

# BULLETIN

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## EU-Russia Relations One Year After the Partnership for Modernisation

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*Last year's launch of the Partnership for Modernisation by the EU and Russia did not significantly improve their bilateral relations. With the next meeting scheduled for 9-10 June in Nizhny Novgorod, their efforts at cooperation face the same problems as last year, mainly connected to the lack of economic liberalisation in Russia and democratisation of its political system. Russia's real drive towards modernisation and changing its current policy towards the EU may lie in the establishment of a free EU energy market.*

**Priority Areas of the Partnership for Modernisation.** At the EU-Russia Summit on 31 May–1 June 2010 in Rostov-on-Don, Jose Manuel Barroso and Dmitri Medvedev signed the declaration of the Partnership for Modernisation. This new initiative aimed at closer cooperation within the four “common spaces” created in May 2003 at the St. Petersburg EU–Russia Summit, including the Common Economy Space, Common Space of Freedom, Security and Justice, Common Space of External Security and Common Space of Research and Education. The declaration focused on expanding opportunities for investment in key sectors driving growth and innovation, promoting scientific cooperation and the alignment of technical regulations and standards as well as a high level of enforcement of intellectual property rights, promoting a sustainable low-carbon economy and energy efficiency, ensuring the effective functioning of the judiciary and strengthening the fight against corruption, promoting people-to-people links and enhancing dialogue with civil society. The intention of the European Commission engaged in the elaboration of the document was to include into the new Partnership not only technical and infrastructural aspects, but also some elements supporting future social and political reforms in Russia, which were announced by Dmitri Medvedev in September 2009.

At the EU–Russia Summit on 7 December 2010 in Brussels, both sides presented a common “work plan” for implementing a new Partnership. They provided information on launching common projects in telecommunications, aerospace, information technologies, energy efficiency and energy saving as well as transport. They also envisaged exchanging experience and best practices in areas such as the enforcement of intellectual property rights, the functioning of an effective judiciary, the harmonisation of trademark and industrial design legislation and others. A special budget was not predicted for the Partnership.

**Estimation of EU–Russia Cooperation.** According to many statements made by EU and Russian officials, improving EU–Russia relations depends on Russia's accession into the World Trade Organisation (WTO) as well as the signing of a new document replacing the EU–Russia Partnership and Cooperation Agreement (PCA). Despite launching the Partnership for Modernisation in 2010, no progress has been achieved yet on both issues. The only major economy outside the WTO, Russia has been negotiating its membership for nearly 18 years, although the average accession period is between five and seven. Similarly, despite the withdrawal of the Polish veto of the launch of negotiations on a new EU–Russia agreement, the talks are still far from conclusion (at the end of last year, 12 full, negotiating rounds had taken place).

The new Partnership has not accelerated the implementation of EU–Russia Common Spaces. Both partners are far from establishing a free-trade area, which is essential for developing a Common Economic Space. According to the EU–Russia Common Spaces Progress Report published in March 2011, Russia has continued to apply previously introduced protectionist measures, such as increased import tariffs, discriminatory road and rail tariffs, export duties for wood and other raw materials,

Siberian overflight fees, and barriers to imports of pharmaceutical products. Moreover, on 1 July 2010, Russia created a Customs Union with Belarus and Kazakhstan, which affected previous efforts to establish a free-trade zone with the EU and joining the WTO. There was general confusion about Russia's real intentions toward economic integration with the West.

Similar difficulties have occurred in the EU–Russia visa dialogue, which examines the conditions for visa-free travel as a long-term perspective. Representatives from both sides could not open negotiations on an EU–Russia visa waiver agreement so they are trying to formulate an exhaustive list of common steps that, when implemented, would create the possibility for engaging in negotiations. The opportunity to progress EU–Russia talks about a visa-free regime may result from the European Commission's acceptance of a Polish initiative to extend the EU Local Border Traffic regime to the whole of Kaliningrad and similar areas in Poland.

EU officials also highlight numerous violations of human rights and civil liberties in Russia. Although Russia has extended a moratorium on the death penalty and ratified Protocol 14 of the European Convention on Human Rights, the EU has expressed concern at the deteriorating situation in the Northern Caucasus region, the difficult situation for human rights activists and the number of violent attacks against journalists and social activists. The verdict in the second trial of Mikhail Khodorkovsky and Platon Lebedev raised numerous concerns among EU officials about judicial irregularities in the country.

In turn, the new Partnership has intensified education, scientific, and business cooperation. Russia has made significant progress in aligning its higher education system with the requirements of the Bologna Process. In 2010, it achieved the status of a partner country in the 7<sup>th</sup> EU Framework Programme and its entities have participated in more than 450 research projects. Following the EU–Russia Partnership for Modernisation, Russia signed similar documents with some EU member states (Sweden, Finland, Denmark, Slovenia, Belgium and, previously, Germany) to support its economic and socio-political reforms.

**Perspectives on EU–Russia Relations.** One year after the inauguration of the Partnership EU–Russia relations have not progressed much. Russia's membership to the WTO has been postponed while EU–Russia ties lack a new legal framework. One of the main reasons responsible for this state of affairs is the concentration of the Russian economy on raw material production and the desire of the Russian elite to use enormous natural resources (mainly oil and gas) in order to restore Russia's superpower status. It is worth noting that representatives of the Russian energy sector, which is responsible for almost one third of Russian GDP and nearly three quarters of Russia's export value, were not sufficiently involved in the development of a new Partnership, just as they are not interested particularly in the liberalisation of the Russian economy and its integration with the EU and WTO.

Relations between Russia and the EU rely on the mutual benefit of political and economic integration as well as the pro democratic stance and support for human rights among Russian society. Nowadays, the greatest impact on Russia may turn out to be the EU's energy policy. The changes that are occurring in the EU in connection with the liberalization and diversification of the energy market, including developing the exploration of shale gas, will determine relations with Russia in the near future. The provision of energy supplies to Europe may be less politicised and more oriented towards free and fair competition. Therefore, the implementation of the EU's third energy package, strengthening the principle of the free market, by the member states could become a major incentive for Russia to liberalise its own energy sector. This, in turn, will enable Russia to effectively integrate and closely cooperate with the EU.

During the upcoming presidency of the EU, the Polish government should support establishing a well connected, competitive and integrated energy market in the EU and oppose any derogations or exclusions from internal market rules. So far, Russia seeks to weaken new EU regulations that liberalise the energy market, e.g., by trying to exclude certain natural gas pipelines from the structural separation between transmission and supply (unbundling). The determination of all EU member states to build a competitive internal energy market is likely to prompt Russian authorities to revise their strategy. Therefore, the EU–Russia Energy Roadmap until 2050, which is planned to be presented at the forthcoming summit, and next related documents are of crucial importance.