffer had earlier promised the Latvian foreign minister to take up the issue. (RFE/RL Newsline, No. 48, Part 2, 12 March 2004.)
[41] Socor, 'Sergei Ivanov misuses…', EDM, 18 Oct. 2004.

Further NATO enlargement to Russia's neighbours?

The Russian opposition to NATO membership for the Baltic countries can be seen as a forward defence against a still worse threat in Russian eyes, namely NATO incorporation of additional former Soviet republics, which presently are members of the CIS. In order to prevent such a process Russia promotes military integration in the Collective Security Treaty. In 2002 this grouping was transformed into a more solid organisation (CSTO) consisting of Russia, Belarus, Armenia, Kazakhstan, Kyrgyzstan and Tajikistan, to be registered by the UN as a regional organisation and intended to conduct peacekeeping operations together with NATO. Regional commands and a rapid reaction force were formed, and in 2004 also a common General Staff emerged. Multilateral and bilateral exercises under its aegis were held.

Belarus with Russia against NATO

In the CIS Russia was especially anxious to increase military integration with its Slavic neighbours in the West. There were few problems with Belarus, whose all-powerful President Lukashenko was even more hostile to NATO than Russia. In 1996 Lukashenko threatened to keep the remaining Russian strategic missiles in Belarus and—after they had been withdrawn—to have them returned, if NATO enlarged eastwards. Belarus was the last CIS country to join NATO's Partnership for Peace (PfP) programme and had scant relations with the organisation.[42] Due to Lukashenko's undemocratic regime and the harassment of the OSCE mission in Minsk, he and his associates were even barred from attending the NATO summit in Prague in 2002 and visiting NATO states. Belarus angered the United States by support for and arms export to 'rogue states' such as Iraq.

With no friends in the West Lukashenko therefore staked on relations with Russia. The Russia–Belarus Union, created in 1999, can be seen as a response to NATO enlargement eastwards, though for the new NATO members it instead served as a justification for their accession. Besides Russia is Belarus the only East European member in the CSTO. Its military integration with Russia is far-reaching, including common exercises, a joint air defence system with a Russian strategic radar base in Belarus, and close military-industrial cooperation.[43] Also

[42] More on this in Paznyak, Vyachaslau (2003) *Belarus Facing Dual Enlargement: Will the EU squeeze harder?* FOI–R-0859–SE, Stockholm, pp. 35 ff.

[43] More on this in Hedenskog, Jakob, 'Filling the gap. Russian security policy towards Belarus, Ukraine and Moldova under Putin', chapter 2, in Hedenskog et al. (eds.) *Russia as a Great Power. Dimensions of Security under Putin*, London, RoutledgeCurzon

the security services and border troops cooperated intimately. In 2003 a joint command for a common regional army grouping in times of crisis was formed, and just before the 2004 NATO enlargement a joint board of the defence ministries adopted the 'Foundations for the functioning of the military organisation of the Union State' and a great number of common measures.

True, there was competition in arms exports and disputes over Russian subsidies and payments.[44] The joint army grouping was slow in coming, and the Belarusian hostility to NATO may have embarrassed Russia. However, Russia could exploit the latter to its advantage, and Belarus at least signed bilateral agreements on confidence-building measures with the new NATO neighbours.[45]

Ukraine under cross-pressure

Russia had more reasons to worry about Ukraine, the second largest CIS state with about 48 million inhabitants, which is more Europe-oriented than Russia and a more likely member on account of its size and location. Ever since President Leonid Kravchuk's time (1990–94) Ukraine has sought support in the West in order to bolster its independence from Russia, and this policy was continued by President Kuchma despite his pro-Russian election platform. Ukraine headed a splinter grouping in the CIS, the GUUAM,[46] which sought more cooperation with the West. Ukraine was the first CIS country to adopt NATO's PfP programme and held several such exercises on its soil. In 1997 it signed a Charter on special partnership with NATO just like Russia did. Its leaders did not criticise NATO eastern enlargement but on the contrary hailed it and started to talk about NATO accession as a distant goal for Ukraine. Ukraine improved relations and signed treaties of friendship and cooperation with western neighbours like Romania and Poland, the latter becoming its main supporter in NATO.[47]

Full membership of NATO (and the EU) was mentioned as a goal in the Ukrainian military doctrine of 2002 and subsequent presidential decrees. At the NATO summit in November 2002, when seven new candidate states were

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(forthcoming). See also Iakovlevskii, Roman (2003) 'Vneshniaia politika Belarusi i mezhdunarodnaia bezopasnost', in *Understanding Belarus: Transition to Where?* Vilnius, 50 ff; Oldberg (1999), 'Russia and its western neighbours in the context of NATO enlargement, in Oldberg, Ingmar et al, *At a Loss. Russian Foreign Policy in the 1990s*, R–99-01091-180. Stockholm, FOI, pp. 43 ff.

[44] Paznyak, Vyachaslau (2004) 'Rasshirenie EC i Belarus: "kollazh" prostranstv bezopasnosti', Paper commissioned by the Friedrich Ebert-Stiftung, pp. 6–10.

[45] Paznyak (2004) p. 6.

[46] Georgia, Ukraine, Uzbekistan, Azerbaijan, Moldova.

[47] Oldberg, Ingmar (1998) *Konflikter och samarbete. Ukrainas relationer med Ryssland under 1990-talet*, FOA–R-98-00871-180. Stockholm, pp. 10 f, 52 f.

admitted, Ukraine adopted an action plan with NATO concerning military reforms, which it saw as a step towards membership. Ukrainian units participated in ongoing NATO- or US-led military operations in Kosovo and Iraq (under Polish command). In 2004 NATO and Ukraine signed one memorandum on host nation support, covering joint military exercises on Ukrainian soil and transit rights of allied forces and cargoes to operation theatres such as Afghanistan and Central Asia, and another on the chartering of Ukrainian long-range military transport planes by the alliance. NATO recognised Ukraine 'as a producer of security, indeed exporter of security'.

However, NATO was reluctant to promise NATO membership, because the member states became increasingly critical of the lack of democracy and of political scandals in Ukraine since 2000 (more on this later). The NATO Istanbul summit in June 2004 called for consistent and measurable progress in democratic reform and put off the consideration of a membership action plan (MAP) until after the presidential elections in October–November 2004.[48] There was also slow progress in Ukrainian military reform and other problems. Revelations of arms export to Iraq in violation of the UN embargo before 2003 had marred ties with the USA and NATO. Another reason for NATO's restraint probably was that it did not want to jeopardise its good relations with Russia.

Naturally, also Ukraine wanted good relations with Russia as it remained dependent on it in many ways, which Russia could use. In order to fasten ties with Ukraine and keep it from drifting into the arms of NATO, Russia thus signed a Friendship and Cooperation Treaty and an agreement on dividing the remains of the Soviet Black Sea Fleet in 1997. Putin refrained from criticising Kuchma's domestic policy and instead offered favourable economic deals (see pages 68–69). Though Ukraine did not sign the Collective Security treaty, it participated in the CIS air defence system, and some common exercises were held. Military industrial cooperation with Russia developed on a grand scale. In 2003 Russia turned over the CIS chairmanship to Ukraine and finally signed a border delimitation treaty. Russian attempts to take control over the Kerch Strait almost led to a military clash at the end of the year, but finally a compromise was reached about joint control of the Strait and the Sea of Azov, which enabled Russia to shut out naval ships from third countries.

A clear sign of Ukraine coming closer to Russia was a presidential decree on the military doctrine, which replaced the goal of NATO membership with 'a substantial deepening of relations with NATO and the EU as guarantors of security and stability in Europe'. This decree was published on 26 July 2004,

[48] RFE/RL Newsline, 23 January 2003; UT1, 30 March 2004 (BBC); ITAR-TASS 1 April 2004 (BBC); Socor, Vladimir, 'NATO summit takes stock of Ukraine's performance', *EDM*, 6 July 2004.

after NATO had deferred the decision on a MAP and on the same day as Kuchma met Putin at Yalta. Later, Defence Minister Yevhen Marchuk, who had pushed especially for NATO membership as a goal and was criticised on Russian television, was dismissed.[49] Noteworthy is also the fact that President Kuchma in September 2004 supported the Russian view concerning Transnistria by defending its proposal for solving the conflict and criticising the Moldovan economic blockade (more on this conflict in the next chapter).[50]

Ukraine under Kuchma thus seemed to drift away from cooperation with NATO to Russia, which actually has closer relations with NATO through the NATO–Russia Council. Whether this Ukrainian drift will continue to some extent depends on the 2004 presidential elections, where Kuchma's candidate, Prime Minister Yanukovich, was challenged by the Western-oriented democratic opposition headed by the above-mentioned Yushchenko.[51] However, it should be noted that Kuchma despite his pro-Russian proclamations changed orientation a few times during his presidency, and that also Yushchenko would need good relations with Russia. Paradoxically, the latter has advocated the withdrawal of Ukrainian troops from Iraq, a position which is supported by a majority of the Ukrainian population.[52]

The split Moldova

Finally turning to Moldova, this country became a direct neighbour of NATO, when Romania joined the alliance. Romania is bound to draw NATO's attention to Moldova, which is closely related to Romania and most of which belonged to it between the world wars. So far NATO has paid little interest in the country except for the issue of the withdrawal of Russian troops in Transnistria, concerning which it has preferred to act through the OSCE in the CFE context as noted in the NATO chapters above. The OSCE participates as a mediator along with Russia and Ukraine in five-party negotiations on solving the conflict between the Moldovan central government in Chisinau and the separatist regime in Transnistria east of the Dniester (Nistru), which claims independence.

The Russian troops in Transnistria are formally there as peacekeepers after a short war in 1992, but in reality they buttress the separatist regime. This is

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[49] Socor, 'Ukraine drops NATO membership from military doctrine', *EDM*, issue 63, 30 July 2004, Kuzio, Taras, 'Russianization of Ukrainian security policy', *EDM*, vol. 1, issue 92, 24 September 2004.

[50] Prezident Rossii, 'Press-konferentsiia po itogam vstrechi s Presidentom Ukrainy', 18 August 2004. (www.president.kremlin.ru); RFE/RL Newsline, no. 185, part 2, 29 September 2004.

[51] More on this in Hedenskog, Jakob (2004) *The Ukrainian Dilemma: The EU's relations with Russia and the West in the Context of the 2004 Presidential Elections*, FOI–R-1199–SE, Stockholm, pp. 21 ff, 69 ff.

[52] Kuzio, 'Is Washington sending mixed signals to Ukraine?' *EDM*, 3 September 2004.

dominated by Russians, who in turn support Russian foreign policy, for instance in supporting the separatist regimes in Georgia.[53] The troops also exercise pressure on Chisinau and serve to keep Western states out. Even though the troops have been reduced, Russia has refused to pull out completely, referring to the security of large stockpiles of heavy weapons in the area. The separatists have opposed the withdrawal of both. Being both one of the mediators and a member of the OSCE with veto power, Russia also has a strong negotiating position.

Russia was highly pleased, when the Moldovan parliament elected Communist party leader Vladimir Voronin as president in 2001. Voronin was clearly pro-Russian and soon concluded a treaty on friendship and cooperation with Russia.[54] In November 2003 Voronin preliminarily accepted a peace plan, designed by Putin's adviser Dmitrii Kozak, which defined Moldova as a united, neutral and demilitarised state. Transnistria was to retain its own parliament and government and have a blocking power in the federal Senate. A secret clause allowed the Russian troops to stay for 20 years.[55]

However, the problem for Russia with the communist Voronin was that he, too, wanted to take control of Transnistria and unite the country. Moldova also maintained relations with NATO and joined its Stability Pact for South-Eastern Europe. When Voronin attended the NATO 2002 summit, he brought up the issue of Transnistria and even talked about joining NATO, if *both* neighbours did. In November 2003, in the night before Putin was to arrive in Chisinau in order to sign the Kozak plan, Voronin suddenly refused to go along, evidently under pressure from the US ambassador, the OSCE mission, the EU and large street demonstrations, whereupon Putin cancelled his trip.[56]. In June 2004 Voronin proposed a stability pact to guarantee the strategic neutrality of the country, including not only Russia and Ukraine, but also the United States, Romania and the EU. The pact was to support Moldova's territorial integrity, democracy, cultural diversity, 'a single defence space' and federalism.[57]

The crisis intensified in July 2004 when Transnistria closed down its Romanian-spoken schools. Moldova started an economic blockade of the region and

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[53] *The Wall Street Journal Europe*, 23–25 July 2004.
[54] Hedenskog, 'Filling the Gap'.
[55] Socor, Vladimir, 'OSCE, R.I.P', IASPS Policy Briefings, 2004, Institute for Advanced Strategic & Polical Studies, Washington D.C (e-mail subscription); Löwenhardt, John, 'The OSCE, Moldova and Russian diplomacy' (translation from *Internationale Spectator*, The Hague, April 2004, pp. 4 ff.
[56] Lynch, Dov (2004) 'Russia's strategic partnership with Europe', *The Washington Quarterly*, Spring 2004, pp. 115 ff; RFE/RL Newsline, no. 96, part 2, 21 May 2004; no. 96, part 2, 21 May 2004.
[57] RFE/RL Newsline, no. 96, part 2, 21 May 2004, no. 103, part 2, 2 June 2004.

refused to participate anymore in negotiations with the separatist regime. Voronin now openly accused Russia and Ukraine for shoring up the separatists[58] and called for an international peacekeeping force to replace the Russian troops and a border-monitoring mission to stop illegal trade with Ukraine. He appealed to all OSCE states to stop trading with Transnistria and took steps to improve relations with Romania. Moldova also signed an agreement on joining the UN peacekeeping system. Interestingly, it already has some personnel participating in de-mining operations in Iraq. In September 2004 Voronin for the first time boycotted a CIS summit, and declared European integration to be an 'absolute priority'.[59] However, it should be noted that Voronin mainly appealed for EU support, while avoiding NATO. Still, NATO Secretary-General de Hoop Scheffer visited Chisinau, declaring that even if NATO was not directly involved in resolving the conflict, it was very interested. He repeated the plea for Russia to remove its troops, supported Moldova's European aspirations and called for more NATO cooperation with the country.[60]

This recent Moldovan drift towards the West clearly disturbed the ties with Russia. Leading Russian military men again stressed the need for staying in Transdnistria and the pullout slowed down.[61] Putin defended the Kozak plan and called on the conflicting parties to desist from threats and to return to the negotiations.[62] A general problem for Russia is that if it cannot get a deal with Voronin, a more Western-oriented successor may be less accommodating. Moreover, Russia needs a solid legal basis for the continued presence of its troops in Transnistria, especially as it recognises Moldova's territorial integrity, and the separatist regime is not recognised by any state. In order to preserve its presence Russia depends on Ukrainian goodwill. On the other side, the Western states and the OSCE cannot settle the issue without Russian consent.

Thus, summarising the current situation of the three countries, it may be concluded that while Belarus stays firmly in the Russian fold by its own choice and Ukraine drifts towards Russia because it offers more support than NATO, Moldova has begun to approach the West because of Russian intransigence over

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[58] A government paper pointed out the Russian double standard on separatism in Chechnya and Moldova (and Georgia).

[59] RFE/RL Newsline, no. 185, part 2, 29 September, no. 184, part 2, 27 September 2004, Socor, 'Moldovan president wants out of Russia's orbit', *EDM*, issue 87, 17 September 2004, Socor, 'West turning deaf ear to Moldova's appeals'. *EDM*, issue 94, 28 September 2004.

[60] RFE/RL Newsline, no. 185, part 2, 29 September; no. 183, part 2, 24 September 2004.

[61] RFE/RL Newsline, part 2, 18 February, no. 82, part 1, 3 May, no. 70, part 2, 15 April 2004.

[62] Prezident Rossii, 'Press-konferentsiia po itogam vstrechi', 18 August 2004. (www.president.kremlin.ru) Note that the Kozak plan was an alternative to the five-party negotiations.

Transnistria. It remains to be seen whether the West can help, and here much hinges on the EU position, which is treated in another chapter below.

Russia and the European Union—political relations

Ever since the early 1990s Russian relations with the European Union have developed considerably—partly in tandem with Russia–NATO relations. In 1994 the parties signed a Partnership Co-operation Agreement (PCA), which came into force in late 1997, covering liberalisation of trade, economic and legislative cooperation, justice and home affairs, political dialogue and institutional cooperation. In 1999 the EU adopted a Common Strategy on Russia, promoting consolidation of democracy and rule of law, integration of Russia into a common European economic and social space, strengthening stability and security in Europe and beyond. It was to be valid for four years. Following a Finnish initiative of 1997, the EU also launched a Northern Dimension Initiative (NDI) aiming specifically to promote cooperation with the northwestern regions of Russia, and in 2000 an Action Plan for this was decided on.[63] A European Commission report called 'Wider Europe—Neighbourhood' of March 2003 declared that as it enlarged, it was determined 'to avoid new dividing lines and to promote stability within and beyond the new borders of the Union'. Russia and other non-members should be offered a stake in the EU's internal market and further integration so as to promote the free movement of persons, goods, services and capital.[64] Russia is called a key partner or the most important neighbour, to which special attention is devoted.[65]

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[63] Joenniemi, Pertti & Sergounin, Alexander (2003), *Russia and the European Union's Northern Dimension*, Nizhny Novgorod, Nizhny Novgorod Linguistic University Press, pp. 14 ff. In October 2003 a second Action Plan was adopted for 2004–2006 by the EU. (European Commission, General Affairs and External Relations, *Second Northern Dimension Action Plan, 2004–2006*, 1 October 2003 (http://europa.eu.int/comm/external_relations/north_dim/doc).

[64] European Commission, *Wider Europe—Neighbourhood: A new framework for relations with our Eastern and Southern Neighbours*, Communication from the European Commission to the Council and the European Parliament, 11 March 2004, p. 4 (http://europa.eu.int/comm).

[65] European Commission, Verheugen, Günter, 'The European Neighbourhood policy', 19 March 2004 (http://europa.eu.int/pressReleases), p. 6; *European Neighbourhood policy. Strategy Paper,* 12 May 2004, p. 4 (http://europa.eu.int/comm).

In response to the EU initiatives then-Prime Minister Putin in October 1999 presented a Medium-term Strategy (2000–2010) for development of relations with old and new EU members and consultations on the effects of EU economic policy, visa and border regimes on Russia. The Kaliningrad exclave was proffered as a pilot region for Euro–Russian cooperation, so that the rules agreed for it could later be extended to all Russia, thus integrating it into Europe.[66] After Putin became Russian president, cooperation with the EU was intensified. Putin participated in the summits with the EU, which are held twice a year.

The 11th EU–Russian summit (including the future members) was held in St. Petersburg in connection with the city's 300th anniversary in May 2003. European Commission chairman Romano Prodi commented on the occasion that Russia and the EU are like vodka and caviar—inseparable.[67]The joint statement reconfirmed the commitment to further strengthen the strategic partnership on the basis of common values. The parties agreed to reinforce cooperation with a view to creating in the long term four common spaces, namely one economic, one concerning freedom, security and justice, one concerning external security and one regarding research and education, including cultural aspects. The development of these spaces was to take place in the PCA framework and the existing Cooperation Council to be transformed into a Permanent Partnership Council (PPC), which should meet more frequently and in different formats.[68] The PPC, which held its first meeting in 2004, can be seen as an EU equivalent to the NATO–Russia Council. At the next summit in Rome a joint working group presented a concept for the Common European economic space (CEES), which was to be specified by mutually agreed action plans in each of the four spaces.[69]

In his speech to the Russian Federal Assembly in May 2003 President Putin described 'broad rapprochement and real integration with Europe' as Russia's historical choice.[70] Putin's appointment of Mikhail Fradkov, former ambassador to the EU, as the new prime minister in 2004 and of top officials to be responsible for the four spaces of EU cooperation[71] can partly be viewed as

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[66] More on this in Oldberg (2001) *Kaliningrad: Russian exclave, European enclave*, FOI–R-0134–SE, Stockholm, pp.43 ff.

[67] Bransten, Jeremy: 'Russia: Good-natured atmosphere of EU summit belies deeper problems', RFE/RL Feature article, 2 June 2003 (www.rferl.org/features)

[68] European Commission, The EU's relations with Russia, 'Joint statement', 31 May 2003 (http://europa.eu,int/comm./external_relations/Russia/ sum05_03).

[69] European Commission, The EU's relations with Russia, 'Joint statement', 6 November 2003 (http://europa.eu,int/comm./external_relations/Russia/ summit11_3).

[70] RTR, 16 May 2003 (BBC).

[71] Energy Minister Khristenko for economics, Foreign Minister Lavrov for international security, presidential aides Viktor Ivanov and Sergei Iastrzhembskii for internal security and for science and education, respectively. (RFE/RL Newsline, no. 97, part 1, 24 May 2004).

confirming Russia's European orientation. Thus both sides were keen on cooperation, progress was made in many fields, and common institutions were created.

However, there are several problems in the relationship, which according to the German political scientist Heinz Timmermann is asymmetric. While Russia is heir to the former superpower of the Soviet Union and trying to preserve its status, the EU is a union of many big and small states, which is both acquiring more and more supra-national institutions and enlisting several new members. While the Russian economy since the early 1990s shrank to the size of Belgium, the EU is the biggest economic unit in the world ahead of the United States (2.4 per cent of global GDP and 20 per cent, respectively). (True, Russian economic growth has been fast in recent years.) In the relationship Russia has to make radical internal changes in society, whereas the EU mainly has to change its foreign relations. Finally, Russia puts more emphasis on political and strategic interests, while the EU more stresses democratic and human values.[72]

Concerning the political relations, the Finnish economist Pekka Sutela questions whether the summits are not held too often, because on every occasion documents about progress must be signed. In this way new initiatives may easily become 'virtual' without real results. If the summits were less formal, Russia would also have fewer possibilities of winning favours by threatening not to take participate, he claims.[73] Indeed, the European Commission in February 2004 complained that whenever difficult matters arose, Russia demanded the setting up of new mechanisms. The Commission wanted to move away from grand political declarations, give priority to substance over form and obtain concrete results.[74] European diplomats were further annoyed by the Russian negotiating behaviour of linking questions, raising a host of unrealistic demands and threatening with sanctions, and then back down.[75] Examples of this will be shown below.

Mikhail Margelov, chairman of the Federation Council Committee on International Affairs, admits that Russia has neglected to study the laws and regulations of the EU, and lacked bureaucrats who could speak about these

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[72] Largely after Timmermann, Heinz, Innenpolitische Voraussetzungen für eine Partnerschaft Russland–Europäische Union (forthcoming).

[73] Sutela, Pekka (2003) *Rossiia i Evropa. Nekotorye aspekty ekonomicheskikh vzaimootnoshenii*, chapter 2, p. 1, Moscow, Moskovskii tsentr Karnegi (www.carnegie.ru/ru/print/68730-print.htm).

[74] European Commission, The EU's relations with Russia, *Communication from the Commission to the Council and the European Parliament on relations with Russia*, 9 February 2004, pp. 4, 6.

[75] Bordachev, T. V. & Moshes, Arkadii (2004), 'Rossiia: konets evropeizatsii', *Rossiia v globalnoi politike*, no. 2, , p. 2. (www.globalaffairs.ru/live).

things rather than make political declarations. Russia had to learn how to influence the elaboration of laws in the EU and make its position known before decisions were taken.[76] For the EU, which also has bureaucratic problems, this would make it even more difficult to arrive at decisions.

As for substance, Russia tends to see the EU and its states as a European counterweight to the military organisation of NATO, which is dominated by the USA. This has been the case especially when Russia's relations with the latter have been tense, as they were after the Kosovo war. Russia stood closer to the EU states than to the United States concerning issues such as the Israel–Palestine conflict, the war in Iraq and the role of the UN. Foreign Minister Igor Ivanov in 2000 stated that Europe must stand united in order to play an independent role and to contribute to a multipolar world, and that close cooperation between Russia and the EU would give Europe a dignified role in world politics.[77] During the US–British attack on Iraq in April 2003, Putin invited the French and German leaders to St. Petersburg, where they agreed on emphasising the role of the UN in Iraq.[78]

Partly as a move against NATO Russia did not oppose but showed a positive interest in the emergence after the Kosovo war of a common European security and defence policy (CSDP), including the creation of a rapid reaction force numbering 60,000 men. In October 2001 the EU signed an agreement on regular (monthly) consultations in security matters with Russia, something which not even the United States had. The security dialogue covered five topics: coordination of positions on wider foreign policy issues, conflict prevention and crisis management, counter-terrorism, military-technical cooperation, nuclear safety and disarmament.[79] Russia viewed this cooperation as a step towards a common security policy. Russia contributed (five) officers to the EU police mission in Bosnia–Herzegovina and offered transport aircraft for the reaction force.[80] In 2004 Russia was also willing to contribute airborne battalions to the force and to organise exercises for it in Russia.[81]

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[76] Margelov, Mikhail, 'Victory on points: Pragmatism in foreign policy', *Russia in Global Affairs*, vol. 1, no. 3, p. 20. See also 'Dark skies to the east', *The Economist*, 21 Febr. 2004, p. 27 f. Suggestions on Russian participation are made by Romanova, Tatiana, 'Obshchee evropeiskoe ekonomicheskoe prostranstvo. Strategiia uchastiia Rossii', *Pro et contra*, vol. 8, 2003, No. 1, pp. 1 ff.

[77] Quoted in Nygren, Bertil (2002) 'Russia and Europe or Russia in Europe?'in Fedorov, Yuri & Nygren, Bertil (eds.) (2002) *Russia and Europe: Putin's Foreign Policy*, Acta B23, Stockholm, National Defence College, pp. 26 ff, Lynch (2004) pp. 103 ff.

[78] As shown above, this can be seen as a step to split NATO, too.

[79] Lynch (2004) 108 ff.

[80] Kelin (2004) p. 15.

[81] RFE/RL Newsline, no. 42, part 1, 4 March 2004.

However, Russia wanted to limit the geographical scope of the CSDP and the range of operations, insisting that they should be authorised by the UN and the OSCE, where Russia has a veto. This runs counter to the EU ambitions to be an independent actor.[82] There were also some legal and financial problems.

Furthermore, it is clear to everybody that most EU states are also NATO members and that they are more anxious to maintain links with the United States than to expand those with Russia. The EU reaction force is dependent on NATO's military resources and infrastructure and it has taken a long time to build it up compared with the NATO rapid-response force. After the September 2001 events and the Iraq war, the CSDP lost some momentum. To the extent that Russia improves its relations with NATO, Russian interest in the military dimension of the EU may falter.

Russia has at the same time been slow to acknowledge the EU as an independent entity and continued to deal with the European states on a bilateral basis. EU affairs were divided among four departments in the Foreign Ministry.[83] Since the EU states, even the key ones, are not united on some foreign issues, Russian leaders have not hesitated to use this to their advantage with some success. Following Yeltsin's example, Putin tried to uphold special relations with EU states such as Germany, France and Italy, and he established good personal relations with their leaders.[84] For example in 2002, when the EU was approaching a decision on enlargement and transit to Kaliningrad (see pages 49–52) Russia started a campaign in several European capitals to influence the decision. When Italian Prime Minister Silvio Berlusconi as EU president at the Rome summit with Putin in October 2003 did not uphold official EU positions concerning Russia, this caused massive protests from the Commission and others.[85] Confirming this problem, the 9 February EU Commission report on relations with Russia stressed the need for coherent common positions vis-à-vis Russia and called for the composition of a list of key issues and positions at the beginning of each presidency.[86]

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[82] Haukkala, Hiski (2003) 'What went right with the EU's Common Strategy on Russia?' in Moshes, Arkady (ed.) (2003) *Rethinking the respective strategies of Russia and the European Union*, Carnegie Moscow Center & Finnish Institute of International Affairs, pp. 77 f.

[83] Bordachev, Timofei V. (2003) 'Strategy and strategies, in Moshes (2003) pp. 34 f.

[84] For instance, Putin was the only foreign leader to come to German Chancellor Schröder's 60th birthday celebration. (RFE/RL Newsline, no. 72, part 1, 19 April 2004).

[85] Meier, Christian (2003) *Nach der Duma-Wahl*, SWP-Aktuell, Berlin, Stiftung Wissenschaft und Politik, December 2003, p. 7.

[86] See also ITAR-TASS , 28 Aug 2003 (BBC). European Commission, *Communication …on Russia*, 9 February 2004, p. 4.

One major point of conflict concerned terrorism. Even though both sides talked about a strategic partnership to fight international terrorism and agreed on measures against it, the EU and its members, for instance France and the Nordic countries, were critical of the concept's application to Chechnya and the brutal war there since 1999. Instead they recommended a political solution while preserving territorial integrity. When Putin started the second war against Chechnya, the EU reacted more strongly than NATO by imposing economic sanctions on Russia. At the EU–Russia summit after the Chechen theatre occupation in Moscow in 2002, EU foreign commissioner Chris Patten spoke about the 'very, very difficult situation' in Chechnya. Putin responded by scolding the Western press, rejected a political solution and warned that also Europeans could be targeted by terror.[87] As the European Commission wanted to debate Chechnya at the 2003 Rome summit, Putin wanted as long a discussion about the Russian-speaking minorities in Estonia and Latvia—as if the problems were equivalent. When the Dutch Foreign Minister Bernard Bot representing the EU presidency asked the Russian authorities how the hostage-taking at Beslan (North Ossetia)in September 2004 could have such tragic consequences, Russian Foreign Minister Lavrov found the question offensive. Putin rejected all talk with child-killers and labelled the incident an "intervention by international terrorism against Russia" (!). Chief of the General Staff Iurii Baluevskii warned of preventive strikes against terrorist bases all over the world, and calls for the extradition of Chechen representatives, who have been granted asylum in the West, were renewed.[88] In the fight against terrorism Russia clearly found it easier to cooperate with the United States, which offered some models for emulation, than with the EU.[89]

The Chechnya issue is connected to the broader question of human rights and democracy in Russia. Significantly, the EU Common Strategy on Russia devoted much space to common values and democratic principles, whereas Putin's Medium-term strategy totally omitted them. The EU promoted the development of civil society in Russia and contacts with the 'grassroots', and the value of media pluralism and multiparty system were also emphasised.[90]. In a special report on relations with Russia of February 2004, which attracted wide attention for its plain language, the EU Commission made clear that Putin's four years in charge have consolidated federal control and strengthened the Russian

[87] See also RFE/RL Newsline, no. 70, part 1, 15 April 2004.
[88] RFE/RL Newsline, no. 170, part 1, 7 September 2004; Prezident Rossii, 'Obrashchenie Prezidenta Rossii', 4 September 2004, (www.president.kremlin.ru), *International Herald Tribune (IHT)*, 9, 10 September 2004: See also MID, 'Stenogramma vystupleniia i otvetov …/ S.V. Lavrova/…' 18 March 2004 (www.ln.mid.ru).
[89] RFE/RL Newsline, no. 174, part 1, 13 September 2004.
[90] European Commission, *Communication on Russia*, 9 February, p. 4; See also Khudoley, Konstantin, 'Russia and the European Union: new opportunities, new challenges' in Moshes (2003), p. 16.

state, resulting in more stability, but that the development also had shaken the values to which both Russia and the EU are committed. The 2003 Duma elections, events in Chechnya and selective application of law (for instance the Yukos affair) raised questions concerning Russia's commitment to uphold European values and pursue democratic reforms. The Commission recommended the EU and its members 'vigorously and coherently' to discuss its concerns over democracy, human rights and media freedom with Russia.[91].

When Putin after the Beslan tragedy decided to change the political system e.g. by abolishing popular elections of governors and single-mandate-district elections for the Duma, under the pretext of uniting the country and fighting terrorism, the EU and its member states (and the USA) characterised this as measures undermining democracy in Russia. The Commissioner on Foreign Affairs Chris Patten stated that the solution of the conflict in Chechnya demands a long-term, humane and resolute policy rather than the limitation of democracy. Likewise, the Dutch Foreign Minister Bot at a recent meeting with Russia in The Hague stressed that certain values and norms had to be observed, and that 'we will never resort to the tactics and methods of the terrorists'. Russian officials rejected these Western protests as interference into internal affairs, and scolded Western media for granting publicity to terrorists, thus harking back to the vocabulary of Soviet times.[92] Thus, even if Russian political relations with the EU considerably developed as a result of common interests, there were also problems with divergent ambitions and priorities rooted in different political cultures and traditions.

[91] European Commission, *Communication on Russia*, 9 February 2004 (http://europa.eu.int/comm/external_relations).

[92] *Izvestiia*, 18 October 2004, *IHT*, 15 September, 20 October 2004; *Svenska Dagbladet*, 16 September 2004.

Russia and the European Union—economic relations

Russia has, besides political interests, a very strong and growing economic interest in developing ties with the EU. Promoting the economic development and modernisation is the primary declared goal of Russian foreign policy after the economic crisis in the 1990s. Since that time the EU member countries together have become Russia's biggest trading partner—ahead of both the CIS countries and far ahead of the United States—with above 35 per cent of Russia's exports and nearly 25 per cent of its imports. The balance of trade is positive for Russia. European states and institutions are also the main investors and creditors of Russia since Soviet times. For the EU as a whole, Russia has become the fifth largest single trading partner. While EU exports to Russia are quite diversified, most of the Russian export consists of oil and natural gas, on which no EU import tariffs are applied. In the 1990s, Russia became the single biggest supplier of hydrocarbons for the EU, especially for some states like Germany.[93] The EU's demand for oil and gas is expected to grow considerably at least until 2020 due to growing consumption. At present Russia is the first or second oil producer in the world, it is the dominant gas exporter with the largest reserves, and its Energy Strategy of 2003 foresees a substantial increase of gas exports until 2020.[94]

Thus both parties were interested in developing a formal energy partnership. In 2001 the parties discussed projects like the Northern trans-European gas pipeline across the Baltic Sea, the gas pipeline from Yamal to Europe, the Shtokman gas fields in the Barents Sea, and the Adria/Druzhba oil network. In 2002 the parties

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[93] In 1999, 21 per cent of the EU oil imports came from Russia (16 per cent of its oil consumption), 41 per cent of its gas imports (19 per cent of gas consumption), according to Lynch (2004), p. 101, quoting EU figures. According to other statistics, the EU got 16 per cent of its oil imports from Russia in 1999, later a little less, Germany imported 31 per cent in 2003 with a rising tendency. As for gas, 21 member states of the enlarged EU get more than 35 per cent of their imports from Russia, among them Germany, France, Italy and Austria. (See Leijonhielm, Jan & Larsson, Robert (2004) *Russia's Strategic Commodities. Energy and Metals as Security Levers*, FOI–R-1346—SE, Stockholm, chapters 2.4.5–6, 2.5.6; and Götz, Roland (2004), '*Schweigen für Gas?*', SWP-Aktuell, Berlin, Stiftung Wissenschaft und Politik, p.2.

[94] Leijonhielm & Larsson (2004) chapters 2.4–5; Russian Government, *Energiticheskaia strategiia Rossii na period do 2020 goda*, 28 August 2003 (www.mte.gov.ru/files/103/1354.strategy.pdf).

agreed on the need of long-term gas contracts. Studies were to be initiated about the Russian proposal of connecting the electricity systems, and a joint energy technology centre was established in Moscow.[95] In 2003 the North European gas pipeline was declared a common priority project, and a working group for the integration of the electricity networks was formed.[96]

The European Commission appreciated that Russia since the financial crash in 1998 has had steady economic growth (40 per cent in GDP), achieved macroeconomic stability and carried out market reforms. It concluded that there is close interdependence between Russia and the Union, hence there were significant advantages from deeper economic integration, which was reinforced by interdependence in the energy field. The EU professed a clear interest in supporting Russia to become a stable partner with a dynamic, open and diversified economy.[97] In May 2002 the EU recognised Russia as a market economy rather than as a transitional one. In Rome the parties deemed it possible for Russia to enter the World Trade Organisation (WTO) towards the end of 2004.[98] The introduction of the euro in 2002 facilitated Russian trade with EU states and EU investments. Russians started to buy euros as the dollar rate fell, and the euro soon made up a fourth of the Central Bank's reserves.[99]

However, there were numerous problems and divergent interests in the economic field as well.[100] Even though trade was growing, the importance to the EU of trade with Russia was on the whole (until the enlargement) relatively small (4.4 per cent of imports, 2.1 of imports in 2000) and as such comparable to trade with Norway. Nor did the EU overestimate its own leverage because of Russia's economic self-sufficiency and geopolitical history.[101]

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[95] European Commission, *EU–Russia Energy Dialogue – Third Progress Report*, Tenth EU–Russia Summit, 11 November 2002 (http://europa.eu.int/comm/external_relations); Sutela (2003) chapter 1, p. 2.

[96] European Commission, *EU-Russia Energy Dialogue, Fourth Progress Report*, November 2003, pp. 3-4.

[97] European Commission, *Communication on Russia*, 9 February 2004, p. 14.

[98] European Commission, The EU's relations with Russia, Joint Press statement, 6 November 2003 (www.europa.eu.int/comm/ external_relations/ russia /summit11_3).

[99] European Commission, External relations, Speech by Prodi, Romano, 'Russia and the European Union: enduring ties, widening horizons', 23 April 2004 (www.europa.eu.comm/external_relations); Frumkin, Boris (2002) 'The economic relationship between Russia and Europe: Current situation and emerging trends', in Fedorov & Nygren (2002), p. 110. See also RFR/RL Newsline, no. 72, part 1, 19 April 2004, Götz, Roland (2004a) *Russlands Energiestrategie und die Energieversorgung Europas*, SWP-Studie, Berlin, Stiftung Wissenschaft und Politik, pp. 11, 16.

[100] The problems of trade are connected to the visa issue, but this important issue is analysed in the following chapter.

[101] European Commission, The EU's relations with Russia, *EU–Russia Trade*. *Overview*, May 2003 , p. 1 .(www.europa.eu.int/comm/external_relations/russia/intro/trade).

Beside progress, the EU noted several structural problems in the Russian economy such as: over-reliance (still growing) on natural resources, especially oil and gas, which make up 60 per cent of total exports, limited restructuring of large industries, concentration of wealth in a few financial-industrial groups with links to political power, chronic underinvestment except in the energy sector, high transport costs through long distances, striking income and welfare gaps and an alarming demographic situation. Foreign direct investments are therefore very small, and capital flight is a major problem due to state interference in the business sector and pervasive corruption.[102]

Concerning trade, the devaluation of the Russian rouble in 1998 of course favoured Russian exports and made imports more expensive. Russia often complained about the EU's protection of its industrial and agricultural market and the imposition of antidumping measures. Some such measures were modified in 1998, so that only one per cent of Russian exports to the EU is now affected, and remaining restrictions in the steel and textiles sectors are being removed under bilateral agreements. But the agricultural sector is likely to remain a problem due to the common EU policy in this field, which includes exports subsidies and import quotas. The fact that Russia has become a net exporter of grain after several decades of shortage may probably exacerbate this problem.[103]

The terms of trade are intimately connected with the question of Russian membership in the World Trade Organisation. The EU made this a priority in its economic relations with Russia, and already the PCA of 1994 mentioned it as a goal so as to achieve free trade. Russia, however, was reluctant to fulfil the conditions for it, namely liberalisation of its economy and foreign trade. Foreign competition with regard to the energy sector, banking, insurance, telecommunications and so forth remained restricted. The domestic gas prices were kept much lower than world market prices. A reform of the energy market had been a condition for the EU recognition of Russia as a market economy. Putin in December 2003 fretted about unfair demands and warned that Russia would not pay any price for membership.[104] The EU, on the other hand, did not want to grant Russia favours over other countries, as that would undermine the rules of the WTO.[105] In May 2004 a compromise was finally reached on bilateral market access, according to which Russia agreed gradually to raise the gas prices in line with its own energy policy, to limit its tariffs on industrial and agricultural products, to undertake reforms in several service sectors, and to

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[102] European Commission, *Communication on Russia*, 9 February 2004, pp. 10 f.
[103] European Commission, The EU's relations with Russia, *EU-Russia Trade*, Overview, May 2003 , p. 1, Sutela (2003) chapter 1, p. 1.
[104] Meier (2004) p. 2.
[105] Sutela (2003) chapter 2, p. 2, chapter 4, p.1 (www.carnegie.ru/ru/print/68732-print.htm).

improve Siberian overflight rights for EU states. This agreement was seen to facilitate similar deals with the USA and China, thus paving the way for WTO membership.[106]

Energy plays a crucial role in EU–Russian relations as noted above. In recent years the Russian leadership has made clear its interest in controlling the energy sector.[107] The Russian state and the energy companies support each other and cooperate on the foreign arena. In particular, the Russian government wants to maintain state control of the pipelines, but it has problems with financing the construction of new ones. For example, the state-dominated *Gazprom* in 2003 finally decided to build the North European gas pipeline to be operational in 2007, but the financing of this expensive project has remained unclear.

The energy dialogue has proceeded slowly, partly since Russia has not signed the European Energy Charter, which forms the legal basis for investments, trade and transport of energy carriers. *Gazprom* may fear that the Charter will be a menace to its transit monopoly on gas from for example Turkmenistan and Kazakhstan and thereby reduce its prices.[108]

Another problem is that the EU states do not want to be overly dependent on Russia or any other state with regard to energy, both because they want to keep prices down and because Russia may, as it has in several cases vis-à-vis small neighbours, used it as a means of pressure.[109] When proposals were made in the EU to limit gas import from a non-member state to 30 per cent of consumption, Putin at a summit complained about this, referring to the fact that Russia is part of Europe (!) and threatened to reconsider the energy cooperation. However, the European Commission stated that such a limit was not needed.[110] In fact, if such a limit would cover the entire EU, Russia could probably not fill it, and if it were applied to every state, it would cause grave problems to for example Finland, which now imports all its natural gas from Russia.[111]

With regard to gas, one problem is that it is mainly delivered by stationary pipelines. This means less freedom of choice for the recipients than concerning oil, which to a large extent is delivered by tankers. Concerning oil, the EU sees

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[106] RFE/RL Newsline, No. 97, part 1, 24 May 2004; European Commission, The EU's relations with Russia, 'Russia–WTO: EU–Russia deal brings Russia a step closer to WTO membership', 21 May 2004 (http://europa.eu.int/comm/external_relations/russia); *Moscow News*, No. 20, 2004.

[107] Bordachev & Moshes (2004) pp. 1 f.

[108] Götz (2004) p. 26; Sutela (2003) chapter 1, p. 2.

[109] See chapters on Belarus, Ukraine and Moldova below and Leijonhielm & Larsson (2004) *passim*.

[110] European Commission, The EU's relations with Russia, *The EU–Russia energy dialogue*, 11 November 2002, (http://www.europa.eu.int/comm/external_relations/russia/summit).

[111] Sutela (2003) chapter 1, pp. 2 f.

this as its greatest need in the future, especially for transport, whereas the Russian reserves are more limited here,[112] and they are mainly located in distant and frozen Arctic and Siberian regions, which makes exploitation and delivery costly. According to its 2003 Energy Strategy, Russia expects declining oil exports (from 75 million ton in 2002 to 30–50 million ton in 2020) due to rising costs and to growing domestic demand.[113] The steeply rising world market prices also enable Russia to maintain its income levels with smaller quantities.

Furthermore, Russia intends to diversify its exports of oil and gas by increasing deliveries to the United States and other states, partly from ports in the Pacific. The German economist Roland Götz even goes so far as to calculate that the (enlarged) EU share of Russian gas exports may sink from currently about 70 to 30 percent in 2020, and the share of oil exports from 88 per cent in 2000 to 50 per cent in 2020.[114] Finally one should be aware of the uncertainties of Western and Russian figures on reserves and production, which result in different prognoses. The Russian Energy Strategy of 2002 predicted a sharp growth of oil and coal exports and a sharp decline of gas exports, the opposite to the 2003 prognosis.[115] For all these reasons there is no wonder that the EU seeks to diversify its oil and gas imports by forging ties with producer states in North Africa, the Middle East and Central Asia.

With regard to nuclear power, Russia has overcome the Chernobyl syndrome and decided to increase its role in electricity production and export, e.g. by prolonging the lifetime of the reactors and investing in a new generation of breeder reactors. The EU agrees that nuclear energy is an important field for cooperation, but it is much more concerned about the safety of Russian nuclear reactors. Partly in the framework of the Northern Dimension, the EU and its member states, especially the Nordic ones which are most exposed, have assisted in upgrading the safety of old Russian reactors, for example those in Kola and near St. Petersburg, and insisted that they should be closed. They have also been upset by Russia's imposition of taxes on deliveries of nuclear safety equipment and its refusal to accept liabilities in case of accidents. In 2003, however, a compromise was reached in which Russia agreed not to apply taxes, while the donors were to shoulder the liabilities.[116]

A final difference in the energy field is the EU states' promotion of energy savings and renewable resources like solar and wind energy at home and

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[112] According to BP, only 5.7 per cent of the world's total reserves (Leijonhielm & Larsson, chapter 2.4.3).
[113] Russian government, *Energeticheskaia strategiia* (2003) pp. 53 f.
[114] Götz (2004a) pp. 12, 17 f.
[115] Sutela (2003) chapter 1, p. 2.
[116] Pursiainen, Christer, 'Nuclear safety and environmental risks of Northwest Russia, in Hedenskog et al. (ed.).

through pilot projects in Russia. Russia is relatively uninterested in these alternatives, partly because they are seen as too expensive, partly because Russia has rich conventional resources.[117]

The different viewpoints on energy issues are closely connected to different approaches to environmental issues. Thus, Russia disagreed with the EU about maritime security, specifically oil transport from Russia. Fearing oil disasters in their waters, the EU, not least the countries around the Baltic Sea decided to ban single-hull tankers from their waters in 2003. They pushed through a UN convention on speeding up the phasing out such tankers, likewise a UN decision on proclaiming the Baltic Sea as a Particularly Sensitive Sea Area (PSSA), which will legitimise stricter rules regarding ship construction, training of crews, traffic regulation, etc. Russia resisted these efforts, because it wants to keep costs down, and retained the right to use single-hull tankers in its own waters.[118]

The EU was also worried about the sad state of the Russian oil and gas pipelines and suggested a satellite-based regional monitoring system based on European Galileo navigational system. Russia instead wanted to use its own *Glonass* system. At last the parties agreed to investigate into a combined system.[119]

An important environmental issue for the EU was to persuade Russia to ratify the UN Kyoto protocol of 1997 on curbing air pollution so as to avoid global warming. The protocol could only come into force when states producing 55 per cent of the pollution have ratified it, and after the United States has withdrawn this hinged on Russia. A decision is needed before 6 December 2004. Despite earlier promises, Russia long refused, apparently because the chances to sell emission rights diminished after the US withdrawal and due to fears that the limits may restrict Russian industrial recovery in the future.[120] However, after the May 2004 agreement with the EU facilitated the way to WTO membership, Putin promised to speed up the ratification of the Kyoto protocol. In October it finally took place, which was greeted as a victory by the EU.[121] (One may add that the raising of domestic gas prices as agreed will promote energy efficiency and keep emissions down in Russia.)[122]

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[117] Götz (2004a) 23 f.

[118] *Svenska Dagbladet*, 3 April 2004., 'Waidwunde Havaristen', *Der Spiegel*, No. 1, 2004, pp. 87 f.

[119] European Commission, The EU's relations with Russia, *EU–Russia energy dialogue*, Fourth Progress Report, November 2003, p. 5.

[120] *Der Tagesspiegel*, 11–12 April 2004; Meier (2004) p. 2, Götz (2004a) pp. 27 f.

[121] *Moscow News*, no. 35, 2004.

[122] RFE/RL Newsline, no. 97, part 1, 24 May 2004; European Commission, The EU's relations with Russia, 'Russia–WTO: EU–Russia deal brings Russia a step closer to WTO membership', 21 May 2004 (http://europa.eu.int/comm/external_relations/russia); *Moscow News*, No. 19, 2004.

Environmental problems have figured prominently in EU assistance programmes for Russia, for instance in the Northern Dimension. Russia of course welcomed the assistance and cooperation offered, but criticised the framework, which was more supported by northern EU members than southern ones, for lacking its own institutions and financing. Russian officials also complained about the EU preferring to employ its own well-paid experts instead of Russians, and the fact that Russia received much less EU aid through the Tacis programme on technical assistance than the EU candidate states through the Phare programme.(1–2 per cent of total EU foreign aid.) Russia has proposed merging the different programmes into one able to carry out major infrastructure projects, for example in the energy and transport sector, and the use of Russian firms.[123]

The EU states on their part have criticised Russia for contributing too little to these programmes, specifically the Russian attitude that if they (the EU) are worried about the environmental problems, they can pay.[124] The EU states were also annoyed by Russian bureaucracy, taxation of aid, etc. In fact, the European Commission in February 2004 advised the Union to 'reconsider the scale of assistance to Russia, bearing in mind that it has at best produced mixed results and that satisfactory operating conditions /…/have not been established'.[125] Another reason for reconsidering aid to Russia is of course its steady economic growth and political assertiveness in the last few years under Putin.

Thus despite common or complementary economic interests there were also several structural problems. The Russian attitude to Western aid, nuclear safety and environmental problem reveal a value gap in relation to most European states.

Russian membership or partnership

One conclusion from the above chapters on Russian relations with the EU is that Russia, due to its political priorities and economic interests, rooted as they are in a specific culture and value system, is even less likely to be accepted as a member of the EU than of NATO. Russia does not fulfil the so-called Copenhagen criteria of 1993, namely democracy, rule of law, respect for human rights, protection of minorities, a functioning market economy, and an ability to take on the membership obligations.

A crucial question then is whether Russia really wants to become a member. As shown above several Western-oriented economists and researchers recommend

[123] Sutela (2003) chapter 2, p.2; Joenniemi & Sergounin (2003), pp. 37 ff, 79.
[124] Afontsev, Sergei (2003)' Rossiia i novyi ES. Ekonomicheskoe vzaimodeistvie v politicheskom kontekste', *Pro et contra*, vol. 8, No. 1, p. 9 (www.carnegie.ru).
[125] European Commission, *Communication on Russia*, 9 February, p. 6.

it, but on the official level, the opinion is much more reserved. At a press conference with German Chancellor Schröder President Putin in April 2004 stated that Russia does not aim at full membership in the European Community in the foreseeable future, though he would not mind having Brussels as a common capital in a united Europe in a historical perspective—whatever that means.[126] The chairman of the Duma Committee on International Affairs Kosachev has declared that Russia would only consider membership, if it got an invitation and a positive answer was guaranteed, and he underlined that Russia would never accept a junior status.[127] More bluntly, Deputy Foreign Minister Chizhov has explained that Russia has no intention of joining or being associated with the EU now or in the foreseeable future, because it is a self-sufficient country.[128] With its growing self-confidence under Putin, Russia apparently wants to preserve its political and economic independence in relation to the EU, and seems to prefer strategic partnership on equal terms, including integration in the form of the 'common spaces' with the EU.

As for the EU, it is content to have partnership relations with Russia—that is without offering a seat in its own institutions, even though some leaders like Berlusconi have sometimes talked about Russian EU membership in the long run.[129] The European Commission's communication 'Wider Europe – Neighbourhood', which outlined policy for the time after the 2004 enlargement, placed Russia in a 'ring of friends', consisting of states *not* eligible for membership in the foreseeable future, in the same diverse company as for example Ukraine, Israel, Egypt and Morocco, whereas a closer relationship was deemed possible for the Balkan states including Turkey.[130] This caused Western-oriented researchers like Konstantin Khudolei to ask the question whether double standards were not applied to Russia and Turkey with regard to human rights and ethnic minorities. More importantly, Russia was not pleased by being lumped together with other states as it strove for a strategic partnership that reflected its status as a world power.[131]

It is also obvious that the EU, being the stronger party, expects Russia (and other non-members) to adapt to it, not the other way round. The Russian researchers Bordachev and Moshes therefore pose the question whether Russia has any incentive to adapt to EU standards, if it has no prospect at all of becoming a

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[126] Prezident Rossii, 'Sovmestnaia press-konferentsiia', 2 April 2004 (www.kremlin.ru).
[127] *Dagens Nyheter*, Economic section, 19 June 2004.
[128] RFE/RL Newsline, no. 96, part 1, 21 May 2004.
[129] ITAR–TASS, 27 August 2003. In 2004 Berlusconi told Putin that only together with Russia could the EU become a Big Europe able to a be partner of the USA (Prezident Rossii, 'Press-konferentsiia', 21 April 2004. (www.kremlin.ru).
[130] European Commission, *Wider Europe—Neighbourhood,* 11 March 2003, p. 4.
[131] Khudoley (2003) p. 18; IHT, 20 October 2004.

member.[132]For the states that became members in 2004 that prospect was a powerful incentive to reform.[133] As hinted at by Pekka Sutela, the answer is that democracy and market reforms in any case ought to be in Russia's own best interest, if economic development is its first priority. Russian business elites are generally most inclined to accept market reforms and to adapt to international standards.[134] However, most Russians instead tend to perceive these things as threats to their social security and support Putin's regime, for which political stability at home and exercising influence abroad seem to be the overriding goals.

In short, there is a value gap between Russia and the EU concerning issues like democracy, human rights, environment and economic welfare, a gap which does not exist between the EU and the United States despite recent disputes.[135] It deserves to be mentioned in this context that the Dutch EU presidency in the second half of 2004 emphasised the importance of values for the integration of the enlarged Union.[136]

[132] Bordachev (2003) pp. 52 f; Bordachev & Moshes (2004) pp. 4 f.
[133] Afontsev (2003) p. 9.
[134] Sutela (2003) chapter 2, p. 3.
[135] More on this comparison in Bengtsson (2004) pp. 31 ff.
[136] European Union website, Presidency, 'Speech to be given by Prime Minister Jan Peter Balkenende', 7 September 2004 (www.eu2004nl).

Russia and the EU enlargement by ten new members

Trade and investments

Russian–EU relations as analysed above became even more complicated, when ten, mostly Central European, states applied for EU membership and joined the Union in 2004. Basically, Russia took a positive view for several reasons. Firstly, as with NATO enlargement, Russia recognised the right of the states to make their own choices, and that attempts to prevent or halt it would be counter-productive. Secondly, Russia has long advocated EU membership as an alternative to NATO membership, especially for the Baltic states.[137] Hence Russia had not opposed EU enlargement to the non-aligned states of Austria, Sweden and Finland in 1995. Thirdly, Russia could as noted above use EU (and NATO) demands on settling ethnic and territorial questions before membership as a way of inducing Estonia and Latvia to liberalise their minority legislation, which they also did. [138]

Fourthly, Russian economists pointed out that Russia would profit from the next enlargement because the extension of the Partnership and Cooperation Agreement (PCA) (including most-favoured-nation (MFN) status) to the new members would mean lower customs fees for Russian exports to and transit through these states.[139] Among the states in question, Russia at the time only had MFN agreements with Lithuania and Hungary.

Further, the case of Finland after 1995 showed that EU enlargement did not hinder Russian trade from growing substantially.[140]According to calculations by the All-Russian Market Research Institute in Moscow in 2000 the new enlargement could have an aggregate positive effect on Russian foreign trade estimated at 200–450 million USD a year. Similarly, the Swedish economist Carl B. Hamilton found that tariffs on Russian trade with Poland compared with

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[137] Concerning Cyprus, Russia supported reunification and EU membership, but it used its veto in the Security Council for the first time since 1994 against UN offering security guarantees before the referendum in the Greek and Turkish parts. (RFE/RL Newsline, no. 76, part 1, 23 April 2004; Prezident Rossii, 'Stenogramma vystupleniia' 17 March 2004, pp. 11 f. (www.ln.mid.ru) The Greek part voted 'no' and became the only one to join the EU.

[138] More on this in Oldberg (2003) pp. 37 ff.

[139] Oldberg (2003) p. 64.

[140] *Rossiiskii statisticheskii ezhegodnik(*1998) Moscow, Goskomstat, , p. 745, Afontsev (2003) pp. 6.

1999 would be reduced from 11.4 to 1.4 per cent and trade with the Czech Republic and Hungary would suffer small losses, though this gain would be somewhat offset by the extension of antidumping measures.[141] According to the EU, the average level of tariffs would go down from 9 to 4 per cent.[142]

Further, Russian border regions would receive more support for cooperation with the new members, and Russian companies with a presence in the new (and old) member states would get access to the whole EU market. The adoption of EU economic legislation by the new members would unify the market for Russian exporters and hamper discrimination, though it would not improve ties with Cyprus, which has become a safe haven for Russian flight capital and shady business. Increased economic growth in the new EU states would also boost demand on Russian products.[143] In 2001 the EU and Russia agreed that the enlargement should lead to increased Russian trade with both the old and the new EU members.[144] With the enlargement the EU share of Russian exports would rise from about 35 to over 50 per cent, so Russia would be even more dependent on this market.

However, as the date of enlargement came closer, Russian observers also identified several disadvantages and problems with it. Politically, the enlargement meant that former allies as well as former Soviet republics would be fully integrated into Western Europe, not only militarily integrated into NATO, and thereby be irrevocably decoupled from Russia. Russian diplomats also feared that—as with NATO—these new members because of their negative experiences of Russia would influence the whole EU to be more critical of Russia.[145] Baltic and for example Polish politicians often talked about their expertise on Russian affairs.

Furthermore, Russian officials expressed concern about the reorientation of trade from Russia to the unified EU market, or more justifiably, a reinforcement of this trend, which has been going on since the early 1990s. To counteract this, Russian state and private companies made efforts to maintain and expand their positions in these states, especially in the energy sector. Vis-à-vis Bulgaria, for example, Putin offered to reconstruct two Russian-built nuclear reactors at Kozlodui, which the EU wanted to close down and replace with new ones, further to deliver gas, electricity and build an oil pipeline across Bulgaria to Greece, thereby by-passing the Bosporus bottleneck.[146] With regard to the Baltic

[141] Sutela (2003) chapter 3, pp. 1 f; Frumkin (2002) pp. 109 f.
[142] European Commission, The EU's relations with Russia, Prodi, 23 April 2004, p. 4.
[143] Afontsev (2003) p. 7, Sutela (2003) chapter 3, p. 1.
[144] Frumkin ((2002) pp. 109 ff.
[145] Bordachev & Moshes (2004) p. 2.
[146] Prezident Rossii, 'Zaiavlenie po itogam peregovorov s Prezidentom Bolgarii', 6 September 2003 (www.kremlin.ru)

states, the private Russian oil company *Yukos* in 2002 bought a majority share in Lithuania's major refinery *Mazeikiu nafta* (from an American company), while guaranteeing oil deliveries. When Latvia wanted to sell shares in the Ventspils oil terminal, the Russian state-controlled *Transneft* acted more aggressively by closing the oil pipeline, evidently so as to reduce the price of the shares. At the same time Russia took steps to reduce its own dependence on Baltic transit by constructing new ports in the Gulf of Finland. In 2001 the Primorsk oil terminal and the Ust-Luga bulk port were inaugurated, and another oil terminal at nearby Vysotsk is to be opened in 2004.

Another problem is whether Russia after EU enlargement would lose foreign investments to the new member states. According to the Russian economist Sergei Afontsev, this could be the case, when it comes to investments in trans-national production chains, which promote technological development and diversify the economy. On the other hand, most foreign investments in Russia are made in the raw material export sector or in the food industry, trade and services, where closeness to the market is essential. Russia and the new EU states therefore occupy separate market niches.[147]

The visa problem

An important problem closely related to trade was the fact that the new EU members were obliged to adopt the Schengen agreement. This meant the elimination of border controls among the member states while introducing stricter controls and visas for non-members and concluding readmission agreements with them. The main aim was to hinder illegal immigration and international organised crime, which are hot political issues in all EU states. For Russia, however, it meant more restrictions on travel and trade with the EU and its new members. Thus when the Central European and Baltic states, which earlier had non-visa agreements with Russia, prepared to conform with the Schengen requirements for border control and upgraded their border stations, Russia complained about new dividing lines and pointed to the negative effects for business, not least for the border populations on both sides, who depended on shuttle trade. Concerning Cyprus, which has become a haven for Russian tourists and businessmen, officials claimed that visa-freedom for Russia would not harm the EU, since it was impossible to get from this island to the Schengen mainland without controls.[148]

A special case is the Kaliningrad region, an exclave which depends on Lithuania and Latvia (or Poland and Belarus) for transit to the rest of Russia. The region

[147] Afontsev (2003) p. 6.
[148] Chizhov (2003) 'From St. Petersburg to Rome', *International Affairs*, vol. 49, no. 5 p. 12.

had visa-free trade with Lithuania and Poland throughout the 1990s and became very dependent on imports from these states.[149] When Latvia in 2001 introduced visas for transit by train, and Lithuania and Poland decided to impose visas for all visits and transit to Kaliningrad as of 2003, the Russian Foreign Ministry protested to the EU and demanded visa-free transit on land through these states, and free one-year visas for visits. Other officials talked about creating 'corridors', which however evoked dark memories of Hitler German aggression, especially in Poland.

In May 2002 President Putin took up the transit issue at a summit with the EU, arguing that the introduction of visas would violate Russia's territorial integrity and its citizens' human right to visit a part of their own country, and made the solution of this vital issue an absolute criterion for Russia's relations with the EU. Instead of transit visas, Putin proposed the same type of transit across Lithuania as people from West Berlin had enjoyed across East Germany during the Cold War (disregarding the difference that there was little risk of their defecting at the time). The Russian Duma refused to ratify the border treaty with Lithuania.

However, there were several weaknesses in the Russian position. Russia could not expect the EU to change the Schengen agreements which had taken so much effort to agree on, nor that the Baltic states (and other states) should abstain from open borders to the EU for the sake of Russia or its Kaliningrad region. Russia itself imposed visa regimes on several CIS states in 2000, even though exceptions were then negotiated, and Russian visas remained much more expensive and difficult to get than those of EU states and candidates. Moreover, though the imposition of visa regimes meant new problems, Russia had to concede that the current situation at the borders was very unhealthy with long queues, much corruption and crime.[150]

Also the EU gradually came to realise the peculiarities of the Kaliningrad case. A special European Commission report on Kaliningrad of January 2001 noted that all EU border regulations, notably the Schengen rules, need not apply at once to the new members, and their special practices could be used. For example, visa exemptions could be granted to border populations, or visas could be made multiple and long-term, cheap and available at consulates in Kaliningrad. Lithuania and Poland resolved to enlarge their consulates in Kaliningrad in order to handle all visa applications, and Germany, Latvia and Sweden decided to open new consulates. But Russian authorities put up practical

[149] More on this in Oldberg (2001) pp. 39 ff.

[150] Afontsev (2003) p. 6, Oldberg (2001) *passim*. See also Swiecicki, Jakub (2002) *Kaliningrad i kläm*, Världspolitikens dagsfrågor, no. 10, Stockholm, Utrikespolitiska institutet, pp. 24 f.

difficulties for these consulates, probably in order to underpin its demand for visa exemption.[151]

EU officials and representatives of EU states pointed out that visa regimes could actually be made quite flexible and at least as efficient as the present border controls. The EU especially staked on improving the border infrastructures in the candidate states as well as on the Russian side. Finland was frequently used as a positive example. The number of Russian travellers to Finland in fact grew after that country joined the EU and the Schengen zone, and Finland became second only to Germany in issuing visas to Russian citizens.[152] Admittedly, this growth was probably also an effect of Russia's economic recovery.

After arduous negotiations Russia and the EU at the next summit in Brussels in November 2002 reached a compromise on Kaliningrad. Avoiding the term 'visa', they agreed on introducing, firstly, a so-called Facilitated Transit Document (FTD) for Russian citizens to be applied for at Lithuanian consulates, allowing multiple transit trips on all means of land transport to and from Kaliningrad. Secondly, a Facilitated Rail Transit Document (FRTD) for single return trips by train was instituted, which on the basis of personal data submitted at the ticket office in Russia would be issued at the border by the Lithuanian authorities. Lithuania pledged to accept Russian internal passports until 2005, and the EU would investigate the possibility of non-stop trains. In exchange Russia vowed to sign a readmission agreement with Lithuania by 30 June 2003 (which it did) and to start negotiations with the EU on the same thing, to allow the enlargement of the Lithuanian consulate and the opening of other consulates in Kaliningrad, and finally to speed up the issuance of Russian international passports.[153] In 2003 the Russian Duma at last ratified the border treaty with Lithuania.

In connection with the Kaliningrad issue Putin also proposed a broad solution, namely visa-freedom between Russia and the whole EU. At the May 2003 summit Putin complained about a new 'Schengen wall'. He declared the removal of onerous visa restrictions to be a top priority for Moscow and hoped for an abolition by 2007.[154] The European Commission agreed to this as a long-

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[151] *Moscow News*, 12 March 2002, *Rossiiskaia Gazeta*, 30 April, 16 May 2002.

[152] *The Baltic Sea (*2002). *A Region of Prosperity and Stability? Prospects and Limits of a Regional Policy in North-Eastern Europe?* 121st Bergedorf Round Table, Hamburg, Körber Foundation, p. 26. One million Russians visited Finland in 2000.

[153] European Commission, The EU's relations with Russia, Tenth EU–Russia Summit, 'Joint Statement on Transit between the Kaliningrad Region and the Rest of the Russian Federation', 11 November 2002 (www.europa.eu.int/comm/external_relations).

[154] ITAR-TASS, 31 May 2003 (BBC); Bransten, Jeremy, 'Russia: Good-natured atmosphere of EU summit belies deeper problems', RFE/RL Feature article, 2 June 2003 (www.rferl.org/features/2003).

term goal, but made clear that several problems had to be solved first. The EU criticised the quality of Russian passports, which can easily be forged, and the inefficient border controls at Russia's long southern borders on CIS states, which it wants to keep open, and on Asian states. The EU insisted that Russia should sign readmission agreements with the EU, so that illegal immigrants could be sent back.[155] In 2004 negotiations started on simplifying the visa procedures in the short-term perspective and on a reciprocal basis, and the year 2008 was mentioned as a target for abolishing visas, though no exact date was given.[156]

At the same time the European Commission recommended the EU members to make bilateral agreements with Russia to facilitate the issuance of visas for Russians. In fact, all EU states have different procedures and prices for visas, so that Russians heading for Europe may pick the country with the most favourable conditions. Italy, France and Germany in 2003 signed bilateral agreements with Russia on simplified procedures for certain groups.[157] Among the incoming member states, Poland in 2003 maintained lower prices than Russia and most EU states.[158] It can be safely concluded that the visa question is likely to remain a thorny issue in EU–Russian relations for years to come.

PCA extension

A final bone of contention in connection with the EU enlargement was that as the enlargement came closer, Russian authorities started to draw more growing attention to the *negative* consequences that EU enlargement might have on trade with the new member states. A government paper claimed that the Baltic states on accession would raise import tariffs by at least half and be obliged to co-ordinate export quotas vis-à-vis eastern neighbours.[159] One calculation showed that Russia had lost USD 350 million a year after Sweden, Finland and Austria joined the EU in 1995.[160] In 2003 the Foreign Ministry talked about that enlargement as a controversial experience that must not be repeated. Russia began more strongly to oppose the automatic extension of the Partnership Cooperation Agreement (PCA) to the new members and called for negotiations

[155] Bransten (2003) p. 2; *Moscow News*, No. 25, 2003;
[156] European Commission, EU–Russia summit, 'Joint press statement', 6 November 2003, p. 2. (http://europa.eu.comm/external_relations); RFE/RL Newsline, No. 70, Part 1, 15 April 2004; Prezident Rossii, 'Nachalo vstrechy', 22 April 2004 (www.kremlin.ru).
[157] Meier (2004) p. 3.
[158] RFE/RL Newsline, no. 76, part 1, 23 April 2004; *Moscow News*, No. 25, 2003.
[159] *Rossiiskaia gazeta*, 7 February 2002.
[160] Moshes, Arkady (2002) "Russia, EU Enlargement, and the Baltic States", in Hubel, Helmut (ed.) *EU Enlargement and Beyond: The Baltic States and Russia*, Nordeuropäische Studien, No. 18, Berlin, Berlin Verlag, pp. 310–313.

on compensation for losses, warning that the agreement had to be ratified by the Russian Duma. The current bilateral agreements with each of the future EU members had to be reviewed or denunciated. A list of 14 demands was presented to the EU, including access for Russian energy supplies, a review of customs tariffs, antidumping measures, quotas, the costs of cargo transit across Lithuania to Kaliningrad, etc.[161] In February 2004 Deputy Foreign Minister Vladimir Chizhov stated that Russia wished to change the PCA so as to compensate for losses amounting to 375 million USD due to worsening conditions for Russian exports of aluminium, chemicals, grain and nuclear fuel to the acceding states.[162] A related, often neglected, problem is the fact that not only tariffs and quotas may restrict Russian exports and transit traffic to the new members, but also the introduction of EU standards and regulations with regard to product quality, environmental pollution and means of transport.[163]

On top of the above concerns Russia threw in its complaints about the discrimination of Russian-speaking minorities in Estonia and Latvia, while calling for compliance with European standards on human rights and ethnic minorities. Russia also pursued the latter questions in meetings with Baltic representatives and individual EU states such as Sweden.[164]

The EU, on the other side, refused to change the PCA and insisted on its extension to the ten new members without conditions, which seems natural since Russia had not objected to the 1995 enlargement. As a riposte, the European Parliament in February 2004 passed to the EU Council a list of issues that Russia should resolve in order to promote good-neighbourly relations, among them to sign and ratify the border treaties with Estonia and Latvia that had been pending since 1997. A spokesman for Ireland, the country that held the presidency in the first half of 2004, asserted that the human rights situation in the Baltic states does meet the EU's fundamental criteria.[165]

In the end, both sides edged towards an accord. The EU consented to negotiations about the negative economic effects on Russia, perhaps influenced by leaders such as the French President Chirac, who admonished the EU to show

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[161] Chizhov (2003) pp. 9 f.

[162] RFE/RL Newsline, No. 35, Part 1, 24, 25 February 2004. For example, the Czech Republic would raise tariffs on Russian aluminium from nil to six per cent. (Interfax, 12 April 2003 (BBC). See also *Moscow News*, No. 16, 2004).

[163] Timmermann, Heinz, Kaliningrad: *Eine Pilotregion für die Gestaltung der Partnerschaft EU–Russland?* SWP-Aktuell, August 2001, Berlin, Stiftung Wissenschaft und Politik, p. 18.

[164] Chizhov (2003) p. 11, ITAR-TASS, 2 March 2004, *Moscow News*, no. 16, 2004; RFE/RL Newsline, No. 37, 26 February 2004.

[165] RFE/RL Newsline, No. 37, 27 February, No. 38, 27 February 2004. Border treaty ratification by Russia was also listed among the priorities of the European Commission in the *Communication on Russia* p. 5.

more respect for Russia's national interests as it adjusted itself to the enlargement.[166] Russia also modified its demands, calling them 'concerns' instead, and first declared that it would 'temporarily' extend the PCA, then that it would sign it, which was finally done shortly before 1 May 2004.[167]

In a joint statement the parties 'reaffirmed their commitment to ensure that the EU enlargement would bring /them/ closer together in a Europe without dividing lines'. The EU made some economic concessions, for example to: postpone tariffs on Russian aluminium exports to Hungary, increase quotas on steel exports, modify antidumping measures, cancel current trade defence measures against imports in the acceding countries, facilitate trade in animal products and have consultations on bilateral quotas of agricultural goods, and confirm current contracts on the supply of nuclear materials. The transit of cargo to and from Kaliningrad was to become both smoother and cheaper than now, be exempted from transit and customs fees, this including pipelines and electricity. Restrictions or prohibitions shall only be justified on grounds of public security or protection of health or property rights. [168] Commission chairman Prodi also talked about finding ways to advance the economic development of the Kaliningrad region.[169]

Finally, both parties welcomed EU membership as 'a firm guarantee for the protection of human rights and /…/ minorities'. In this question Russia had wanted specific countries to be mentioned and a passage on the social integration of minorities to be included in the text, but this was stopped by Estonia and Latvia, and the EU only promised afterwards to examine the integration schemes in these countries. The Russian foreign minister cautioned that EU action on minorities was needed before the PCA extension deal could be ratified by the Russian Duma, but on the whole the Russian leadership expressed satisfaction with the agreement.[170]

The Russian objections to the extension of the PCA must consequently be seen as yet another attempt to extract favours, both economic and political, from the EU and its new members. They led to irritation in the EU, and especially in the small new member states, most of which already had suffered from bad

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[166] RFE/RL Newsline, No. 36, Part 1, 25 February 2004.
[167] RFE/RL Newsline, No. 35, 24 February 2004.
[168] European Commission, The EU's relations with Russia, 'Joint statement on EU enlargement and EU–Russia relations', 27 April 2004 (http://europa.eu.int/comm/external_relations/russia).
[169] Prezident Rossii, 'Nachalo vstrechi s Predstavitelem Kommissii', 22 April 2004 (www.kremlin.ru/text/appears)
[170] Lobjakas, Ahto, 'Landmark enlargement deal signed, but loose ends remain', RFE/RL Newsline, special issue, No. 83, 3 May,2004; Prezident Rossii, 'Stenogramma vystupleniia i otvetov', 27 April 2004 (www.ln.mid.ru).

experiences of Russia power politics. The agreements did not solve all problems concerning for example food exports and Kaliningrad, and Russia proposed the question of Russian-speaking non-citizens in Estonia and Latvia as a topic for the negotiations on the four common spaces.[171]

At the same time, it is also true that this and other disputes on visas, Kaliningrad, mutual trade etc. between Russia and the EU were resolved by compromises. The formal exchange remained intact and even developed to meet future challenges. Partnership means a mix of cooperation and conflict.

[171] Swedish embassy in Berlin, 13 September 2004.

Further EU enlargement to Russia's neighbours?

The EU policy

As the big EU enlargement of 2004 now is accomplished including three ex-Soviet states, the next big challenge is whether the EU will continue to expand to the new states that are now members of the CIS. In principle, any European state can become a member, if it meets the above-mentioned Copenhagen criteria and expresses a wish to join. The European Union has already started negotiations with Romania and Bulgaria, which are expected to join in 2007, and the Western Balkan states (of ex-Yugoslavia and Albania) are also offered the prospect of membership. Among these states Croatia has made such progress that it may join in 2007. Turkey is acknowledged as a candidate, and in October 2004 the EU decided to start membership negotiations with it.

By contrast, besides Russia, the above-mentioned EU Commission report 'Wider Europe—Neighbourhood' of 2003 defined Belarus, Ukraine and Moldova as belonging to a ring of friends together with several states south of the Mediterranean Sea which are excluded on geographical grounds. Instead of membership these were offered integration and cooperation in a number of fields. The report stressed that the 2004 enlargement was not intended to create a new divide but to increase cooperation with the new neighbours.

At the same time the report clarified that accession remains open to 'European countries who have clearly expressed their wish to join', and that a 'response to practical issues posed by proximity and neighbourhood should be seen as separate from the question of EU accession'.[172] In May 2004 this report was followed up by a strategy paper called 'European Neighbourhood Policy' (ENP) defining a set of priorities, which are to be incorporated into jointly agreed action plans for each state, where progress will be monitored and reported.

In this paper the Commission also recommended the EU Council to include the three Caucasian states Georgia, Azerbaijan and Armenia in the policy.[173] The background is that the EU for a number of years has shown an interest in crime, energy and transport issues in Central Asia and the Caucasus and signed PCAs

[172] European Commission, *Wider Europe—Neighbourhood,* pp. 4 f.
[173] European Commission, *European Neighbourhood Policy. Strategy paper*, 12 May 2004 (http://europa.eu.int/comm).

with the states in question.[174] Following a report to the European parliament (by the Swedish parliamentarian Per Gahrton), the Commission in February 2004 had called for strengthened relations with the western CIS states and the southern Caucasus so as to 'resolve frozen conflicts', tackle political instability and promote economic growth, whenever possible in cooperation with Russia.[175] The new EU members were particularly keen on developing ties with and integrating the eastern neighbours into the EU. Thus Poland pleaded for an Eastern Dimension of EU foreign relations following the Northern Dimension.[176]

The inclusion of Arab and North African states in the Wider Europe neighbourhood can be seen as a result of bargaining between southern and northern EU member states. It reflects the growing European interest in the rich energy resources and their concerns about instability in some of these states. Another explanation offered by the Russian researcher Khudolei is the presence of sizeable minorities of Muslim immigrants in most EU states.[177]

The Russian policy

If we now turn to the Russian view of further EU enlargement in Eastern Europe (excepting Russia itself), such an event is bound to evoke suspicions, because the area has been Russia's sphere of influence for centuries and it is declared as a first priority in Russia's foreign policy doctrine. Russian decision-makers are well aware that most EU states are also NATO members, and find it hard to distinguish the economic interests from military and political ones. As a response to such external influence Putin's Medium-Term Strategy for Relations with the EU of 1999 asserted that Russia and the EU should coordinate their activities in the CIS region regarding trade, politics, humanitarian questions, etc. Partnership with the EU should also help 'consolidate Russia's leading role in forming a new system' of relations in the CIS region.[178] As shown above Russia strove to bar the EU crisis prevention force from being used there without its consent.

In order to counter Western influence and maintain its dominant political and economic position Russia has ever since the early 1990s promoted integration,

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[174] European Commission, Patten, Chris, 'Keynote speech as part of official visit to Kazakhstan', 16 March 2004 (http://europa.eu.int/comm/external_relations).
[175] European Commission, *Communication on Russia*, 9 February 2004, pp. 3, 7; Lobjakas, Ahto, 'EU parliament adopts report on South Caucasus', Endnote, RFE/RL Newsline, , No. 39, Part 1, March 2004.
[176] Sutela (2003) chapter 3, p. 1; Haukkala (2003) p. 82.
[177] Khudoley (2003) pp. 17, 27.
[178] Timmermann, Heinz (2000) 'Russlands Politik gegenüber der EU (II)', *Osteuropa*, No. 8, pp. 888 f.

especially with the western, Slavic CIS states and with Kazakhstan, where there is a sizeable Russian minority. More or less free trade was mainly regulated by bilateral agreements. On the basis of earlier agreements on a customs union, Russia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan in 2000 formed the Euro–Asian Economic Community, instituting a number of bodies. It included visa freedom among the members, and a framework for a single customs tariff and protection measures was laid down among the members and with third countries.[179] In September 2003, this organisation was overshadowed by the creation of the Single Economic Space (SES), this time including Russia, Ukraine, Belarus and Kazakhstan, but formally open to more members. Referring to the EU model, it instituted one single regulating body and aimed at uniting the customs areas and conducting a common foreign trade policy through a free trade zone without limitations or exemptions, with unified competition rules and technical standards and harmonisation of macroeconomic policy etc.[180] At the ratification in April 2004 Putin hoped that the new organisation would become a powerful locomotive of economic progress in all Eurasia.[181]

In accordance with Western practice, Russia agreed to the principle of applying value-added taxes on production in the country of destination, for example regarding Russian energy exports. The Kazakh President Nazarbaev pointed out that the four states together had the unique advantage of a big enough market, a united transport infrastructure, one energy system and one language of communication. As a result of economic growth in the four member states, the mutual trade increased and common industrial projects were proposed.[182]

However, the problem with the SES (and its predecessors) is that it lacks powers and that decisions are not carried out, which reflects divergent interests and priorities in the member states. The SES thus envisages gradual integration at different levels and speeds in each member state. At the ratification the four presidents could not agree on how many documents had to be signed or which should have priority. The questions were delegated to a group of experts, which

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[179] *Rossiiskaia gazeta*, 10 October 2000, Trubnikov, V.I., 'Tenth anniversary of the Commonwealth of Independent States, *International Affairs*, No. 1, 2002, pp. 17–31.

[180] Prezident Rossii, 'Soglashenie o formirovanii Edinogo ekonomicheskogo prostranstva', 19 September 2003 (www.kremlin.ru/text/docs).

[181] Prezident Rossii, 'Vystuplenie na vstreche glav gosudastsv-uchastnikov', 24 May 2004 (www.kremlin.ru/text).

[182] Maksymiuk, 'Yalta summit produced little of substance' Endnote, RFE/RL Newsline, no. 98, part 1, 25 May 2004; Prezident Rossii, 'Vystuplenie na rasshirennom zasedanii', 15 September 2004 (www.president.kremlin.ru).

worked out a list of 29 documents. In September 2004 these were adopted by a summit and are to be elaborated and ratified by the parliaments by July 2005.[183]

Another issue is whether such economic integration, if achieved, would not complicate integration with the EU and even the WTO. In line with Russian strivings regarding the West, Putin assured the other leaders that SES membership is fully compatible with both WTO membership, noting that all EU states are members, and with integration with the EU.[184] The EU Commission, on its part, in February 2004 advised that the SES should be carefully examined concerning its impact on the common European economic space and a future trade agreement, while taking notice of a more assertive Russian stance towards CIS states.[185]

A more powerful means for maintaining Russian influence than forming common organisations probably is to the exploit the dependence of the other CIS states on Russian energy resources. Due to debts owed to Russia and the stronger economic growth in Russia in recent years, Russian companies have taken over assets and boosted their influence in the CIS states. As will be further explored below it seems safe to conclude that EU enlargement and neighbourhood policy have spurred Russia to intensify its integration efforts in the CIS.

The odd case of Belarus

If we now turn to the individual CIS member states, how did their relations with the EU develop as compared with their Russian ties? Are there any reasons for Russian concern? Regarding Belarus, now bordering three EU states, it started and completed negotiations with the EU on a partnership agreement in the early 1990s, and it received significant assistance through the Tacis and other programmes.

However, this progress stalled in 1996–97, when President Lukashenko imposed authoritarian rule with repression of the opposition and the media and interfered with the judiciary. The EU Council of Ministers decided not to ratify the PCA, to curtail official contacts and to restrict technical assistance to humanitarian, regional and democracy-related projects, and to collaborate with the Council of Europe and the OSCE. The EU then continued to offer resumption of relations,

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[183] Prezident Rossii, 'Otvety na voprosy zhurnalistov', 15 September 2004 (www.president.kremlin.ru.)

[184] Prezident Rossii, 'Press-konferentsiia glav gosodarstsv-uchastnikov', 24 May 2004. (www.kremlin.ru/text) *Moscow News*, No. 19, 2004, *Svenska Dagbladet*, 25 May 2004.

[185] European Commission, *Communication on Russia*, 9 February 2004, p. 2.

if the regime took steps towards democracy and respect for human rights, but that did not happen. When Lukashenko in practice closed the OSCE assistance and monitoring office in Minsk in 2002, almost all EU (and NATO) states banned Lukashenko and seven other officials from entering their territories, and when the office was reopened with a restricted mandate, the lifting of the ban was made contingent on its possibility to work effectively.[186] As a result, the European Commission in its Wider Europe and European Neighbourhood Policy communications mentioned Belarus as potential partner, but its authoritarian system was said to block its realisation The Commission pledged to support democratic parliamentary elections in the autumn of 2004, to engage with the authorities if progress was made and to intensify its assistance to civil society.[187] Significantly, the EU High Commissioner for the Common Foreign and Defence Policy, Javier Solana, in April 2004 received a group of Belarusian opposition leaders.[188] As a result, Belarus is now the only European country not to be admitted to the Council of Europe, and the only CIS country without a PCA with the EU. Belarus has received much less assistance than any other EU neighbour, and the EU share of Belarusian foreign trade is smaller than in other neighbouring states.[189] Belarus also is a problem to the EU, because it has open borders on Russia and Ukraine and thousands of migrants from the east stay there en route to the EU.

Also Belarus was affected by the EU enlargement and the adoption of Schengen rules by the new EU members, because many people were engaged in shuttle-trade across the western borders, especially with Poland.[190] In order to preclude illegal immigration and crime the new EU members tightened their eastern border controls, and for this both they and their eastern neighbours, including Belarus, received EU Tacis support. Simultaneously, the new EU members made efforts to apply as lenient visa rules as deemed possible. Poland thus reduced the costs of visas for Belarusians from ten to five euros whereas Latvia settled for ten.[191]

The above facts clearly indicate that Lukashenko's view of the EU and its enlargement was about as negative as his view of NATO. He rejected the EU

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[186] European Commission, *The EU's Relations with Belarus*, *Overview*. February 2003. (www.europa.eu/comm/external_relations/belarus), Paznyak (2004) pp. 7 ff.

[187] European Commission, *Wider Europe—Neighbourhood*, p. 15, *European Neighbourhood Policy*, pp. 11 f. See also RFE/RL Newsline, No. 90, Part 2, 13 May 2004.

[188] European Union, Press information, 26 May 2004. (http://ue.eu.int/Solana); RFE/RL Newsline, No. 100, Part 2, 27 May 2004.

[189] European Commission, *Wider Europe—Neighbourhood*, pp. 21, 26.

[190] 5.9 million crossings in 2000. Paznyak (2004) pp. 18 ff.

[191] Mite, Valentinas, 'EU expansion brings little joy to crossborder traders in Belarus, Ukraine', RFE/RL Newsline, Special issue, No. 83, 3 May 2004, *Moscow News*, No. 25, 2004; RFE/RL Newsline, No. 101, Part 2, 28 May 2004..

conditions for cooperation, but at the same time he recognised its influence and wanted economic assistance from it. For example, in 2002 he complained that Belarus was combating drugs and illegal immigration without support from Europe and warned that from 2003 Belarus would only detain illegal migrants if it received compensation.[192] In response to the EU enlargement and its neighbourhood policy, the Belarusian foreign ministry advanced the idea that Belarus, Russia and Moldova should have observers in EU structures concerned with foreign policy and security, form joint working groups and an East European Regional Forum at the EU.[193] Even if this proposal betrayed a keener attention to the EU, it was unrealistic, because the EU has never admitted such presence in its internal structures and the three states have divergent interests vis-à-vis the EU.

On the eve of the May 2004 enlargement Lukashenko for the first time spoke positively about the EU, saying that 'with the united Europe we must have not just good, but very good relations' as 'the EU at the moment happens to be our closest neighbour'(!). But the relations were soon impaired again when Belarusian authorities hindered the EU embassies in Minsk from opening their celebration of the enlargement to the Belarusian public.[194] When the EU extended its visa ban on Belarusian officials, Lukashenko did the same to EU officials and accused the EU of plotting to murder him.[195] In October 2004 he rigged a referendum, which gave him to possibility to be re-elected president many times.

Instead Lukashenko leaned heavily on integration with Russia. As noted in the NATO context, a Russia–Belarus Union was created in 1999, which included a common state council, a union parliament, a union citizenship, etc, allegedly with the EU as a model. In 2005 the rouble was to become the common currency with one emission centre in Moscow. Russia is of course Belarus' main trading partner, and Belarus is Russia's second largest partner after Germany and the most important transit country to the EU. There are no border controls. Belarus of course also participated in CIS integration with Russia through the Eurasian Economic Community and the Common Economic Space. Russian officials did not rebuke Lukashenko for his dictatorial ways and defended him against Western critics, while at the same time hinting that Russia was more democratic and could help the West to democratise Belarus.

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[192] Paznyak (2004) pp. 22 f. See also RFE/RL Newsline, vol. 8, no. 100, part 2, 27 May 2004.
[193] Paznyak (2004) p. 20.
[194] This earned a protest from the EU Presidency, supported by all potential candidate states. (European Union, 'Declaration by the Presidency', 4 May 2004. (http://ue.eu. int); *Moscow News*, No. 16, 2004.
[195] RFE/RL Newsline, no. 185, part 2, 29 September 2004, *Stockholm City*, 30 September 2004.

However, there are some problems. Just as with NATO enlargement, Lukashenko's opposition to EU integration went further than the Russian line. When the Common Economic Space was ratified, Lukashenko was its staunchest protagonist upbraiding the others—implicitly Russia–for seeking membership in the WTO. Instead he called on them to apply as group in a worthy manner as had earlier been agreed upon.[196]

Furthermore, the Russia–Belarus Union is mainly a façade with no influence, since the states retain their own structures. The 'union state' has still no constitution, and the union parliament is not elected. A major problem for Russia is Lukashenko's insistence on equality between the states, irrespective of the fact that Russia is much bigger with 143 million inhabitants, while Belarus has nine. When Putin in 2002 proposed to hold a common referendum on merging the states and to introduce the common currency already in 2004, Lukashenko flatly refused, and Putin had to drop the idea.[197] Later, the date for introducing the Russian rouble was moved to 1 January 2006, but Lukashenko still wanted control over the emission. On the whole, it is hard to expect a voluntary merger between two authoritarian states. One may add that even though the democratic opposition in Belarus detested Lukashenko for his authoritarian rule, they could appreciate that this made him defend the independence of the country.

Another major obstacle for the Russian efforts to take control of the Belarusian economy is the fact that it remains largely state-owned and controlled by Lukashenko. In 2002 the Russian (state-dominated) *Gazprom* agreed to continue gas deliveries at the Russian domestic price, if it got a stake in the *Beltranshaz* company that runs the pipeline, but Lukashenko set an excessive price. When *Gazprom* then reduced the quotas for cheap gas, Belarus started to siphon off gas from the transit pipelines to the West. In 2004 *Gazprom* turned off the tap completely, which however interrupted Russian deliveries to the West and Kaliningrad. A temporary compromise was then reached, which included higher prices, and concerning the joint gas company the parties agreed to let an independent expert decide on the value of *Beltranshaz* and to discuss the possibility of Belarus taking over shares in Russian gas-producing companies.[198]

A final problem is that Russia's union with unreformed Belarus disturbed its economic relations with the EU by undermining its credibility as a market economy. The Russian political and economic pressure on Belarus can thus also

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[196] Prezident Rossii, 'Press-konferentsia glav', 24 May 2004.

[197] Hedenskog, 'Filling the gap', chapter 2; Oldberg (2003), 'Rysslands utrikespolitik sedan 2002', in Leijonhielm et al., *Rysslands militära förmåga i ett tioårsperspektiv*, R–0811–SE, Stockholm, FOI, pp. 77 f.

[198] Maksymiuk, Jan, 'Belarusian president backs down in gas row with Moscow', RFE/RL Newsline, 3 March 2004.

be seen as means to make it fall into line. Russia and the EU in fact have a common interest in the liberalisation of the Belarusian economy.[199]

However, even if Lukashenko in connection with the EU enlargement signalled a more friendly attitude to the EU, his previous record in seeking integration with Russia and the country's economic dependence on it appear to be paramount factors. The EU enlargement thus reinforces the Russian ambition to control Belarus for several reasons, and Lukashenko can expect no help from the West. The only option for him is to maintain or reinforce his power at home, hope for impaired relations between Russia and the EU and continued Russian support. On balance Belarus remains Russia's closest ally.

Ukraine and the EU

More than with Belarus Russia had reasons to worry about EU's relations with Ukraine, Russia's most important CIS partner, which now borders five new EU members. Ukraine in 1994 became the first CIS state—a little before Russia—to sign a partnership agreement with the EU. It went into force in 1998 and established a number of bilateral institutions and a work programme in a similar way as the Russian one. In the same year President Kuchma—unlike Russia and Belarus—launched a strategy for EU integration, in which full membership was mentioned as a long-term goal. In the following year Kuchma adopted a programme on integrating Ukraine into the EU by 2007 in three stages: firstly by accession to the WTO, secondly by an agreement on free trade and associate membership, and thirdly by accession talks beginning in 2004. This goal was then maintained.

In 1999 the EU adopted a Common Strategy on Ukraine for the next four years, which welcomed Ukraine's European choice, supported its democratic and economic reforms, and vowed to strengthen cooperation in the context of enlargement. In 2001 the European Parliament stated that there was no reason to exclude Ukraine from membership at some point in the future.[200] In parallel with this the mutual trade grew, so that the EU states became Ukraine's main western partners. When several neighbours of Ukraine joined the EU in 2004, EU trade will be still more important to Ukraine.[201] In contrast Ukraine remained marginal in EU foreign trade (0.3 per cent). The EU became the main donor of aid to

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[199] *Moscow News*, No. 16, 2004; Khudoley (2003), p. 16.

[200] European Commission, The EU's relations with Ukraine. *Overview*, October 2003, pp. 1 f; *European Neighbourhood Policy. Country Report: Ukraine*, 12 May 2004, pp. 33 ff (http://europa.eu.comm/external_relations/ukraine, Hedenskog (2004) pp. 43 f.

[201] In 1995 to 2003 the EU share grew from 13 to 25 per cent. After the enlargement it is expected to exceed 35 per cent. (Hedenskog, (2004) p. 46.

Ukraine, which received even more than Russia. The aid consisted of technical, macro-economic and humanitarian assistance, and also of compensation for fuel imports after the Chernobyl nuclear power station was closed on EU insistence. The EU appreciated that Ukraine has achieved steady growth since 2000 with declining inflation and conducted a prudent fiscal policy. The appointment of the liberal economist Viktor Yushchenko as prime minister in 1999 was also praised in the West. The Ukrainian construction of an oil pipeline from Odesa to the Polish border designed to bring oil from Central Asia to Central Europe, seemed to meet the EU interest in lessening its dependence on Russian oil. Ukraine ratified the Kyoto protocol before Russia in 2004.[202]

However, there were also several problems in the relationship. Different from Russia, Ukraine recorded an increasing trade deficit with the EU, and its exports were dominated by raw materials and heavy industrial products. Among the new neighbours of the EU, Ukraine is the second poorest after Moldova. The Ukrainian reform process stagnated at the end of the 1990s, and political corruption developed at the highest levels. Yushchenko was accused of abusing IMF loans, which therefore were suspended, and he was soon voted out of office by Parliament, later to be succeeded by the present Prime Minister Viktor Yanukovich. He is associated with the Donetsk financial clan, the richest in the country with good ties to Russian businessmen. The West including the EU was also upset by the murder of the journalist Heorhii Gongadze in 2000, which apparently was approved of by the president. Shortcomings in the 2002 parliamentary elections and restrictions on the media in violation of its international commitments undermined Ukraine's claim to be a democracy.[203] The EU interest in Ukraine may also have been weakened by the fact that EU relations with Russia improved, as it achieved political stability and economic growth after Putin came to power.

Nonetheless, Ukraine was probably more affected by EU enlargement and the introduction of Schengen border controls than Russia and Belarus. Even though the controls became more efficient and Poland made visas for Ukrainians free of charge, the introduction of visas in the course of 2003 led to a sharp drop in border traffic and dealt a blow to the shuttle trade of the poor border regions in Western Ukraine with Poland, Slovakia and Hungary. As the Swedish Ukraine researcher Jakob Hedenskog points out, Schengen is also likely to affect the many Ukrainians, numbering at least one million, who work in EU states, mostly illegally. It may increase the number of illegal immigrants from several countries to the east, who stay in Ukraine. They are already a huge problem associated with the smuggling of drugs and weapons, trafficking and organised

[202] RFE/RL Newsline, No. 23, 5 February2004.
[203] European Commission, The EU's relations with Ukraine, *Overview*, pp. 3 ff; *European Neighbourhood Policy. Country Report: Ukraine,* pp. 8 ff.

crime. Were Ukraine to sign readmission agreements as the EU insists, the numbers of immigrants there would grow. The problem is exacerbated by the fact that Russia refuses to demarcate its borders on Ukraine, which it considers to be an internal one between fraternal peoples. As long as Ukraine cannot afford to do it herself, Russia can thereby effectively block Ukraine's road to EU membership.[204] Another problem was the Ukrainian construction of a canal in the Danube delta at the Romanian border. This elicited strong Romanian protests on legal and environmental grounds, and the EU backed the protests.[205] Despite admonishments from the EU and the Moldovan government. Ukraine did not stop the flourishing illegal trade to Transnistria, and Moldovan sources suspected that local Ukrainian officials profited from it.[206]

There were also several economic disputes between the EU and Ukraine. President Kuchma rebuked the West for failing to help it finish the construction of two nuclear reactors and Poland for not prolonging the Odesa–Brody pipeline on its side of the border.[207] It remains to be seen whether an EU Eastern Dimension will receive more money than the Northern one, which mainly is a framework for cooperation.[208]

Ukraine complained about EU restrictions and quotas on its export of textiles and the antidumping measures regarding Ukrainian chemicals and steel, whereas the EU criticised Ukrainian discrimination in the car industrial sector, export duties on metal scrap, arms exports to the Third World, and more generally, tax discrimination of foreign investors and slow adaptation of legislation to EU standards. Ukraine was consequently not recognised as a market economy as Russia was and negotiations on WTO membership were slow. As mentioned above the European Commission Wider Europe report of 2003 included Ukraine side by side with Russia and a number of Arab states among states singled out for cooperation, even though membership was not excluded. In this context a special report on Ukraine was published.[209] Top EU officials like Commission chairman Prodi and enlargement commissioner Günter Verheugen in some statements clearly excluded EU membership for Ukraine, in other statements

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[204] Hedenskog (2004) pp. 46 f.

[205] European Commission, *Enlargement Weekly*, 6 September 2004, p. 4 .(www.europa.eu.comm/enlargement/docs)

[206] Rahr, Alexander (2004) 'Moldova and Ukraine' in Greenwood, David et al (2004), *Security-sector reform and Transparency-building. Needs and options for Ukraine and Moldova*, Groningen, Centre for European Security Studies, pp. 123 ff.

[207] RFE/RL Newsline, No. 58, Part 2, 29 March, No. 79, Part 2, 28 April 2004.

[208] See also Moshes (2003a) 'Dvoinoe rasshirenie i rossiisko–ukrainskie otnosheniia', in Moshes, Arkadii & Koktysh, Kirill, *Mezhdu Vostokom i Zapadom. Ukraina i Belarussiia na evropeiskom prostranstve*, Moscow, Carnegie Moscow Center, (www.carnegie.ru) p. 5.

[209] European Commission, *European Neighbourhood Policy. Country Report: Ukraine*, 12 May 2004.

this was denied.[210] Considering the fact that Balkan states like Albania, Macedonia and Serbia are offered EU membership, Jakob Hedenskog argues that Ukraine has a better economic record and that its success in handling its ethnic minorities and foreign relations ironically did not give it any favours.[211]

Ukrainian officials were clearly disappointed with being excluded from EU membership. In April 2004 President Kuchma regretted the negative signals. Prime Minister Yanukovich even argued that EU membership was less important than to raise the living standard to West European levels, and his deputy Azarov wrote that Ukraine will focus on creating social and legal standards allowing it to decide whether it is worth to join.[212] The Western-oriented democratic opposition led by Yushchenko of course felt even more deceived by the EU but placed most of the blame on the government.

Ukraine and Russia

The above factors help explain why Kuchma increasingly strove to improve relations with Russia and why Putin chose to be forthcoming. Different from Yeltsin Putin had frequent meetings with Kuchma. In 2000 he appointed ex-Prime Minister Chernomyrdin Russian Ambassador to Kyiv, while Kuchma replaced the Western-oriented Borys Tarasyuk with Anatoly Zlenko as foreign minister, a change which was hailed in Russia. Russian officials did not as the Western ones criticize Kuchma for undermining democracy, suppression of the media etc, and attacked Kuchma's opponents in the parliamentary elections in 2002.

Further, both states remained economically interdependent. Even though their mutual trade had decreased relatively in the 1990s, Russia remained Ukraine's top trading partner, while Ukraine was Russia's fifth partner (behind Belarus!).[213] Partly as a result of Russia's economic recovery and the low competitiveness of Ukrainian goods on the Western market, the mutual trade started to grow, thus promoting growth and stability also in Ukraine. Most of the Ukrainian migrant workers went to Russia for jobs. Unlike Belarus, Ukraine permitted Russian investors, who were familiar with the peculiar conditions that

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[210] European Commission, The EU's relations with Ukraine, *Overview*, pp. 7 ff; *Dagens Nyheter*, 23 May 2004; RFE/RL Newsline, No. 94, Part 2, 19 May 2004.; No. 101, Part 2, 28 May 2004; Hedenskog (2004) pp. 43 ff.

[211] Hedenskog (2004) p. 49.

[212] RFE/RL Newsline, No. 81, Part 2, 30 April No. 83, Part 2, 4 May 2004, No. 78, Part 2, 27 April 2004.

[213] Russia and the CIS accounted for 35 per cent of Ukraine's goods exports and 60 per cent of its imports in 2000. (European Commission, The EU's relations with Ukraine, *Overview*, p. 10)

Western investors abhorred, to take part in the privatisation process. Russian investments have since 2000–2001 been concentrated in strategic branches such as the energy sector, aluminium and defence industry, telecom and banking, so that 40–50 per cent of Ukrainian industry was claimed to be in Russian hands by 2002.

Ukraine was especially dependent on (and in debt for) Russian energy (oil about 70 per cent of imports, gas 90 per cent including transit from Turkmenistan in 2000), while Russia depended on pipelines across Ukraine for export to the West.[214] These issues had caused several crises in the 1990s,[215] but in 2001 a compromise was reached on restructuring Ukraine's gas debt on favourable terms after Ukraine had pledged not to siphon off gas from the transit pipeline. In the following year the parties agreed on creating a consortium for the management of gas transit to the West, which was to be open also to Western partners. But even if the trade relations improved, there were occasional set-backs due to mutual protectionism, for instance in the steel sector.

With regard to pipelines, Russia as mentioned preferred to expand its own network. It suggested to use the Odesa–Brody pipeline in the reverse mode by pumping Russian oil southward for export across the Black Sea, at the same time as it blocked the delivery of oil from Kazakhstan to the Black Sea.[216] As the pipeline lay idle, Ukraine despite US pressure in July 2004 finally accepted the Russian proposal (with a caveat enabling another reversal). Coincidently, the state-controlled companies *Gazprom* and *NaftoHaz* made a deal substantially to boost the delivery of Turkmen gas to Ukraine and discussed an expansion of Ukraine's gas transit system to the West.[217] The Ukrainian opposition saw these deals as support for Yanukovich in the ongoing presidential election campaign.

As for the institutions of economic cooperation, Ukraine also yielded to Russian offers and pressure, even though it tried to keep the doors to the West open. Russia wanted Ukraine to join the Eurasian Economic Community, and in 2002 it finally did so, but only as an observer, because it did not want to render EU membership more difficult. In 2003 President Ukraine also signed the agreement on creating the Single Economic Space with Russia, Belarus and Kazakhstan, but with the caveat that it should not contradict the Ukrainian constitution or obligations to third parties.[218] During the crisis over the Kerch Strait mentioned earlier Kuchma went so far as to threaten to abandon the SES and move closer

[214] Hedenskog (2004), p. 16.
[215] Oldberg (1998), pp. 42 ff.
[216] Hedenskog (2004) pp. 16 ff; RFE/RL Newsline, No. 23, 5 February2004.
[217] Socor, 'Without Kazakhstani oil, Odessa–Brody becomes Brody–Odessa pipeline', EDM, 2 August 2004, issue 64; Socor, 'New gas trader to boost Turkmenistan–Ukraine transit' EDM, 2 August, issue 1, issue 64, *Moscow News*, no. 29, 2004.
[218] Hedenskog (2004) pp. 19 f; ITAR-TASS 17 September 2003 (BBC).

to the West. Ukraine's Deputy Foreign minister Chalyi expressed doubts whether it was possible to combine the SES with European integration, if it became a full-fledged customs union, which it indeed aimed at. But if it remained a free-trade zone, he thought it possible.[219] Kuchma emphasised that there were many problems, that the first priority of the SES was to create a free-trade zone and that every state should conduct its own policy.[220]

However, in April 2004—just before the EU enlargement took place—the Ukrainian parliament simultaneously with the other members ratified the SES agreement. Chalyi was soon replaced. Kuchma expressed satisfaction over the fact that the Russian Duma adopted the law on forfeiting VAT on export goods to Ukraine, commenting that similarly, the EU by its enlargement had to help those lagging behind but that later it would certainly gain. At the SES meeting in September 2004 Kuchma said—clearly with some bitterness—that he was not offended that the EU did not see Ukraine among its ranks, and wished it good luck with its ten new members and with Turkey on the threshold. He emphasised the 'enormous possibilities' and resources of the SES, which could only develop in market conditions with competition (the latter a slur to Lukashenko).[221] At a later meeting, the prime ministers decided to work out a common stance on the terms of joining the WTO in view of the SES and the bilateral free trade zone.[222]

Rounding off the picture it is necessary to add that Kuchma's pro-Russian drift and the SES accession were criticised by the Ukrainian opposition, notably its popular leader Yushchenko. If he would win the presidential elections in October—November 2004, that could also affect Ukraine relations with Russia and the EU (and NATO as shown above).[223] This, however, presupposed that the elections were free and fair, to which attention in Western Europe could contribute. Kuchma's presidential candidate Yanukovich had vast resources to manipulate the elections and Putin openly backed him, e g by a visit at the end of the election campaign.[224] Still, if Yanukovich wins, it remains to be seen whether he will need to lean so heavily on Russia later on.

In any case one may conclude from the above that the EU and its enlargement exercised an increasing pressure on Ukraine, a state which unlike Belarus aspires to become an EU member. But the lack of democracy in Ukraine and its dependence on Russia barred its way and pushed it towards integration with

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[219] RFE/RL Newsline, No. 78, Part 2, 27 April 2004.
[220] Prezident Rossii, 'Press-konferentsiia glav gosudarstv-ucastnikov', 24 May 2004 (www.president.kremlin.ru)
[221] Prezident Rossii, 'Press-konferentsiia po itogam', 18 August 2004, 'Vystuplenie na rasshirennom zasedanii Soveta', 15 September 2004 (www.president.kremlin.ru).
[222] Socor, 'Putins birthday celebration', EDM, 12 October 2004, issue 103.
[223] RFE/RL Newsline, No. 81, Part 2, 30 April 2004, Hedenskog (2004) pp. 59 ff.
[224] Moshes (2003a) pp. 2 f.

Russia and other CIS states. Ukraine thus is likely to continue balancing between Russia and the West.

Moldova between the EU and Russia

If we finally turn to Moldova, the smallest new EU neighbour with about 4 million inhabitants, how did its economic relations with the EU and Russia develop? What grounds did Russia have for worrying about it in the context of enlargement? Hoping for membership in the long run, Moldova like Russia and Ukraine concluded a partnership and cooperation agreement with the EU in 1994, which was ratified in 1998. This established bilateral institutions and aimed at bringing Moldova in line with the single European market, including a prospect of a free trade area. A Country strategy paper was adopted by the Commission, providing a framework for assistance through 2006. Moldova benefited a lot from EU aid programmes, for example through Tacis, the Cross-border Cooperation Programme, balance of payment loans, humanitarian aid, a food security programme etc. The mutual trade developed rapidly, so that over 20 per cent of Moldovan trade (with a negative balance) was with the EU.[225] That share is likely to grow substantially with the recent enlargement, which in 2007 will be extended by the inclusion of Romania and Bulgaria. Thanks to its economic reforms including broad privatisation, Moldova was the first Western CIS state to be admitted into the WTO in 2001. Furthermore, the EU recognised Moldova as a democracy and considered the parliamentary elections of 2001 free and fair, which even though they resulted in a solid Communist majority allegedly had the advantage of bringing political stability.

However, gradually—as with Russia and Ukraine—the EU became more concerned about the democratic process under the Communist government. The EU's Moldova strategy paper called for more progress to consolidate civil society, public governance and the rule of law.[226] The political opposition and the freedom of the media seem to be under threat, judging by attacks on it by the president.[227] The EU also complained about the Communist government's resistance to implement the WTO commitments and about the dismal state of the economy. As the EU Commission observed, Moldova is the poorest country in Europe, which suffered heavily from the 1998 financial crisis in Russia (GDP down by 60 per cent since independence). The economy is mainly agricultural

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[225] 22.9 per cent of exports, 27.7 of imports in nine months of 2000.

[226] European Commission, The EU's relations with Moldova, *Country Strategy Paper 2002–2006. National Indicative Programme 2002–2003*, March 2002, pp. 7 ff (http://europa.int.int/comm/external_relations/moldova). For an analysis, see Wróbel, Jacek (2004) 'The European Union and Moldova', in *CES Studies*, no. 13, Warsaw, Centre for Eastern Studies, pp. 60.

[227] RFE/RL Newsline, No. 106, Part 2, 7 June 2004. See report by the Moldovan Helsinki committee as cited at a seminar on the ENP, Stockholm, 26 May 2004 (personal notes).

and since it lacks energy resources, rising import prices brought the agriculture into an acute crisis. The country is totally dependent on foreign trade, it is heavily indebted, and western investments are negligible. The result is grave social problems, rampant crime, extensive smuggling of weapons, drugs, women and children. A fifth of the population (800,000), mostly from rural areas, has left the country.[228] As already noted the EU in the European Neighbourhood framework did not offer Moldova membership, only more cooperation and support.[229]

A serious complication for Moldova's relations with the EU is the fact that the Moldovan economy still is mainly dependent on trade with Russia, particularly with respect to energy. Energy constitutes a third of its total imports, and like Ukraine, Moldova is one of *Gazprom's* major debtors. In March 2003 the company agreed to reduce the gas price, evidently because the Moldovan government permitted Russian business to buy assets in Moldova. As a result Russian companies—familiar as they are with the peculiar investment conditions—have gained control in key sectors such as energy and telecommunications also in Moldova. With Transnistria, where a large part of the industry is located, Russia has retained the old business ties ever since Soviet times and subsidized the region with cheap energy etc. Most of the Transnistrian officials are Russians and 70, 000 persons have Russian citizenship.[230]

The EU deemed Transnistria to be a serious threat to the political and economic stability of Moldova. This separatist regime with its own currency, army and border guards was seen as illegitimate and corrupt, and its widespread smuggling affected EU states.[231] Transnistria became the first 'frozen conflict' area, to which the EU turned more attention in view of the ongoing enlargement. Supporting the OSCE efforts to solve the conflict on the basis of territorial integrity, federalism and the withdrawal of Russian troops, the EU imposed a visa ban on the Transnistrian leadership and took up the question at the summits with Russia.[232] The Netherlands devoted much effort to this conflict during its OSCE Presidency in 2003, and so does Bulgaria in this year.[233] In 2003 the EU

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[228] European Commission, *The EU's relations with Moldova*, *Overview*, pp. 7 ff. See also Johansson, Andreas (2003) *Whither Moldova? Conflicts and Dangers in a Post-Soviet republi*c, Stockholm, FOI, pp. 21 ff.

[229] RFE/RL Newsline, No. 85, Part 2, 6 May 2004.

[230] Hedenskog, 'Filling the gap, RFE/RL Newsline, Part 2, 18 February 2004.

[231] European Commission, The EU's relations with Moldova. *Overview*, pp. 3, 7.

[232] European Commission, The EU's relations with Moldova, *Overview*, General Affairs and External Relations Council, 23 February 2004; European Commission, The EU's relations with Russia, *EU/Russia Summit*, Rome, 6 November 2003 (http://europa.u.int/comm/external_relations)

[233] The Dutch Foreign Minister de Hoop Scheffer in 2004 became Secretary General of NATO, and the country took over the EU Presidency in the second half of 2004.

Council launched a discussion on the possibility of EU involvement in a peace consolidation force in Transnistria to replace the current Russian-dominated force after a political settlement. This proposal was presented to Russia as an offer of cooperation.[234]

As shown in the previous chapter on Moldova, the Moldovan government regarded Transnistria to be its most urgent problem. This escalated into a crisis in July 2004, when Transnistria closed some Latin-script schools. Moldova declared an economic blockade on the regime, which retaliated by seizing all Moldovan railways in the region. Since Russia in practice protected the separatists and defied the blockade, Moldova turned instead to the EU for support. President Voronin appealed to the EU to settle the conflict and proposed an international peacekeeping force, an idea which resembles that of the EU.

Moreover, in September 2004 Voronin for the first time boycotted a CIS summit, and declared that the CIS Common Economic Space was incompatible with Moldova's WTO membership. Moldova did not join the Single Economic Space with Russia, Ukraine and Belarus, nor was it invited.[235] Voronin explained that Moldova had set its priority on integration with the EU, with which an action plan and a trade agreement were to be signed, and wished the EU to consider Moldova's integration separately from that of Belarus and Ukraine. The parliament speaker declared that Moldova intended to be accepted as an associate member by 2007, though this should not exclude membership in the CIS. [236] It should be noted that associate membership does not exist in the EU.

The EU response to these hopeful appeals was quite cautious. The EU presidency and the High Representative Solana condemned the suppression of schools in Transnistria in July 2004 and extended the visa restrictions, but at the same time they admonished both sides to return to the negotiation table and continued to consult with Russia, Ukraine, the US and the OSCE on the matter.[237] To date only Poland has openly backed the Moldovan appeals for a more active EU role in settling the conflict.[238]

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[234] European Commission, *Wider Europe—Neighbourhood*, 11 March 2003, p. 12; European Commission, Prodi, 'Russia and the European Union', 23 April 2004; Löwenhardt (2004) pp. 3 f; Lynch, pp. 115 ff, Wróbel (2004) p. 64.

[235] ITAR-TASS, 20 September 2003 (BBC).

[236] RFE/RL Newsline, no. 182, part 2, 23 September, no. 183, part 2, 24 September 2004; Socor, 'Moldovan president', EDM, 17 September 2004, issue 87.

[237] European Union, 'Declaration by the Presidency', 29 July, 26 August 2004 (http:/europa.eu.int/rapid/pressReleases).

[238] Socor, 'West turning deaf ear to Moldova's appeals', EDM, 28 September 2004, issue 94. See also Wróbel (2004) pp. 69 f.

Thus, even if the EU in connection with the enlargement offered Moldova more Western trade and aid and came out with initiatives to solve the Transnistrian problem, Moldova's chances of getting substantial support are hampered by its democratic deficiencies, its economic weakness and utter dependence on Russia. Transnistria has become a serious challenge to the EU's peacekeeping capacity, especially after the ambition of settling frozen conflicts was promulgated, and EU efforts are complicated by its wish to cooperate with Russia.

Comparative conclusions and prospects

The report shows that membership in NATO and the EU for Russia and its neighbours is not only a result of improving foreign relations. It confirms the conclusion of the British political scientist Richard Sakwa that the traditional division between domestic and foreign policy in the European arena is being eroded, and that democratisation has become an 'intermestic' issue. EU accession, for example, requires the fulfilment of a transformation programme focussing above all on good governance and liberal economics. '"In-ness" and "out-ness" thus concern domestic processes of inclusion and identity formation as much as they do external integration'.[239]

Russia's relations with NATO and the EU

Russia's relations with NATO have developed since the 1990s through the formation of the NATO–Russia Council in 2002 and later common activities so as to meet common threats such as international terrorism. Even though Russia tried to stop or gain concessions for the big enlargement of NATO in 2004, particularly as regards the Baltic states, it acquiesced in the end in order to maintain good relations with NATO. Indeed, Russia probably has closer institutional ties with NATO than for example Ukraine and Moldova have, not to mention Belarus, and Russian officials have even from time to time talked about NATO membership. NATO has been very anxious to develop its partnership with Russia at the same time as it has enlarged. *If* Russia were to join NATO, Ukraine, Belarus and Moldova would surely like to follow and Russia would be less prone to prevent them.

However, there are many strong obstacles to Russian membership. Firstly, NATO must agree to defend Russian borders in the Caucasus and in Asia and it would indeed become a very different organisation. Secondly, all NATO states, including the new Baltic and Central European members, must find Russian membership to be in line with their security interest. Thirdly, it seems doubtful whether Russia can and is willing to meet the objective accession criteria concerning democracy, human values and peacefulness. Russia would always be second to the United States in the Alliance and be constrained in its great power ambitions by the other members as never before. The report shows that NATO enlargement has spurred Russia to intensify its efforts to consolidate its own

[239] Sakwa (2002) pp. 132 ff, 148.

collective security system in the CIS and to strengthen its military influence on Belarus, Ukraine and Moldova.

Similarly, the Russian partnership with the EU has evolved since the 1990s, partly as a means to balance US influence. Russia accepted the EU Common Foreign and Defence Policy and its rapid reaction force, and the parties agreed to establish four 'common spaces' of cooperation with action plans, a Permanent Partnership Council (cf. NRC) and regular meetings on many levels. Russian–EU trade has expanded substantially, especially in the energy field, where the parties are interdependent. In 2004 Russia reached a compromise with the EU on trade liberalisation, which secured support for Russian WTO membership, and it decided to ratify the Kyoto Protocol. Concerning EU enlargement, a compromise was reached on transit to Kaliningrad and on visa questions, and Russia finally gave up its resistance to the extension of its partnership agreement with the EU to the new members in exchange for economic compensations. In fact, President Putin declared broad rapprochement and real integration with Europe as Russia's historical choice, and the EU called Russia its most important partner. Some people even have gone so far as to talk about Russia joining the EU.

However, the obstacles to this are even higher than with regard to NATO membership. As with NATO, Russia does not seek EU membership either, and with its growing self-confidence under Putin it seems to prefer strategic partnership on equal terms in order to preserve its political and economic independence in relation to the EU. The report shows how Russia makes every effort to build up its own economic community, the Single Economic Space, with the most important CIS states and to integrate their economies with Russia.

Further, EU membership requires adaptation to EU standards and norms in many more fields, economic, social and environmental, than NATO membership. The Russian internal development under Putin towards centralisation, authoritarianism, including the repression of political opposition and the cruel war in Chechnya, is criticised by the EU and seen as evidence of a growing distance from the common values, upon which the EU is built and is being expanded. Therefore, the EU in its policy documents of 2003–2004 only offered Russia intensified partnership. Moreover, the first EU priority in the years to come will be to integrate the ten new members and raise their living-standard closer to the levels of the old members. Then the EU is going to support the Balkan states, including Turkey with its 70 million inhabitants, so as to make them fit for membership. Only after that, probably under vastly different conditions, may Russia, which is the biggest country in Europe, come into question, if ever.

To summarise Russian relations with NATO and the EU one may deduce that they do not amount to a security community, in which violent conflict is excluded, since there remain mutual suspicion and divergent interests based on values.[240] Indeed, Russian relations with Europe have deteriorated lately, in particular after the bloody terrorist attack at Beslan in September 2004. Headlines such as 'The end of the affair?' or 'The end of the honeymoon' have become legion in Europe.[241] Thus instead of Russian partnership with the EU developing towards membership, there is a tendency towards a frostier partnership mainly relying on complementary economic interests and a wish to avoid open conflict. This is not new. For several decades, the Soviet Union and Europe entertained economic relations despite communist dictatorship and cold war. Still, the tendency could change again, for instance under the influence of growing external threats such as terrorism, which could push European states closer to Russia through restrictions on democracy and human rights or—more unlikely—promote changes in Russia in the opposite direction.

Belarus, Ukraine and Moldova

Concerning the relations of Belarus, Ukraine and Moldova with NATO/EU and Russia the report reveals both similarities and differences. Paradoxically, the westernmost country Belarus has the worst relations with both NATO and the EU as well as the best relations with Russia in the form of a union. President Lukashenko is more hostile to NATO and EU enlargement than Russia, and the dictatorial nature of his regime precludes the improvement of relations that these organisations want. This serves as a guarantee for Russia that Belarus will stay in its fold and Belarus may even become a model for the political development in Russia. True, the state-controlled Belarusian economy is a burden on Russia, and Lukashenko's insistence on parity in the union hampers Russian efforts at integration. However, Russia's growing economic strength and Belarus' exclusive dependence on Russia are likely to force the country to yield to Russian demands in the long run. Belarus could only join NATO or the EU, if Russia agrees, which is most improbable, or if the political and economic system is reformed.

Ukraine, the second most important eastern neighbour after Russia, is on the whole more Europe-oriented than Russia and a more suitable member of NATO and the EU with respect to size and location. Different from Russia and Belarus, it has openly called for membership in these organisations and in this it receives support from the new NATO and EU members, especially Poland. Ukraine

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[240] Bengtsson (2004) pp. 34 f.

[241] *The Economist*, 25 September 2004; The International Institute of Strategic Studies; *Strategic Survey 2003/2004*, London, Oxford University Press 2004, p. 116.

competes with Russia concerning institutional ties with NATO and the EU. It is probably more affected than Russia by NATO and in particular EU enlargement.

Still, there are serious obstacles to Ukrainian membership. To start with, NATO is unlikely to admit it as a member as long as its relations with Russia are good and Russia considers Ukraine a key ally. Furthermore, both NATO and the EU have reacted against the undemocratic tendencies in Ukraine in recent years. In the economic field, the EU has criticised the slow economic reforms and corruption in Ukraine. Unlike Russia Ukraine cannot offer cheap energy, and taking on this big country for membership would be a heavy burden on the EU, which already has problems of absorbing the new members. In addition the EU has accepted several Balkan countries as candidates. Therefore Ukraine is only regarded as belonging to the ring of friends, which whom the EU wants more partnership. In view of this has Kuchma played down his NATO and EU ambitions and instead leaned towards Russia, where his political regime was not criticised but supported against the democratic opposition. Russia agreed to a border delimitation treaty and—after a crisis—a compromise was reached on the Azov Sea, which excluded third parties.

Another factor is that Ukraine remains very dependent on Russia economically, especially with regard to energy and industrial production. Russia, strengthened by its economic progress, proved willing to sign economic agreements rather favourable to Ukraine. Different from Belarus, Ukraine allowed Russian companies to invest and take over key assets in Ukraine, let Russia use the new pipeline from Odesa designed for export to the West in the reverse mode, and signed deals of cooperation regarding gas exports to the West. Ukraine joined the Single Economic Space with Russia, Belarus and Kazakhstan, which may impede economic integration with the EU. If Kuchma's candidate Yanukovich wins the elections in October–November 2004 with unfair means, this drift towards Russia may continue.

Nevertheless, Yanukovich may—like Kuchma before him—again swing more to the West after he has secured his power. If NATO/EU relations with Russia are further strained for whatever reason, the two organisations may become more forthcoming towards Ukraine. If Yushchenko would win, relations with Europe may improve, but he would be impelled to maintain good relations with Russia, too. Thus, Ukraine is likely to continue its balancing act between partnerships with the West and with Russia. Full integration with either appears as unrealistic, unless Russia also joins.

Moldova, the smallest and least-noticed new neighbour of NATO and the EU, also has problems impinging on its Western partnerships. Reminding of Belarus, its President Voronin came to power on a pro-Russian ticket in 2001 and his regime soon evoked blame from the West. Moldova is the poorest country in

Europe, heavily indebted and dependent on foreign trade, especially with Russia. Russian companies have been allowed to take over key sectors of the economy.

However, the main problem is that Russia backs the Russian-dominated separatist region of Transnistria militarily, politically and economically, while the recovery of this region is the main goal also for President Voronin. Since both NATO and the EU condemned the separatist regime, Voronin turned to them for support. In 2003 Voronin rejected a Russian unification plan, which would have given Transnistria much power and allowed the Russian troops to stay. Instead he suggested guarantees for Moldova's territorial integrity from both Russia and the West and an international peacekeeping force in line with an EU idea. In the summer of 2004 Moldova broke off negotiations with Transnistria. It did not join the SES like Ukraine and Belarus, and declared integration with the EU to be an absolute priority.

The question now is whether the EU is up to the task. So far the EU and some NATO states including the US have advocated continued negotiations on Transnistria to include Russia as a way to make it pull out its troops. By refusing to do so, Russia apparently wants to maintain pressure on Moldova and keep the West out. Thus, if Moldova would go for integration with the EU, it might have to give up Transnistria and carry out many reforms to qualify. If it wants Transnistria, it may have to accept Russian presence and economic dominance as before. This is a difficult choice indeed. But of course, if Ukraine were to join NATO or the EU after all, it would be easier for Moldova to follow suit and harder for Russia to stop it.

In conclusion, the cases of Belarus, Ukraine and Moldova differ in several ways, but they all show that Russia retains strong means of influence; economic, political and military. Despite divergent aspirations they suffer from similar structural economic problems and a democratic deficit that they have inherited from the Soviet Union. All this also makes it so much harder for them than for the new NATO and EU members to qualify for membership and for these organisations to help them.

However, Russian efforts to institutionalise economic cooperation and create supra-national bodies in the CIS have so far been quite inefficient. Another question is whether the Russian economy can offer as many carrots to its neighbours as the EU can. Finally, Russia's efforts at CIS integration may disturb its efforts to boost trade with the EU, on which it is most dependent.

The fact that EU membership has not been offered any of the three states in a near perspective may undercut their will to make efforts. Still, the cooperation and the political and economic reforms suggested by the EU are designed to

advance their development and raise living standards, which should be the overriding goal. Success may then pave the way for a faster track to EU membership, if they want it. Croatia has shown that it is possible.

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