

**With or Without the EU?
Understanding EU Member States'
Motivations for Dealing with Russia at the
European or the National Level.**

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ABSTRACT

This thesis seeks to explain why European Union (EU) member states choose to pursue their objectives regarding Russia at the EU level or bilaterally. With a systematic analysis of national governments' choices across different policy issues it helps clarify the motivations underpinning the decision to pursue national objectives at the European or the national level. It thereby contributes to filling a lacuna in the existing literature on EU-Russia relations and the extant research on member states' foreign policies in the EU context. The contribution to existing scholarship that the thesis makes are: first, it demonstrates that the decision to cooperate, or act at the bilateral level, is not as clear cut as it is often depicted. I show that in most cases it is not a question of either-or. Member states frequently pursue cooperation at the EU level to achieve objectives that they also pursue at the bilateral level. Second, I show that member states' choices are predominantly influenced by their assessment of the utility of the European and the national route. There is considerably less evidence to suggest that the European level is being privileged as a result of socialisation in the EU, so the length of membership, and thus the duration of their exposure to EU policy-making does not determine a member government's choice. Third, I show that the size/capacity of the state is but one factor influencing national governments in their choice of foreign policy route. Whether a state is large or small gives indications of its likely choice, but it does not offer definitive insights into which route will be chosen on a particular issue. Fourth, I concur with existing research that argues that a distinction between policy issues in terms of their hierarchy ('first order' or 'second order') provides insights into member states' likely choice, but I argue that it is necessary to not just focus on the policy domain, but also to differentiate within a policy domain between the pursuit of broader framework objectives that deliver benefits to all member states and those objectives on which individual states accrue gains in the absence of a common EU agreement with Russia. Fifth, my research highlights the importance of how member states perceive Russia - as a threat or as an opportunity - and the importance they attribute to maintaining 'friendly', 'pragmatic' relations for whether they cooperate at the EU level or opt for the pursuit of their individual relations with Russia at the bilateral level. Finally, on the basis of the findings from three analytically and empirically significant cases I argue that member states' choices are highly contingent and can only be explained by considering the interplay between the different factors that enter into national government's calculus regarding the utility of the EU route versus the bilateral pursuit of their objectives.

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LIST OF ABBREVIATIONS

CCP	Common Commercial Policy of the EU
CEE	Central and East European; Central and Eastern Europe
CEECs	Central and East European countries of the EU
CIS	Commonwealth of Independent States
CMEA	Council for Mutual Economic Assistance (otherwise known as Comecon)
CoE	Council of Europe
COEST	Council Working Group on Eastern Europe and Central Asia (of the EU)
COREPER	Committee of the Permanent Representatives (of the EU)
CSR	Common Strategy on Russia (of the EU)
DAC	Development Assistance Committee (of the OECD)
EC	European Community
ECT	Energy Charter Treaty
EIDHR	European Initiative for Democracy and Human Rights (of the EU)
ENP	European Neighbourhood Policy (of the EU)
ENPI	European Neighbourhood Policy Instrument (of the EU)
EP	European Parliament
EU	European Union
G8	Group of Eight
GATT	General Agreement on Tariffs and Trade
GSP	General System of Preferences
IEM	Internal Energy Market (of the EU)
JLS	<i>Justice, Libert� et Securit�</i> – the area of Freedom, Security and Justice (formerly known as Justice and Home Affairs, JHA)
MFN	Most-Favoured-Nation
NIS	Newly Independent States
ND	Northern Dimension (policy of the EU)
ODIHR	Office for Democratic Institutions and Human Rights (of the OSCE)
OECD	Organization for Economic Cooperation and Development
OSCE	Organization for Security and Co-operation in Europe
PCA	Partnership and Cooperation Agreement (between the EU and Russia)
PSC	Political and Security Committee (of the EU)
TACIS	Technical Aid to the Commonwealth of Independent States
TEC	Treaty establishing the European Community
TEU	Treaty on European Union (<i>Maastricht Treaty</i>)
TFEU	Treaty on the Functioning of European Union (<i>Lisbon Treaty</i>)
UN	United Nations
UNSC	United Nations Security Council
WTO	World Trade Organization

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PART I

Analytical Framework and Political Context

CHAPTER 1 EUROPEAN OR NATIONAL ACTION? TWO TRACKS FOR MEMBER STATES' PURSUIT OF RELATIONS WITH RUSSIA.

Introduction

European Union (EU) member states can choose between two tracks for the pursuit of their individual objectives regarding Russia – the EU route and the bilateral route. As members of the EU, states have to decide how they pursue their foreign policies, but there are no clear-cut rules or indicators for when they opt for one or the other policy avenue. Despite the attention paid in the existing literature to member states' 'inability' to 'speak with one voice' and 'act as one' in external relations with Russia, we lack an understanding for what motivates them to pursue their foreign policy objectives at the EU or at the national level. This thesis is a first systematic attempt at explaining member states' choice of foreign policy avenue in relations with Russia. Besides clarifying why member countries select between cooperation and unilateral action, it sheds light on whether the two tracks that member states can take act as alternatives, if member governments pursue their policies via both routes in parallel or if they combine European level cooperation and bilateral action. The thesis makes clear that although cooperation and the pursuit of bilateral relations are often juxtaposed, the two tracks are not mutually exclusive and, in fact, the member states pursue their objectives regarding Russia often concurrently at the European and the national level.

I focus on Russia for the following reasons. Russia matters for a large number of EU member states. There is a lot at stake for them individually, and the EU as a whole. As a large neighbouring state and re-emerging great power with which most member states maintain important trade, investment and energy relations, Russia is a hard case for their ability to influence countries in the immediate European neighbourhood. Due to the considerable degree of trade interdependence and its proximity to the EU, it is also a country whose domestic developments are of great concern to EU members. The importance of Russia is reflected in the density and frequency of meetings which surpasses even the intensity of official contacts with the United States, the EU's (other) primary strategic partner (Fischer 2008:116; Moroff 2007:109; Schütte 2004:1). This high intensity of relations is also a strong indicator of the high salience of Russia for the member states. Because *not* dealing with Russia is not an option, member states have to choose *how* they pursue their relations with

Russia. The analysis of the Russian case is also useful because due to the importance of the country for the majority of member states the Russian case makes it possible to examine differences between large, small, eastern, western, northern, southern, new, old, highly economically dependent and less dependent states that also feature different historical experiences and political ambitions. It constitutes therefore an excellent case study for examining a range of different factors influencing EU member states' choice of foreign policy route.

In order to find out what drives member states' choices I consider and test rational choice and social constructivist assumptions about states' foreign policy behaviour. I engage specifically with the two logics of action outlined by March and Olsen (1998), the rationalist logic of expected consequences and the social constructivist logic of appropriateness of actions. These contrasting perspectives are complementary as they shed light on different factors influencing member states' actions (see Fearon & Wendt 2002; March & Olsen 1998:952; Snidal 2002). Rational choice theory focuses on the utility of action as the driving factor of state behaviour. I apply the assumption of rational behaviour and the focus on anticipated consequences as a driving factor to member states' choice of how to pursue their policies towards Russia. Of the various strands of social constructivist theory, I engage with that which the *Europeanisation* literature builds on and which generates the expectation of choices being driven by a logic of appropriateness. It builds on the idea that regular interaction in a social setting progressively alters states' foreign policy so that they (or rather their representatives) adopt behaviour that is appropriate to the rules and identity associated with the social setting in which they operate. This setting is in our case the European Union. Europeanisation scholars argue that member states' domestic and foreign policies are affected by their membership in the EU. I apply the arguments of Europeanisation theory regarding member states' foreign policies to how EU member countries pursue their policies towards Russia.

In my analysis of member states' choice of avenue through which to conduct their relations with Russia, I therefore consider both rationalist assumptions about member states' choice of policy route being driven by an assessment of the utility of each of the two avenues and constructivist assumptions about their choice of policy route being influenced by a *Europeanisation* which arguably makes it more likely that they pursue their foreign relations with Russia in cooperation with other member states at the EU level. On the basis of the empirical case studies that I undertake, I

argue that member states' choices can best be explained as decisions made by rational actors to maximise gains. I acknowledge however that the assessment of the utility of the two tracks is influenced by a range of factors that include not just their individual and combined collective capacity (or power) to influence Russia but also the characteristics of the policy issue on which they make their choice and their individual assessments of Russia's ambitions and motivations as an international actor.

In this chapter I begin by surveying the existing literature on EU-Russia relations, the EU's external relations and national foreign policy in the EU context. In the absence of comprehensive, detailed studies on the focus of my investigation, I extract from the existing secondary literature claims and implicit suggestions about what the key factors are, or could be, that drive member states' foreign policy choices. I use this literature review and the arguments of rationalist and constructivist scholars to develop my analytical approach. Its elaboration is followed by an explanation of my methodology and case study selection. The chapter ends by setting out the organisation of the thesis.

Given the divergent usage of terms in the EU studies literature, a brief clarification of terminology is necessary to avoid misunderstandings. By 'bilateral' I mean member states' individual relations with Russia that they conduct at the national level (and not the 'bilateral' EU-Russian relationship). My use of the term 'EU collective' comprises the member states but does not encompass the EU institutions. I refer to EU policies towards third countries as 'external' and use 'foreign policy' for member states' individual policies towards Russia, and Russian policy towards the EU as a whole and its constituent states. Finally, although in some analyses the Baltic States are treated as separate from the Central and East European states, for ease of reference, and due to their geographic location in Eastern Europe, the three states will be subsumed here under the term Central and East European (CEE) states.

1.1 MEMBER STATES' MOTIVATIONS FOR CHOOSING BETWEEN THE TWO TRACKS.

Although the literature acknowledges that member states can choose between two tracks for the pursuit of their individual objectives regarding Russia – the EU route and the bilateral route – hardly any research currently exists that explicitly examines their choice between European and national action. Outside the realm of EU studies,

Jupille and Snidal (2005) have explored states' decision concerning which institutional 'forum' - among the various international institutions that they can choose from - they actually use to pursue certain policy issues or to address problems they experience in cooperation with other states. With their focus on different international institutions as possible forums, they exclude the possibility that states opt against international institutions altogether and instead pursue their objectives unilaterally. I use their approach of specifying conditions under which states choose between *different* international institutions but adapt and modify it to states' choice for or against the use of *one* institution, the EU. That is, I borrow their idea of 'forum shopping' and recast it as a choice between two policy avenues – the EU route and the bilateral route – as the two (main) options that member states can choose in the pursuit of their objectives regarding Russia. Thus I do not focus on institutional evolution and the relative advantages of competing or complementary institutional frameworks, or the forces of habit that drive states to prefer one framework over the other, but I concentrate on explaining what drives EU member states to use the main institutional framework that they are embedded in, i.e. the EU.

Much of the research on EU member states' foreign policies both towards Russia, and towards third countries more in general, is informed by rational choice and social constructivist assumptions about how member states behave and normative approaches to how they should conduct themselves in external relations. The theoretical assumptions underpinning analyses of member states' foreign policies are however rarely explicitly acknowledged by authors. To contextualise the subsequent discussion, I will therefore first discuss the rational choice and constructivist assumptions that can be applied to explain member states' motivations for making their choice between the two policy routes before moving on to examine the arguments made in the EU external relations and national foreign policy literature both specifically regarding Russia and also addressing their relations with third countries more generally.

Member States' Choices from the Perspective of the Two Logics of Action

Rational choice and social constructivist theory offers important insights into the factors driving states' actions at the international level which could also help explain what motivates member states' choices vis-à-vis Russia. March and Olsen (1998:949) have made a distinction between two modes of actions: first, from a rationalist

perspective, action driven by a logic of anticipated consequences which assumes pre-existing preferences (*Logic of Expected Consequences*) and second, from a social constructivist perspective, action driven by a logic of appropriateness and sense of identity (*Logic of Appropriateness*). Rationalists generally assume that actors are rational, goal-oriented self-interested utility maximizers guided in their behaviour by an assessment of the anticipated likely consequences of their choices on their ability to achieve the desired outcomes (March & Olsen 1998:952; Schimmelfennig 2000:112-113; 2003:18-19). Rationally acting governments are also conscious of the fact that other states make their foreign policy choices on the basis of the same calculations (March & Olsen 1998:949) so the likely choices of other states are factored into their decision of how to pursue their objectives. Because rational actors focus on the expected costs and benefits of their choices relative to the alternative courses of action, key to understanding what influences member states' choice of the EU route and the bilateral route is, from this perspective, the utility of the EU in achieving national preferences relative to the capacity of the individual state to achieve its objectives at the bilateral level. This assessment is informed by the constraints emerging from the EU's institutional environment and the incentives inherent in the EU's institutional structure which can alter the cost-benefit calculation of the member states (see Schimmelfennig 2003:19; Schimmelfennig & Sedelmeier 2005c:10).

A limitation of the logic of consequences approach that March and Olsen (1998:949) have highlighted is that action could be driven by the personal objectives of decision-makers rather than their attempt to maximise gains and minimise losses for the country they represent. Rational choices would thus not reflect consequences for the state, but for the individual taking the decisions. I bracket out this possibility in the analysis and assume that national officials make their choices, on the whole, based on an assessment of the benefits of their policy choices for the state they represent, although arguably personal interests of some decision-makers in the EU have played a role in foreign policy decisions regarding Russia as the strong criticism levelled at former German Chancellor Gerhard Schröder and Italian Prime Minister Silvio Berlusconi has highlighted. However, checks and balances in member states' domestic politics arguably ensure that the broader policies towards Russia are generally pursued for the benefit of the country and not just certain individuals.

Whereas rational choice theorists assume that states' choices are driven by their assessment of anticipated consequences of their policy choices, constructivists assume that identities and social practices shape states' actions (Wendt 1992) and that actions are driven by an understanding of what constitutes appropriate behaviour in a certain situation or social setting (March & Olsen 1998:951-52). The assumption is that the behaviour of states is conditioned by shared rules and understandings of appropriateness, of 'doing the right thing' (March & Olsen 1998:951; Risse 2000:4). As regards the EU specifically, scholars have emphasised that the social environment of the EU as an institution shapes the identities and interests of its members whose actions conform, as a result, to certain prescribed (or expected) behaviour in the EU (Schimmelfennig & Sedelmeier 2005c:10). Such rule-following can become a habit, with foreign policy elites not even consciously thinking about their choices (see Schimmelfennig 2003:157-160). What we can conclude from this is that EU member states' choices may be informed by their socialisation into the rules and obligations associated with EU membership rather than their assessment of the advantages of pursuing their objectives at the European level relative to the national level.

Keohane (1986) and Schimmelfennig (2000:110) have cautioned however that apparently appropriate behaviour of states can be explained by a state's rational choice since conforming to 'generally accepted standards of behaviour' can be motivated by essentially rational, self-interested, long-term considerations. Therefore, if a state is following norms of 'proper state conduct' this need not be a sign of socialisation; it could be a sign of its attempt to reap benefits of 'legitimacy' (Schimmelfennig 2000:110). In sum, the rationalist and the social constructivist 'logics' of action shed light on different, complementary factors that could influence member states' choice of policy route.

Member States' Relations with Russia in the Context of EU-Russian Relations

A large proportion of the EU-Russia relations literature has been produced by European think tanks¹ which have explored primarily the effectiveness of existing policies and the state of the EU-Russian relationship, focusing particularly on giving policy advice to decision-makers in Brussels and Moscow. Much of the academic

¹ Among these are in particular the Centre for European Policy Studies (Brussels), Centre for European Reform (London); European Council on Foreign Relations (various national capitals); Stiftung Wissenschaft und Politik (Berlin); Finnish Institute of International Affairs/Ulkopoliittinen Instituutti (Helsinki).

literature has focused on analysing developments in the ‘Brussels-Moscow’ relationship and on explaining problems and providing advice for overcoming deadlocks (e.g., Antonenko & Pinnick (eds.) 2005; Blockmans 2008; de Wilde d'Estmael & Spetschinsky (eds.) 2004; Emerson 2001, 2006; Engelbrekt & Nygren (eds) 2010; Gower 2000a, 2000c; Gower & Timmins (eds) 2007; Haukkala 2000, 2001, 2003, 2008b, 2009c; 2010; Hopf (ed.) 2008; Hughes 2007; Johnson & Robinson (eds) 2005; Malfliet, Verpoest & Vinokurov (eds.) 2007; Moshes (ed.) 2003; Pinder & Shishkov 2002; Prozorov 2006; Tassinari 2005a; Tassinari & Vahl 2007; Webber (ed.) 2000). Comparatively few studies (e.g. Gower 2006; Lynch 2005) have engaged with the role of the different actors within the EU regarding relations with Russia, and those that have, have done so only briefly and generally as part of a discussion of the broader EU-Russian relationship. There are not very many studies that have explicitly examined member states’ bilateral relations with Russia in the context of developments in the ‘Brussels-Moscow’ relationship. A book edited by Hanna Smith (2006) presents a set of isolated analyses of different aspects of UK-Russian and Finnish-Russian relations in the EU context.

Only one monograph, by Bastian (2006), has systematically sought to examine the interplay of individual bilateral relations and the Brussels-Moscow relationship by scrutinizing German and Finnish relations with Russia and the two countries’ use of the EU route and the bilateral level for the pursuit of their interests regarding Russia. Bastian (2006) finds that the EU route is chosen by Germany and Finland because it provides a stronger voice to their concerns than they would have if they pursued these interests at the bilateral level only and secondly, that the EU route is chosen because it enables them *not* to act at the bilateral level. She thus points (although largely implicitly) to two main factors driving member states’ choice of policy avenue, firstly, that of the superior capacity of the EU compared to the individual capacity of the member states and secondly, that of the cost of pursuing issues at the bilateral level and the benefits of engaging Russia on these issues at the European level. Regarding the latter point, Bastian (2006) finds in particular that Germany benefits from embedding its interests regarding Russia in the collective EU policy to pre-empt and counteract suspicions of a new Berlin-Moscow axis forming.

Systematic academic analyses that review the bilateral relations of a large set of EU member states with Russia from a comparative perspective are lacking. However, a small number of policy reports have been produced which cover relations

with Russia of all member states (Braghiroli & Carta 2009; Dura 2008; Leonard & Popescu 2007²) or a large sample of them (Kaczmarek & Smolar 2007). These studies provide snapshot overviews of the main issues in member states' bilateral relations with Russia and brief discussions of key factors that seem to be influencing their relationships with Russia. Although these four studies set out to systematically examine member states' bilateral relations with Russia, they do not systematically explore the motivations underpinning their choice of policy route, and instead offer a general assessment of member states' preference for how to engage with Russia, focusing their attention on the nature of their policy approach within two broad macro categories of 'confrontational' versus 'pragmatic/friendly' relations (for a detailed overview of how each report classifies and groups the member states, see Ch. 2).

All four studies (Braghiroli and Carta 2009; Dura 2008; Kaczmarek & Smolar 2007; Leonard & Popescu 2007) emphasise the difficulties in agreeing common policies at the EU level that originate from the diverse set of interests that the (large) Western and the (small) Eastern member states, and different subsets among and between them, pursue regarding Russia. They all conclude that the incongruence of member states' objectives presents major obstacles to the pursuit of collective policies towards Russia. These studies therefore highlight, albeit only implicitly, a major weakness of the EU route. Should a member state choose to engage Russia at the European level, it faces the problem of having to overcome national differences before an agreement on a collective policy towards Russia can be reached.

Besides these studies, most of the literature dealing with member states' relations with Russia has been concentrated around the examination of a small group of member states. Over the past two decades, the large 'old' member states have received considerable attention either in the form of short paragraphs in texts on the EU-Russian relationship or in isolated studies of their respective bilateral relations with Russia. The focus has been especially on Germany both in the academic literature (e.g., Bastian 2006; Hubel 2004; Stark 1996; Stent 1999, 2010; Timmins 2005, 2006a, 2006b, 2007; Westphal 2008) and reports produced by think tanks (e.g., Adomeit 2005; Adomeit et al. 2004; Bastian & Götz 2005; Buhbe 2007; Götz 2004; Rahr 2004). France's relations with Russia in the EU context have received much less

² Another detailed study of member states' bilateral relations with Russia was conducted by the EU-Russian Centre (2007), but unlike the other reports, it has been sold at a considerable cost and not made publicly available. I was unable to gain access and examine its findings.

attention, with only a few detailed studies in existence (e.g., Facon 2010; Newton 2003, 2007). The UK's relations with Russia have received even less attention in the academic literature, with a very small range of academic (Timmins 2006a) and policy papers (e.g., Monaghan 2005) on the topic. Among the large states the least attention has been devoted to Italian-Russian relations (with the exception of Collina 2008), despite the considerable role that has been attributed to the relationship with Russia by successive Italian Prime Ministers and despite the considerable trade and energy supply volumes between Italy and Russia.

Among the smaller (Western) states, most attention has been devoted, for obvious reasons, to Russia's direct neighbour Finland (e.g., Bastian 2006, Vihavainen 2006), especially its role in developing the EU's Northern Dimension Policy (Arter 2000; Bastian 2006; Haglund 2005; Haukkala 2004). Most of the recent literature has been focused on the new Eastern member states, with a particular concentration of research on the three small Baltic States' relations with Russia which have been examined both jointly (Berg 2008; Brüggemann & Kasekamp 2009; Ehin & Berg 2009; Fofanova & Morozov 2009; Gower 2001; Haukkala 2009; Hubel et al (eds) 2002; Jakniūnaitė 2009; Khudoley 2002; Mälksoo 2009; Moshes 1999, 2002; Onken 2009; Raik 2007; Raik and Palosaari 2004; Spruds 2002) and individually with work on Estonian-Russian relations (Astrov 2009, Ehin & Kasekamp 2005; Ilves 2003; Männik 2008), Latvian-Russian relations (Lejins 2002; Ozaliņa 2008; Spruds 2009) and Lithuanian-Russian relations (e.g. Miniotaite 2008; Vareikis 2002). There also exist a couple of studies of Polish-Russian relations (Sokała 2005; Tarnogórski 2006; Wasilewski 2004) and on aspects of Romanian-Russian relations (for a discussion of their cooperation in the Black Sea region see Celac (2006) and regarding energy policy see Tudoroiu (2008)).

These studies provide a wealth of information on developments in the bilateral relations between the member states and Russia and/or offer insights into how these states have shaped the collective EU policy towards Russia. Many of these studies contain brief references to individual issues that have been pursued at the EU level or at the bilateral level. My thesis builds on insights from these studies, but rather than surveying what characterises individual member states' relations with Russia on different policy issues as these studies do, it makes a contribution to the literature by examining in a systematic, comparative fashion what motivates their choice of policy route on the same issues.

National Foreign Policies in the EU Context

Besides the literature focusing specifically on Russia, studies on member states' foreign relations in the context of the EU's external relations policy also provide some insights into EU member countries' motivations for how to pursue policies towards third countries. Three comparative studies currently exist which have attempted to provide a comprehensive analysis of member states' foreign policies in the EU context (Hill (ed) 1996; Manners & Whitman (eds) 2000; Soetendorp 1999). Contributions to the book edited by Hill (1996) have explored the interplay between member states' collective action at the European level and their individual foreign policies at the national level and highlighted the divergence of interests among the member countries both regarding substantive foreign policy issues and regarding the question of whether closer integration in the foreign policy sector is desirable. Soetendorp's monograph (1999) has focused exclusively on member states engagement in the forging of EU external policies and describing the state of play of foreign policy decision-making in the EU.

In contrast to these earlier publications, Manners and Whitman (2000a:10-12) have raised explicitly the issue of whether EU member states use the EU to pursue their national foreign policy interests (*with the EU*) or whether they seek to keep their relations with third countries off the European level agenda as *domains privés* (*without the EU*). The contributions to their edited volume (Manners & Whitman (eds) 2000) flag significant differences among the member states, but concur that the effect of EU membership on national foreign policies is gradually growing.

The most recent literature on member states' foreign policies in the EU context has developed consciously within the growing body of Europeanisation research (for a detailed discussion of *Europeanisation*, see Olsen 2002). This research is based on the assumption that the 'European condition' (Manners & Whitman 2000a), i.e. EU membership has a significant effect on national foreign policies that distinguish them from those of non-EU member states. These analyses of member states' foreign policies in the EU context are informed primarily by social constructivist conceptions of member states' pursuit of national foreign policy goals. Scholars tend to argue that EU membership transforms the foreign policies of its constituent states in a distinctive fashion. Member states no longer conduct 'traditional' foreign policy (see e.g., Jørgensen 2004:37; Manners & Whitman

2000a:3-5, Peterson & Sjursen 1998b:179,). Nevertheless, Manners and Whitman (2000b) conclude that there remains a tendency for the member states to remove bilateral relations with third countries that are of particular salience to them from EU level policy-making and to engage the third country predominantly at the bilateral level.

The Europeanisation literature on foreign policy has focused on explaining foreign policy ‘uploading’ (how member states *shape* collective EU policy) and ‘downloading’ (how member states’ national foreign policy-making is altered as a result of their membership in the EU) scrutinizing the process and mechanisms of member states’ influence in the EU and national foreign policy adaptation (e.g., Hocking & Spence (eds) 2002; Miskimmon 2007; Pomorska 2007, Tonra 2001; Wong 2005; 2006). Europeanisation scholars have argued that in the EU a process of learning and an elite socialisation occurs over time, through the regular contact of national representatives in the decision-making forums, in a slow, incremental process, engendering a gradual change not just at the level of the individual (i.e. a shift in the views and actions of individuals engaged in foreign policy decision-making), but also influencing the substance of national foreign policies (e.g., Gross 2007; Ladrech 2010:191, 197-8; Wong 2005; see also Aggestam 2004:86; Manners & Whitman 2000; Smith 2004b). Recent analyses of national foreign policies in the EU context have focused specifically on explaining the impact of the social environment, notably the concentration of decision-making activities in Brussels (which Allen (1998) refers to as ‘Brusselisation’) on member governments’ foreign policies from the perspective of decision-making in the national capitals and its influence on the actions of the individual representatives sitting in the decision-making committees in Brussels (e.g., Juncos & Pomorska 2006a, 2006b, 2007, 2008).

Scholars contend that the regular meetings in the EU result in an internalisation of common EU norms (Wong 2005) and that membership in the EU has a deep effect on states’ interests and identities and the norms and values guiding their national foreign policies resulting in a ‘shift of mentality’ towards the collective good (see Hill & Wallace 1996; Jupille et al 2002; Payne 2001; Wong 2006:204-5). As a consequence of the formation of this EU identity, preferences shift from the pursuit of foreign policy at the bilateral level towards a predilection for cooperation in the EU. Being embedded in joint decision-making structures will thus shape member states’ policy responses. Gross (2007:506) for example contends that the member

states use as a result of their Europeanisation the EU as an ‘instinctive choice’. Bulmer and Radaelli have spoken, less strongly, of a ‘*coordination reflex*’ (e.g. Bulmer & Radaelli 2005:345). Indeed many EU external relations scholars themselves see it as natural that member states *should* pursue their objectives through the EU (e.g. Knodt & Princen 2003:2-3).

In these discussions, Germany is the country that is most frequently referred to as having a strongly developed ‘coordination reflex’ in foreign policy both regarding Russia specifically and regarding its international relations more generally (e.g., Aggestam 2000; Manners & Whitman 2000b; Miskimmon 2007). Reasons given for the preference of the EU route are the legacy of its involvement in the two World Wars during the 20th century and the need to demonstrate, as the largest and economically most powerful EU member state, its willingness to cooperate and to embed its foreign policy ambitions in collective EU policies in order to reassure particularly the smaller, Eastern states (Aggestam 2000:67,70; Bastian 2006; Dykmann 2006:19; Froehly 2001; Lübke-meier 2007:24–25; Miskimmon 2007:34; Peterson & Sjursen 1998b:177; Soetendorp 1999:25; Timmins 2001, 2005:57,66; 2007; Whitman 1998:202-3).

Scholars informed by social constructivist assumptions claim that member countries will, or should, choose the EU avenue to pursue their goals, because as EU members they have been conditioned to regard the EU as the first port of call. There is thus an expectation that EU member states will choose the EU route to pursue foreign policy objectives, including vis-à-vis Russia, regardless of whether or not they *could* achieve their objectives at the bilateral level, and irrespective of the anticipated success of their choice. Several scholars have found evidence of member state’s actions being driven by a ‘logic of appropriateness’ (e.g., Miskimmon 2007:11). Sjursen argues that the member states in fact do sometimes cooperate when there is no evident gain for them (Sjursen 2003:38). Others have however argued that European norms do not necessarily lead to a shared understanding among the EU members (e.g., Aggestam 2000:70). Schimmelfennig (2000:116) contends that socialisation need not be a sign of an internalisation of norms of behaviour, but that it can be the rational choice of states to behave appropriately. In particular he highlights the ‘legitimacy’ of actions as a possible guiding principle of states’ behaviour when they are embedded in an institutional environment such as the EU (Schimmelfennig 2000:116-7).

The shift in member states' identity towards identification with the EU is generally taken to also entail a development of 'solidarity' with other member states. This is based on the assumption that membership in the EU does not just alter the way they pursue their objectives, but that it alters also individual state's interests and, what is important for the analysis of member states' choices, shifting the frame of reference from the national to the collective EU interest. The term 'solidarity' is more frequently used in the context of social policy and the distribution of regional funds from the EU budget (see e.g. Copsey & Haughton 2009:275), but it is also widely used in the external relations domain where the term is not as clearly defined as it is in the social and budgetary sector. Implicit in the use of the term 'solidarity' when referring to member states' foreign policy choices is an understanding that member state governments should refrain from acting in a manner that would harm the interests of other EU members and should support each other in their respective foreign policy objectives. If the collective interest becomes the main reference point for national decision-makers, their focus (as rational actors) will be on maximising the gains of the collective rather than that of the country they represent in isolation from the collective.

Time plays an important role in this line of reasoning as any Europeanisation or socialisation is a slow and gradual process (Bulmer & Lequesne 2005:4). The length of a state's membership in the EU is therefore important to consider. Countries that joined the EU more recently are likely to be less 'Europeanised'. Their 'reflex' to choose the EU is likely to be less developed and they are likely to identify less with the EU collective so that their frame of reference is expected to be the national rather than the European interest. If the regular interaction in the EU is indeed an important factor influencing member states' choices, older member states are more likely to choose the pursuit of policies at the EU level than more recent member states and they are also more likely to assess the utility of their policy choices with reference to the gains of the EU collective and not just the benefits their choice will deliver for the country they represent. This means that from a social constructivist perspective, they can be expected to prefer to engage with Russia at the European level, regardless of the type of issue at stake. From a rational choice perspective they can be expected to refrain from engaging with Russia at the bilateral level when this could negatively impact the EU's effectiveness.

Capacity as a key factor

Scholars studying the EU-Russian relationship have emphasised the predilection and capacity of the large states to act at the bilateral level and the necessity for small states to pursue their objectives at the European level (Aalto 2006:102; Bastian 2006:258, 265, 270-71; Bowker 2000:24; Gänzle 2008:57; Gower 2000b:66; Haukkala 2006: 37-38,48; Hopf 2008:4; Hughes 2007:76-77, 80, 84; Klitsounova 2005:39; Prozorov 2006:6,13,81; Tassinari 2005a:51; Timmins 2007:170-71; Trenin, 2008:134; White & Light 2007:51). EU external relations literature has similarly emphasised that the large states have a prevailing influence over collective policies and they have the capacity to achieve policy objectives without the EU (see Börzel & Risse 2006:486; Casarini 2007:224; Cooper 2003:130; Everts 2002:39; Hyde-Price 2006:230; Jørgensen 1998:97, 2004:38, 46; Keukeleire & MacNaughtan 2008: 124-135, 147,330; Luif & Radeva 2007:37; Sjursen 2003:46; Smith 2002:2; Soetendorp 1999:15; Tallberg 2007, 2008; Wallace, W. 2005:434; Whitman & Manners 2000; Wong 2006:1). This view is also widely held by those engaged in the policy process.³

Scholars concur that for small(er) EU member states, termed by some scholars *minor* states (e.g., Tonra 2001), the EU serves an important function as ‘multiplier’ as their capacity to exert influence in external relations is small, due to the paucity of their own resources and their small size and thus limited weight internationally. They utilize the EU as the primary mechanism to pursue their foreign policy objectives as it increases their status and influence vis-à-vis third countries (Archer & Nugent 2006; Comănescu 2006:100; Gower 2007:118; Miles 2000:197; Rummel & Wiedemann 1998:61; Stumbaum 2007:58; Tiilikainen 2006:78; Whitman 1998:202-3; see also Sjursen 2003:46; Pace 2004: 227; Roth 2009:24). Some researchers (e.g., Keukeleire & MacNaughtan 2008:135) and diplomats⁴ emphasise that even the large member states are not sufficiently powerful to exert major influence on Russia by themselves and therefore need to pursue their interests at the European level. So we have seen that the literature emphasises the utility of the EU for both small and large states as a

³ This was also confirmed in various interviews with EU officials and member state diplomats (Author’s interviews with diplomat from one of the large member states, 5 December 2007, Brussels; diplomat from one of the CEECs, 3 December 2007, Brussels; diplomat from one of the CEECs, 26 November 2007, Brussels; diplomat from one of the smaller Western member states, 20 November 2007, Brussels; diplomat from one of the small Western member states, 31 July 2007, Brussels; diplomat from one of the CEECs, 25 July 2007, Brussels; diplomat from one of the large member states, 20 July 2007, Brussels.)

⁴ Author’s interview with a diplomat from one of the ‘new’ EU member states (3 Dec. 2007, Brussels).

power multiplier and a vehicle for those initiatives that they alone cannot accomplish or which complement their efforts at the national level (Wong 2006:202; see also Musu 2007:118-9). Member states' capacity to achieve their objectives at the bilateral level is thus highlighted as a key factor influencing their choice of the EU route or the bilateral avenue to pursue their objectives.

In order to find out if the capacity of the member states to influence Russia and to achieve the desired outcomes is indeed a key factor in their decision, it is necessary to assess member states' individual capacity and resources relative to those of the EU. In addition to the capacity of the EU and individual states to influence Russia, it is also necessary to examine member states' ability to influence the collective EU policy towards Russia. Laatikainen and Smith (2006:9-10) have highlighted the complementary nature of the internal and external dimension by distinguishing between *internal effectiveness* which is the ability to agree common goals and policy responses towards external actors and events and *external effectiveness* which is the ability of the EU to achieve the desired outcomes vis-à-vis third countries. It is necessary to examine how the EU scores on both aspects towards Russia since this will allow insights into the likelihood of success of the member states if they choose the EU route, relative to the likelihood of success at the bilateral level. A comparison of both will reveal whether or not their individual and collective capacity acts as a key motivating factor in the choice of foreign policy avenue or whether other factors may have greater weight and influence over their behaviour. The capacity of the member states to influence EU policy is discussed in Chapter 2 and the capacities of the member states to influence Russia individually and jointly are discussed in Chapter 3.

Different issues, different choices?

In EU policy-making the division of competences determines the extent to which member states can choose the policy avenue through which to pursue their objectives regarding Russia (see Chapter 2). In areas of exclusive EC/EU competence, the member states do not have the choice to pursue their objectives regarding Russia at the bilateral level. Within the areas of shared competence or exclusive national competence member states can choose how to engage with Russia.

In the existing literature the importance of differences between policy sectors has been flagged as a key factor influencing (member) states' choice of foreign policy

route. Jupille and Snidal (2005:8-9) have argued that states choose (between) international institutions in response to the problem they seek to address, so the type of issue it is can influence the choice of policy avenue they choose. Jupille and Snidal (2005) have focused on states' choice between different intergovernmental institutions, but this argument is also supported by scholars studying the EU's external relations more generally who have argued that member states' choice of policy route varies across issues. Whereas Rummel and Wiedemann (1998:60-61) have argued that the member states' choice is essentially driven by their individual capacity, most notably the available alternatives to cooperation that they have, Luif and Radeva (2007:30) have suggested, with reference to member states' cooperation in the UN, that they are less likely to cooperate on hard security issues than on other foreign policy issues. Manners and Whitman (2000b) have suggested that there can be differences between policy issues in terms of whether and the extent to which national governments seek to remove them from the EU level or, alternatively, shift them from the national level to the EU. They suggest that issues that touch on member states' core national security interests are frequently removed from the EU level and that the intensity of a member state's relationship with a third state can contribute to a ring-fencing of the core interests that they pursue in this relationship (Manners & Whitman 2000b:266-268).

As regards member states' relations with Russia specifically, Bastian (2006:266-273) contends that Germany and Finland choose to pursue issues that are related to their historical ties with Russia (unresolved historical disputes), that are associated with their geographic location (border issues), cultural cooperation and the status of ethnic minorities exclusively at the bilateral level and deal with issues associated with existing EU policies and aid instruments exclusively at the EU level. On all other issues, individual national preferences (traditions of how to deal with certain issues) and their capacity (to achieve the desired outcomes bilaterally) determine which policy avenue they opt for (Bastian 2006:267-8). There is of course a question about the generalisability of these findings as Germany and Finland have had a unique history with Russia (especially considering Germany's role in the two world wars and the *Finlandization* of Finland) that create a specific set of conditions and traditional concerns for national policy-makers that are not easily transferable to other member states.

Among other things, Bastian (2006) finds that energy policy is a sector in which Germany pursues its interests at the bilateral level. Similarly, Finland pursues import agreements on timber and energy with Russia bilaterally rather than at the EU level. Other scholars support this argument (e.g. Gower 2007:119; Timmins 2006a, 2006b; 2007:170-171) and some argue, more broadly, that economic issues - including energy policy, commercial agreements; export promotion and investment opportunities - and security issues are being pursued by member states predominantly at the bilateral level (Frellesen & Rontoyanni 2007:229; Moroff 2007:99; Rhodes 1998:232). This claim is also supported by EU external relations scholars (Bretherton & Vogler 2006:162; de la Serre 1996:29; Luif & Radeva 2007:30; Manners & Whitman 2000b:266-67; Stumbaum 2007:64, 66).

Whereas economic issues are regarded as 'pragmatic' areas of cooperation, scholars have differentiated these from 'difficult' issues which they argue are being pursued at the EU level. Leonard and Popescu (2007:16) have suggested that EU member states tend to upload their disputes with Russia to the EU level but pursue their 'sweet deals' at the bilateral level. This view is also endorsed by Keukeleire and MacNaughtan (2008:210) who argue that member states do not want to disturb negotiations on trade and important cooperation issues by tough talks on problematic foreign policy issues. Bastian (2006) herself finds that both Germany and Finland tend to pursue policies regarding 'uncomfortable' issues such as Russian actions in Chechnya at the EU level, a finding that is supported by Gower (2007:119) and Timmins (2006a, 2006b; 2007:170-171) who have emphasized, in a similar vein, that member states pursue normative goals regarding Russia at the EU level rather than at the bilateral level. The argument is that diverting such issues to the EU level enables states *not* to pursue them unilaterally and thereby to protect their privileged bilateral relationship with Russia (or other third countries) (Bastian 2006:19, 67, 256, 268, 269, 273). The EU therefore serves as a 'repository' for issues that the member states do not want to address themselves in order to maintain a climate of 'sympathetic cooperation' for the pursuit of their economic objectives (Bastian 2006:19; Barysch 2004:54; Hyde-Price 2006:222-223; Timmins 2007:169-71).

That we could think about different policy sectors or issues in terms of a hierarchy of issues on member states' foreign policy agendas has been an issue raised explicitly, although only in passing, by Hyde-Price (2006, 2008a, 2008b). He has touched on the idea that the place in the hierarchy of an issue can determine member

states' choice of route through which to pursue their foreign policy objectives. In his recent publications on the EU as a normative or strategic actor (Hyde-Price 2006, 2008a, 2008b), he has argued that member states' choice is influenced by whether the issue in question pertains to the realm of 'first order' or 'second order' concerns. He defines first order concerns as issues associated with a country's national security and second order - or 'ethical' concerns - as issues that reflect the normative values of the respective state, but do neither engage their vital interests nor require the deployment of resources (Hyde-Price 2006:222). He contends that the EU acts in fact as a 'repository' for second order issues, that is member states pursue second order issues primarily through the EU, whereas on first order issues (where cooperation is 'expensive') they are likely to opt against cooperation (Hyde-Price 2006:222-23, 2008a:31-2). Cooperation is potentially costly on 'first order' issues because member states tend to be in direct competition with one another in developing privileged political relations with a third country or obtaining commercial contracts. Scholars studying EU-Russia relations (see Bastian 2006:180-81,194,195; Hughes 2007:84; Timmins 2005:56) and those studying member states' foreign policies in the EU argue that where states are competing with one another the bilateral route is the preferred choice (Miskimmon 2007:166; Keukeleire & MacNaughtan 2008:320-21; Wong 2006:72-3,75-6). This is because one member state's success in securing agreements with a third state can be at the expense of the commercial or geostrategic interests of another member state (Keukeleire & MacNaughtan, 2008:136). The analysis in Chapter 5 of member states' choices regarding their energy supply from Russia confirms this assumption.

Besides the hierarchy of issues as an indicator of whether or not states will be inclined to opt for the bilateral level or the European level, the existing literature has flagged the possibility that the characteristics of policy issues within the same domain can determine different choices. Bastian (2006:191-92, 195, 267, 273), studying specifically the EU-Russian relationship, and several EU external relations scholars (Musu & Casarini 2007:xxi; Stumbaum 2007:74) contend that practical arrangements on external trade (such as energy supply agreements) are concluded at the bilateral level, but member states take the EU route to negotiate framework conditions for external trade with Russia and other third countries to help improve the conditions for their individual trade relations with the third state. Wong (2006:73) has similarly argued that member states cooperate to 'pry open protected sectors' so that European

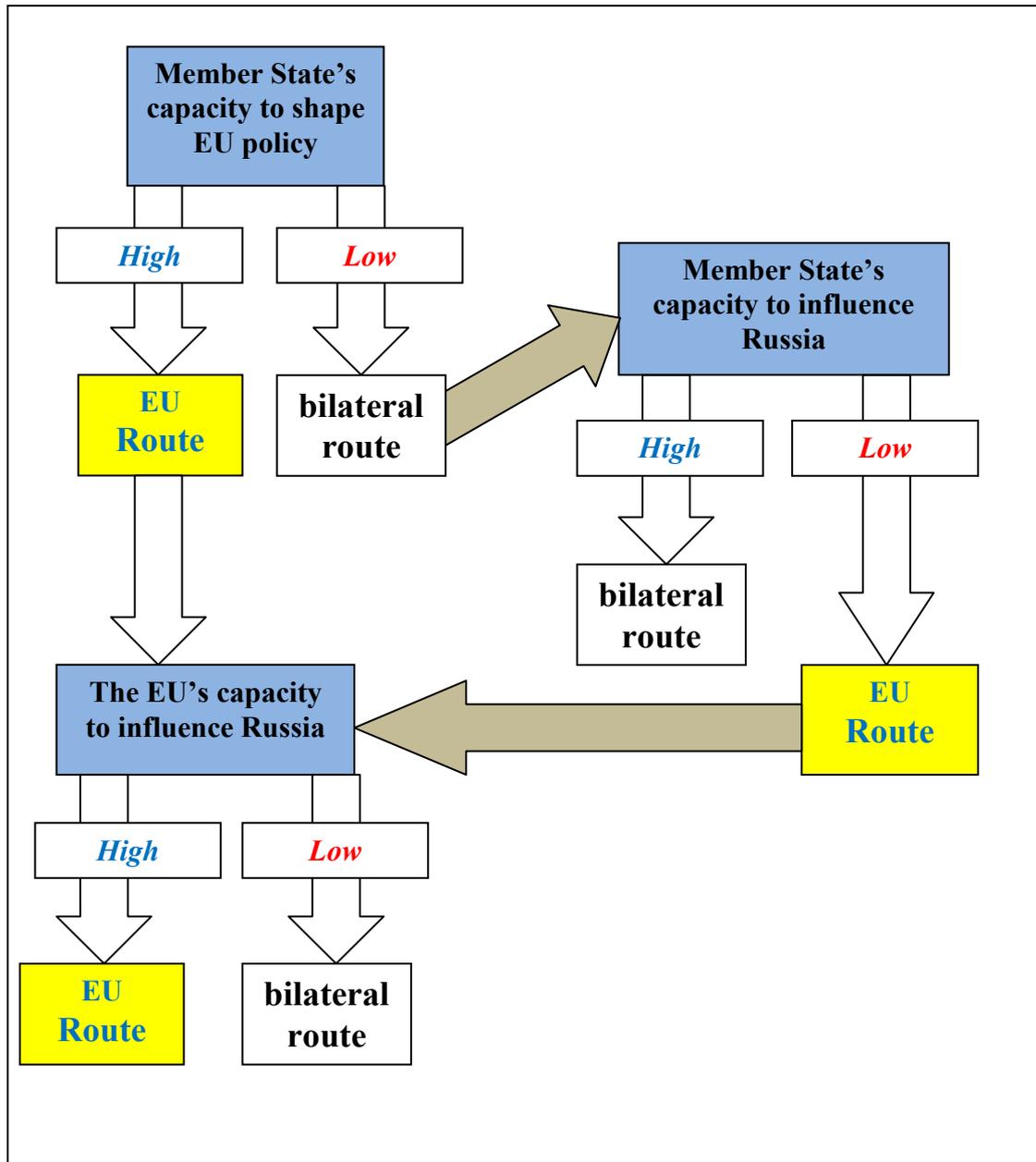
companies can gain access and also to pursue defensive measures (see Wong 2006:9, 116; see also Tonra 2001:205, 218). We will see in Chapter 5 that this is also the case in the energy policy domain and we will see in Chapter 7 that in the external trade sector some (but not all) EU member states seek EU level responses to Russian protectionist policies that national industries are affected by.

1.3 ANALYTICAL APPROACH

The existing research on the EU's relations with Russia evidently suggests that the member states are making deliberate choices, but, as the literature review has shown, the motivations underlying their choice of the EU route and/or the bilateral route have not been examined systematically. The review of the literature has highlighted three main factors as key to understanding member states' choice from a rationalist perspective. These are first, the individual capacity to achieve national objectives in direct engagement with Russia; second, member states' capacity to obtain the desired results at the European level and third, the type of issue concerned. As regards the type of issue, it is important to find out whether it is a stand-alone factor, i.e. whether the type of issue determines member states' choice regardless of their capacity, or whether their issue-specific individual and collective capacity influences their decision concerning which policy route to choose.

The different possibilities and the expected choices are depicted in Figure 1.1 (below). The policy type (that is whether an issue is 'first order' or 'second rank') can be expected to pre-determine the preference for the EU route (in the case of second order issues) or the bilateral route (in the case of first order issues). Member states can be expected to consider in the case of second order issues simultaneously their ability to influence EU policy and the EU's ability to deliver the desired results. The relative advantage of choosing the EU route versus the bilateral route regarding a particular policy issue can be determined through an examination of firstly, whether the member state can achieve its objectives regarding Russia at the bilateral level (MS-> Russia); secondly, whether the member state can shape collective EU policy according to its interests (MS-> other MS) and thirdly, whether the EU has the capabilities to achieve member states' collective objectives vis-à-vis Russia (EU-> Russia).

Figure 1.1 A *Logic of Expected Consequences* perspective on member states' choices



Source: Author's own elaboration.

The literature on the *Europeanisation* of national foreign policies has highlighted a possible additional factor that could influence member states' choice: the degree of socialisation in the EU. As we have seen, there is an underlying expectation that member states choose the EU to pursue foreign policy objectives collectively, because as an EU member this is the 'right' thing to do. Frequently these expectations are couched both in social constructivist terms of the 'appropriateness' of their choice of the EU and the rationalist justification of this expectation on the grounds that the EU has the superior capacity, and thus the greater potential to achieve the desired results than member states' individual action would procure. Table 1.1 (below) summarises the conditions under which the member states can be expected to choose the EU or the bilateral foreign policy route from both a 'logic of consequences' and a 'logic of appropriateness' perspective.

Table 1.1 Member states' choices explained by the two logics of action

	EU	bilateral
Rational Choice	Gains from EU > gains from bilateral route	Gains from bilateral route > gains from EU route
Europeanisation/ Social Constructivism	Europeanisation/ norm internalisation	incomplete norm internalisation/Europeanisation

['>' stands for 'larger than']

Source: Author's own elaboration.

What is important to note is that from the vantage point of the 'logic of appropriateness', member states' choices are not informed by a calculation of the relative benefits of the two policy routes, i.e. an emphasis on outcomes and an assessment of their capacity, but rather by an underlying expectation that a 'fully socialised' member state will need to opt for the EU route to pursue its external relations goals as a failure to do so would undermine the EU's capacity to obtain the desired outcomes for all its members, and thus harm the EU collective (see Whitman 2010:31) in as much as it would harm the long-term interests of the constituent states.

On the basis of the literature, and the factors that it highlights as playing a key role in member states' choice of policy route, three main hypotheses can be formulated about what motivates a member state's decision of how to pursue its objectives regarding Russia. The first hypothesis is informed by social constructivist theory and considerations of the logic of appropriateness. From this vantage point

member state governments do not engage in a step-by-step assessment (as the logic of expected consequences would suggest). Instead, their decision process consists of a single step concerning whether or not they are willing to take the EU route. The other two hypotheses are based on the rationalist logic of expected consequences.

Figure 1.1 (above) illustrates the different steps in the reasoning that member state governments could be expected to follow according to these hypotheses. It is important to note that we cannot assume that the three main factors that are addressed here can on their own explain member states' choice of policy route. Rather, these are *ceteris paribus* propositions, and as we will see in the subsequent analysis, under different circumstances they interact in a range of different ways. A core aim of the thesis is to find out *how* they interact and under which conditions one has a greater weight in member states' decision (or calculus) than the other(s).

1) Appropriate behaviour

H1 Older member states that have been fully socialised into the EU and *Europeanised* are more likely to choose the EU route than more recent member states, because they have been conditioned to consider it as the first port of call. More recent member states are in contrast more likely to choose the bilateral route, because they have not yet been fully Europeanised and thus do not always meet the expectations of appropriate behaviour.

2) Policy issue

H2 All member states are more likely to pursue first order issues at the bilateral level, than at the European level, and they are more likely to pursue second order issues at the European level rather than bilaterally.

3) Capacity

H3a If a member state can shape the collective policy towards Russia according to its interests and the EU has the capacity to deliver the desired outcomes, the member state is more likely to choose the EU route than the bilateral avenue.

H3b Member states are more likely to pursue their objectives with Russia directly, at the bilateral level than at the EU level if they are a) unable to influence the collective policy towards Russia, b) the EU's capacity to deliver the desired outcomes is limited and c) they have the capacity to obtain the desired results at the bilateral level.

In my attempt to find out what motivates member states' choice to pursue their preferences at the European or at the national level, I will thus seek to answer three related questions:

1. Is the individual and/or collective ability to achieve the desired outcomes the key factor motivating member states' choice to pursue their preferences at the European and/or the national level? If states with similar capacity make different choices, and if states choose a policy route that is, from the outset, less likely to deliver the desired results than the alternative, it is clear that capacity alone does not explain their choices.
2. Does the length of their membership (as a measure of the extent of their socialisation) in the EU explain a state's choice of policy route? If old member states choose the bilateral route and new member states choose the EU route, it is clear that the level of Europeanisation is not the key factor explaining member states' choices.
3. Does the place of the issue in the hierarchy determine whether member states pursue policies towards Russia via the EU route and/or the bilateral route? If member states make different choices regarding the same issue, it is clear that the issue characteristics alone do not explain their choice of policy route.

Implications of the analytical approach for the selection of cases

In order to be able to identify variation across member states and across policy issues, the thesis employs a comparative case study approach. The EU's membership has grown from twelve to twenty-seven member states since relations with the Russian Federation were established in the early 1990s. Whereas it is difficult to undertake a detailed analysis of all twenty-seven member states' relations with Russia and their individual choices of how to engage with the Russian Federation, the aim of finding out what motivates different member states in different policy issues and areas influenced the decision against conducting a detailed small-n analysis as it would have, ex ante, narrowed down the set of member states to be examined, and thereby run the risk of overlooking significant factors informing the choices of those states that were excluded. At the expense of a greater level of detail on the member states under investigation, the opening up of the analysis to cover all states for which the particular issue regarding Russia is of great salience makes it possible to identify variation and similarities across a range of member states on the selected policy issues. It also makes it possible to examine the various aspects that the literature has identified as being influential, i.e. whether states are small/large, new/old, highly trade or energy import dependent/less dependent or independent from Russia and located in

the geographic proximity or at a distance from Russia. These aspects are discussed in greater detail in Chapters 2, 3 and 4.

The main factor determining the selection of member states has been the salience of Russia for the member state in general and the selected policy issues in particular. The rationale is that if Russia is of high salience to a member state, it has to pursue relations with Russia one way or another. Because it needs to achieve certain objectives regarding Russia given the high salience there clearly is a question of how the state will pursue these objectives. In contrast, if Russia is of low or no importance to a member state, it does not need to achieve a particular outcome. Salience varies not just across member states but also across policy issues. This is reflected in the analysis with some member states whose choices are examined in one policy area dropping out of the analysis in another that is of low salience to them.

The states covered in the analysis are the large states with important economic, political and security-strategic relations with Russia that is France, Germany, Italy, Poland and the UK, and the small (new) countries neighbouring Russia: Estonia, Finland, Latvia and Lithuania. An additional set of states that have significant interests at stake regarding Russia in the energy sector and/or regarding the promotion of the adoption of the EU's constitutive values by Russia is also analysed. These are Austria, Bulgaria, the Czech Republic, Denmark, Greece, Hungary, the Netherlands, Romania, Slovakia and Sweden. The countries excluded from the discussion are Cyprus, Ireland, Luxembourg, Malta, Portugal, Slovenia and Spain. The reason for excluding these countries from the discussion was that a preliminary analysis of their political and economic relations and the empirical data (notably interviews with EU officials) and the secondary literature revealed that they play no salient role in the three policy case studies that are developed in Chapters 5-7 (although that does not mean that Russia does not matter to them). Scrutiny of their choice between the EU route and the bilateral level would therefore yield only limited insights for the thesis argument.

In terms of policy cases, I selected three distinct sectors or types of policy in order to gain insights into differences in member states' motivations across issues and the role that member states' individual and collective capacity plays in influencing national governments' choice of policy avenue. The cases are (i) energy policy, (ii) normative policy (democracy promotion and human rights) and (iii) individual bilateral disputes (and within this trade, judicial and cultural disputes). As we will see

in Chapters 5, 6 and 7, member states' individual capacity in relation to Russia is very limited, but there are also substantial differences between the member states with the smallest member states being much more dependent on cooperation at the European level than the larger states. Further, a key analytical reason for selecting the first two case studies is that they allow insights into whether the place of the policy issue in the hierarchy of importance influences member states' choice. Following Hyde-Price's (2006, 2008a, 2008b) distinction between first and second order issues, energy fits the criteria of a 'first order' issue as the security of energy supplies is of vital national importance, and here we can therefore expect the member states to pursue their objectives at the bilateral level. Normative policy fits the criteria of second order issue, as it reflects shared principles of EU member states, but the external democracy and human rights promotion is not of vital importance to the member states. Here we can expect the member states to pursue their policies towards Russia at the EU level. A practical reason for the choice of case studies is that both energy and norms promotion have occupied a central position in the EU-Russian relationship over the past two decades. The third type of issue, the bilateral disputes, does not fit squarely into either of these categories, but individual disputes have gained high salience on the EU's agenda, and this is one reason why they are worthy of attention. Here member states face individual problems with Russia that are not shared by other member states, or only by a very small number of them. Analytically this is particularly interesting as the affected member states can be expected to be conflicted. They are likely to experience difficulties in forging a common policy towards Russia at the EU level since their problem is an individual issue that is not shared by the EU collective. At the same time, it is clear that their capacity to resolve the dispute at the bilateral level is limited (otherwise it would not have escalated in the first place) and that a collective response would strengthen their bargaining position vis-à-vis Russia. All three case studies thus serve an important role in the examination of the combination of factors that can be expected to influence member states' choice of policy route.

The examination of individual member states' choice of how to pursue their relations with Russia focuses on the period from 1992 (when negotiations for a formal contractual relationship between the EC/EU and the Russian Federation started) until 2009. The difficulty of gaining access to data about the earlier period (the 1990s) has meant that my main focus has been on developments in the 2000s. Access to data was

made difficult on the one hand by the nature of external relations (or foreign) policy as a sensitive area in which access to documents concerning internal deliberations remains restricted both at the national and at the European level, and the limited accessibility of national and EU diplomats who had been working on relations with Russia during the 1990s due to staff rotations to far away countries and the retirement of key individuals. This has also necessitated a greater reliance on secondary sources on this time period as much of my interview data could cover primarily the developments in national and EU policy towards Russia during the 2000s. As regards the twelve new member states, my research has focused also on their positions and attempts to influence EU policy prior to their formal accession to the EU from 2002 onwards.

Throughout this thesis, member states' positions and preferences vis-à-vis Russia will be treated as given, since the analytical focus is placed not on what generates their preferences, but on how they pursue them.

Sources

Research in the high politics field of external relations with Russia is associated with difficulties of gaining access to data which stems from the sensitivity for member states and EU institutions of the issues under examination. The closed nature of meetings and the resulting gaps in the available data on national positions in negotiations makes process tracing difficult. During a five month period between October 2003 and February 2004, before embarking on my doctoral research, I was able to observe the EU's internal decision-making process towards Russia while working as a *stagiaire* in the European Commission's Directorate General (DG) for External Relations (Relex) in the Directorate E for Relations with Eastern Europe and Central Asia in the Unit E1, dealing with Russia, Ukraine, Belarus and Moldova.⁵ I attended regular working group meetings of the COEST working group dealing with the non-EU member countries of Eastern Europe and Central Asia, and taking place twice a week (in the Council) and daily meetings of the Commission Unit and I had access to EU *restreint* documents (strictly confidential internal documents), drafts of Commission Communications, confidential briefing notes and minutes Political Directors and DG Relex Heads of Unit meetings. During this period I had the

⁵ Since then the structure of Directorate E has changed. Unit E1 now deals exclusively with Russia.

opportunity to take part in informal discussions with officials in DG Relex and I participated in inter-service consultations with other DGs. My experiences, and the data I had access to, fed into the assessment of what is important for my analysis, and it enabled me to identify the right sort of people to interview. However since I entered into a strict confidentiality agreement with the Commission for the period of the *Stage* the 'EU restraint' data I had access to has not itself been used in this thesis, although it has played an important role informing my research focus and research approach.

During a three months research stay in spring 2007 at the *Stiftung Wissenschaft und Politik* (German Institute for International and Security Affairs) in Berlin I attended several 'closed' conferences related to my research and was, inter alia, also fortunate enough to be allowed to attend a closed high-level meeting of the influential '*Trilateral Commission* (USA, Russia/Ukraine, EU) at the German Council on Foreign Relations (*Deutsche Gesellschaft für Auswärtige Politik*, DGAP) where high-ranking European, American and Russian diplomats and officials shared their views on the European Union's relations with Russia.

My empirical analysis is based on sixty primary interviews, official documents of the EU and member states' governments and parliaments, statistical data from Eurostat, the statistical office of the European Union, published speeches and media interviews with national and EU representatives and media reports on member states' individual and collective positions towards Russia. Besides the extensive use of primary data, the thesis pulls together, engages with and builds on the insights from the secondary literature. In doing so, it highlights areas of agreement or disagreement between the range of isolated studies on relations of individual states and the EU as a whole with Russia and it develops the existing literature further by linking it to the insights from the EU external relations literature more broadly speaking, and assessing these in light of my own findings.

Interview respondents were selected so as to be able to compare and contrast responses from a cross-section of EU officials and member state diplomats from the EU-27 at their Permanent Representations in Brussels, the German Ministry of Foreign Affairs, other member states' embassies and the Russian embassy to Germany as well as the Russian Mission to the EU in Brussels. The choice of interviewees was motivated by ensuring a geographic spread as well as coverage of both specific expertise/experience of relations with Russia and expertise/experience with EU external relations more broadly. In addition a couple of experts specialising

on relations with other third countries or regions were interviewed. Interviews were conducted with diplomats from Germany, Spain, France, Greece, the United Kingdom, Denmark, Sweden, Finland, the Netherlands, Estonia, Latvia, Lithuania, Romania, the Czech Republic and Hungary and with Commission officials (DG Relex, DG Trade, DG Transport and Energy), a Council Secretariat official, Members of the European Parliament (Poland and Hungary) and two Russian diplomats (Berlin and Brussels). Gaps in the range of individuals interviewed – especially from the Council Secretariat staff, but also some of the member states - resulted from the fact that some respondents that I targeted declined to meet me after having already contributed their views to two large scale surveys of member states' relations with Russia that were conducted by two think tanks, the EU-Russia Centre and the European Council on Foreign Relations (ECFR) just prior to my own research in Brussels. Because of financial constraints I was not able to go back and conduct more interviews the following year.

With a research scholarship, funded jointly by UACES and the European Commission (March-July 2007) and additional financial support from the Department of Politics (November-December 2007), I conducted my interviews over the course of 2007 in Berlin (June) and Brussels (July/August and November/December), including also one interview each in London (March), Hamburg (August) and Glasgow (September). The shortest interview lasted twenty minutes; the majority of interviews lasted one and a half to two hours and a few interviews lasted three hours. I was fortunate to be able to interview some of the respondents twice and to meet two for a third time for an informal conversation. The interviews were conducted on a not-for-attribution basis. The promise of anonymity was of crucial importance for the success of the interviews as elite respondents are acutely aware of the problems that could follow from the publication of any statement they might make (Gillham 2005: 55). As a general rule, the individuals I interviewed are identified as anonymous members of the institution they work for, i.e. as 'an official/civil servant' or 'a Member of the European Parliament' to protect their identities. Individual countries cannot be mentioned in conjunction with the position of the diplomats I interviewed (i.e., a member of the working group on Russia), because only a few officials work on Russia specifically and they could therefore be easily identified. However as the thesis examines differences among the member states, I have added, where this was possible without giving away the identity of the interviewee, whether the statement

was made by a representative of a large or small (indicating the superior or more limited capacity of the country), new or old member state (indicating their historical experience and the expected level of Europeanisation) in order to increase the utility of the data for the analysis. The interviews were conducted with a relatively fixed list of open-ended questions which were adapted to each respondent and the way the interview developed. Respondents were asked questions about member states' relations with Russia, the role of the member states in relation to that of the Commission, Council and European Parliament, and the factors that influenced the respective country's ability to shape EU policy as well as its 'weight' in comparison to other member states and the reasons for a prioritisation of the unilateral or the EU channel for the pursuit of policy goals.

Interviewing is associated with the risk of what we can conclude from statements made by individual elite respondents. First there is a risk that answers will be tailored to suit specific political (or personal) objectives and second there is a potential problem in that memories of specific issues and events give way to general impressions or that memories of experiences are selective rather than comprehensive. The problem of 'memory loss' and unreliability of the interviewees' responses was reduced by centring on general tendencies in the interview material, as well as drawing on multiple interviews with individuals from different member states, and several individuals from the same member states working at different levels of their respective administrative hierarchy.

In addition to interviews, I have made use of the full range of publicly available primary sources, including in particular communications, transcripts of speeches and press releases issued by the EU institutions and a range of documents, speeches and official press statements issued by national administrations and national parliaments. I also use statistical data from Eurostat, the European Union's statistical office, as well as data from the World Bank, the Organisation for Economic Co-operation and Development (OECD) and the Stockholm International Peace Research Institute (SIPRI). As the Commission and Council Secretariat's archives of internal documents relating to relations between the EU and a third country remain protected even under the new transparency rules about access to documents, I have sought to address the gaps in the available data by triangulating sources. This analytical method also addresses the potential bias of inadvertently adopting 'pro-European Commission' views from my own participation in the policy-making process, and any

suspected bias in the interview material. Statistical data on trade, investment and energy supply is used to provide insights into the asymmetric interdependencies of individual member states and the EU collective with Russia. Russian official documents are scrutinized since declarations and speeches from the Russian side provide insights into how responsive Russia is to the EU's and member states' attempts at influencing its political, economic and legal system and foreign policy choices.

1.4 STRUCTURE OF THE THESIS

The thesis consists of two parts. The first part which comprises three more chapters, following this introduction, sets out the analytical framework and the political, historical and economic context within which the member states make their choices. Chapter 2 discusses the constraints on member states' choices stemming from the EU's institutional structure and membership that can be expected to influence their assessment of the utility of the EU route. Following on from this, the main function of Chapter 3 is to assess member states' ability to influence Russia both individually and collectively, to examine the constraints they face at the bilateral and the EU level which limit their ability to achieve their objectives individually at the bilateral level or jointly at the EU level. Chapter 4 sets out the main developments in the EU-Russian relationship, setting the background for the empirical chapters that follow. The second part of the thesis explores the motivations underpinning member states' choice to pursue their objectives at the EU level or at the bilateral level with an analysis of the three chosen policy cases. The first empirical chapter (Chapter 5) studies member states' choices in the energy sector. The second case study (Chapter 6) analyses member states' choice of how to promote the consolidation of democracy and respect for human rights in Russia. The third empirical chapter (Chapter 7) examines selected bilateral disputes of member states with Russia in different policy sectors. The concluding chapter (Chapter 8) draws out the implications of the findings from the three case studies: firstly, what the thesis contributes to research on the EU's relations with Russia, secondly what the thesis findings tell us about the extent to which a top-down Europeanisation of national foreign policies is taking place with regard to Russia, thirdly, what the research findings imply for the EU as a global actor and finally, what the findings tell us about the EU's internal and external effectiveness.

CHAPTER 2 INFLUENCING EU POLICY TOWARDS RUSSIA. INTERNAL CONSTRAINTS ON MEMBER STATES' CHOICES.

INTRODUCTION

In order to understand what motivates member states' choice between the EU and the bilateral avenue in the pursuit of their foreign policy objectives regarding Russia, it is necessary to examine what it is that both avenues offer the member states, and which obstacles or opportunities they face if they choose one or the other. The discussion in the previous chapter has highlighted that scholars informed by social constructivist assumptions about a socialisation of national foreign policies assume that member states will choose the EU route rather than the bilateral route, whereas rationalist scholars regard the choice as contingent on 'what's in it' for the member states. This chapter explains the processes through which socialisation is thought to occur and together with the next chapter it also explores the different factors that rational choice theorists regard as influential in national governments' decisions, namely the individual member state's capacity to obtain the desired outcomes relative to the combined capacity of the EU to influence Russia.

For EU member states the choice of the EU as an avenue through which to pursue their foreign policy objectives regarding Russia is associated with considerations of a number of constraints that originate from the EU's internal decision-making structure and procedures and the composition of the EU. Whether or not they are able to influence EU policy towards Russia is certainly an important factor in national governments' decision to pursue their objectives at the European level rather than bilaterally. In the examination of the utility of the EU as a foreign policy avenue it is therefore necessary to determine firstly what the factors are that influence a member state's ability to shape EU policy towards Russia and secondly, to find out whether the EU is able to achieve collective objectives vis-à-vis Russia. Both taken together provide an understanding of what 'is in it' for the member states if they choose the EU route. Whereas the next chapter (Ch. 3) explains the obstacles that member states face in influencing Russia both individually (at the bilateral level) and collectively (at the EU level), this chapter examines member states' ability to influence the shape of collective EU policies towards Russia. It explains the constraints that the member states face at the European level and therefore sheds light on how able the individual state is to have its preferences represented in the policies

that are being pursued at the EU level towards Russia. A state's ability to shape collective policies is likely to be a factor influencing the national government's choice on whether or not to pursue national foreign policy goals at the European or at the bilateral level.

The chapter starts with a discussion of the effects of the division of competences between the member states and the EC/EU and the decision-making rules.⁶ Then it examines member states' opportunities and ability to initiate new and develop existing EU policies towards Russia which provides insights into how attractive the EU route is for them. Finally, the compatibility of their specific individual approaches and objectives regarding Russia is assessed and implications for their ability to shape EU policies are explained.

2.1 POLICY-MAKING ON RUSSIA: COMPETENCES, DECISION RULES AND STRUCTURES

To understand why member states might decide to choose the EU to pursue their policies towards Russia we need to know what role they can play and the access points that they have in the policy-making process to upload their interests and to achieve the desired outcomes at the EU level. There are a number of constraints on member states' ability to shape collective policy inherent in the EU's institutional set-up. Among these is first and foremost the division of competences between the member states and the supranational institutions which can restrain, from the outset, the freedom of choice and manoeuvre that the member states have in pursuing their policy objectives at the EU level and this, in turn, can limit their ability to succeed in embedding national concerns in collective EU policies. In addition to the division of competences which can tell us whether member states are in fact free to choose their policy route, a review of the constraints on member states' ability to influence collective policies that stem from the EU's decision-making rules offers insights into the extent to which individual states are able to achieve the desired outcomes at the European level.

⁶ The Treaty of Lisbon (Treaty on the Functioning of European Union, TFEU) which entered into force in December 2009 has introduced changes in the division of competences between the member states and supranational actors, but as the analysis is concerned with developments before 2010, these changes will not be taken into account here.

The Division of Competences

Member states' freedom to choose whether to pursue the development of collective policies towards Russia at the EU level or to pursue their individual policy towards Russia at the bilateral level is constrained by the competences that have been conferred to the EC/EU. Competence is the legal authority to take decisions and in the EU there are three types of competence allocations: first, exclusive EC competence, second, shared competence and third, no supranational competence. Exclusive EC competence exists in areas such as the Common Commercial Policy (CCP) where the member states have conferred their powers to the EC, allowing the European Commission to negotiate with Russia on behalf of the member states, such as over the terms of Russia's accession to the World Trade Organisation (Zimmermann 2007). Decisions in the area of exclusive EC competence are taken by qualified majority. Because member states cannot choose their policy route on issues falling within the area of exclusive EC competence, the following two types of competence allocation (or non-allocation) are those that are relevant for the thesis. Shared competence between the member states and the EC exists, for example in areas such as the Partnership and Cooperation Agreement, energy policy and judicial cooperation. In this area it is set out in the treaties where the member states can act at the bilateral level, and where they cooperate at the EU level. The decision rules are defined in the treaties; member states either take decisions by unanimity or by qualified majority voting. Where no supranational competence exists because the member states have not conferred any of their powers to the supranational level, no formal rules for member states' cooperation exist. In the absence of formal decision-making rules, any decision has to be taken by consensus. The member states can decide to cooperate on issues that are not covered by supranational competence; they can take joint action or develop joint policies towards Russia. An example is the request for extradition of a suspected criminal from Russia; the UK attempted to pursue this issue at the EU level (see Ch. 7).

In areas of shared competence the European Parliament (EP) has a formal role, and where there is no supranational competence its views are expected to be 'duly taken into consideration' in member states' formulation of collective external policies towards Russia (Art. 21, TEU). The obligation to 'consider' the EP's views does not constrain member states' ability to shape collective policies, as the EP has no formal powers to demand the inclusion of its proposals. However in areas of shared

competence where the EP has a formal role (e.g. Art. 39, TEU) and takes part in the decision-making process, member states' ability to shape collective policy is constrained as the EP's ability to influence the shape of policies means that they have, individually, less control over the final shape of collective policies. On visa issues, for example, the EP has to be consulted in the policy-making process and it can reject proposals or ask for amendments. In sum, we have seen that the division of competences affects member states' ability to shape common policies according to their preferences.

It is less difficult for national governments to argue for the need to cooperate on an issue at the European level where some EC competence has become established already in the sector, even if it is not directly linked to the policy issue at stake as the member state is more likely to convince the others of the usefulness of pursuing the issue jointly. In contrast, the lack of EC competences in a particular field can act as a disincentive for the pursuit of policy issues at the European level. Furthermore, where member states' views diverge significantly on which action should be taken, those states for which reaching an agreement is vital are likely to pursue the issue individually with Russia instead of trying to reach a collective decision at the EU level.

Developing Collective Policies towards Russia⁷

Any EU member state can try and initiate new policies towards Russia and upload its individual interests to the European level. This is the agenda-setting stage in the decision-making process. New policy ideas are usually introduced by member states in the form of so-called 'non-papers' which are submitted for consideration to the other member states at the working group level. The Commission can also put forward policy initiatives which generally take account of (some of the) national positions.⁸ Especially the large member states are consulted by the Commission services that are tasked with the drafting of the policies towards Russia. This is because it is clear that proposals are unlikely to be accepted unless they reflect the interests of the most influential countries that possess the necessary resources to implement collective policies. The attendance of Commission and Council Secretariat

⁷ Much of the following discussion is informed by my experience as 'participant' and 'observer' in the policy-making process during the period of my *Stage* at the European Commission and my interviews with national and EU officials.

⁸ Author's interviews with Commission official 18 July and 19 November 2007, Brussels.

staff at meetings allows them some influence over the shape and substance of policies. This is also why national officials will seek to influence the Commission services and Council Secretariat officials that are involved in the drafting of policies to ensure that their preferences are addressed in the proposals that the Commission then presents to the member states for further discussion. It forms part of the Commission's responsibilities (according to an internal code of conduct) to safeguard the interests of small- and medium-sized countries.⁹ The smaller member states benefit therefore in particular from the institutional support in the EU that provides them with influence beyond the formal decision-making rules and thus can be regarded as an additional incentive for them to choose cooperation at the European level rather than the bilateral pursuit of their interests.

Once an initiative for a new policy towards Russia has been introduced, the other member states have to agree on the desirability of developing such a policy. If the proposal is accepted, the decision-making stage begins. Here, all member states have the opportunity to 'upload' their individual objectives in the process of formulating and negotiating the policy. Their ability to determine the shape of collective policies is circumscribed by the decision-making rules that apply in the policy sector. In the field of external relations, the member states take decisions mostly by unanimity. This unanimity rule both empowers and constrains the member states. It constrains national governments because it is very difficult for a state to obtain a policy that corresponds perfectly with its own preferences. Given the requirement of unanimity, and the need to reach decisions that all member states can support, the congruence, or at least compatibility, of a state's objectives regarding Russia with those of the other member states is an important factor determining the likelihood of success. The anticipated success is, in turn, likely to enter into member states' decision to choose the EU or the bilateral avenue. Especially the large states will pursue their aims with Russia unilaterally if they are unable to achieve their objectives through the EU (Roth 2009:27).

The requirement for unanimity empowers the individual state because each member state has the ability to block the adoption of an EU policy it does not endorse by vetoing it. This is also true for the adoption of the negotiating mandate that authorises the Commission to negotiate a new agreement with Russia on behalf of the

⁹ Author's interview with Commission official, Brussels, July 2007.

member states. Small (CEE) states that ‘put all faith and hope in the EU to achieve things vis-à-vis Russia’¹⁰ benefit from this in particular since the possibility to issue a veto applies to all member states and it is the small states that are generally experiencing difficulties in shaping collective policy due to the large states’ superior influence, greater resources and the *droit de regard* that they are generally being granted in EU decision-making. For small states the veto therefore serves as an important lever to try and achieve objectives that they are unable to obtain at the bilateral level. An example is the decision of both the Polish (2006-2007) and the Lithuanian government (2008) to veto the adoption of the negotiating mandate for a new EU-Russian Agreement (the ‘New Agreement’). They made their consent conditional first, upon the inclusion of their concerns in the negotiating mandate and second, on a change in Russia’s policy towards them without which negotiations on the agreement could not be launched (see Chapter 4; see also Chapter 5 and Chapter 7, specifically Poland’s motivations for using the veto). The development of new policies therefore provides member states therefore with considerable leverage both within the EU and vis-à-vis Russia. The influence they can wield over Russia with their veto depends however on how interested the Russian government is in a new agreement with the EU. The possibility to veto agreements that do not cater for a state’s interests gives each member state the power to force others to make concessions if they (badly) want to agree and pursue a collective policy towards Russia on a particular issue, but it does carry political costs as it holds up the policy-making process and prevents the other states to push ahead (see Tallberg 2007, 2008).

Once a mandate is adopted and the negotiations are under way, individual states cannot stop the process. Nevertheless, during the negotiations with Russia, conducted by the European Commission on behalf of the member states, the member countries are regularly consulted and their concerns are taken on board to ensure that the final text will be ratified by them. Any extension of the mandate, to include new issues and areas that are not covered by the existing mandate, has to be approved by consensus again.

There are four (main) types of policies or decisions that member states have developed and adopted at the EU level regarding Russia (see also Art. 12, TEU):

¹⁰ Author’s interview with representative of one of the CEECs, Brussels 16 July 2007.

- **legally binding agreements** with Russia, such as the Partnership and Cooperation Agreement and the ‘New Agreement’ that is currently being developed to replace it (see Ch. 4). If these agreements are comprehensive ‘mixed agreements’ that include issues where the EC has exclusive competences (especially on trade), as is the case with the PCA and the New Agreement, they require ratification by all the members states, the EC and the assent of the European Parliament (as well as ratification by Russia); besides the constraints of reaching the agreement by unanimity amongst themselves and with Russia, the requirement of EP assent places further constraints on the member states as the agreement has to be acceptable to an absolute majority of MEPs who cannot amend the agreement but who can reject it in its entirety.
- **bilateral political declarations** (of intent) that are not legally binding but which set out the joint objectives to be achieved by EU member states and Russia, such as the Four Common Spaces Road Maps (see Ch. 4); these are adopted by consensus.
- **unilateral common strategies**¹¹ are legal acts that set out the goals that member states wish to collectively achieve vis-à-vis Russia, such as the Common Strategy (CS) on Russia; they are adopted by unanimity at the level of Heads of State and Government (see Art. 13, TEU), but once adopted, any decisions taken in the framework of the CS can be adopted by qualified majority, thereby making it possible, at least in theory, for member states to be outvoted.¹²
- **unilateral political declarations** on particular current affairs issues that arise (for example on the actions of Russian military forces in Chechnya); these political declarations are issued by the Presidency on behalf of the member states; prior to their announcement they are consulted by the Presidency, and thus generally based on agreement among all member states, but the Presidency can also issue declarations on its own accord in response to crises that require an urgent response, without seeking prior approval from the member states.

With the adoption of any of these policies, member states’ room for manoeuvre in bilateral relations becomes constrained. When they adopt a common

¹¹ EU internal treaty developments (the adoption of the Treaty of Amsterdam, 1997), had provided member states with the Common Strategy (CS) as a new foreign policy instrument for joint external action.

¹² See Haukkala 2010. This possibility has however rarely, if ever, been used.

policy, the member states commit themselves to pursuing the collectively agreed objectives also at the bilateral level ‘in a spirit of loyalty and mutual solidarity’ and they are expected to ‘refrain from any action which is contrary to the collectively agreed policies or likely to impair their effectiveness, as set out in the Maastricht Treaty (Art. 11 (2), TEU). Existing policies towards Russia and EU-Russian agreements therefore constrain member states’ ability to conclude bilateral agreements with Russia that contravene the common EU policy. Although their compliance with collective policies cannot be enforced, non-compliance may have repercussions for their reputation in the EU which could negatively impact on their ability to influence the shape of future collective policies towards Russia and this potentially detrimental effect on their reputation could act as a strong disincentive.

Further, and regarding specifically the Common Strategy, the fact that member states are formally able to take consecutive decisions within the framework of the CS to implement the strategy by qualified majority voting (Art. 23(2), TEU) has implications for their ability to influence the decisions taken jointly within the CS framework. Although the TEU has included safeguards to ensure that member states can protect themselves against decisions being taken that contravene important national interests by opposing the adoption of a decision by qualified majority (Art. 23(2) TEU), they can, in the case of the CS, in principle be outvoted. This decision-rule attached to the legal instrument has two contrasting consequences. Firstly, it increases the ability of states that are pursuing a policy towards Russia that is shared by the majority to influence the joint decision but secondly, it decreases the ability of states that hold a view shared only by a minority to block decisions they oppose. Knowledge of the decision-rules can therefore influence member state governments’ choice of what issue they will insist on including in the CS in order to increase their ability to achieve the outcomes they desire also in subsequent decisions.

The Institutional Structure of Collective Policy-Making towards Russia

Policy towards Russia is developed and agreed in a range of committees and at different levels of the hierarchy between the member states and institutions of the EU. It is here where national officials are exposed to EU policy-making rules and it is here where the forging of a common identity can be expected to take place as a result of processes of socialisation. Among the different levels of the hierarchy, the working group level is of particular importance in the policy-process, in fact diplomats argue

that this is *the* most important level, that it is ‘where policy on Russia is really made’.¹³ The key committee for policy towards Russia is the Council working group on Eastern Europe and Central Asia (COEST), composed of diplomats from the member states’ Permanent Representations in Brussels who are working on relations with Russia. Representatives of the Commission also attend these meetings. Their function is to report on progress in EU-Russian negotiations, to give expert advice, and to integrate feedback from the member states into policy proposals drafted by the Commission. These meetings normally take place twice a week, and at regular intervals COEST meets also ‘in capital formation’, which means that diplomats from the national foreign ministries who are in charge of the Russia portfolio travel to Brussels to discuss pertinent issues with their colleagues from the other member states. Besides COEST, issues regarding Russia are also discussed in relevant sector-specific working groups. These are, *inter alia*, the so-called ‘Article 133 Committee’ for trade¹⁴, the Committee for Transport and Energy and the Committee for Human Rights (COHOM).

In contrast to these committees, and perhaps contrary to expectations, the Council’s Working Group on Foreign Relations (RELEX) and the Political and Security Committee (PSC, or COPS) rarely deal with Russia. The RELEX working group is responsible for horizontal scrutiny of measures and activities within CFSP from a legal, financial and institutional perspective. The PSC (see TEU 1992, Art. 25) is composed of the Political Directors of the Permanent Representations. Its function is to monitor international developments, to define policies to address foreign and security issues as they arise and to scrutinize the implementation of collective policies in the area of foreign and security policy (TEU 1992, Art. 25).

At the higher level, the Committee of Permanent Representatives (COREPER) in the formation COREPER-II, the Ambassadors from member states’ Permanent Representations meet to discuss, *inter alia*, foreign affairs (TEC, Art. 207). COREPER II prepares the meetings of the Council of Ministers on external relations issues, and here policies towards Russia are discussed when important matters arise that could not be resolved at the lower political levels. The General Affairs and External Relations Council (GAERC) in which Foreign Ministers of the member

¹³ Authors interview with COEST representative, Brussels, 16 July 2007.

¹⁴ For details see Bretherton & Vogler (2006:68-69 and 79-80) and Zimmermann (2007:819,821-22). For details on the decision-making mechanisms on trade see also Woolcock (2007) and Meunier & Nicolaidis (2005).

states meet, discusses and adopts policies towards Russia if and when they enter the agenda. Besides the meetings in Brussels, the Ambassadors of the member states (Head of Missions) meet regularly in Moscow to discuss their policies on Russia (see also CSR 1999, I.4. and TEU 1992, Art. 20). Heads of State or Government discuss issues regarding Russia in the European Council when lower levels of the political hierarchy have not been able to come to an agreement. National diplomats are thus engaged in very regular and close cooperation in Brussels and it could be expected that they are consequently gradually developing common perspectives on and common objectives towards Russia.

The meetings in the various decision-making forums used to be chaired, until the entry into force of the Lisbon Treaty, by a representative of the country holding the Presidency. During their Presidency of the EU, states are due to their elevated position in the policy-process better able to influence the shape of policies (see e.g., Tallberg 2003, 2004, 2007, 2008). Because the member state holding the EU Presidency represents the EU collective externally on foreign policy matters (Art. 18 (1), TEU), during the 6-month period, the member state holding the chair has (had) considerable opportunities to influence the shape of collective policies. The member state holding the office has enhanced agenda setting powers as it has the possibility to prioritise issues and to shape outcomes through the way in which it decides to manage the policy-making process. The common practice of bilateral consultations with other governments provides the Presidency also with privileged information about national preferences (Tallberg 2007, 2008). For smaller countries the EU Presidency is an important instrument to influence policies (Bengtsson et al 2004:331; Tallberg 2003, 2004, 2007, 2008)¹⁵, but they are more limited in their ability to take advantage of this opportunity. It is easier for large countries to pursue their own agenda during their term in office.¹⁶ They have the capabilities to run the Presidency largely unaided by the Council Secretariat and the Commission services whereas small states rely to a large extent on the assistance of the bureaucracies, thereby handing some of the control over the agenda to the former. This, in turn, reduces their ability to shape the agenda and the resulting policies. In addition, informal rules, especially the expectation that the Presidency will be impartial, and the requirement that it act as an ‘honest broker’ hamper smaller member states’ ability to capitalise on the

¹⁵ Authors interview with member state diplomat, 20 November 2007.

¹⁶ Author’s interview with CEEC diplomat, Brussels, 26 November 2007.

opportunities offered by the office of the Presidency (Bjurulf & Elgström 2004: 257). Scholars have found that smaller member states are more prone to follow the impartiality norm than large states which tend to pursue their national interests quite openly (e.g. Hayes-Renshaw & Wallace 2006). This is also corroborated by diplomats from the smaller member states.¹⁷

Besides working with other member states to gain greater influence, small countries have to remain in regularly contact with Commission officials and Council Secretariat staff working on the dossier to ensure that their interests and concerns are being taken on board in policy proposals.¹⁸ It is also important for both small and large states to have staff in these institutions working on Russia.¹⁹ The EU-15 states are better able to use their nationals in EU institutions to influence decisions as they have people in more important positions.²⁰ In this regard the member states that joined the EU more recently are generally at a disadvantage. However, some of the CEECs regard networking with nationals working in the institutions as ‘improper’²¹ while the EU-15 countries have no such qualms.

In sum, member states have a variety of access points to ‘upload’ their policy preferences regarding Russia to the EU level, but their ability to do so is limited by the fact that there are so many other member states trying to do the same which also means that the collective policies that result from the decision-making process in the EU do not necessarily cater for member states’ individual interests regarding Russia. From the logic of consequences perspective, the member states are expected to make a conscious choice between cooperation at the European level and bilateral action, weighing up the costs and benefits. The analysis in Chapter 4 of member states’ ability to shape collective policies over the course of the two decades since the end of the Cold War, and also the analysis of member states’ divergent preferences and the difficulties they have experienced in forging collective policies at the European level which are discussed in Chapters 5 (energy) and 6 (democracy and human rights promotion) provides ample evidence that individual national interests are frequently not catered for. The likely consequence is that the EU route does not enable the

¹⁷ Author’s interviews with CEEC diplomat, 16 July 2007, Brussels; CEEC diplomat 20 July 2007; diplomat from small Western member state, 31 July 2007, Brussels.

¹⁸ Author’s interviews with diplomat from one of the Baltic States, Brussels, 3 December 2007; member state diplomat (EU-15), Brussels, 20 November 2007.

¹⁹ Authors interview with member state diplomat, 20 November 2007.

²⁰ Author’s interview with diplomat of one of the Baltic States, Brussels, 25 July 2007.

²¹ Author’s interview with COEST representative (new member state), Brussels, 19 June 2007.

member states to achieve their objectives, and that national governments therefore choose to pursue their objectives bilaterally rather than through the EU.

The EU's top-down impact on member states' choices

As I outlined in the previous chapter, the *Europeanisation* literature contends that the regular contact with representatives of the other member states and the EU institutions creates an environment in which representatives of the member states become 'socialised' through the concentration of decision-making activities in Brussels into seeing things the 'EU' way. From the perspective of the 'logic of appropriateness', it can be expected that from the joint decision-making in the EU, especially taking into consideration that national diplomats meet their counterparts from the other member states twice a week in Brussels in COEST, a preference for the EU emerges and objectives are less frequently pursued at the bilateral level, i.e. that policies towards Russia are discussed with colleagues from the other member states and not pursued in isolation at the national level. Further, if Europeanisation scholars are right, the frequent and regular meetings in Brussels of national diplomats who are developing policy towards Russia, both at the national level (in consultation with the officials working in the capitals) and at the EU level (in consultation with their counterparts from the other member states in Brussels) will result in a shift in the substance of policies towards common, European objectives so that they will not necessarily reflect individual national interests, but rather collective, European interests.

However the analysis of the different policy cases discussed in Part II reveals much evidence to the contrary with the most striking cases being those discussed in Chapter 7 where member states opt against the EU route on issues where there are pre-existing competences in areas related to the policy issue on which they are engaged with Russia in a dispute.

2.2 MEMBER STATES' BARGAINING POWER IN THE EU

Besides the constraints imposed on the member states by the EU's institutional structure and the EU's decision-making rules and procedures, it has become even more difficult for individual states to influence policy towards Russia following the steady increase in the number of member states. This is despite the fact that in other sectors enlargement has not caused the deadlock and delays in decision-making that

scholars had anticipated (see Pollack et al. 2010:492).²² According to a diplomat taking part in COEST meetings, every country in this forum (apart from perhaps Malta) has a view on issues relating to Russia.²³ Although equality of the member states is a fundamental principle of decision-making in the EU where unanimity is the rule, in practice the size of a state predetermines the influence it can have.

Diplomats from new, old, large and small member states converge in their assessment that large states are able to dominate the policy process and that smaller states have great difficulty influencing EU policy when their preferences do not converge with those of the large states.²⁴ Small member states have less influence in EU foreign policy than the larger states since they tend to lack the resources to participate actively in EU decision-making – they simply do not have the manpower and sufficient information (see Luif & Radeva 2007:39).

Smaller member states are thus unable to affect the content of the collective Russia policy because policy is often determined by the large member states (Haukkala 2006:49-50). Hardly anything is possible without the three big countries' consent.²⁵ According to practitioners, the large states are always in the lead in the working group, and in decision-making in general which they argue is due mostly to the fact that small countries simply do not have the resources, including the administrative staff, to match those of the large countries.²⁶ A representative of one of the EU-15 confirmed that

[i]t is impossible for any country to play a bigger role than what you are. We are a small country, we can't help that. Of course we try and promote our own ideas in the EU regarding Russia, but the frame of reference is set by the common decisions reached in the EU Council [where the large member states have greater influence on outcomes].²⁷

And a diplomat from the CEECs confirmed this view by declaring that '[t]he "brutal answer" to the question who has influence in the EU [regarding Russia] is that "big politics is done by big countries".²⁸ The big countries regarding Russia are the 'Big Three' (France, the UK, Germany). Italy is also included in this group by some

²² Author's interview with diplomat of one of the Baltic States, Brussels, 3 December 2007.

²³ Author's interview with COEST representative, Brussels, 16 July 2007.

²⁴ Author's interviews with diplomat (old member state), Brussels, 20 November 2007 and Council Secretariat official, Brussels, 7 December 2007.

²⁵ Authors interview with COEST representative (old member state), Brussels, 5 December 2007.

²⁶ Author's interviews with COEST representative, Brussels 16 July 2007; COEST representative (old member state), Brussels, 26 July 2007; member state diplomat, 20 November 2007; COEST representative (old member state), Brussels, 5 December 2007.

²⁷ Author's interview with COEST representative (old member state), 13 November 2007.

²⁸ Author's interview with CEEC diplomat, Brussels, 20 July 2007.

diplomats. France, the UK and Germany have a prevailing influence over collective external relations policies (see Börzel & Risse 2006:486; Cooper 2003:130; Everts 2002:39; Hyde-Price 2006:230; Jørgensen 1998:97, 2004:38, 46; Keukeleire & MacNaughtan 2008:124-135, 147, 330; Luif & Radeva 2007:37; Sjørnsen 2003:46; Smith 2002:2; Soetendorp 1999:15; Tallberg 2007, 2008; Whitman & Manners 2000; W. Wallace 2005:434; Wong 2006:1).²⁹ This means that small member states are faced with constraints in the EU – if large states’ preferences are not congruent with their own, their ability to obtain a common policy that fits with their preferences is limited.

Due to their inferior capacity, it is of vital importance for small countries to constructively engage with other member states, and not to block progress.³⁰ A member government regularly obstructing the adoption of policies that do not fulfil its own expectations, but which are endorsed by all other member states, will be taken less seriously than a country that is willing to find alternative solutions even if they do not perfectly match its preferences.³¹ According to one diplomat ‘[i]f in one COEST meeting you are on your own, that is not a problem, it can happen, but if meeting after meeting you are the only one against all other member states you have a problem. It damages your position in the long term.’³² Estonian Prime Minister Ansip argued similarly in a public speech that member states must be willing to seek a common solution in the EU (Ansip 2008).

Punching above their weight

While there is a general agreement that large states have more influence than small states in EU policy-making, diplomats taking part in the development of EU policy towards Russia emphasise that the small states can have a considerably bigger influence over decisions than one would expect given their size.³³ The main emphasis is placed on the expertise of the individual representative, and on the way in which the

²⁹ This was also confirmed in various interviews with EU officials and member state diplomats by the author in July/August and November/December 2007 in Brussels.

³⁰ Author’s interviews with diplomat of one of the Baltic states, Brussels, 3 December 2007; member state diplomat (old member), Brussels, 20 November 2007; diplomat, Brussels, 13 November 2007.

³¹ Author’s interview with COEST representative (old member state), Brussels, 5 December 2007.

³² Author’s interviews with COEST representative (old member state), Brussels, 13 November 2007; COEST representative (CEEC), Brussels, 20 July 2007; COEST representative, Brussels, 16 July 2007; diplomat of the Baltic States, Brussels, 25 July 2007.

³³ Author’s interviews with member state diplomat (EU-15), 20 November 2007, Brussels; CEEC diplomat, 3 December 2007, Brussels.

national administration is organised (see e.g. Tonra 2001) to ensure maximum impact in EU decision-making forums.

The influence of small states in EU decision-making on Russia (and more in general) depends to a significant extent on the skills of the individual diplomat.³⁴ If the representative cannot present his country's point of view well, no one will pay attention and if proposals are 'shot down' in COEST they have no chance of being adopted at the higher political levels.³⁵ In this regard (including English language competence) the 'new' member states have been singled out as still 'having to learn a lot'.³⁶ So, in sum, very competent representatives can make a small country more powerful, and a large country can lose influence if the representative does not defend the national position effectively and does not know the dossier well, although representatives of large states have – by virtue of acting on behalf of a large state – a lot of weight regardless of how competent they are.³⁷

Besides the variation in influence according to the size of the state and the expertise and competence of the individual, it is also important to consider the length of membership. Researchers and diplomats argue that the new member states are having difficulties in influencing EU policy towards Russia because of their lack of experience (Raik 2007; Haukkala 2005a:44).³⁸ In contrast representatives of states that have already been EU members for a longer period of time are generally better able to shape EU policy towards Russia because the national officials know the 'rules of the game' and know how to use them to their advantage.³⁹ Diplomats from the older member states have therefore an advantage as the domestic foreign policy machinery has a greater level of experience in 'playing the Brussels game'.⁴⁰ Experienced diplomats that have worked on EU related issues in the past know decision-making procedures very well and can use this to their advantage in negotiations.

³⁴ Author's interviews with COEST representative (EU-15), Brussels, 30 July 2007; COEST representative (EU-15), Brussels, 5 December 2007; COEST representative (EU-15), Brussels, 26 July 2007; member state diplomat (EU-15), Brussels, 20 November 2007.

³⁵ Authors interviews with COEST representative, Brussels, 16 July 2007 and CEEC representative in COEST, 20 July 2007.

³⁶ Author's interviews with COEST representative (EU-15), Brussels, 5 December 2007; COEST representative, Brussels, 16 July 2007; CEEC diplomat, Brussels, 19 November 2007.

³⁷ Author's interviews with COEST representative, Brussels 16 July 2007; diplomat (EU-15), Brussels, 20 November 2007; COEST representative (EU-15), Brussels, 26 July 2007; diplomat of one of the Baltic States, Brussels, 25 July 2007.

³⁸ Authors interview with COEST representative, Brussels, 16 July 2007.

³⁹ Author's interview with diplomat, Brussels, 13 November 2007.

⁴⁰ Author's interview with diplomat of one of the Baltic States, Brussels, 25 July 2007.

Influencing other member states

Cooperation and mobilising political support from other member states is crucial, especially ‘choosing the right partners’ to work with on a particular issue.⁴¹ Personal networks of the individual representative were consistently mentioned by practitioners as being of vital importance for a representative’s ability to influence EU policies on behalf of his country.⁴² But whereas the old member states are in regular contact exchanging information and coordinating positions where objectives converge⁴³, the new member states have been reluctant or unable to form coalitions with other member states on issues of shared concern during the first couple of years of EU membership.⁴⁴ Cooperation in the capitals outside Brussels also did not take place in most cases, although this is a well-established practice employed by the older member states.⁴⁵ In addition, many of them have not made use of the expertise and access to information that EU officials can offer.⁴⁶

In the EU, immaterial sources of influence, namely the ability to ‘persuade’ other member states by means of the more compelling argument (see Risse 2000; Börzel & Risse 2007:493), can also help member states shape outcomes. It is, according to Keukeleire & MacNaughtan (2008), the smaller countries that rely on immaterial power assets which can include a country’s reputation and the credibility it has earned with diplomatic skills. With immaterial power assets small countries can punch above their weight in the deliberative process on some foreign policy dossiers and shape outcomes disproportionate to their size where they can, due to particular knowledge or argumentative ability, convince others (Keukeleire & MacNaughtan 2008:135; Sjursen 2003:46). This is however difficult to measure and the influence of individual states in EU policy-making towards Russia is difficult to assess in the absence of sufficient data on the meetings that take place behind closed doors. However we can conclude that the ability of an individual state to shape EU policy according to its own preferences can depend on the mastering of the rules of the

⁴¹ Author’s interview with COEST representative (EU-15), Brussels, 26 July 2007.

⁴² Author’s interview with COEST representative (old member state), Brussels, 5 December 2007.

⁴³ Author’s interview with Visegrad state diplomat, Brussels, 26 November 2007.

⁴⁴ Author’s interviews with Visegrad state diplomat, Brussels, 26 November 2007; COEST representative (CEEC), 16 July 2007, Brussels; COEST representative (old member state), 26 July 2007, Brussels.

⁴⁵ Author’s interviews with member state diplomat (EU-15), Berlin, 15 June 2007; member state diplomat (CEEC), Berlin, 19 June 2007; Visegrad state diplomat, 26 November 2007.

⁴⁶ Author’s interview with COEST representative, Brussels, 16 July 2007.

diplomatic game, the strength of its arguments and the skill to use opportunities in the EU to their advantage (see e.g., Jakniūnaitė 2009:124; Bastian 2006:271).

Reputation as a factor

Due to their difficult history with Russia, the CEECs are faced with the assumption that their policies are likely to be biased. Their contributions to discussions about policy towards Russia have been treated with suspicion because of their reputation as a hostile, anti-Russian bloc (Sutela 2005; Leonard & Popescu 2008; Karaganov, 2005; Belder, 2004:21; Meier 2004).⁴⁷ This image of ‘trouble-makers’ has weakened the CEECs’ ability to influence the shape of EU policies and they have also faced constraints in their ability to use the veto since their opposition to policies that the Western member states are keen to pursue are viewed *ex ante* as the result of historical sensitivities. It is therefore more difficult for them to establish that their objections are legitimate.⁴⁸ Nevertheless, Poland has not been afraid to build up a ‘nuisance value’, that is to forcefully pursue policies regarding Russia that could be perceived as ‘anti-Russian’, reflecting Poland’s individual concerns or grievances regarding Russia and Lithuania has sometimes followed this example. However, as Ansip (2008) has indicated, some of the CEECs have, as a result of their negative image in the EU, aimed to support common policies even where their views were not fully taken into account. Latvian and Estonian diplomats, in particular, have invested some effort in ensuring that their policies in the EU will not be perceived as revolving around Russia only, discrediting the image of a ‘one-issue’ country in the EU (Roth 2011) and they have also been keen to discredit the image of ‘trouble-makers’ in EU-Russian relations.⁴⁹

In contrast, the Nordic states (Sweden, Finland and Denmark) have built up a reputation of being constructive and reasonable in their positions. Their policy proposals, even when they are critical of Russia, are therefore regarded as legitimate.⁵⁰

⁴⁷ Author’s interviews with diplomat of one of the Baltic States, Brussels 25 July 2007; COEST representative (EU-15), Brussels, 26 July 2007.

⁴⁸ Author’s interviews with diplomat of one of the new member states, 16 July 2007, Brussels.

⁴⁹ Author’s interviews with Council Secretariat official, 7 December 2007; diplomat of one of the Baltic States, Brussels, 25 July 2007.

⁵⁰ Author’s interviews with COEST representatives, July-August, November-December 2007, Brussels.

We can conclude that old (EU-15) member states, and especially the largest countries, have considerably greater influence over the shape of collective policies towards Russia than the new CEE member states which can be expected to be much weaker, not only because of the inexperience of the national administrations and the individual representatives, but also due to their image as prejudiced trouble-makers regarding Russia. This limits the attractiveness of the EU route for them, but the possibility of gaining support from the institutions (Commission and Council Secretariat) that have a key role in the drafting of policies, and from a number of other CEECs provides incentives for them to take the EU route since this institutionalised support for small states counteracts the dominance of the large and older states somewhat and increases their ability to shape collective policies.

2.3 CONFLICTING PREFERENCES AS AN OBSTACLE

As the previous discussion has highlighted, the congruence of member states' preferences is an important factor influencing the individual state's ability to shape collective policy towards Russia and thereby also a factor determining their likelihood of success. From a rational choice perspective, the anticipated likelihood of success influences their assessment of the utility of the EU. When their objectives are outliers, at a distance from the 'EU mainstream', they are unlikely to be successful in shaping EU policies and therefore more likely to pursue them unilaterally (see Bastian 2006:196; Keukeleire & MacNaughtan 2008:145; Luif & Radeva 2007:27; Musu & Casarini 2007; Rummel & Wiedemann 1998:62). As the number of states has increased with the accession of new member states in 1995, in 2004 and 2007, so has the diversity of preferences and therefore agreements on policy are more difficult to achieve (Bastian 2006:35; Bretherton & Vogler 2006:161,175; Dannreuther 2004c:206; Freres & Sanahuja 2006:38-41; Gower 2001:208; Hill & Wallace 1996:9; Hyde-Price 2002:54; Miskimmon 2007:150; Ojanen 2008:69; Schimmelfennig 2003:24; Tassinari 2005a:54; W. Wallace 2005:452, 2007:6). However, it is worth noting that others contend that the streamlining of informal decision-making rules (especially limiting the *tours de table*) may well have increased the efficacy of EU decision-making (Van Ham 2005:59). So, while decision-making in the EU has not as a rule become more difficult (see Pollack et al 2010), agreeing on issues involving Russia proves particularly difficult since the EU's enlargements in 2004 and 2007 (see also Luif & Radeva 2007:38).

Leonard and Popescu (2007:1) emphasize that in the 1990s member states had comparatively few difficulties agreeing on a common approach towards Russia as they ‘coalesced around a strategy of democratising and westernising a weak and indebted Russia’. Moravcsik and Vachudova (2005:207) have argued that ‘[d]iversity of interests, not the number of members per se, is the real issue’ in EU decision-making after the eastern enlargement. And indeed, other scholars examining the EU-Russian relationship following the 1995 but in particular the 2004 enlargement of the EU have argued that the diverse group of states that the EU is composed of shares only very limited common interests (see Barysch 2005b:32; Emerson 2001:17-25; Haukkala 2008:318; Lynch 2003:79, 2004:112, 2005a:16, 27-28; Lynch et al. 2005). They attribute this to the fact that Russia ‘evokes vastly different feelings’ and generates very diverse interests among and within the twenty-seven member states (Trenin 2008:134; see also Vahl 2007:122).

The specific case of member states’ relations with Russia underscores this view since it is not that member states hold such a large variety of views regarding Russia, but that the views that the member states hold on Russia are located at opposite ends of the spectrum and therefore difficult to reconcile in the formulation of common policies at the EU level (see e.g., Trenin 2008:134). The perception of Russia divides member states into two groups, broadly following the old-new/east-west division (see Raik 2007:223) or the degrees of ‘friendliness towards Russia’ (Braghiroli & Carta 2009). At the most basic level, the differences between the groups is that one regards Russia as a threat and the other attributes importance to Russia as a trade and strategic partner and investment opportunity or, as Raik put it, one group of member countries views Russia as a European great power of considerable importance, and thus the need to engage and cooperate with it, whereas the other group views Russia as the heir to the Soviet Union which has to be held responsible for the crimes committed by the totalitarian regime and whose ambitions and motivations are potentially threatening (Raik 2007:211; see also W. Wallace 2007:6).

The group that views Russia as a threat is composed of states that were part of the Soviet ‘sphere of influence’, i.e. the three former Soviet Republics (Estonia, Latvia and Lithuania), the Visegrad states (Poland, Hungary, Czech Republic & Slovakia [Czechoslovakia]) and Bulgaria and Romania all of which were part of Council of Mutual Economic Assistance (CMEA or COMECON) and the Warsaw Treaty of Friendship, Cooperation and Mutual Assistance (Warsaw Pact) until the

dissolution of the Soviet Union. References to the CEE states' perception of Russia as a threat, and its behaviour as 'unpredictable' abound in the literature (Aalto 2006, 2008a; Barysch 2005b:32; Belyi 2004:213; Ehin & Berg 2009; Fofanova & Morozov 2009; Föhrenbach 2002; Jakniūnaitė 2009; Keukeleire & MacNaughtan 2008:61; Khudoley 2002; Miniotaite 2008:161, 164; Raik 2007:208, 213; Vareikis 2002:279, 281; Webber 2000b) and in the views of diplomats.⁵¹ Since the CEECS were all subject to political, economic and military control from Moscow, their experience of relations with Russia - as the successor state of the USSR - is fundamentally different from that of all the other member states.

Besides their perception of Russia as a potential threat (through the lens of historical experience), many CEE states have experienced real difficulties in their relations with Russia and are, as a consequence, concerned about Russia's ambition and potential ability to influence their domestic politics (see Astrov 2009:86; Berg 2008:149; Raik 2007:225, footnote 17; Raik & Palosaari 2004:34; Miniotaite 2008:164). Among them, the Baltic States and Poland are frequently mentioned as maintaining the worst relations with Russia (for details, see Aalto 2006b:30, 60-61; Fofanova & Morozov 2009:31; Galbreath/Lašas/Lamoreaux 2008:72; Gower 2001:199; Kaczmariski & Smolar 2007:20; Khudoley 2002:331; Tassinari, 2005a:48; Pridham 2009:62, 56; Spruds, 2002:348; Männik 2008:27, 29; see also EU-Russia Summit Statement May 1998; EU Demarche of 15 December 1997; EU Presidency Declarations of 20 February 1998; Gutterman 9-11-2004; as regards Poland, see Copsey & Haughton 2009: 279; Raik 2007:210; Musial 2002:301; Sokała 2005:134,135-7, 152; Järve 2002:243-4; Spruds 2002:346; Ozaliņa 2008:123,124,134-5; Kaczmariski & Smolar 2007:19; Leonard & Popescu 2007:49). The perception of Russia as a threat is reflected in official statements by political elites. Estonian Prime Minister Ansip, for example, argued in his justification of the relocation of a monument in Tallinn ("The Bronze Soldier", see Ch. 7) that '[o]ur wish was to stop the gradual slipping of Estonia under the control of Russia' and he claimed that the monument 'had been chosen as one of the means for [Russia to establish control over Estonia].' (Ansip 2007b). This perception of Russia as a latent threat was reinforced by a Russian military training operation in September 2009 in

⁵¹ Author's interviews with a member state diplomat, 13 November 2007, Brussels; a COEST representative (old member state), Brussels, 5 December 2007; and a diplomat of one of the Baltic States, Brussels, 25 July 2007.

Kaliningrad and Belarus and the acquisition of new military equipment by Russia that enables the Russian government to rapidly deploy troops on the Baltic Sea (see EU Observer 2010a; Rettman 2010a).

The group that views Russia as an opportunity is diverse, but all of these states share the experience of having been on the ‘other side’ during the Cold War and thus independent from Russian/Soviet control. Finland’s situation was different as its room for manoeuvre in international affairs was limited during the Cold War by the USSR and the eastern part of contemporary Germany (the former GDR) which was occupied by Soviet troops also experienced a different political reality. The old and particularly the large member states tend to assess the current situation and future prospects of Russia positively and do not share the threat perception of the new members (Raik 2007:208). Because of the economic potential of the Russian market, including the energy sector, most of them are eager to maintain close political relations with Russia which are necessary to support business deals between national companies and Russian enterprises. The large member states that have the requisite international standing to influence international affairs also regard Russia as an important partner for addressing international problems and reaching agreements on major international issues. The Western member states do not view Russian foreign and economic policy as a threat to their national security. Their concern is the strengthening of relations with Russia as a means of ensuring stability in Europe and as a means of promoting the consolidation of Russia’s post-Cold War economic and political transition.

Although this east/west, friendly/hostile division is certainly an oversimplification, it captures the problem of the existence of contrasting positions that are so far removed from one another that the forging of agreements at the European level that could reflect the whole gamut of member states’ preferences regarding Russia is made very difficult, if not impossible for the member states. A closer examination of the nature of member states’ relations with Russia and of the preferences that they pursue reveals that there are a large variety of subgroups among the member states. The divergent classifications by the researchers who have tried to analyse member states’ relations with Russia and its effects on their policy-making towards Russia in the EU (Kaczmarek & Smolar 2007; Braghiroli & Carta 2009; Leonard & Popescu 2007; Dura 2008) are displayed in Table 2.1 (below).

Table 2.1 Classifications of member states' bilateral relations with Russia

	Kaczmarek and Smolar (2007)	Braghiroli and Carta (2009)	Leonard and Popescu (2007)	Dura (2008)
friendly states ← Engagement ← Coercion/conditionality → 'hostile' states →	Eastern states Hungary Slovakia Czech Republic Baltic States Romania Poland	The Eastern Divorced Baltic States Poland Czech Republic Slovakia	New Cold Warriors Lithuania Poland	Strained political relations, but strong economic and energy cooperation Baltic States Poland Romania UK
		The Vigilant Critics Sweden United Kingdom Romania Slovenia Portugal Bulgaria	Frosty Pragmatists Czech Republic Denmark Estonia Ireland Latvia Netherlands Romania Sweden United Kingdom	Fluctuating between friendly and confrontational with pragmatic economic relations Czech Republic Denmark Slovakia
		The Acquiescent Partners Hungary Denmark France Ireland Netherlands Belgium Germany Luxembourg Spain Finland Italy Austria	Friendly Pragmatists Austria Belgium Bulgaria Finland Hungary Luxembourg Malta Portugal Slovakia Slovenia	Pragmatic and friendly relations Austria Belgium Finland Hungary Netherlands Slovenia Sweden Spain
		Loyal Wife Greece	Trojan Horses Greece Cyprus	Strong political relations Cyprus Bulgaria Greece
	Large Western states Germany France Italy UK		Strategic Partners France Germany Italy Spain	Strategic Relations France Germany Italy
				Lack political interest, but can have strong economic or financial interests Ireland Luxembourg Malta Portugal

Overlaps between 3 or more studies are highlighted in yellow, those between two are shown in italics.

Source: Author's compilation.⁵²

⁵² NB: Kaczmarek and Smolar (2007) focus on a smaller subset of member states, examining only Germany, France, Italy, UK and Hungary, Slovakia, the Czech Republic, Baltic States, Romania and Poland; Braghiroli and Carta (2009) exclude Malta and Cyprus from their analysis.

Whereas two of them have described different types of member states without systematically grouping them (Kaczmarek & Smolar 2007; Dura 2008), the other two (Braghiroli & Carta 2009; Leonard & Popescu 2007) have each presented a schematic that is reproduced in Table 2.1. What all four have in common is that they focus their attention on the nature of the different member states' policy approach within two broad macro categories of 'confrontational' versus 'pragmatic/friendly' and they all emphasise the divergences between the two extreme poles, i.e. between the 'Russia-friendly' states and the 'hostile' states. What the examination of these four studies highlights in particular are the difficulties in categorising member states in an analytically helpful fashion. We can see in Table 2.1 (above) that the studies converge only in their assessment of six member states that are placed by at least three of the four in the outer/extreme ends of the scale. What all four have in common is that they focus their attention on the nature of the different member states' policy approach within two broad macro categories of 'confrontational' versus 'pragmatic/friendly' and they all emphasise the divergences between the two extreme poles, i.e. between the 'Russia-friendly' states and the 'hostile' states. What the examination of these four studies highlights in particular are the difficulties in categorising member states in an analytically helpful fashion. We can see in Table 2.1 (above) that the studies converge only in their assessment of six member states that are placed by at least three of the four in the outer/extreme ends of the scale. These are the three large states' France, Germany and Italy (NB: *not* the UK) which all, except for Braghiroli and Carta (2009), place at one extreme of the scale and the Baltic States and Poland which all four place at the other extreme end. It is particularly the conflicting views of these two groups of states that are regarded by the authors of the four studies as problematic for the development of collective policies towards Russia at the EU level.

Leonard and Popescu (2007) classify the member states as *Trojan Horses*, *Strategic Partners*; *Friendly Pragmatists*; *Frosty Pragmatists* and *New Cold Warriors*. These groupings are used by the authors to explain how each state pursues its relations with Russia in terms of whether they are ready to compromise, whether they seek to apply coercive measures or whether they are engaged in any disputes with Russia. They observe that states in the first three groups engage with Russia primarily at the bilateral level. They do not however explore these states' motivations for choosing the EU route systematically, nor are the choices of policy route of the states in the other groups examined. Braghiroli and Carta (2009) group the member

states in four clusters according to the type of bilateral relationship they maintain with Russia which they assess with the help of a statistical model using the following indicators: 'East/West divide' weighted by religion, economic strength of the relationship, dependence on Russian gas, support for energy supply independence from Russia and attitude towards NATO enlargement. The four groups of states that result from their analysis are displayed in Table 2.1 (above).

The contrasting perceptions of Russia and approaches towards it that the member states advocate complicate the pursuit of collective policies. Disagreements among the member states are likely to affect whether states will pursue their interests through the EU when they are unable to control the shape of collective EU policies towards Russia, notably when Russia is a country of primary importance to them. If we regard successful outcomes as the main motivation for member states' choice of policy avenue it is clear that an incongruence of preferences and consequent inability to shape the collective policy would act as a disincentive for choosing the EU. Scholars examining EU-Russia relations and member states' conduct in external relations more generally have emphasised that the inability to reach decisions collectively has prompted the large member states - Germany, France and Italy – to move on to pursue relations with Russia (or other third states) individually rather than seeking a unified EU position (Peterson & Sjurson 1998b:178; Sánchez Andrés 2007:3; Stumbaum 2007:58, 74; see also Forster 2000:51).

CONCLUSION

This chapter has shown that the EU's internal decision-making mechanisms and rules both constrain member states in their ability to achieve their objectives at the EU level and provide them with opportunities to influence Russia that they would not have if they opted for the bilateral route. Individual states' ability to shape EU policy towards Russia is limited by the EU's decision rules and the division of competences between the member states and supranational institutions. In addition, we have seen that informal rules can constrain states in the pursuit of their objectives at the EU level, with the CEECs in particular being faced with difficulties due to their difficult history with Russia. Another factor that was highlighted in this chapter is that member states' capacity to shape EU policy can vary with size and the length of their membership in the EU, with consequences for the likelihood of achieving their objectives via the EU route. The discussion has also highlighted differences between the Western and the

CEE member states as a factor that negatively impacts on the individual state's ability to achieve the desired results at the EU level since the CEECs and the Western member states tend to pursue contrasting objectives towards Russia. Building on the discussion of how likely member states are to achieve a common policy that enables them to pursue their preferences regarding Russia at the EU level, the next chapter (Ch. 3) examines whether member states are able to influence Russia individually and collectively. Both chapters combined provide insights into the relative likelihood of success that member states can expect if they choose the EU route or the bilateral avenue.

CHAPTER 3 INFLUENCING THE RUSSIAN FEDERATION. THE LIMITS TO NATIONAL AND EUROPEAN INFLUENCE.

INTRODUCTION

The previous chapter identified the factors that affect the member states' abilities to influence EU policy, but this is only part of the rational assessment of the choice of route. Also critical is a member state's assessment of which route is more likely to realise its objectives. This essentially entails an assessment of whether the state is more likely to achieve its objectives bilaterally or through influencing the EU to influence Russia. I examine in this chapter both member states' individual capacity to influence Russia at the bilateral level and the EU's collective influence over Russia. Together with Chapter 2, this discussion provides an overview of the utility of the EU route versus the bilateral route in member states' pursuit of their foreign policy objectives.

At both the national and the European level, the member states can draw on a similar set of bargaining tools derived from their material capabilities in trade and in the military sphere. Member states do not however possess these instruments and leverage in equal measure; some have more substantial bargaining power while others are in a weak position with very limited leverage. In order to assess their individual and collective capacity I focus both on the power resources they have at their disposition and the extent to which they are able to capitalise on them.

Ideally, in the assessment of member states' ability or 'power' to entice and their ability to coerce Russia to act according to their preferences, we should assess their influence over outcomes according to Dahl's definition (see Baldwin 2002) as the ability of individual states and the EU as a whole to get Russia to do something it would otherwise not do. However outcomes will only become clear *after* the member states have made their choice of policy route. For the study of their choice of policy route it is important to assess the basis on which they have to make their *a priori* judgements about likely outcomes. A useful, albeit imperfect, predictor of outcomes is to measure the capabilities of the individual member state and of the EU relative to those of Russia. The main limitation of this approach is that we cannot assume that the member states, individually and jointly, are necessarily able to translate their capabilities (instruments and resources that they have at their disposition) into outcomes. The member states are therefore likely to consider not just their capabilities

alone, but also their track record in influencing Russia at the bilateral level and at the European level. Because national governments can only know for sure *after* the fact whether their choices will deliver the desired results, past performance serves as an important indicator of likely future effectiveness of EU action relative to their individual pursuit of foreign policy goals.

Whereas realist scholars emphasise power asymmetries in bilateral relations (see Baldwin 2002), Keohane and Nye (2001) have highlighted also the importance of asymmetrical *interdependence* in bilateral relationships which can give some indication as to the bargaining power of both parties. In the analysis of the EU's capacity to influence Russia will therefore identify and assess the impact of such asymmetries in their relationship. However asymmetries do not always translate into the actual ability to affect outcomes, because a weaker state may well be more committed than the stronger state and the more dependent actor may be more willing to suffer as a matter of principle (or successfully pretend that it is willing to do so) (see Keohane & Nye 2001:18). Moravcsik (1997:524) similarly underscored the limitations of assessing the willingness of states to deploy their resources in pursuit of foreign policy goals based on the capabilities they possess and instead pointed to the question of whether the state in question actually had the resolve or determination to use its capabilities. If Russia is more determined to mobilize its resources, regardless of the cost, than the individual member state, it has a greater capacity to achieve its objectives than they do. In order to assess the relative utility of the EU route versus the bilateral route, it is therefore necessary to find out in how far member states can capitalise, both individually and collectively, on their resources in seeking to influence Russia.

The examination will begin with an analysis of member states' collective strengths and weaknesses in relations with Russia more broadly speaking and the extent to which they can capitalise on their combined power resources. This is followed by a survey of their individual power resources and strengths and weaknesses which will be assessed in relation to their combined capabilities. This chapter thus serves, together with the previous chapter (Ch. 2), to assess the relative effectiveness of the bilateral and the EU route, providing insights into which route is more likely to deliver the desired outcomes for the member state.

3.1 MEMBER STATES' COMBINED INFLUENCE OVER RUSSIA

The combined weight of its member states and access to resources and instruments that surpass those of the individual state turn the EU into a potentially very influential international actor (Barbé 1998:119; Blair 2004:198,201; Hill 1998:41; K. Smith 1998:67, 75; Wong 2006:200). Many scholars therefore argue that the EU serves as a 'multiplier of national power', providing member states with a stronger 'voice' and therefore more influence internationally and this consequently enables them to pursue objectives beyond those attainable with domestic capabilities (Bastian 2006; Blunden 2000:19; Forster 2000:53; Hill 1998:38; Keukeleire & MacNaughtan 2008:144; Manners & Whitman 2000b:246, 251, 262-3; Musu & Casarini 2007:xxv; Pace 2004:227; V. Schmidt 2008:7; M.E. Smith 2004b:746; Tonra 2000:237; Wong 2006:9, 72-3, 75-6). Jørgensen argues that acting through the EU empowers most member states, as they have increased information at their disposal to be involved in policy that matters beyond their own borders, it also implies reduced fears of being targeted by major third countries such as Russia (Jørgensen 2004:50).

Political elites from the Baltic States (e.g. Ušackas 2008) have emphasised that the EU provides small states - like Lithuania - with an opportunity to 'correct the imbalance which exists in their relations with [...] countries like Russia'. Scholars have argued that Poland, since its accession to the EU, has made use of the EU to defend its interests vis-à-vis Russia as a means of compensating for its deficiency (see Copsey & Haughton 2009:281; Leonard & Popescu 2007:49). Furthermore, budgetary, diplomatic and economic support from the EU institutions and from other member states enable the individual country to pursue objectives 'more intensively' and 'with a heightened potential impact' (Keukeleire & MacNaughtan 2008:144). In sum, the EU studies and EU-Russia relations literature expects the EU route to be more likely to deliver the desired outcomes than the bilateral route. However, various scholars have argued that there is a gap between the immense economic weight of the European Community ('a giant') and its political weight in international relations ('a midget', 'dwarf' or 'pygmy') and emphasised that the EU lacks an ability to translate policy ambitions into achievements (Barysch 2005a:129; Bretherton & Vogler 2006:62; Frellesen & Rontoyanni 2007:230; Gomez 1998:133; Stebelski 1997:31; B. White 2004:17).

It is also necessary to consider that Russia is a country that is, due to its great power aspirations and its self-image as an independent pole in a multipolar world (see

e.g. Kropatcheva 2010), very difficult to influence. Indeed, as the analysis in the following Chapter 4 will demonstrate, even when Russia was at its weakest, the EU was largely unable to capitalise on its superior resources and the combined political weight of its member states. The following discussion aims to determine the EU's capacity to deploy its resources and capabilities to influence Russia and achieve the outcomes that the member states hope to obtain collectively at the European level.

The EU's weaknesses

Contemporary Russia is a fairly cohesive actor under a strong leadership and the Russian government has the capacity to agree internally on objectives and to pursue them consistently by mobilising the necessary resources (Forsberg & Seppo 2009:1809; Leonard & Popescu 2007:10). The recovery of strong central control and power capabilities over the course of the 2000s enables the Russian government to act assertively in its foreign relations (Tsygankov 2010). In particular, the Russian government's perception of Russia as a major global player and its determination to ensure that Russia regains its place among the 'great (regional) powers' (Allison 2008; Tsygankov 2010) means that influencing Russia's behaviour requires substantive incentives or credible threats.

In order to understand the significant shift in power between the EU and Russia, we should remember that in the immediate wake of the dissolution of the Soviet Union, and throughout the 1990s, the Russian state was impaired in its capacity to act effectively due to the steep economic decline, the erratic leadership of President Boris Yeltsin and the internal struggles for power and influence among a class of increasingly powerful oligarchs (see Ch. 4). Since Vladimir Putin became President in 2000, the re-centralisation of power and strengthening of the state's authority have enabled the political leadership of Russia to take decisions and to mobilise the required resources to implement them (see Chapter 4).

In contrast, the EU is fragmented with power dispersed between the twenty-seven member states and the different EU institutions and agencies which pursue each their own agendas and thereby weaken the EU's ability to take decisions and implement them (Bretherton & Vogler 2006: 62-88, 158; Dannreuther 2004c:206; Gower 2007:112; Hill 1993:318; Keukeleire & MacNaughtan 2008:121-123; Stumbaum 2007:58; Whitman 2010). Hill (1998) went as far as to depict the member states as the main obstacle to the EU's development into an effective international

actor. As a composite actor, the EU lacks a strong, decisive leadership with clear objectives and it lacks an ability to effectively marshal the power resources available to it to pursue collectively agreed goals, including through sanctions. Despite the EU's superior resources, its limited effectiveness is therefore a strong disincentive for the member states that could encourage them to pursue their objectives regarding Russia rather at the bilateral level, even if their own capabilities are more limited than those of the EU.

These differences between the EU and Russia are important to bear in mind when examining how member states' choose to respond to Russian policies. Russia's internal effectiveness and determination to achieve its objectives better enables it to achieve its objectives, whereas the EU's more limited capacity to agree objectives and the indecision or lack of consensus among the member states on how to implement them (*internal effectiveness*) weakens the EU's capacity to confront Russian actions effectively and to defend member states' interests vis-à-vis Russia.

Although theoretically the EU's capacity and resources seem to outweigh by far those of the member states, the question is whether the EU is able to translate them into real influence. In direct contrast to the argument about the EU's function as a 'multiplier' of member states individual power and influence, the literature dealing with the EU-Russian relationship has emphasised the constraints imposed on the EU by its composition as an international, supranational institution, specifically the 'diffusion of policy responsibility among the different EU institutions' across a wide range of policy areas and the implications this has for member states' ability to 'speak with one voice' in negotiations with Russia and thus their collective ability to influence Russia (Barysch 2005a:129; Frellesen & Rontoyanni 2007:230; Gower 2007:112-14; Haukkala 2008:329; Lynch 2004:112; W. Wallace 2005:450).

In addition, the incongruence of member states' preferences (which the previous chapter (Ch.2) discussed) weakens the EU's ability to achieve collective objectives. This observation has been confirmed by a variety of academic analyses (e.g., Barysch 2005b:32; Forsberg & Seppo 2009:1805,6; Hill 1998b:23; Kerremans 2006:172; Leonard & Popescu 2007; Light 2009:87; McCormick 2007:15; Toje 2008:207), by EU representatives and official reports (Commission 2008e:5; Patten 2004a) and by national governments (e.g. Merkel 2007a). Whitman (2010) in fact contends that the capabilities to achieve collective objectives cannot be fully mobilised in the EU due to the constraints that the decision-making process imposes

(see Ch. 2) so that the EU's capacity to achieve external relations objectives is in fact less than the sum of its member state parts. So, whereas the EU is frequently cast as a multiplier of member states' power, problems of internal effectiveness limit member states' ability to achieve their objectives at the EU level despite the EU's vastly superior capabilities.

Where the EU's internal effectiveness is limited due to an incongruence of member states' preferences and where they have difficulties in agreeing on which measures should be taken, the EU's ability to issue credible threats to deter third parties and to implement joint EU measures (e.g., sanctions) to coerce third parties is severely impaired (Toje 2008:207). Even where the member states have reached a common position, the need for them to compromise in order to reach a collective decision that is endorsed by all can reduce the impact of the measures that are finally taken. The 'lowest common denominator' agreements on coercive measures are likely to considerably reduce the EU's influence vis-à-vis third states (K. Smith 1998:75). The internal difficulties also limit the ability of the EU collective to react quickly to developments in Russia and to Russian actions abroad, as we will see in the following chapter (Ch.4), because Russian decision-makers 'will not pause in the pursuit of their foreign policy objectives in order to allow the EU time to decide how to respond.' (Whitman 2010:29).

Thus representatives of the EU and of the member states have expressed doubts about the EU's ability to get Russia to do what member states want. A Commission Communication of 2004 declared that 'Russia's economic self-sufficiency and geopolitical history imply that the EU's leverage should not be overestimated.' (Commission 2004a, Annex II:13). In the same vein, a national diplomat cautioned that '[t]he thing is that we need more from Russia than Russia needs from us. Our position, and the EU's position as a whole, is therefore weak.'⁵³ This statement can also be applied to the individual state's bilateral relationship with Russia – if the stakes are higher for the member state than they are for Russia, the member state is in a weaker bargaining position and likely to experience difficulties influencing Russia.

⁵³ Author's interview with COEST representative (CEEC), Brussels, 20 July 2007.

Political conditionality as a source of influence

The EU relies, for the most part, on inducements, constructive engagement, critical dialogue and persuasion rather than coercion to influence third countries' actions, notably on normative issues (Forsberg & Seppo 2009:1805; Toje 2008:211; McCormick 2007:15). However with regard to EU accession candidates it has applied strong conditionality and achieved major transformations in these states' domestic political, economic and legal systems, most notably with regard to the CEECs. The EU's most effective instrument to influence third states has in fact been the 'carrot' of EU membership (e.g. Blockmans 2008:183-4). Schimmelfennig (2008:918) has argued that a credible conditional EU membership perspective is a necessary precondition for the EU to bring about substantial domestic change in a third country.

The EU has had considerable success in getting third states keen to join the Union to radically transform their domestic political and economic system but whereas the EU's efforts in relation to enlargement candidates have been of indisputable success, scholars have found that the EU has little leverage over Russia since it lacks the necessary, compelling incentives to undertake the political, economic and legal reforms (see Gower 2007:112; Timmins 2007:176). The reason why the EU's bargaining power has been considerable is that candidate countries' eagerness to join the EU has made them willing to accept and meet the conditions imposed by the EU on them (see Lavenex & Schimmelfennig 2009:803; Schimmelfennig & Sedelmeier 2004:661). In contrast, the EU's ability to influence third states not wishing to join the EU by means of political conditionality is severely constrained since the main principle underpinning EU conditionality is 'reinforcement by reward' where the EU provides incentives for the target government to comply with its conditions and withholds the rewards if it fails to comply (Schimmelfennig & Sedelmeier 2004:662, 663), but this approach obviously necessitates the offer of enticing rewards to be effective.

If the target state is both uninterested in implementing reforms and changing its policies in line with EU demands and is powerful enough to resist the EU's pressure, the EU is unlikely to be able to achieve the desired outcomes. Leaving aside the broader appeal of EU membership as such, Schimmelfennig and Sedelmeier (2004) and Schimmelfennig (2008) have set out the conditions that have to be met for the EU's use of conditionality (which need not be tied to membership) to be effective. They have found that the main requirement for EU conditionality to be effective is

that both the offer of rewards and the withholding of such rewards in case the conditions are not being met are credible (Schimmelfennig & Sedelmeier 2004:663; Schimmelfennig 2008). Conditionality is credible firstly, if the EU has superior bargaining power, since threats would otherwise not be convincing, secondly if the EU is less interested in giving the reward than the target government in getting it and thirdly if the EU is consistent in its allocation of rewards (Schimmelfennig & Sedelmeier 2004:665, 666). If the EU subordinates conditionality to other political, strategic or economic considerations the target state might hope to receive the benefits without fulfilling the conditions (see Schimmelfennig & Sedelmeier 2004:666), seriously limiting the effectiveness of conditionality (see the discussion in Chapters 4 and 6). In addition, if there are conflicts among EU member states about the use of conditionality and the target state (Russia) learns about these conflicts and receives inconsistent signals, it is likely to be tempted to manipulate them to its advantage (see Schimmelfennig & Sedelmeier 2004:666).

During the first decade of its relations with Russia (1991-2000) the EU had some leverage over Russia for two main reasons, firstly Russia was economically weak and struggling with domestic political instability after the collapse of the Soviet Union (see Chapter 4) and EU membership was appealing since it was felt that close cooperation and integration into the major economic trading block on the European continent would help along Russia's speedy economic recovery (Newton 2003:196), secondly some Russian elites considered Russian accession to the EU as a desirable long-term goal in its own right as it could help reinstate Russia's international influence (Leshukov 1998:5). However with Russia's economic recovery and domestic political stabilisation, Russian elites' confidence in Russia's potential and future development in the international arena has grown and turned them resistant to external pressures on its domestic and foreign policies. In this process, the aspiration to EU membership was quickly abandoned. Now, with the re-emergence of Russia as a (regional) great power, a unilateral approximation of Russia's political, legal and economic rules and standards to the EU's *acquis communautaire* conflicts with Russian aspirations to regain the status of great power, independent from the EU and the US (see e.g., Tsygankov 2010). Russia's resistance to any attempts of applying conditionality to bring about its legal approximation is illustrated by the Russian government's decision to opt out of the European Neighbourhood Policy framework which has been designed to achieve closer integration and unilateral approximation of

neighbouring states that do not have an accession perspective by means of applying conditionality akin to that which had been used to prepare the CEECs for EU accession. Instead an alternative framework of four EU-Russian road maps was developed that emphasise the ‘equality’ and mutual respect of Russia and the EU (see Ch. 4).

The EU’s ability to influence Russia through trade

It has become commonly accepted that the EU’s strength as a major global trade actor serves as a key source of (potential) negotiation power which surpasses that of the individual state by far (Bretherton & Vogler 2006; Hyde-Price 2008b:159; Meunier & Nicolaidis 2005; Keukeleire & MacNaughtan 2008:205, 206; W. Wallace 2007:7; Wong 2006:113). The accession of new member states to the EU in 1995, 2004 and 2007 has increased not just the EU’s territorial expansion but also the size of its single market and thereby its attractiveness as a trade partner. This places the EU in a powerful position vis-à-vis Russia and enables it – at least in theory - to achieve beneficial outcomes for its member states by means of its superior bargaining power derived from its position in trade (Bastian 2006:191, 268, 269). There is therefore, at least at first sight, a clear advantage for member states in pursuing their objectives at the EU level.

Within the external governance research agenda, scholars have posited that, besides its resources and interdependence with third countries, high asymmetric interdependence in its favour is of key importance to its influence over third states and its success in imposing its interests on them (e.g. Lavenex & Schimmelfennig 2009:803-4). However, as Wagner (1988) has argued, asymmetric economic interdependence does not necessarily mean that the economically more dominant party will be able to exercise political influence over the economically weaker party. And, as we will see in the following, the EU’s ability to capitalise on its trade power has been limited.

Trade is arguably the most important sector in the EU’s cooperation with Russia. As a major international trade actor, the EU would seem to wield significant power over Russia which, in contrast, is a comparatively insignificant actor in global trade. It is however important to consider what types of goods are being traded by both sides, particularly in terms of whether or not they can be replaced easily from other sources. As Keohane and Nye (2001:13, 15) have emphasised, it is important to

consider not simply the share of goods in total imports, but the cost of adjusting to changes if one party was to suspend its trade. If one party has difficulties substituting goods from the other, the party that supplies these goods has much greater leverage than it is the case vice-versa. In the assessment of member states' individual and collective trade power, the types of goods traded with Russia are therefore also important to consider.

The EU has had, since the very beginning of the EU-Russian relationship, a dominant and completely unrivalled position in Russia's external trade, with a 45% share in Russian imports, around 60% share in Russian exports and around 50% in Russian trade overall (see Table 3.1, below). Russia, in contrast, occupies a comparatively small share of EU total external trade of between around 5% and 10%, although it has grown substantially during the 2000s (see Table 3.2, below). Russia's economy is comparatively small and EU trade makes a significant contribution to Russia's GDP, but not vice-versa. The EU collective can use the power inherent in the EU's position as the world's largest trade actor as a means of extracting concessions from its trade partners (Meunier & Nicolaidis 2005). As we can see in Tables 3.1 and 3.2, trade with the EU and access to its internal market is of considerable importance for Russia, whereas the total volumes and shares of trade with Russia are, for the EU as a whole, of comparatively limited importance.

Table 3.1 The EU-27's share in Russian trade (1994-2008)

	EU Share in Russian Imports	EU share in Russian Exports	EU Share in Russia's Total Foreign Trade
1994 (EC-12)	No data	No data	37%
2000 (EU-15)	No data	No data	35%
2003	46.1%	51.4%	49.8%
2004	No data	No data	No data
2005	45.3%	58.3%	No data
2006	46.5%	61.1%	No data
2007	44%	56%	52.4%
2008	44%	57.6%	52.6%

Source: Commission (1995a:4); Eurostat 2001, 2010; DG Trade (2005, 2007, 2010).

Access to the Single Market is, due to its size, the most important 'carrot' that the EU can offer to third countries (Meunier & Nicolaidis 2005:248) and the threat of withdrawing market access is also among the EU's most potent coercive tools. The exclusive EC/EU competence in this sector means for the member states that they

cannot use trade measures at the bilateral level, but that they have to cooperate at the European level to use trade power as a bargaining tool. Individual states cannot restrict Russian access to their own markets, but they depend on reaching a collective agreement at the European level in order to be able to use access to the entire single market as an incentive or threaten its withdrawal as a coercive measure.

Table 3.2 Russia's Trade with the EU (2005-2009)

	Russia's Share in EU Imports	Russia's share in EU Exports	Russia's Share in EU External Trade
2000	6.4%	2.7%	4% (rank 6)
2001	6.7%	3.6%	No data
2002	6.9%	3.9%	No data
2003	7.6%	4.3%	No data
2004	8.2%	4.8%	No data (rank 4)
2005	9.5%	5.4%	No data (rank 3)
2006	10.4%	6.2%	No data (rank 3)
2007	10.1 %	7.2%	8.7% (rank 3)
2008	11.4% (rank 3)	8% (rank 2)	No data (rank 3)
2009⁵⁴	9.6% (rank 3)	6% (rank 4)	7.9% (rank 3)

Source: Eurostat (2001, 2006, 2009, 2010); DG Trade (2005, 2007).

Table 3.3 Key goods that the EU imports from Russia

	Primary Products	Manufactured Goods
2005	75.8% (agricultural products 2.6%; fuels and mining products 73.2%)	11%
2007	74.5% (agricultural products 2.5%; fuels and mining products 72%)	10.5%
2009	79.1% (agricultural products 1.8%; fuels and mining products 77.3%)	8.2%

Source: DG Trade (2010).

However, Russia imports mainly manufactured goods from the EU (see Table 3.3, above). This is significant because Russia can substitute EU goods from various alternative suppliers on the global market. One example has been the competition

⁵⁴ Between the first halves of 2008 and 2009 EU-Russia trade fell steeper than the general downward trend in the EU's external trade, although it remained the EU's third most important trading (Eurostat 2009c).

between Airbus and Boeing aircraft manufacturers (Kaczmarek & Smolar 2007:9). In particular the competition with low-cost producers in Asia weakens the EU's position vis-à-vis Russia. In addition, within the EU various member states and producers are competing with one another to sell their products on the Russian market, such as, for example, French and German firms seeking to conclude strategic partnerships with Russian companies. This weakens the EU's ability to 'marshal' member states' economic capabilities.

Table 3.4 Key goods that the EU exports to Russia

	Primary Products	Manufactured Goods
2005	10.9%	86.9%
2007	10.3%	87.6%
2009	11.8%	83.3%

Source: DG Trade (2010).

The EU's imports from Russia are heavily skewed towards primary products (see Table 3.4, above). Russia ranks, in this category, first in EU imports (DG Trade 2010). Hughes (2007:79) argues that it is because of the EU's dependency on Russian energy resources that the EU collective has not been able to capitalise on its superior role in the trade relationship overall. As regards energy specifically, Russia is by far the most important supplier of primary energy to the EU. It possesses 6.3% of world proven oil reserves and 23.4% of the world's proven gas reserves (British Petroleum 2009). Russia's (untapped) gas reserves are by a large margin the biggest reserves in the world, followed by only two other countries whose reserves (as a share of world total) are in double digits - Iran (16%) and Qatar (13.8%). All others range well below 5% (British Petroleum 2009).⁵⁵ Around 42% of the EU-27's imports of natural gas⁵⁶, 33% of its crude oil imports and 26% of hard coal imports are supplied by Russia (Commission 2008c). Most significant is the dependence on Russian natural gas as none of the EU's other gas suppliers could, even in combination, make up for the shortfall if Russia stopped deliveries to the EU altogether. The EU has therefore difficulties issuing a credible threat of ceasing to import Russian energy as member states cannot comfortably substitute Russian supplies due to the large volumes

⁵⁵ Norway holds 1.6% of world total gas reserves and Algeria 2.4%, Nigeria holds 2.8% of world total gas reserves (BP 2009).

⁵⁶ The main alternative suppliers from outside the EU are Norway (24%), Algeria (18%) and Nigeria (5%).

involved (see the more detailed discussion in Ch. 5). The EU's options to replace Russian primary resources are limited by geography, the geological conditions and the disproportionate cost of alternative supplies. The two week long gas supply 'crisis' that resulted from the cut-off of Russian supplies to Ukraine during a prolonged dispute between both countries in January 2009 affected a large part of the EU, but most member states were able to compensate shortfalls from a variety of alternative supply sources and storage. It demonstrated that the EU as a whole is, in the short term, well capable of dealing with disruptions of Russian gas. Nevertheless, in the longer-term it would suffer seriously economic losses, as the example of some of the CEECs showed that were less able to compensate for shortfalls. During the crisis some producer nations temporarily increased their production. It is doubtful that they would do so in the longer term as it would accelerate the depletion of their already declining gas fields.

However it is not just the EU members that would suffer the consequences. Any supply suspension would also create substantial costs for the Russian economy which is hugely dependent on the sale of its raw materials and the EU is the most important market for Russian energy exports, generating a significant part of Russia's export revenues (Commission 2008e:2, Annex, 20).⁵⁷ Oil, gas and metal account for 85% of Russia's exports and oil alone contributes 50% of federal budget revenues (House of Lords 2009:13). Therefore Russia would inflict significant economic damage on itself if it tried to use energy supply suspensions as a bargaining tool. This has however not stopped the Russian side from imposing short-term supply cuts on the main transit states for supplies to the EU - Ukraine and Belarus – when it experienced problems with it. These cut-offs also affected EU member states, although they were not targeted at them, and underscored the EU's inability to prevent Russia from implementing coercive measures.⁵⁸

So, although the strong asymmetry in overall trade and investment between the EU and Russia gives the EU significant leverage, any trade barriers that the EU could impose to apply pressure on Russia to achieve member states' collective objectives, are bound to harm the member states themselves as Russia is likely to

⁵⁷ Oil and gas represented 45% of Russia's exports to the EU in 1999 and there are estimates that the oil and gas Russia sold to the EU-15 amounted to as much as 20% of all Russia's exports to the whole world at the turn of the century (Patten 2001).

⁵⁸ The latest cut-off occurred in June 2010 in response to disputes on outstanding payments between Russia and Belarus.

reciprocate and impose barriers on EU member states (see Ch. 7). Russia is an important emerging market with considerable potential for growth in the trade of EU goods and services (Commission 2004a:1, 2008e:2).

In order to understand how able the EU is to influence Russia by means of trade, it is necessary to examine its track record. During the late 1990s and early 2000s, Russia progressively obtained privileged access to the single market without the EU achieving substantial changes in Russia in return. As the next chapter (Ch.4) will show, the EU was unwilling to take full advantage of its power derived from trade when Russia was undergoing major internal crises, and by the time the Russian economy and domestic political situation had stabilised, the EU had already handed over its most effective ‘carrots’. Russia was granted Most-Favoured-Nation (MFN) status with the Partnership and Cooperation Agreement (1994) and the Interim Agreement (1995) that was concluded while the PCA ratification process was ongoing (see Chapter 4). MFN status means that no quantitative limitations are applied except on exports of certain steel products that represent less than 5% of Russian trade with the EU. A significant proportion of Russian goods came to benefit also from the EU’s General System of Preferences (GSP) which lowers import duties below the MFN rate. In 2002 Russia was granted market economy status by the EU. By granting Russia almost completely unrestricted access to the single market, the EU forfeit the leverage it derived from its position in global trade. Since Russia has received much of what the EU could offer it, the EU is left with few trade incentives to coax Russia into doing what it wants⁵⁹, although it can withdraw Russia’s preferential access to its markets while Russia remains outside the WTO. The EU retains some, albeit very limited, sectors that remain closed to Russia and which the Russian government is keen to secure access to (such as full access to the EU’s market regarding the trade of nuclear material), and which the EU collective could therefore use as a bargaining chip, but individual member states’ interests hamper the EU’s ability to capitalise on such bargaining chips (in this case France’s interests).

The only real bargaining chip from trade that the EU retained following the granting of market economy status to Russia was its ability to imposed conditions on Russia’s accession to the WTO. Russia applied for WTO membership in 1993 as part of its economic reform agenda. The appeal of WTO membership for Russia is that as

⁵⁹ Author’s interview with diplomat of one of the Baltic States, Brussels, 3 December 2007.

a WTO member it benefits from access to other WTO member states' domestic markets on a most-favoured nation basis, and since the main global trading nations are WTO members, Russia's accession to the WTO would procure considerable trade opportunities for Russian companies. However, for acceding members it means that they will have to open up their domestic markets to exports from WTO members and to align their foreign economic policies with WTO rules.

For EU member states the greatest appeal of Russian WTO accession is that WTO membership guards against the imposition of protectionist measures by other WTO members. As long as Russia remains outside the WTO it can impose protectionist trade barriers that negatively impact EU member states, such as the imposition and raising of export tariffs on timber which has affected in particular the Finnish and Swedish paper industry (see Chapter 7). Once Russia becomes a WTO member, trade disputes between it and EU member states (i.e. fellow WTO members) can be tackled and resolved under the WTO dispute settlement mechanisms.

Negotiations of the terms of accession take place at the WTO level between a Working Group established to examine Russia's conformity to WTO rules and identify the reforms required in Russia and at the bilateral level between interested WTO members and Russia. In these bilateral negotiations the EU could place demands on Russia in the trade of goods and services and make the conclusion of these negotiations conditional upon a range of Russian concessions. Formally, the terms of accession have to be approved by two thirds of all WTO members, but besides using the adoption of this bilateral agreement as a lever, the EU is also in a position to impede Russia's accession to the WTO by virtue of its weight as a major trade block which grants it substantial influence within the organization. So, while Russia is waiting and wishing to join the WTO, the EU enjoys some leverage that it can try and exploit to obtain concessions from Russia. As long as Russia remains outside the WTO, the EU can withdraw Russia's access to the single market.

While the Russian government maintained a keen interest in gaining WTO membership, its membership aspirations provided the EU with considerable leverage. The most notable concession that the EU extracted from Russia was the ratification of the Kyoto Protocol to the Climate Change Convention (Bretherton & Vogler

2006:109, 152; Stern 2005:140).⁶⁰ Russia, responsible for more than 14% of global emissions, had become a vital party to the agreement after in 1997 the US President Bush had dismissed the Kyoto protocol, putting into doubt its entry into force which was dependent on a minimum of 55 countries, responsible for at least 55% of global CO₂ emissions to ratify it. The EU completed in May 2004 the bilateral market access negotiations with Russia which are a precondition for further progress towards WTO membership in return for Russia's ratification of the Kyoto Protocol.⁶¹ This 'success' was strongly criticised by practitioners and scholars alike because, as a result of this compromise and the completion of the bilateral access negotiations, the EU lost the opportunity to extract concessions from Russia on many trade issues that were important for EU member states (see Zimmermann 2007:826-7). Furthermore, Russia has actually benefited from acceding to the Kyoto protocol since its own greenhouse gas emissions have collapsed since the year 1990 (which acts as the reference year for emission quotas) and it can therefore trade its unused quotas. This means that EU member states ended up granting concessions on an issue that benefited Russia more, overall, than them.⁶²

At the multilateral level, an agreement on outstanding issues regarding Russia's WTO accession has yet to be reached among the interested parties. The main issues are, from EU member states' point of view, export duties, including on timber (see Chapter 7), pricing policy in relation to railway transport and certain issues of agricultural imports to Russia. Nevertheless, here the EU is one among several negotiators, and having completed its own bilateral negotiations with Russia its position is weakened as the issues that are specific to the EU-Russian trade relationship should have been addressed in the bilateral negotiations, whereas at the multilateral level it could only place demands on Russia regarding issues that are of broader relevance, i.e. of concern to the other interested parties. The EU's room for manoeuvre has therefore become constrained.

The fact that support for swift WTO accession among the Russian political elites has decreased in Russia over the course of the 2000s as a result of the rapid recover of the Russian economy from the early 2000s, weakens the EU's ability to use

⁶⁰ The Russian Duma ratified the Kyoto Protocol in late 2004, allowing it to enter into force in February 2005.

⁶¹ For details of the substance of bilateral negotiations, see Zimmermann (2007:825—826).

⁶² I am grateful to Alasdair R. Young for explaining to me these implications of the EU's 'deal' with Russia.

its own membership and weight in the WTO to influence Russia (Commission 2008e, Annex, 81.). The Russian government's decreasing interest in speedy accession to the WTO is also related to the fact that Russia's main export goods that procure the bulk of revenues are oil and gas resources which face few trade barriers. In addition, a broader issue is that the Russian authorities frequently uses coercive trade policy measures, notably trade barriers, that contradict WTO rules (see Emerson 2009), but once it becomes a WTO member, Russian protectionist and coercive trade policy measures against EU member states could be contested (Zimmermann 2007:824).

In contrast, Russia's accession to the WTO is of great interest to the EU, especially because EU member countries will benefit from improved access to Russia's domestic markets as a result of the implementation of WTO rules. They are therefore anticipating a much improved investment climate and respect for rights of foreign investors with Russia's accession to the WTO (Kaczmarek & Smolar 2007:8). Putin suggested in autumn 2007, on the occasion of the EU-Russia Summit, that Russia's membership of the WTO was more important to the EU than to Russia, and Russia could therefore await the right moment to pursue accession under conditions which would comply with Russia's national interest (Ria Novosti 2007). A diplomat from one of the Baltic States summed up the problems associated with this state of affairs as follows:

We are working still on the assumption that Russia wants to become a member of the WTO, but in actual fact, it may not be so keen. What if they decide that "Russia doesn't need it" after all?⁶³

Some scholars argue that the fact that the EU has tried to use WTO membership as a bargaining chip was precisely what weakened its appeal to Russian political elites (Forsberg & Seppo 2009:1820).

Besides incentives of market access, the EU has also coercive trade tools at its disposition to try and get Russia to do what the member states want such as sanctions, raising or lowering taxes and other commercial barriers and it can link different economic issues together (Forsberg & Seppo 2009:1807). But because member states are generally in disagreement about the possible negative side-effects of seeking to coerce Russia, coercive measures towards Russia are rarely applied. The few times that it has imposed sanctions – such as when it suspended technical aid in response to

⁶³ Author's interview with diplomat of one of the Baltic States, Brussels, 3 December 2007.

Russian actions in Chechnya in 1999 – it failed to achieve any success and sanctions were swiftly lifted (see the brief discussion in Chapter 4 and the more detailed discussion in Chapter 6). Trade sanctions are only effective, and only possible, if member states pursue these collectively. However the fact that sanctions have failed in the past is due both to the type of sanctions that the EU imposed – with member states only agreeing to the least costly - and the willingness of the Russian side to put up with these sanctions rather than to change its policies in line with the EU's wishes. Forsberg and Seppo (2009) argue that even when the EU is united it is generally not able to change Russia's position on issues where Russia is on the defensive (Forsberg & Seppo 2009:1808). In the WTO negotiations with Russia, any EU internal conflicts were absent and the EU had clear goals and objectives (Zimmermann 2007:827). This case is thus not an example of the EU's internal ineffectiveness, but of its inability to achieve substantial concessions from Russia that would benefit the individual member states. In contrast to the EU's limited ability to apply coercive measures due to internal disagreements, the following chapters (Chapters 4, 5 and 7) will show that over the course of the 2000s Russia put in place an increasing amount of restrictions which have negatively impacted EU member states. The fact that Russia is ready to apply coercive measures vis-à-vis the EU, but the EU is unwilling to risk the consequences of applying coercive measures to Russia further underscores the EU's weaknesses.

Despite its position as a major global trade power, the EU is facing limitations in the use of its market power as it has very little effective economic leverage and incentives at its disposal to obtain concessions from the increasingly assertive Russian leadership (see Forsberg & Seppo 2009:1821). As a consequence it has been largely unable to influence Russian political reforms and foreign policy through conditionality tied to market access. Two main reasons for the EU's failure to capitalise on its superior standing in trade were set out here. Firstly, both parties are interdependent in trade, but the asymmetries in the type of products traded between them work in Russia's favour. This is because the products that Russia supplies the EU with – primary energy resources - are overall of greater strategic importance for EU member states and indeed of vital importance for the normal functioning of EU member states than the manufactured goods that EU member states deliver to Russia are for the Russian people and the Russian economy. Secondly, Russia has already obtained much of what the EU can offer in terms of market access and trade and

investment opportunities. The EU therefore has few trade ‘carrots’ at its disposal with which it could entice Russia to make concessions and implement changes that the EU is most interested in.

Member states’ choice of the EU avenue to pursue the resolution of certain bilateral issues with Russia is likely to be informed by the EU’s performance in the trade negotiations with Russia and we will see in Chapter 7 that, contrary to expectations, a number of member states have refrained from pursuing the resolution of trade-related bilateral disputes with Russia at the EU level and instead opted for reaching an agreement at the bilateral level, albeit on Russian terms. That the EU collective is experiencing difficulties in converting what is arguably its most potent power resource into influence over Russia reduces the attractiveness of the EU route as a means for realising member states’ objectives. Nevertheless, the member states have greater bargaining power over Russia at the EU level than they have individually. At the bilateral level their ‘hands are tied’ because on trade issues (as we have seen in the previous chapter 2), their ability to influence collective policy towards Russia is constrained by the supranational competence in CCP and the consequent limits on their freedom of manoeuvre in their individual use of trade measures vis-à-vis Russia.

Military power - a means of influencing Russia?

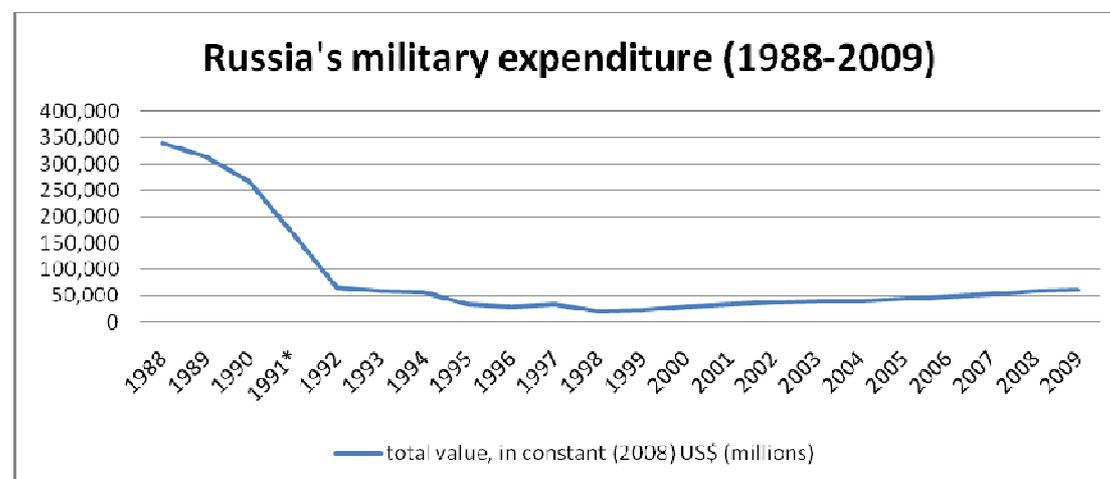
Besides the constraints on member states’ ability to act jointly that the EU’s decision-making mechanisms impose on them, and the limits to their ability to influence Russia by means of the EU’s overall superior position in trade, an additional difficulty that the member states face stems from their reservations about a deployment of the range of coercive tools that they have at their disposition both at the national and at the European level. In particular member states’ combined military power is a potential source of influence. Much of the literature on power in international relations has focused on the role of military power in inter-state relations and the ability of states possessing the superior capacities to coerce others into doing what they want, or to prevent them from taking action they seek to prevent (Baldwin 2002).

The military capabilities that the Russian Federation inherited from the Soviet Union had long been under-funded and were in need of modernisation (see Barany 2007 for a detailed discussion). EU member states’ combined military capabilities are much larger than Russia’s and overall more modern. According to McCormick’s

(2007:71) calculations, the EU's combined defence budget in 2004 was more than ten times that of Russia and in terms of active personnel the number is double that of Russia's military force. However, Russia also inherited the nuclear capabilities of the USSR which are believed to be still the world's largest (Blomfield 2007). In comparison, the EU has less than a tenth of Russia's nuclear warheads (McCormick 2007:71). By virtue of its position as major nuclear power Russia retains an important role in international security politics, despite the overall decline in the size and capabilities of its military (see Figure 3.1, below).

In contrast, the EU's capacity to engage effectively in military action is limited by divisions among the member states on military deployment and strategies to be pursued collectively (Engelbrekt 2008:13; Howorth 2005; McCormick 2007:29; Toje 2008:207). More importantly, EU member states are extremely reluctant to use military force (see Kagan 2002) and attribute greater importance to dialogue and cooperation (see Cooper 2003:155-169).

Figure 3.1 Total Russian military spending after the Cold War



* The value was missing in the original data.⁶⁴

Source of data: SIPRI (2010).

The risks associated with a resurgence of a new power struggle on the European continent – especially after the experiences of the two world wars - make the use of military force against Russia particularly unlikely (Forsberg & Seppo 2009:1805; see also Toje 2008:206). The handling of the war in Georgia gave strong indications of their reluctance to deploy their military capabilities. Despite misgivings about the

⁶⁴ I am grateful to Tania Biletskaia for calculating the missing value for 1991.

Russian troop deployment and engagement in combat in Georgia in August 2008, the EU collective did not display any inclination to use military force to stop Russian military actions. If they are reluctant to respond to Russian military action, they are even more unlikely to initiate military action against Russia to try and capitalise on their combined military power and try and coerce Russia into behaving as they desire.

3.2 MEMBER STATES' INDIVIDUAL INFLUENCE OVER RUSSIA

Whereas jointly the member states enjoy considerable (potential) leverage over Russia, individually their bargaining power is limited by the more limited resources available to them and their individual (inter)dependencies with Russia.

Member states' attractiveness for Russia

Russian official statements make clear that the Russian authorities attribute particular importance to the bilateral relationships with the large member states - UK, Germany, Italy and France – which are characterised as ‘influential’ and thus as ‘an important resource for Russia's defense of its national interests in European and world affairs, and for the stabilization and growth of the Russian economy’ (Russian Foreign Policy Concept 2000; Russian Foreign Policy Concept 2008; I. Ivanov 2002, S. Ivanov 2006; see also Stent 2010:160). In this regard, researchers have underscored the importance of special personal relationships between the Russian President and the heads of state or government of the four largest member states, French President Jacques Chirac, German Chancellors Helmut Kohl and Gerhard Schröder, Italian Prime Minister Silvio Berlusconi, and British Prime Minister Tony Blair (Bastian 2006:187; Gower 2007:114; Hughes 2007:91; Karaganov 2005:4-7; Light 2006:70; Oldberg 2005:49; Stent 2008:1098; White & Light 2007:51).

Germany is generally regarded as the single most important country for Russia in the EU, both politically and economically (Adomeit et al 2004:1; Bastian 2006:186; Cameron & Matta 2008:5; Facon 2010:179; Stent 2008:1098, 2010:159-160, 161-162; Timmins 2007:172-173). France plays a particularly important role in (European) security issues and cooperation on political and military questions (Newton 2003:203, 2007). The UK has become regarded as a ‘difficult’ country in the wake of its disputes with Russia over the extradition of Russian and British individuals (see Chapter 7). But although it has, as a result, become ranked second after France, Germany and Italy, it remains an important cooperation partner for

Russia (see Russian Foreign Policy Concept 2008; Cameron & Matta 2008:5; Stent 2008:1098), most notably because of its importance for Russia as the ‘financial pulse of Western Europe’ (Newton 2003:198).

Whereas Germany has influence internationally primarily by virtue of its economic strength, besides their economic power France and the UK derive also influence from their possession of nuclear capabilities and their permanent seat and veto power in the United Nations Security Council (UNSC). In theory they can use their veto powers as a bargaining chip since any UNSC resolution requires their explicit consent or abstention. Any resolution that Russia wishes to see adopted can therefore allow France and the UK, individually or jointly, to tie their support to Russian concessions in areas of interest to them in any other policy area. However their ability to use their position as leverage on Russia is limited by the fact that Russia tends to be, more often than not, *against* the adoption of UNSC Resolution and a veto in the Security Council is therefore not a credible bargaining chip.

Besides the important role Russian elites attribute to the relations with the large member states, the Russian government has also underscored the importance of several of the smaller member states. The Russian Foreign Policy Concept of 2008 mentioned favourably the ‘practical interaction’ with the three Nordic member states that are located in close proximity to Russia (Russian Foreign Policy Concept 2008). Finland has received special mention for maintaining a ‘mutually advantageous bilateral relationship with Russia (Russian Foreign Policy Concept 2008). Besides these countries in Russia’s neighbourhood, Greece, the Netherlands and Belgium have been singled out as being important for ‘putting the Russian economy on an innovative track of development’ and also as ‘an important resource for promoting Russia’s national interests’, both in European and world affairs (Russian Foreign Policy Concept 2008; S. Ivanov 2006).

It can be expected that the importance that Russia attributes to its relations with these member states lends those countries some influence at the bilateral level. This is however difficult to quantify. In any case, the governments of those member states that are favourably mentioned in Russia’s Foreign Policy Concepts are certainly met with a greater willingness on the Russian side to engage with them and they have better access to Russian decision-makers. Nevertheless this is unlikely to enable them to alter Russian policy. In order to achieve offensive objectives, i.e. a change in

Russian policy, they will also require credible and strong political or material incentives or coercive leverage derived from material power resources.

It should also be remembered that there are quite a number of states which Russia regards as important partners and that Russian decision-makers therefore have a range of alternative access points in the EU to 'promote Russia's interests' both in European and in world affairs, as the recent Foreign Policy Concept (2008) envisaged. Attempts by individual states to apply leverage on Russia at the bilateral level are thus likely to result in a shift of attention to the other states that are competing to maintain privileged access to the Russian market and close bilateral political relations, and even the 'important' member states will have to pursue coercive measures with the other member states at the European level not just to achieve a greater impact (through the multiplier function of the EU), but also in order to prevent any negative side-effects on them, as collective responses reduce the Russian political elites' ability to respond to attempted coercive measures of one member state by playing it out against another.

In contrast to the Western member states, the CEECs are minor states on the international stage, with little, if any influence. Nevertheless, the maintenance of bilateral relations with the CEECs is regarded by the Russian authorities as a necessity because of the 'pre-existing human, economic and cultural ties' (Russian Foreign Policy Concept 2000). The relationship with the three Baltic States is regarded by Russian political elites as particularly difficult. This is revealed in the emphasis the recent Russian Foreign Policy Concepts have placed on Russia's willingness to put relations with them 'onto the track of goodneighborliness' (Russian Foreign Policy Concept 2000, Russian Foreign Policy Concept 2008). Of the three Baltic States, Lithuania is in the strongest position regarding Russia because of its location as direct neighbour of the Russian exclave Kaliningrad and the exclave's dependence on energy supply and overland transit of goods and people from 'mainland' Russia (Miniotaite 2008:165). The Russian Foreign Policy Concepts of 2000 and 2008 have in this context emphasised the importance of 'ensuring sustenance of Kaliningrad Region' (Russian Foreign Policy Concept 2000; Russian Foreign Policy Concept 2008).

Political and diplomatic contacts between the three Baltic States and Russia remain limited, as both academic sources (Ehin & Berg 2009:5) and diplomats⁶⁵ have emphasised. Diplomats from the CEECs⁶⁶ and many scholars confirm that this impacts negatively on their ability to achieve their objectives with Russia at the bilateral level (see e.g. Berg 2008:149-50; Föhrenbach 2002: 211; Fofanova & Morozov 2009:29-30; Konnander 2005:117; Männik 2008a:27, 29, 2008b:147-8; Miniotaite 2008:157-8; Ozaliņa 2008:116; Raik 2007:218-9; Roth 2009:7; Spruds 2002:347, 362-3, 2009:106,107). The nature of their relationship with Russia thus exacerbates their weakness as small states, which impacts, as we have seen in the previous chapter (Ch.2) not only on their ability to achieve their objectives at the bilateral level with Russia, but also on their ability to shape EU policy towards the country.

Member states' influence through trade

In the analysis of the bilateral trade relations I focus on the overall trade volumes, the share of bilateral trade in Russia's GDP and investment flows as these provide insights into their importance for Russia and the potential leverage from trade that they may have. The analysis of member states' trade relations with Russia serves as an indicator of leverage, but it is difficult to determine the influence of a particular level of trade interdependence (measured by volumes and share in total trade) on member states' actual negotiating power. Any assignation of thresholds of trade intensity as determinants of member states' choices is likely to be speculative and difficult to prove but some general conclusions can be drawn. If trade relations are weak with low volumes and minor shares in each others' trade, neither the Russian side nor the member state in question derives much influence. If bilateral trade relations between Russia and the member state are strong, involving large volumes of goods traded and large revenues, a lot is at stake for both parties.

Member states derive some influence from procuring goods that are of particular strategic importance to Russia (e.g. military equipment) even if the overall volumes traded are low. Russia, in turn, derives some bargaining power from the fact that it supplies considerable volumes and shares of member states' imports of primary

⁶⁵ Author's interview with CEEC diplomat, Berlin, 19 June 2007; author's interview with Russian diplomat, Brussels, 28 November 2007.

⁶⁶ Author's interview with CEEC diplomat, Brussels 16 July 2007.

resources. In principle, primary products are easy to substitute from alternative sources, but because of the existing infrastructure, especially for the transmission of gas and oil, and the proximity of Russia to the EU, Russia is the least costly supplier for many of the member states.

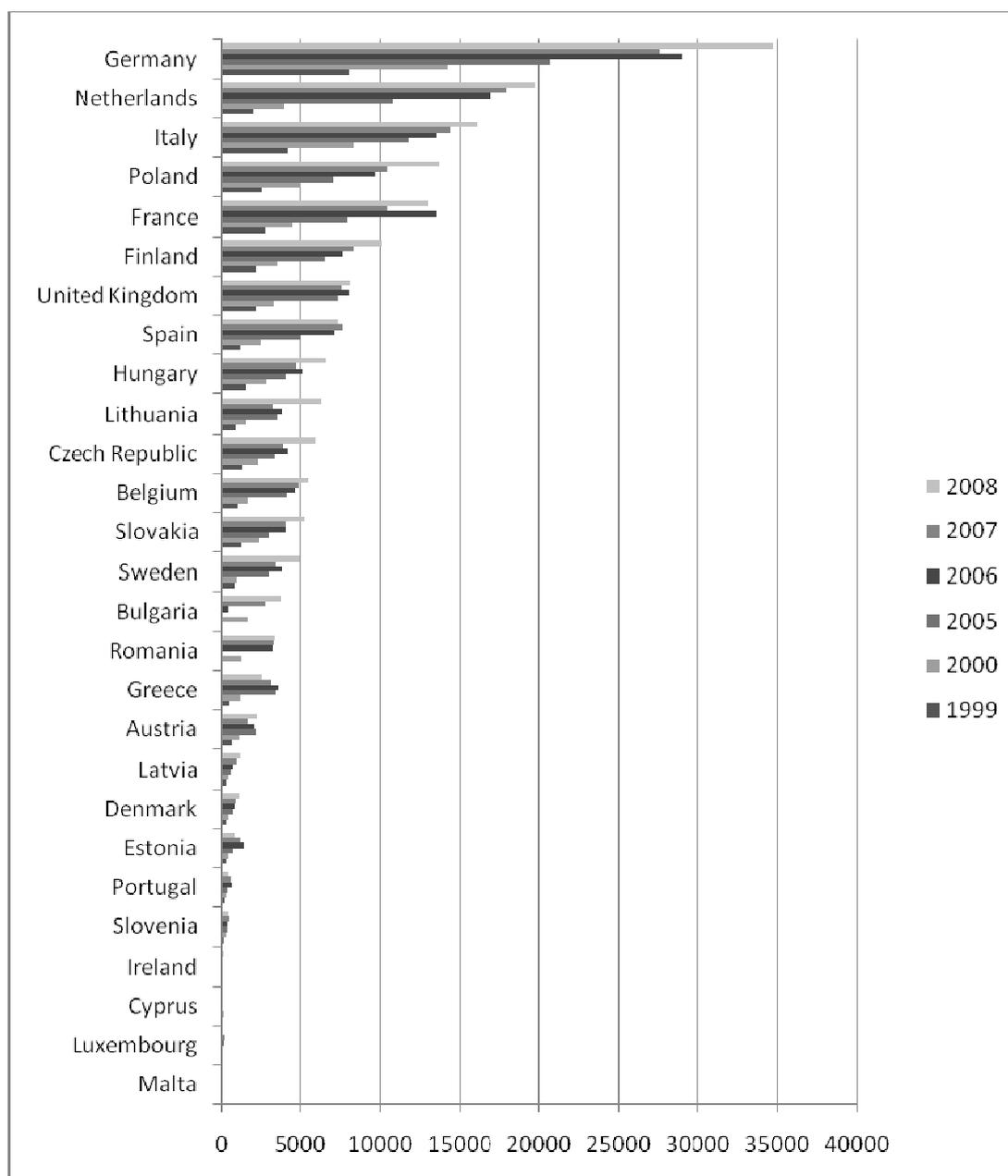
In member states' bilateral trade with Russia their main bargaining chip lies in the area of facilitating the conclusion or extension of trade agreements of national companies with Russian industry in exchange for concessions from the Russian side. Although commercial deals are within the remit of individual companies and the state does not necessarily wield much (political) influence over these economic deals, major trade deals tend to be supported by government insurance coverage (such as the German Hermes Company, see Bastian (2006) and Rahr (2004)). There are significant differences among the member states regarding their position as trade partners of Russia, specifically regarding the volumes of trade that they exchange with Russia (see Figures 3.1 and 3.2, below). What most member states have in common is that their trade with Russia is strongly asymmetric regarding the type of goods exported and imported. Most of them import primarily energy resources and export manufactured goods. This particular asymmetry places the member states in a weak bargaining position since most of them cannot credibly threaten to stop importing energy from Russia, whereas the manufactured goods that they export to Russia are generally easily replaceable from other sources, in particular competing producers from Asian countries or the US. Their ability to exert leverage on Russia is therefore constrained by the fact that they can neither threaten to withhold these goods without risking Russian importers reorientation towards alternative sources, nor can they threaten to stop purchasing Russian primary resources.

Among the member states, Germany is by far the most important trade partner of Russia, both regarding imports and exports (see Figures 3.1 and 3.2, below). Germany is also among the top destinations of Russian investments in the EU and has been an important source of FDI for Russia (see Eurostat 2008a; for full statistical detail see Federal'naya Sluzhba Gosudarstvennoi Statistiki 2008, 2009). Germany is also, by a large margin, the main importer of Russian energy. Russia, in contrast, is of much smaller importance for Germany in overall trade as it does not rank among the ten main trading partners of Germany (Eurostat 2009b). Nevertheless, despite the comparatively small overall share of Russian trade in Germany's trade balance, Germany does not derive much influence over Russia from this asymmetry. First, this

has to do with the type of products it trades with Russia (manufactured goods from Germany to Russia, primary resources from Russia to Germany). Russian importers could reorient their trade and replace German products from alternative sources, while German energy importers would in the long run experience difficulties in substituting Russian gas imports from other suppliers due to the large volumes involved in their bilateral trade. There is a lot at stake for Germany and Russia, but the ability of either party to influence the other hinges on its willingness to take coercive action to achieve its objectives. The Russian government has demonstrated its readiness to apply coercive measures to force even trade partners as important as Germany to give in to its demands, whereas the German government has been reluctant to take such measures (see Ch. 7).

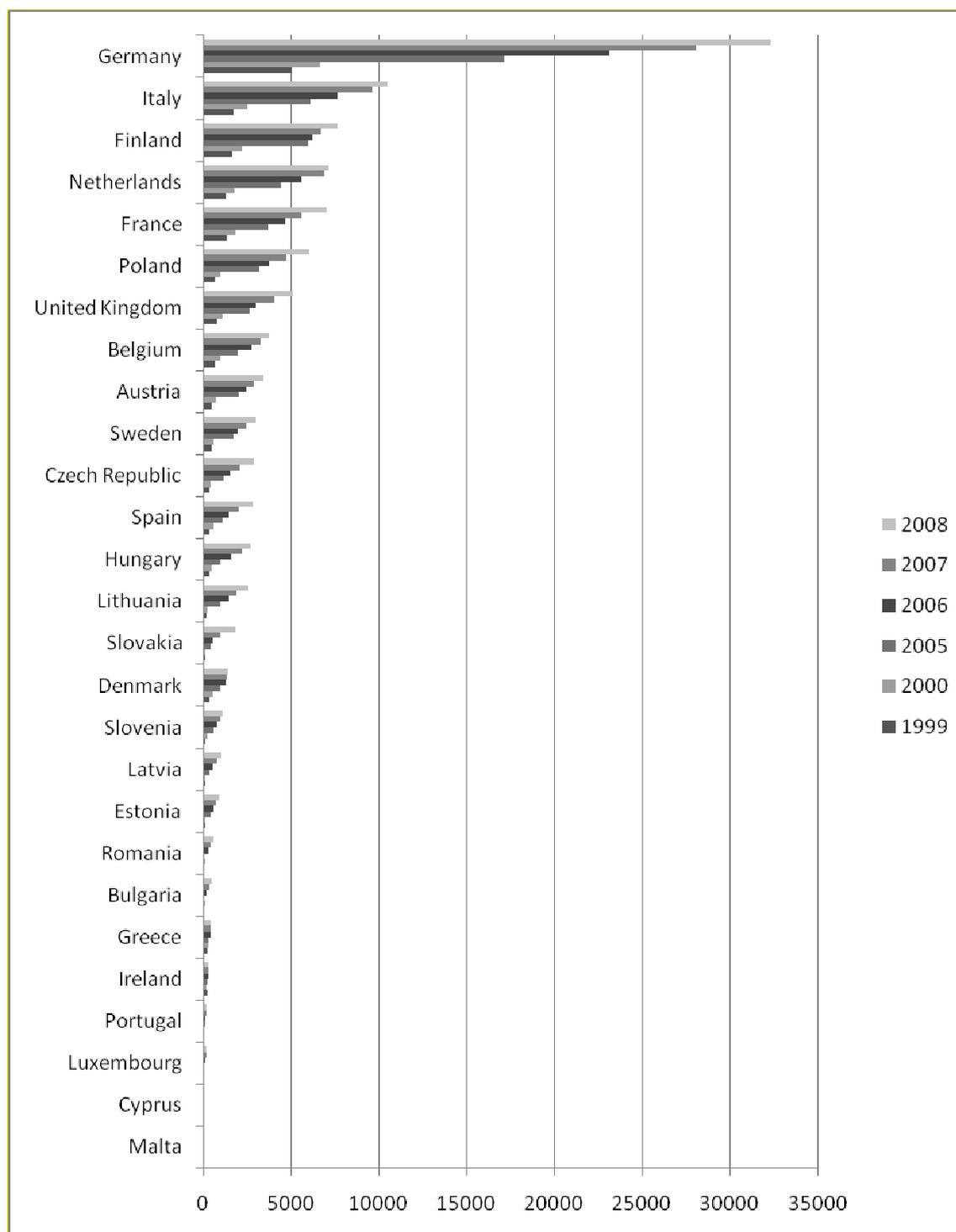
Italy is also an important trade partner for Russia among the member states both in terms of overall trade (see Figures 3.1 and 3.2) and imports of energy resources (see Figures 3.4-3.7), although the trade volumes are less than half those traded between Germany and Russia. Overall, Russia is more important for Italy than it is the case vice-versa (compare data on imports with data on exports). However Italy is in two sectors a partner of strategic importance for Russia – the energy sector, and the military sector. Italian energy companies have become important project partners in Russian pipeline projects and in the defence industry, Italian companies cooperate with their Russian counterparts to help modernise the Russian military, assist Russia's rearmament (aircrafts, naval defence) and engage in joint military exercises (Collina 2008:33-4; Giusti 2007; Kaczmarek & Smolar 2007:17). Nevertheless, Italy is not the only country active in this sector, and the role it plays is only as important as Russia – which could select a different country among the member states or non-EU states for joint ventures - allows it to be.

Next to Germany and Italy, the Netherlands, France and Finland are among Russia's main trade and/or investment partners in the EU (Federal'naya Sluzhba Gosudarstvennoi Statistiki 2008, 2009; Eurostat 2008a). Among these, Finland is in a fairly weak position at the bilateral level since trade with Russia, including the imports of energy is of major importance for the country whereas for Russia Finland plays a more limited role. Besides the energy trade, for Finland imports of Russian timber (see Ch. 7) are of major importance for the Finnish paper industry (Bastian 2006:248).

Figure 3.2 Imports of goods from Russia, 1999-2008 (in million Euro)

Source: Author's compilation of Eurostat data (2006, 2007, 2008, 2009), sorted from high to low by the 2008 figures.

Figure 3.3 Exports of goods from EU member states to Russia, 1999-2008 (in million Euro)



Source: Author's compilation of Eurostat data (2006, 2007, 2008, 2009), sorted from high to low by the figures for the year 2008.

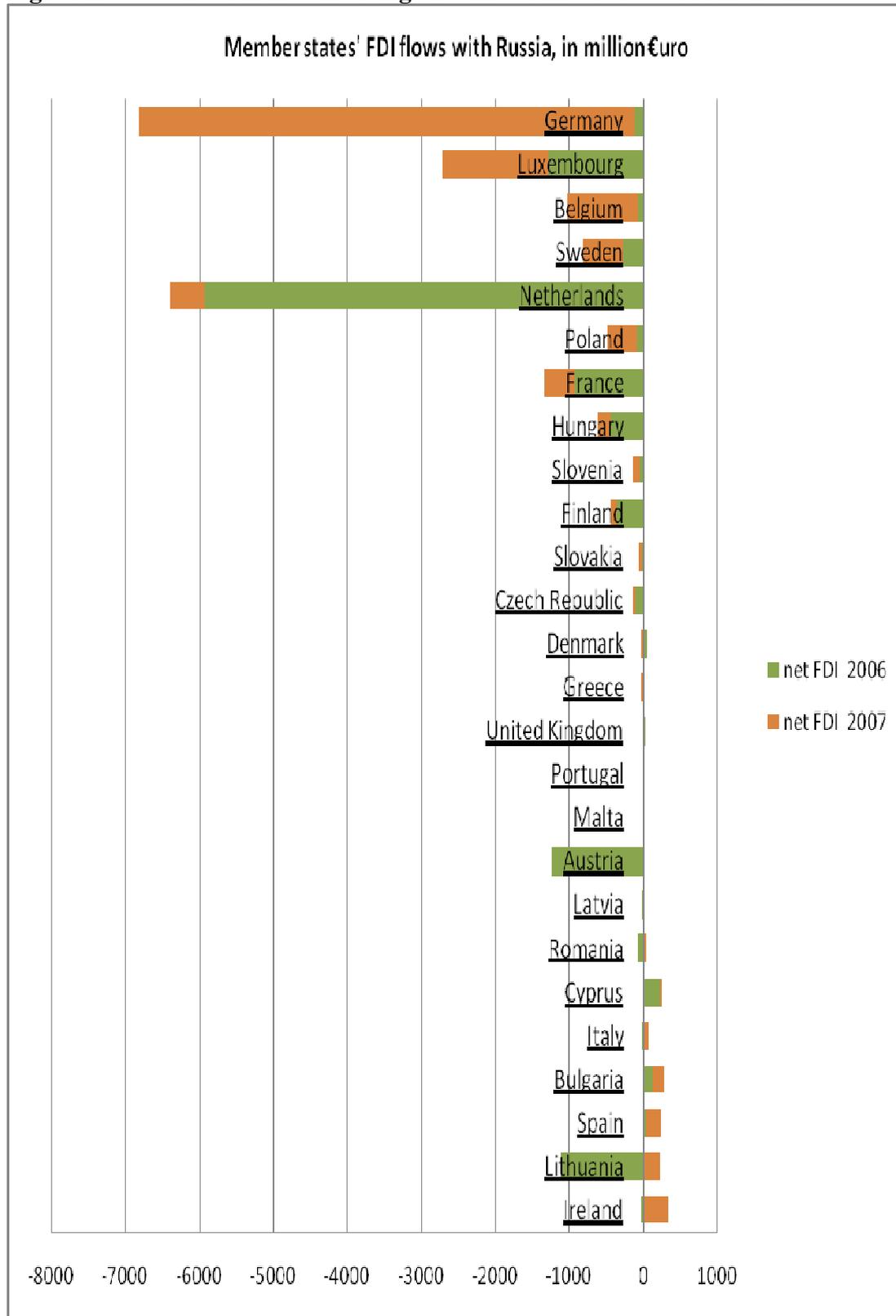
Trade with Russia is of considerable importance for the Netherlands⁶⁷ and although it is not dependent on Russian energy supplies, it does not derive any real bargaining power from its position among Russia's top five trading partners in the EU as the goods it supplies could be substituted from alternative sources.

Both France and the UK maintain limited trade relations with Russia, but have been an important source of FDI for Russia, with the UK also being an important destination for Russian investments in the EU (Eurostat 2009; see also Eurostat 2008a; Federal'naya Sluzhba Gosudarstvennoi Statistiki 2008, 2009; Sánchez Andrés 2007:3). The UK's reliance on Russian energy imports is very limited, more so than France, but France is a key cooperation partner in the military sector (Newton 2003:244, 2007:197, 199), underscored by an agreement on the sale of a French warship to Russia in early 2010 - 'the first major arms sale by a NATO country to Russia since World War II.' (Rettman 2010a). However, since other countries, such as Italy, but also non-EU states, are competing with France in this sector, its role in helping Russia modernize its military sector and increase its capabilities does not necessarily provide it with leverage over Russia. Denmark and Sweden which, as we have seen, are regarded as important countries for Russia in the pursuit of its national interests, are among the economically less important countries for Russia and Russia is of only limited importance for them. Russia does not rank among their ten most important trade partners and trade with Russia accounts for a small share of their GDP (Eurostat 2009b).

Whereas Denmark does not purchase any oil or gas from Russia, Sweden imports oil from Russia, but it could substitute Russian supplies with imports from alternative supplies purchased on the world market. The limited trade relations do not provide either country with any leverage over Russia. Austria and Greece also import overall fairly small volumes of goods, including energy, from Russia (see Figures 3.1 and 3.2). Austria is however among the top investors in Russia (Eurostat 2008a; Federal'naya Sluzhba Gosudarstvennoi Statistiki 2008, 2009).

⁶⁷ It should be noted however that Dutch imports, and therefore the trade deficit, are over-estimated in statistical overviews because of the "Rotterdam effect", where goods destined for the rest of the EU arrive and are recorded in harmonised EU external trade statistics in Dutch ports. This then has a positive effect on the external trade balances with Russia of those Member States to which the goods are re-exported, as these shipments would be recorded as intra-EU trade with the Netherlands, rather than extra-EU trade with Russia (see Eurostat 2009, Eurostat 2008a).

Figure 3.4 EU-Russian net foreign direct investment in 2006 and 2007



Source: Eurostat (2008); NB: For Malta (2006 and 2007) and for Austria (2007) and the UK (2006 inward and 2007 in- and outward) FDI data was not available.

The limited trade relations do not provide them with leverage to influence Russia, but the fact that they could themselves switch to alternative sources of supply strengthens their bargaining position somewhat. They are both important partners for Russian energy infrastructure projects in Southern Europe (Greece) and Central Europe (Austria). However there are several other member states among which Russia can choose for these projects (Hungary in Central Europe and Italy, Bulgaria, Romania, *inter alia*, in Southern Europe) and this diminishes their position vis-à-vis Russia (see Ch.5).

Whereas trade with Russia is overall of comparatively low importance for the Western member states, it is of considerable importance for the economies of the CEECs. With their small market size and limited economic capacity, they are fairly unimportant for Russia as trade partners (except perhaps for Poland) (see Figures 3.1 and 3.2, above) and their trade relations therefore do not serve them as a bargaining tool. Nevertheless, many of the CEECs play (in addition to Finland, and Austria) due to their geographical location and existing transport infrastructure an important role in the transit of goods and raw materials from Russia to other Western European states (see Chapter 5 for details). But the fact that Russia can pick between a whole range of transit countries in Central and Eastern Europe means that they gain only limited leverage from their status as transit country, not least because the Russian authorities have gradually, over the course of the 2000s, managed to reduce their dependence on transit states, especially the Baltic States (see Aalto 2006b:61, 63; Götz 2005:10; Konnander 2005:116; Leal-Arcas 2009:356-7; Leonard & Popescu 2007:20; Miškinis 2004:239; Moshes 2002:317; Roth 2009:3; Spruds 2002:363-4, 2009:112-3; Whist 2009:101).

Lithuania is in a special position as it is the bridge between the Russian 'mainland' and the exclave Kaliningrad for the transport of goods and people, and it is also a source of electricity supply. On practical issues that were of great concern to the Russian side, such as the transit solution for Russian nationals travelling from the mainland to the oblast, it has been able to capitalise on its strategic position to influence EU policy, but on issues of concern to Lithuania, especially regarding energy supply, it has been unable to achieve the desired results for want of leverage. In sum, none of the EU member states derive any real bargaining power from their position as trading partners and investors in Russia, except perhaps for Germany as Russia's the single most important trade partner.

The EU is also of considerable importance for foreign direct investment (FDI) in Russia. EU member states account for a combined share of 80% of FDI in Russia, and 80% of Russia's own investments abroad are in EU countries, including in particular the energy sector (Commission 2008e, Annex 19; Landaburu 2009). In contrast Russian political elites have complained about the asymmetry in this field: '[...] welcoming foreign investors in Russia, we naturally expect this to be a two way traffic. Yet, for the moment, the ratio of accumulated mutual investments is one to ten in favor of the European Union.' (S. Ivanov 2008).

On the one hand, the EC's competence in Common Commercial Policy (CCP) limits member states' ability to credibly threaten and implement any coercive trade measures individually towards Russia. On the other hand, and more importantly, the types of goods they trade with Russia mean that Russia is more important for most of them, individually, than they, as individual states, are for Russia.

CONCLUSIONS

In conjunction with the previous chapter, this chapter has shown that EU member states face constraints at the European and the national level which limited their ability to influence Russia. Despite the fact that the combined resources of EU member states are substantial and in most respects outstrip those of Russia, the EU's capacity to achieve collective objectives regarding Russia is limited, due at least in part to Russia's determination and capacity to resist member states' collective attempts to influence its domestic and foreign policies, an aspect that the following chapter will underscore. However we have seen that individually the member states have an even more limited capacity to influence Russia than they do collectively, both due to the superior strength of their combined resources at the EU level and also the availability of additional levers, such as granting or withholding access to the EU's single market. Nevertheless, the constraints at the EU level, notably the difficulties in agreeing collective objectives are a disincentive given the relative ease of pursuing individual policies at the bilateral level. The next chapter (Ch. 4) discusses the main developments in EU-Russian relations to provide contextualising background for the policy case studies that follow.

CHAPTER 4 THE CHANGING CONTEXT AND NATURE OF THE EU-RUSSIAN RELATIONSHIP.

INTRODUCTION

This chapter summarises the key developments in relations between the European Union and Russia after the cold war in order to establish the context within which member states are making their choices in the three policy areas discussed in the three subsequent chapters. In order to do this, it identifies the domestic political and economic developments in Russia and significant shifts in Russia's foreign policy ambitions. It thus discusses the changes in Russia's responsiveness to outside pressure, providing insights into the ways in which member states' individual and collective ability to influence Russia (developed in Chapter 3) has changed over the course of the two decades since formal relations with Russia were established by the EC/EU. The chapter also introduces the major developments in the EU-Russian relationship, which influence member states' ability to achieve their objectives regarding Russia at the EU and the bilateral level. Thus, building on the discussion in Chapter 2 about the constraints and opportunities of EU policy-making, it illustrates the ways in which the development of policies towards Russia and joint EU-Russian framework agreements constrain the member states in their ability to pursue bilateral policies or create new opportunities for the pursuit of their interests at the EU level.

Developments in Russia that have taken place since the dissolution of the Soviet Union can be divided broadly into three stages: the *Transition Period* (1992-1999) following the dissolution of the Soviet Union in which Russian domestic reforms were undertaken under President Yeltsin's leadership in order to achieve a transition towards a market economy and (Western) liberal democracy; the *Stabilisation Period* (2000-2004) during which the new Russian President Putin managed to stabilise the country politically and oversaw its economic recovery; *Russia's Rise* (2005-present) in which the Russian government strengthened the powers of the central government and adopted an assertive policy abroad. These three periods are defined by the developments in Russia. This approach has been chosen because the EU-Russian relationship has varied largely in response to changes in Russia. These have been closely linked with the development of global oil prices since Russia's power vis-à-vis the EU is primarily based on its dominant position as an energy producing country (see Ch. 3). The EU has undergone significant changes with the accession of new member states in 1995 (Finland, Sweden, Austria), in 2004

(Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovakia, Hungary, Slovenia, Malta, Cyprus) and 2007 (Romania, Bulgaria), and the treaty reforms in the 1990s (Maastricht Treaty, Treaty of Amsterdam) and the 2000s (Treaty of Nice, Constitutional Treaty and Lisbon Treaty), but as this chapter will show, this has influenced more the substance of policies than it has influenced the nature of the EU-Russian relationship.⁶⁸

The chapter is structured as follows. After a brief introduction to how the EU-Russian relationship started, each of the three periods is discussed, starting with an examination of Russian domestic developments, followed by a discussion of the key developments in EU-Russia relations, including the evolution of the EU's key policies towards and framework agreements with Russia and concluding with an assessment of the implications for member states' ability to achieve their objectives via the EU route or the bilateral route, and their likely choices. Given the focus of this thesis on member states choice of policy route through which to pursue their objectives regarding Russia, this chapter does not provide extensive analysis of the major EU policies and EU-Russia agreements which are covered extensively in the literature. Rather, I focus on the implications of the different policy initiatives and the EU's agreements with Russia for national governments' choices.

4.1 THE TRANSITION PERIOD (1992-1999)

After the collapse of the Soviet Union, the relationship between the EC/EU and Russia entered a new stage. Throughout the 1990s the Russian leadership struggled to come to terms with the loss of influence internationally. Domestically the Russian government under President Yeltsin's leadership failed to stabilise the country in a sustainable fashion. This, in turn, had implications for Russia's relations with the EU as the latter had to repeatedly react to new political and economic crises and reassess its evolving relationship with Russia in response to signs of further political and economic turmoil in Russia. This period came to an end with Yeltsin's retreat from political life and the appointment of Vladimir Putin to the position of 'caretaker president' in December 1999.

⁶⁸ This leaves aside the EU's enlargement policy towards the CEECs and its policy towards the shared neighbours in the CIS which have only indirectly targeted Russia, but nevertheless concern Russia as the successor state of the Soviet Union.

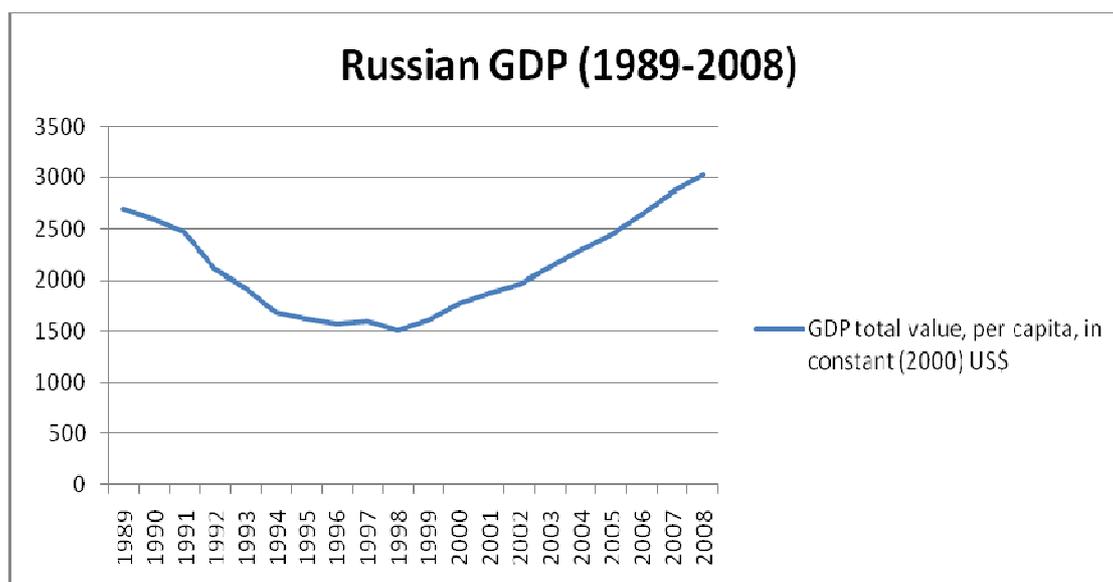
Russia in the Transition Period

Boris Yeltsin succeeded during his Presidency in establishing the institutional framework of a democracy and market economy. Nevertheless, the Russian state experienced serious difficulties and many setbacks in the consolidation of the country's territorial integrity and the transition from the communist regime towards a democratic form of government. It also experienced setbacks in the transition from a command economy to a market economy (for details on Russia's economic developments, see Figures 4.1 and 4.2, below). These difficulties and their consequences for Russia's position vis-à-vis the EU will be discussed in the following.

Political and Economic Reforms and Crises

In the first years after the collapse of the Soviet Union the political situation in Russia was extremely volatile. This was partly due to President Yeltsin's somewhat erratic style of leadership, and partly due to the identity crisis that the Russian political elites, and the population at large, underwent following the collapse of the Soviet 'Empire' (see Stent 1999:185-195; see also Commission 1995, Annex A:18). In the early stages of the transition, in late 1993, violent politically motivated clashes erupted from a standoff between the government and the parliament (Newton 2003:214-5; see also Stent 1999:192-193). Especially in the latter part of Yeltsin's Presidency, political instability, with various domestic actors struggling for power,⁶⁹ and persisting economic and social problems made the reforms that were started in the early 1990s difficult to follow through and implement. Political problems were exacerbated by the fact that the Russian economy was in decline and crisis throughout much of the 1990s, and that the Russian Federation had taken over all of the Soviet Union's debt in 1993 which made up 90% of its overall debt and placed extreme pressure on the state budget (Commission 1995a, Annex A:19).

⁶⁹ The swift succession of five different prime ministers between March 1998 and August 1999 was just one indicator of the domestic political problems.

Figure 4.1 The development of Russian Gross Domestic Product volumes

Source of data: World Bank (2010). NB: figures have been rounded by the author.

Figure 4.2 The growth of Russian GDP in the post-Cold War period

Source of data: World Bank (2010). NB: figures have been rounded by the author.

Against this backdrop, and to help along Russia's reform process through close cooperation with Western states, taking advantage of their technical expertise and financial support, Russia applied for membership in the main Western international institutions, including GATT/WTO (June 1993, yet to join); Council of Europe (May 1992; joined February 1996); the OECD (1996, yet to join); the G7 (from 1994 regular meetings), which became togetherwith Russia (1997) the G-8. Domestic

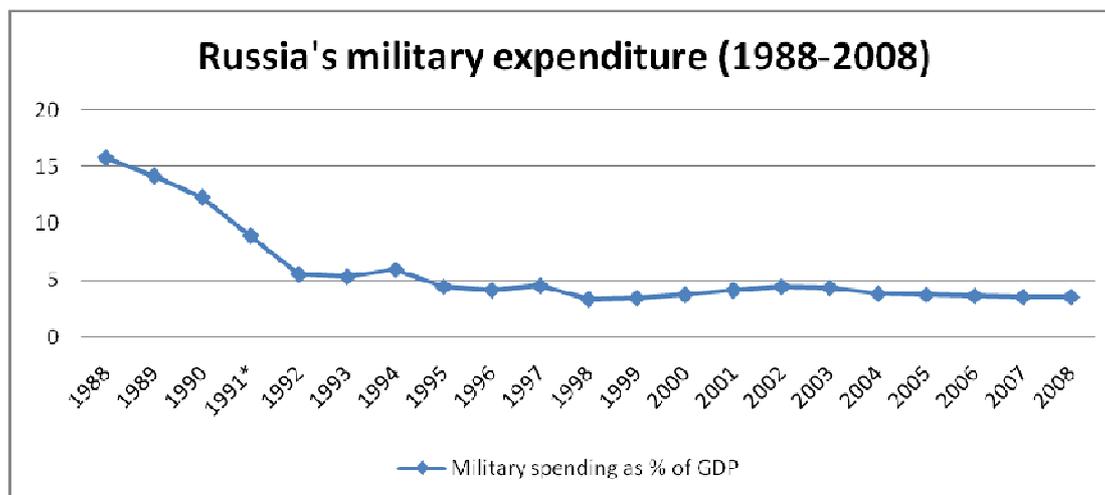
political opinion shifted away from the initial 'pro-Western' orientation towards the extreme Russian nationalist camp in the Duma elections of December 1993 that followed the violent outbreaks (Newton 2003:215).

By the mid-1990s the Russian economy appeared to become a little more stable, but the inflow of foreign direct investment continued to be low in relation to Russia's size (Commission 1995a). The next major crisis came already a few years later when the aftershock of the Asian financial crisis hit Russia in October 1997. The global recession exacerbated Russia's economic crisis and triggered a flight of capital that led to a rapid deterioration of Russia's economic situation in August 1998 following a decline in crude oil prices to the lowest prices in twenty years (just under 10\$ per barrel). Heavily dependent on the sale of raw materials, Russia became even more dependent on external financial support to stabilise its economy and on food aid to address extreme social problems (see Figure 4.4, below). The financial crisis also negatively impacted Russia's domestic political stability with extreme nationalists gaining popular support while the political reformers were struggling (Timmins 2007:173).

Throughout the 1990s, Russian political elites were extremely sensitive about the issue of foreign interference in Russia's domestic affairs by means of foreign aid, and they were concerned about the conditionality attached to foreign aid programmes (Klitsounova 2009:108), but the need for external assistance outweighed the resistance against foreign support and the political leadership strove for closer integration with the 'West' both politically, but particularly in economic terms.

Russian policy towards Chechnya

Alongside these political, economic and social problems, the Russian government also had to address challenges to its territorial integrity that originated particularly from the Chechen Republic where separatists pursued the establishment of an independent Chechen state. That the Russian political elites had lost political, military and economic influence with the break-up of the Soviet Union and the withdrawal of the Soviet military presence from the constituent units of the USSR influenced the way in which the Russian government dealt with separatist regions (Figure 4.3, below, illustrates the dramatic fall in overall Russian military spending).

Figure 4.3 Military expenditure as a share of Russia's GDP

* The value was missing in the original data.⁷⁰

Source of data: SIPRI (2010).

After losing already so much of the former Soviet empire, Russian political elites were determined to keep what remained of the territory under firm control of the Kremlin. In the wake of the political crisis of 1993, the Russian government launched military action in December 1994 in what has become known as the ‘first Chechen War’ to restore order and prevent the breaking away of the Republic. This war constituted a further burden on the ailing budget of the Russian state (Commission 1995:6). It also had a negative impact on Russia’s relations with the ‘West’. In February 1995, the Council of Europe, for example, put on hold Russia’s application for membership due to the ongoing war in Chechnya (see Newton 2003:222). The First Chechen War was concluded in August 1996, but it did little to quench the separatists’ ambitions. Rather, it achieved the opposite effect. In view of continuing difficulties of the federal government in keeping the Republic under control, the newly appointed Prime Minister, Vladimir Putin, launched a Second War in Chechnya in August 1999 which continued until May 2000.

As we have seen here, throughout the Transition Period, the Russian government was engaged in a struggle to implement political and economic reforms, to stabilise the country and to secure its territory. During this time the Russian state was extremely weak, both politically and economically, and in need of substantial foreign assistance.

⁷⁰ I am grateful to Tania Biletskaia for calculating the missing value for 1991.

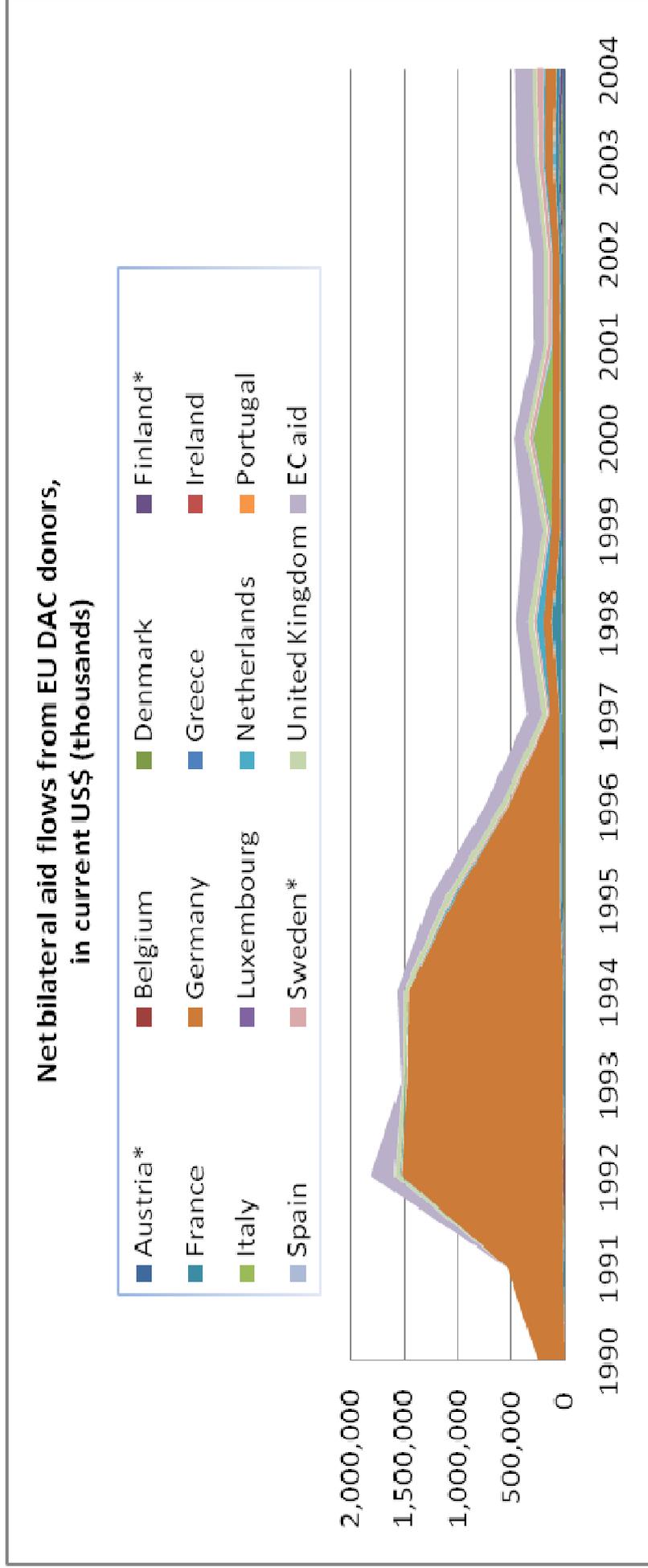
*EU-Russia Relations during the Transition Period*⁷¹

During the 1990s, after the dissolution of the Soviet Union, the persisting political and economic instability and growing social problems in Russia, raised concerns in the West that if Russian reforms failed they would suffer the consequences which could include streams of refugees and immigrants to the EU, the expansion of organized crime in the EU and the spilling over of ecological disasters (Timmermann 1996:200). Therefore EU member states deemed joint action and close cooperation with Russia at the EU level as important to ensure Russia's successful transition towards a stable democracy and prosperous market economy. The Russian government, in turn, allowed democracy assistance from EU member states to be carried out (Klitsounova 2009:107). Particularly during the initial phase following the break-up of the Soviet Union, EU member states provided substantial financial aid, both individually and collectively via the EU (Commission 1995a, Annex B:22; but see e.g., Selezneva 2003:15-16). The main framework of the EU for the provision of aid was the Technical Assistance for the Commonwealth of Independent States (TACIS) programme that the member states had agreed to launch in December 1991 (for details on the priority areas of TACIS funding, see e.g., Timmins 2003:80). Among the member states, Germany was Russia's biggest creditor (see Figure 4.4), contributing more than half of global aid for Russia and almost a third of the EU's TACIS funding (Timmermann 1996:213-14; Stent 2010:157-8). Figure 4.4 (below) provides an overview of the European Commission's and member states' bilateral aid provision to Russia in the framework of the OECD's Development Assistance Committee (DAC).⁷²

⁷¹ This section draws heavily on Timmermann (1996) and Haukkala (2010). Not many studies of developments in the EU-Russian relationship exist that explore the genesis of the bilateral agreements. These two are among those that deal in the most comprehensive manner with the interests of the different actors within the EU vis-à-vis Russia.

⁷² Besides the fifteen EU member countries (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and UK) and the European Commission, Australia, Canada, Japan, Korea, New Zealand, Norway, Switzerland and the US are members of the DAC.

Figure 4.4 EU and national aid to Russia (1990-2004) in the DAC framework



* Aid from Austria, Finland and Sweden for the period prior to their accession to the EU in January 1995 has been excluded.
Source: World Bank (2010)⁷³

⁷³ Net bilateral aid flows from DAC donors are the net disbursements of official development assistance (ODA) or official aid from the members of the Development Assistance Committee (DAC) provided to promote economic development and welfare. The collection of data on official aid and other resource flows to Russia ended with 2004 data (World Bank 2010).

The Nordic countries provided also substantial aid to the Russian exclave Kaliningrad which was riddled with problems of socio-economic decline, communicable diseases and which had become a major source of pollution in the Baltic Sea region (Commission 2001a, Annex III:20).⁷⁴

*Towards a Partnership and Cooperation Agreement (PCA)*⁷⁵

At the beginning of January 1992 the EC member states decided that a comprehensive framework agreement should be negotiated with Russia, building on the earlier plans of concluding such an agreement with the USSR. Disagreements among them about the shape that the framework agreement should take delayed the adoption of a mandate that was necessary for the Commission to start negotiations with Russia (see Haukkala 2010:74-75), but in November 1992, negotiations for what would become the EU-Russian Partnership and Cooperation Agreement (PCA) were finally launched.

Over the course of the negotiation period, the member states revised and extended the Commission's mandate twice (April 1993; November 1993) to offer further concessions in the area of trade, both at the Russian negotiators' insistence and in response to the growing political, economic and social difficulties in Russia (Bastian 2006:79-80; for details on the progression of negotiations, see Haukkala 2010:77-80). While the member states agreed to substantial concessions, they managed to get Russia to agree to the inclusion of a suspension clause in the PCA (Art. 107(2)), allowing them to suspend the agreement if Russia breached the fundamental democratic and human rights principles that are enshrined in the PCA (Bastian 2006:80; Haukkala 2010:77-8).

In the negotiations of the PCA treaty, Germany frequently insisted on meeting Russian requests (Timmermann 1996:221). As Russia's single most important trade partner, Germany had a strong interest in opening up the EU's market to Russian goods (Timmermann 1996:213-14) and it was in favour of offering Russia the prospect of an EU-Russian free-trade agreement, but France, in particular, along with the new Mediterranean member states, was opposed to such concessions (see

⁷⁴ For Kaliningrad alone, Denmark provided around ten million euro in aid, Sweden around four million euro (compared to Germany with around one million euro) (Commission 2001-26, Annex III:20).

⁷⁵ For a detailed analysis of the development of the agreement, see Timmermann 1996, Haukkala 2010 and Bastian 2006.

Haukkala 2010:75, 76; Timmermann 1996:212). The other member states were not prepared to agree to Russia's request for a fixed date for starting discussions on the establishment of an EU-Russia free-trade zone, a step that Germany had supported, and instead agreed to include a provision in the PCA (Art. 3) to examine in 1998 whether and when such negotiations could begin (Timmermann 1996: 207; Bastian, 2006:162). Negotiations for the PCA were concluded and the agreement signed on 24 June 1994 (see also Hubel 2004:351).⁷⁶

The overarching aim of the PCA was to achieve a gradual integration of Russia with the EU. The PCA is an extensive, detailed agreement (with 112 articles), but its main focus is on trade (PCA 1994, Ch. I Title III-IV, Ch.II-Ch. VI, Title VII) (Bastian 2006:79), but it also includes important provisions concerning political dialogue (PCA 1994, Art. 6-9) and democratic principles, the rule of law and respect for human rights in Russia (PCA 1994, preamble, Art. 2). The member states' main concession to Russia in the PCA was to offer enhanced access to its internal market in exchange for Russia's progressive convergence with EU rules (see stipulations of PCA, Art. 55).

Besides these issues, the PCA also focuses on environmental protection (PCA 1994, preamble, Art. 69), combating illegal activities (PCA 1994, Art. 82, Title VIII) and a range of areas including cultural cooperation, education, transport, science and technology, taking account of the different interests of the twelve member states. On the whole, the member states agreed to a range of concessions that benefited Russia. They regarded these concessions as necessary to support Russian reform efforts in view of the growing problems in stabilising the country politically and economically (see Haukkala 2010:76, 84-91) but, at the same time, they relinquished many bargaining chips already at this stage that they could have used later to force Russia to make concessions on issues that would become important to them.

⁷⁶ Official Journal of the European Communities (1997) OJ L327, 28 November 1997, pp. 3-69.

Table 4.1 Key agreements and key EU policies towards Russia

Period	Agreement	EU Presidency
1992, 2nd	start of negotiations for a Partnership and Cooperation Agreement (PCA)	UK
1994 1st	conclusion of PCA negotiations	Greece
1994 2nd	*PCA adoption, start of ratification process *Northern Dimension Initiative proposed	Germany
1995 1st	development of EU-Russian Interim Agreement on Trade	France
1995 2nd	adoption of Interim Agreement on Trade	Spain
1999 1st	adoption of Common Strategy of the European Union on Russia (CSR)	Germany
1999 2nd	launch of Northern Dimension Policy Initiative	Finland
2000 1st	launch of Northern Dimension policy with adoption of first Northern Dimension Action Plan (NDAP I)	Portugal
2000 2nd	*launch of EU-Russian cooperation on security and defence policy (Russian cooperation with the EU's ESDP) * launch of EU-Russian energy dialogue	France
2001 1st	development and adoption of the Northern Dimension Environmental Partnership (NDEP)	Sweden
2002, 2nd	Northern Dimension (Kaliningrad & Arctic) Kaliningrad Transit agreement Russia granted market economy status	Denmark
2003 1st	Four Common Spaces initiative –launch Northern Dimension Action Plan II	Greece
2003 2nd	Second Northern Dimension Action Plan (2003-2006) Common Economic Space – approval of concept	Italy
2004 1st	PCA extension protocol for the 10 new member states (27 April) Joint Statement on EU Enlargement and EU Russia relations (27 April)	Ireland
2004 2nd	Launch of EU-Russian human rights consultations	Netherlands
2005 2nd	Four Common Spaces Road Maps – adoption Visa- & Readmission agreement – conclusion of agreement Steel Agreement, signed on 3 November 2005 (for 2005-2006).	UK
2006 1st	25 May, decision on post-PCA agreement	Austria
2006 2nd	ND new policy/strategy document; Siberian Overflight agreement (Airtransport) - conclusion	Finland
2007 1st	Central Asia Strategy Black Sea Synergy Communication (11 April) PCA Extension Protocol for Romania and Bulgaria (April)	Germany
2008 1st	PCA negotiating mandate - adoption	Slovenia
2008 2nd	Suspension of negotiations for New Agreement due to Russian-Georgian war Relaunch of negotiations for 'New Agreement' after war in Georgia	France
2009, 2nd	Adoption of new Baltic Sea strategy document	Sweden

Source: Author's own compilation

Table 4.2 EU-Russia Summit Meetings

Summit	Place	Date	Country holding the Presidency
1 st	Birmingham	15 May 1998	United Kingdom
2 nd	Vienna	27 October 1998	Austria
3 rd	Moscow	18 February 1999	Germany
4 th	Helsinki	22 October 1999	Finland
5 th	Moscow	29 May 2000	Portugal
6 th	Paris	30 October 2000	France
7 th	Moscow	17 May 2001	Sweden
8 th	Brussels	3 October 2001	Portugal
9 th	Moscow	29 May 2002	Spain
10 th	Brussels	11 November 2002	Denmark
11 th	St. Petersburg	31 May 2003	Greece
12 th	Rome	6 November 2003	Italy
13 th	Moscow	21 May 2004	Ireland
14 th	The Hague	25 November 2004	The Netherlands
15 th	Moscow	10 May 2005	Luxembourg
16 th	London	4 October 2005	United Kingdom
17 th	Sochi, Russia	25 May 2006	Austria
18 th	Helsinki	24 November 2006	Finland
19 th	Samara, Russia	18 May 2007	Germany
20 th	Mafra	26 October 2007	Portugal
21 st	Khanti-Mansijsk, Russia	26-27 June 2008	Slovenia
22 nd	Nice	14 November 2008	France
23 rd	Khabarovsk, Russia	22 May 2009	Czech Republic
24 th	Stockholm	18 November 2009	Sweden
25 th	Rostov-on-Don, Russia	31 May-1 June 2010	Spain*
26 th	Brussels	7 December 2010	Belgium*

*These summit meetings took place after the entry into force of the Lisbon Treaty. The member states were represented by the new President of the European Council and the President of the European Commission.

Source: Author's own compilation.

The EU's Response to Russian Actions in Chechnya

In order for the PCA to enter into force, the twelve member states, Russia and the EC had to ratify the agreement. While the ratification process was ongoing an EU-Russian Interim Agreement on trade and trade-related matters was concluded with which the trade provisions of the PCA could be implemented and which would grant MFN status to Russia (Bastian 2006:80). This was possible because the EC had the competence to conclude trade agreements without requiring ratification by the member states. However, in response to the military campaign in Chechnya that had started in December 1994, the member states decided in March 1995 to put on hold the adoption of the Interim Agreement (Newton 2003:222; Bastian 2006:96). A fear that further-reaching sanctions could isolate Russia and thus exacerbate problems prevented the member states from taking further steps and instead, in light of the perceived progress made in the Chechen crisis, the member states agreed to send a positive signal to the Kremlin (see Bastian 2006:96; Commission 1995c) and the Interim Agreement was adopted by the fifteen member states in July 1995, entering into force in February 1996 (Newton 2003:230; Commission 1995b, 1995c). The PCA ratification process was completed in October 1997 after peaceful negotiations started in the Chechen Republic and it entered into force on 1 December 1997 for an initial duration of 10 years. With its entry into force, bi-annual EU-Russian Summit meetings started (for an overview, see Table 4.2, above) at which the country holding the Presidency represented the EU collective. This provided each national government while the country was holding the EU Presidency with an additional platform from which to pursue its objectives regarding Russia and from which to launch new policy initiatives.

Developing a Common Strategy on Russia (CSR)

Since the entry into force of the PCA was followed almost immediately by the severe financial crisis and a renewed threat of political chaos in Russia, EU member states were keen to take further steps to help along Russia's stabilisation (see e.g., Timmins 2007:173-4). The growing political, economic and social problems in Russia informed their decision in December 1998 to develop a Common Strategy on Russia (CSR). An informal 'core group' of member states composed of Finland, France, the UK and Germany played a key role in the development of the strategy (Bastian 2006:163,257; Timmins 2005:61) and Germany took advantage of the fact that it was holding the EU

Presidency in the first half of 1999 to push through the adoption of the CSR (see Miskimmon 2007:129-30; Pinder 2002c:112). The Common Strategy on Russia was adopted in June 1999 for an initial period of four years.⁷⁷

The development of the CSR presented the fifteen member states with the opportunity, but also the need to ‘upload’ all of their individual concerns regarding Russia as they ran the risk of being outvoted in any decisions following its adoption (Bastian 2006:264; Hughes 2007:81; Haukkala 2008:323; see also Ch. 2). The inclusion of their individual concerns resulted in what Solana later criticised as a ‘Christmas tree’ policy covering all possible aspects of relations with Russia rather than setting clear priorities that could be pursued effectively (Secretary General/High Representative for CFSP, 2000, section III, para. 10). The main collective objectives of the member states that the CSR set out were first, the consolidation of Russia’s transition towards democracy and the strengthening of the rule of law; second, Russia’s economic integration with the EU; third, achieving, together with Russia, stability and security in Europe and further afield and fourth, cooperating with Russia to address ‘common challenges’ on the European continent (see CSR 1999, Part I). Germany’s aim of promoting political stability in Russia through the development of closer economic ties between the EU and Russia became diluted into a set of declaratory intentions (Timmins 2006:306b, 2007:176) and the CSR only reiterated member states’ ambition to put in place an operational market economy (CSR 1999, I.2.). It also placed an emphasis on the normative agenda (see Timmins 2007:176). Because the CSR included virtually all existing member states’ interests regarding Russia, it did not constrain their ability to pursue their interests at the bilateral level and rather enabled them to pursue their individual interests at the EU level as well as bilaterally.

Consequences of the EU’s enlargement

With the accession to the EU of Sweden and Finland, new priorities entered the collective policy agenda that reflected the concerns of the new member states regarding Russia. This was firstly because the EU acquired a border with Russia which created a range of practical problems (see Light 2006:49-52)⁷⁸ and secondly, because the two Nordic states uploaded concerns that stemmed from their close

⁷⁷ Official Journal of the European Communities (1999) 99/414/CFSP, OJ L 157/1, 24 June, pp. 1-10.

⁷⁸ Finland, along with Austria and Sweden, joined the *Schengen* area on 19 December 1996.

vicinity to Russia. Together with the ‘old’ member state Denmark, they sought to focus the attention of the EU collective towards specific issues regarding Russia in the Baltic and Barents Sea region (W. Wallace 2005:440). Finland initiated a ‘Northern Dimension’ (ND) policy which was formally launched during the Finnish EU Presidency in 1999 (for details on the ND see Archer 2002:32,33; Arter 2000; Bastian 2006:216, 221-225, 252; Catellani 2007:191; Haglund 2005:94-98; Haukkala 2004, 2010:152-167; Hughes 2007:85; Ojanen 2008:69; Pinder 2002c:115,125; Khudoley 2002:339). The ND Initiative was conceived to deal with specific issues regarding Russia in the Baltic and Barents Seas that concerned the Nordic member states as neighbours and littoral states and which included soft security threats stemming from Kaliningrad and North-West Russia, specifically environmental pollution and nuclear safety⁷⁹, communicable diseases, organized crime and the aim of implementing effective measures to address the socio-economic gap between neighbouring EU and Russian regions (see Arter 2000:692; Archer 2002:30-31; Bastian 2006: 215, 125-26; Catellani 2007:183; Haglund 2005:105; Haukkala 2004:99; Männik, 2008:31-32; Moisiu 2003; Müntel 2008:196; W. Wallace 2005:440).

With regard to nuclear safety, besides the countries located in the vicinity of Russia, the European nuclear powers – France and the UK – pushed for a coordinated response at the EU level. The interested states had already succeeded in getting their concerns about Russian environmental hazards included in the PCA (PCA 1994, Preamble), and the CSR (CSR 1999, I. 4., II.4.d, 4e) had spelt out also the new member states’ concerns. The ND policy was mainly focused on addressing soft security problems that required funding which the Russian government had not been able or willing to invest and the interested member states were keen on getting Russia to cooperate on tackling these threats and participate in the various projects proposed under the ND umbrella.

Assessing Member States’ Influence during the Transition Period

What we have seen here is that during the 1990s, EU member states were able to register some success in achieving their core objectives regarding Russia concerning its democratic and market reforms, but this had much to do with the fact that the

⁷⁹ The largest repository of radioactive waste in the world, with about 20% of the world’s total nuclear reactors and thousands of spent nuclear fuel elements, mainly generated by Russia’s Northern Fleet, is located on Russia’s Kola Peninsula and in the Barents Sea.

Russian government was seeking to achieve much of the same goals as EU member states were in this regard. But, overall member states' individual and collective ability to influence Russia was limited to encouraging domestic reforms while falling short of exerting influence on crucial issues such as Chechnya, despite the imposition of coercive measures. In sum, it appears that despite the clear asymmetry in favour of the EU, with Russia as a *demandeur* for economic assistance and political support, in its negotiations with Russia the EU could not capitalise on its strengths. A major factor seems to have been the fear that taking a 'hard line' might reinforce the nationalist, anti-Western camp in Russia's divided political elite and thereby lead to a reversal of the democratic and economic reforms (see Haukkala 2010:88-89). Despite its comparative weakness, Russia was able to extract more concessions from the EU than vice-versa (Haukkala 2010:87), whereas the EU was unable or unwilling to capitalise on its superior bargaining power and resources.

During the early 1990s, much greater emphasis was placed by the Russian side on bilateral relations with the key member states, especially Germany (with France being of secondary importance) whereas relations with the EC/EU were developing on the sidelines of these bilateral relationships and only gained greater importance for Russia in the wake of the economic crises when economic integration with the EU became viewed as an urgent and necessary measure to help along the recovery of the Russian economy (Newton 2003:208, 234-5, 236-7). Nevertheless, German political elites' were keen to reassure the other member states, in particular France, that they had no intention to nurture special relations with Russia and that the German government would pursue its relations with Russia within the framework of a common EU policy (see Aalto 2006b:17; Föhrenbach 2002: 218; Jakobson 1994:314; Miskimmon 2007:12, 25; Stent 2010:163; Timmermann 1996:213-14; Timmins 2005:57, 2007:171; W. Wallace 2005:436). The small state Finland succeeded in launching a policy that essentially catered for its own interests, whereas Germany, among others, was unable to achieve its objective of further-reaching trade concessions to Russia against the resistance of the other member states. This is contrary to the expectations that were set out in the previous chapters regarding the capacity of these states to shape EU policy.

This confirms diplomats' own observation that was discussed in Chapter 2 that capabilities of the member state alone cannot account for their ability to shape collective policies at the EU level. It underlines also the incongruence of member

states' preferences as a key factor that negatively impacts on even the most influential states' ability to shape common EU policy.

Finally, we have seen here that the member states had during this period the opportunity to shape new EU policy according to their individual interests. With the development of the EU-Russian PCA, the twelve member states had an unprecedented opportunity to influence both the EU's policy towards Russia and also Russia itself by ensuring that some key provisions would become enshrined in the treaty. Furthermore, the development of the EU's strategy on Russia (CSR) presented the three new member states with the opportunity to upload core interests and get them embedded in the common policy. To the extent that they were successful this increased the likelihood that they would pursue their interests regarding Russia at the European level rather than just at the bilateral level.

4.2 THE STABILISATION PERIOD (2000-2004)

Vladimir Putin who had been appointed first as Deputy Prime Minister and then as Prime Minister, both in August 1999, became caretaker ('acting') President in December 1999, stepping in for President Yeltsin. His election to the office of President in March 2000 marked the beginning of a new period in EU-Russian relations which came to an end with his re-election four years later and the expansion of state control in strategic sectors that followed. During the Stabilisation period, crude oil prices started to rise substantially from just under \$10 per barrel in December 1999 (the lowest price in two decades) following the financial crisis, to \$30 in 2003 and \$50 per barrel in the autumn of 2004. The rising oil prices helped along Russia's economic recovery and also contributed to greater domestic political stability under the new leadership.

Russia in the Stabilisation Period

After the extended period of significant domestic political and economic decline as well as the loss of Russia's position as the central pillar of a global superpower, with Putin's election to the Russian Presidency in 2000 a period of relative political stability started during which presidential powers were consolidated through a reversal of what was regarded as an 'at times chaotic decentralisation of power' during the 1990s (Commission 2001b:7, section 3.1). The new President's ambition was to restore Russia's influence both domestically and internationally. His key

objective was to establish a strong state and his international ambition was to reassert Russia's status as a great power (Sakwa 2008:881). He made clear 'that in a not too far off future, Russia will take its recognised place among the ranks of the truly strong, economically advanced and influential nations.' (Putin 2003).

During this period, Russia continued to receive foreign aid from EU member states (see Figure 4.4 above) but the economic recovery significantly decreased Russia's dependence on foreign funding. With the increasing revenues from taxes on primary energy sales, in 2002 the Russian state budget was for the first time in credit and Russia was able to start repayment of its debts. As economic and political stability was restored, the investment climate for foreign capital improved and Russia attracted again foreign investors. With the strengthening of the state's power and the economic recovery, the Russian government became more reluctant to allow any Western interference in Russian domestic politics and the political elites became increasingly determined to capitalize on Russia's energy resources (Tsygankov 2010).

Whereas the Russian economy had been opened up to foreign investors during the 1990s to help along the economic development and market liberalisation was regarded as a means of achieving Russia's transition to a wealthy and thus more powerful state, towards the end of Putin's first term as President, the Russian leadership began to pursue a policy of 'selective openness' (Tsygankov 2010). State-control was re-established in strategic areas, notably in the energy sector, making it more difficult for foreign companies to gain access. It was in particular the arrest (in October 2003) and prosecution of the head and founder of the largest privately owned Russian oil company Yukos, Mikhail Khodorkovsky, that worried foreign investors. The lack of transparency and concerns about the rule of law in Russia kept foreign investments low relative to Russia's size and economic potential.⁸⁰ After the 'Yukos affair', other Russian oligarchs, such as Roman Abramovich, voluntarily agreed to the transfer of their assets to state-owned companies (Sakwa 2008:892-93).⁸¹

The speedy recovery of the economy (see Figures 4.1 and 4.2, above) made the Russian government more powerful and less cooperative. In particular, it became increasingly opposed to allowing foreign influence over Russian domestic politics.

⁸⁰ Khodorkovsky and his business partner Platon Lebedev were sentenced to eight years in prison in Eastern Siberia, having been found guilty by Russian courts of fraud and tax evasion. Khodorkovsky has denied all charges against him and has claimed that he was punished for supporting the small pro-Western opposition in Russia. He also argues that the break up of Yukos was engineered by Russian government officials who were aiming to get hold of Yukos' oil assets (Ria Novosti 2009f).

⁸¹ In Abramovich's case it was the sale of Sibneft to Gazprom that was concluded in September 2005.

International organisations, including the OSCE and Council of Europe reported that Russia's democratisation process had stalled, that Russia's commitment to the core democratic principles was weakening and that the law was being applied selectively (Commission 2004a:2). Meanwhile, the struggle against the Chechen insurgents remained an important domestic issue during Putin's first term as President. The terrorist attacks of '9/11' 2001 enabled the Russian authorities to frame their military intervention in Chechnya as part of the international campaign against Islamic fundamentalist threats to international security.

Putin's success in stabilising the country was rewarded with his re-election as President of the Russian Federation in March 2004 for a second four-year term. After the instability of the 1990s, his first term as President was viewed broadly in positive terms, and his efforts to restore political and economic stability were regarded as 'welcome after the uncertainty of the Yeltsin era' (Commission 2004a:2). But while Putin's achievements were, on the whole, being applauded in the West, developments during his first term in office did in fact weaken the EU's influence. The Russian government's assertiveness grew and political elites in Russia became unwilling to accept any imposition of conditionality by the EU. At the same time, Russia's economic recovery and oil wealth made it less sensitive to any coercive trade measures that the EU could apply.

EU-Russia Relations during the Stabilisation Period

During the Stabilisation Period, the Russian leadership focused its efforts on gaining economic and political benefits from a strengthening of the EU-Russian relationship (see Newton 2003:241-2). However the renewed military action in the Chechen Republic negatively impacted on their relations. Already in late 1999, EU member states considered the imposition of sanctions to try and force the Russian government to stop its military campaign (Haukkala 2010:116) and in January 2000 they imposed what some referred to as 'pseudo-sanctions' (Bastian 2006:98-99): the suspension of the Generalised System of Preferences (GSP) and of TACIS funding for projects outside the priority areas of democracy and human rights promotion (Bastian 2006:98; Haukkala 2010:118) and the signature of a Science and Technology agreement with Russia was postponed. The sanctions were lifted in June 2000 (Haukkala 2009c:1770). And the Swedish EU Presidency in early 2001 gave privileged attention to relations with Russia - despite, or precisely because of the

earlier dispute about the war in Chechnya – and invited President Putin in an exceptional gesture to the meeting of the EU’s heads of state and government in Stockholm in March 2001.

Following the terrorist attacks of 9/11 in the United States, member states’ assessment of Russian military policy in Chechnya gradually shifted (see Timmins 2007:179; Newton 2003:242-3) although national policy-makers continued to voice their criticism (see Wipperfurth 2004:124). The Russian government was becoming increasingly assertive in its relations with the EU and individual states that took actions it disapproved of. Russian officials also started to criticise EU member states – especially Denmark and the UK – for granting asylum to Chechen insurgents (Bastian 2006:90-91; Leonard & Popescu 2007:14; Light 2006:62; Roth 2009:6).⁸² Meanwhile the EU itself was unable to effect any noticeable changes in Russia. In 2003, Putin even received confirmation of his policies when, at the EU-Russia Summit in November, Italian Prime Minister Silvio Berlusconi publicly expressed his support for Putin’s domestic policies (see Collina 2008:30-31; Braghiroli & Carta 2009:18).

Berlusconi’s statements and the impending expansion of the EU resulted in a decision in December 2003 to task the Commission to undertake a review of the state of EU-Russia relations. The resulting Commission Communication of February 2004 (Commission 2004a), an assessment report on all aspects of the Union’s relations with Russia, highlighted the ineffectiveness of the EU’s policies in its relations with Russia and blamed this in particular on member states’ bilateral ties with Russia. Following the lack of success in applying conditionality to Russia, over the course of the first half of the 2000s, member states’ collective approach to Russia at the European level shifted from the use of conditionality to an emphasis on engagement as a means of achieving the desired changes in Russia (Schuette 2004:24).

The consequences of the planned enlargement of the EU

With the impending enlargement, the EU had to conclude a protocol with Russia to extend the provisions of the PCA to cover the new members from the date of their accession. Discussions started in September 2003 on this ‘PCA extension protocol’.

⁸² Similarly, Dutch Foreign Minister, Bernard Bot’s criticism during the country’s EU Presidency in September 2004 regarding the Russian authorities’ handling of the Beslan school hostage crisis (for details see Lobjakas 2004; see also Light 2006:62) was followed by temporary trade sanctions – a ban on Dutch flower imports, and can plausibly be linked to the incident (Timmins 2006a:60–61; see also Wilson et al 2009:26).

The EU side regarded the adoption of the protocol as a mere formality (van Elsuwege 2008:336), especially since a template existed already in the form of the protocol that extended the PCA agreement to the three states that had joined the EU in 1995.⁸³ Nevertheless, the Russian negotiators tried to use the EU's keen interest in establishing legal certainty for the new member states ahead of their accession to bargain with it by tying conditions to the adoption of the protocol (van Elsuwege 2008:336). The main Russian demand was to receive compensation for the anticipated economic losses from enlargement, a request that the EU side rejected outright by emphasizing the economic gains that Russia would make overall from the introduction of the common external tariff in the new member states' trade with Russia.⁸⁴ The PCA extension protocol was adopted just three days before the enlargement.⁸⁵ Alongside the extension protocol, the EU and Russia adopted, also on 27 April 2004, a joint declaration on the enlargement of the EU and relations between the EU and Russia. This declaration addressed the main issues that had been of concern to the Russian side, but it did not include any formal commitments on the part of the EU to meet Russian demands and was rather declaratory in nature.

Although the EU struggled to get Russia to adopt the protocol, the fact that the Russian side did in the end give its consent before the accession of the new member states demonstrated the EU's capacity to achieve its objectives when vital issues are at stake.

Transit from/to Kaliningrad through the EU

During Russia's Stabilisation Period, the fifteen existing EU member countries were preparing for accession of the ten new, mainly Central and Eastern states.⁸⁶ Because Lithuania was among this group, and because all new member states have to apply the EU's common border regime, the so-called *Schengen Agreement*, after they join the EU an agreement on how to regulate transit between the Russian 'mainland' and its

⁸³ The protocol of 21 May 1997 entered into force on 1 December 2000. See Protocol Agreement to the Partnership and Cooperation establishing a partnership between the European Communities and their Member States, of the one part, and the Russian Federation, of the other part.

⁸⁴ The EU's most favoured nation (MFN) tariff levels for trade with Russia in industrial goods are at 4,1% whereas for example Poland's MFN tariff level was at 15,8% and Lithuania's at 5,3% (Commission 2001a:3).

⁸⁵ The protocol of 27 April 2004 entered into force on 1 March 2005. See Protocol to the Partnership and Cooperation Agreement, 2006.

⁸⁶ At the Copenhagen Summit of December 2002, the EU decided that seven of the former Eastern bloc states - Estonia, Latvia, Lithuania, the Czech Republic, Slovakia, Poland and Hungary - and Malta, Cyprus and Slovenia would join the EU in May 2004.

exclave Kaliningrad had to be reached. Although both Poland and Lithuania border Kaliningrad, it was only Lithuania which took an active part in the discussions (for the main reasons, see Commission 2002a:3).⁸⁷ In the discussion about visa and transit regulations, a key issue was how to deal with the fact that residents of Kaliningrad were under the existing agreements with Lithuania allowed to travel with internal Russian passport (i.e. not internationally valid passports) while residents of mainland Russia were required to carry international passports (see Commission 2002a:4). The Lithuanian government did not wish to allow a relaxation of the *acquis communautaire* but sought to reach an agreement within the *acquis* that would not create problems for the lifting of internal border controls and for the ratification of the EU Accession Treaty (Commission 2002:3). Lithuanian officials made clear that Lithuania was keen on reaching a joint EU agreement, rather than bilateral solutions with Russia, on any further visa and transit facilitation after its accession to the EU (Commission 2002a:3).

However the Russian government was expecting to obtain special treatment for its exclave and in July 2002 French President Jacques Chirac backed Putin in his complaints against the visa requirements for transit to Kaliningrad after Lithuania's EU accession (Prozorov 2009:137). In an attempt to resolve the issue in Russia's favour, President Putin proposed a reciprocal Russian-EU visa-free agreement to the heads of EU member states in August 2002 (Prozorov 2009:137). During the Danish EU Presidency, the Commission presented a proposal for how to resolve the transit issue in September 2002 (Commission 2002a). At the EU-Russia Summit meeting in November 2002, the Danish EU Presidency was able to conclude a final agreement with Russia on the use of facilitated transit documents that was in line with the EU's Schengen *acquis*.⁸⁸ Italy, Spain, Germany and Sweden pushed, along with France, for concessions towards Russia regarding the transit arrangements (Bastian 2006:104,263; Barysch 2005b:31), but the EU – or Lithuania, as some authors

⁸⁷ The Polish position was that there are no economic or humanitarian reasons to use Polish territory for traffic between different parts of Russia, and that it would not accept any concessions regarding Kaliningrad which cannot also be applied on other borders. It held that the *acquis* should not be relaxed to accommodate Russian demands (Commission 2002a:3).

⁸⁸ The conditions for the issuing of these travel documents are set out in Art. 1, Protocol No 5 on the transit of persons by land between the region of Kaliningrad and other parts of the Russian Federation' of the Accession Treaty of 2003, available at <http://eur-lex.europa.eu/en/treaties/dat/12003T/htm/L2003236EN.093100.htm>

(Vareikis 2002:287; Onken 2009:46) and diplomats contend⁸⁹ - prevailed in the negotiations with Russia (for one interpretation of the underlying reasons, see Light 2006:54). The agreement was sealed with the signature of the 'Joint Statement on transit between the Kaliningrad Region and the rest of the Russian Federation' at the Summit. Following this success, in April 2003 the member states adopted two EU Regulations establishing a new facilitated transit regime for persons to and from Kaliningrad through the EU.⁹⁰ The new regime came into effect on 1 July 2003.

Although the EU managed to get Russia to conclude an agreement that was broadly in line with EU member states' preferences, and although it was concluded well ahead of the scheduled introduction of the new border regime that prepared the candidate countries for their accession to the Schengen regime, the Kaliningrad transit negotiations also highlighted problems among the member states in agreeing and pursuing a common policy. A European Parliament report of 2004 emphasised that divisions among the member states had made it difficult to bargain with the Russian negotiators effectively and the report also stated that the 'uncoordinated statements by leaders of Member States rendered negotiations with Russia on Kaliningrad transit excessively difficult' (Belder 2004:8 AA).

Towards an EU-Russian Visa and Readmission Agreement

In parallel with discussions about the transit of Russian nationals from and to Kaliningrad and the impact of the EU's enlargement more generally speaking, the perceived need to conclude a readmission agreement with Russia to tackle illegal migration and organised crime⁹¹ gained centre stage on the EU's agenda, whereas the Russian government focused its attention and efforts on achieving visa facilitation.⁹² The conclusion of a readmission agreement with Russia was regarded by the EU collective as a precondition for further cooperation on visa facilitation that might follow the implementation of the transit arrangements for Kaliningrad (Commission 2001:6, 2002a:16). After an EU-Russia Action Plan on Combating Organised Crime

⁸⁹ Author's interviews with member state diplomats in Berlin (June 2007) and Brussels (July 2007).

⁹⁰ Council Regulation (EC) No 693/2003 of 14 April 2003; Council Regulation (EC) No 694/2003 of 14 April 2003.

⁹¹ Russia had concluded a readmission agreement, the first of its kind, with Lithuania in 2003 as part of the EU-Russian agreement on the transit of people between mainland Russia and Kaliningrad following the 1 May 2004 EU enlargement (Frellesen & Rontoyanni 2007:236).

⁹² The scale of the influx of Russian asylum seekers in the EU gives an indication of the associated problem of illegal migration: for the years 2005-2007, Russia ranked second among the countries of origin of asylum seekers in the EU (Commission 2008e, Annex, 35.).

had been adopted in spring 2000, the Commission received in autumn of that year a mandate from the member states to negotiate a readmission agreement with Russia which would oblige both the EU and Russia to take back individuals found illegally on each other's territory. In response to Russian requests for the abolition of visa requirements, the EU-Russian Summit in St. Petersburg in May 2003 agreed to examine conditions for visa-free travel as a long-term perspective but member states could not agree on a common approach towards Russia regarding visa facilitation arrangements (Frellesen & Rontoyanni 2007:231).

Negotiations for an EU-Russian readmission agreement were launched in autumn 2003. In the meantime, three of the large member states went ahead and concluded bilateral visa facilitation agreements with Russia when it became clear that they could not reach an agreement at the European level. Germany signed a bilateral visa facilitation agreement with Russia in December 2003 which entered into force in January 2004 (see Bastian 2006:271).⁹³ A French-Russian and Italian-Russian visa agreement was signed in June 2004. These agreements facilitated the visa procedures for businessmen, politicians, athletes and academics (Aalto 2006:106). The three bilateral agreements put pressure on the other member states to conclude a collective agreement with Russia (Bastian 2006:162; Frellesen & Rontoyanni 2007:246, footnote 5; Leonard & Popescu 2007:16). The EU collective adopted a negotiating mandate for an EU-Russian agreement on visa facilitation in July 2004, shortly after France and Italy had concluded bilateral agreements with Russia. A first round of EU-Russian negotiations on a visa and readmission agreement took place in September 2004.

The three states, Germany, Italy and France, were strongly criticised for taking action at the bilateral level instead of bargaining collectively with Russia at the European level. Among others, the then External Relations Commissioner Chris Patten strongly criticised the three states for undermining the ability of the EU to apply conditionality on Russia through the conclusion of these agreements in order to get Russia to accept the conclusion of a readmission agreement which the EU side was keen on (Patten 2004). A diplomat from the Baltic States further emphasised the limited internal effectiveness of the EU and criticised the member states for giving in to Russian demands:

⁹³ The text of the agreement is available at <http://www.russisches-konsulat.de/Blank/AbkommenDe.pdf> [last accessed 20 June 2010].

‘Russia can blackmail [the EU]. [...]. With the visa and readmission agreement, the visa facilitation, Russia wanted it, and they got it. But what did the EU get in return? Nothing!’⁹⁴

The ENP and the Four Common Spaces

The CSR was renewed for one more year in 2003⁹⁵ but not extended beyond June 2004 as the member states focused their attention on developing a joint policy with Russia following the accession of the CEECs. The CSR was overall regarded as a failure and the lack of tangible results was blamed on the multitude of national objectives that had been integrated in the Strategy document. From 2003, a new ‘neighbourhood’ policy, known as European Neighbourhood Policy (ENP), was developed as a comprehensive framework for dealing with the third countries neighbouring the EU which are not being considered for EU membership. Russian political elites refused however to have their country grouped along with the other CIS and Mediterranean countries and the Russian government demanded to be treated as an equal partner and not as an object of EU policy (Haukkala 2010:134; Parmentier 2008:1081).

As a consequence of Russia’s refusal to become part of the ENP framework,⁹⁶ and building on the earlier decisions taken at the EU-Russia summit in October 2000 and May 2001 to establish a *Common European Economic Space* between the EU and Russia, German diplomats developed in Moscow, in close cooperation with their French counterparts, an alternative policy framework for relations with Russia, the *Four Common Spaces* (for details on its development, see Haukkala 2010:129-151). The initiative was introduced to the other member states by the Greek EU Presidency (see Facon 2010:170-171; Frellesen & Rontoyanni 2007:233; Schuette 2004:4; see also Raik 2007:211).⁹⁷ The ‘Four Spaces’ concept which consisted of a Common Economic Space; a Common Space of Freedom Security and Justice; Common Space on External Security and a Common Space on Research, Education and Culture, was adopted at the EU-Russia Summit in St. Petersburg in May 2003. In November 2003, during the Italian Presidency, the concept paper of the Common European Economic

⁹⁴ Author’s interview with diplomat of one of the Baltic States, Brussels, 3 December 2007.

⁹⁵ On 20 June 2003, the European Council adopted Common Strategy 03/471/CFSP amending Common Strategy 99/414/CFSP on Russia in order to extend the period of its application until 24 June 2004.

⁹⁶ Financial aid for Russia did nevertheless become grouped within the broader European Neighbourhood (financial) Instrument (ENI).

⁹⁷ Author’s interview with high-ranking member state official (political directors level), 27 June 2007, Berlin.

Space was agreed and adopted at the EU-Russia summit in Rome (CFSP Annual Report 2003). Whereas the member states had decided to push for the adoption of the Four Spaces road maps as a package, the Russian side wished to close negotiations on the *Common Economic Space* separate from discussions on the other spaces (see Haukkala 2010:135). It took the EU collective until 2005 to reach an agreement with Russia on all Four Spaces road maps.

The Northern Dimension

As Chapter 2 indicated, during their EU Presidency especially the smaller member states are better able to upload their individual interests and launch new policy initiatives that correspond with their needs.

For Sweden, its EU presidency in 2001 was the first significant opportunity to shape EU policy. The Swedish government succeeded in launching a Northern Dimension Environmental Partnership (NDEP) which reflected Sweden's strong interest in environmental protection (Bastian 2006:254; Catellani 2007:188-9; Herolf 2002:231). Denmark and Germany also recognized the need to cooperate on environmental issues and were particularly active regarding environmental challenges affecting Kaliningrad (Müntel 2008:202). Furthermore, the issue of nuclear safety in Russia's North-West which had already been addressed in the CSR was also pursued by the Swedish Presidency within the framework of the NDEP (see Patten 2001). This was followed in 2002 by the conclusion of a cooperation agreement between the European Atomic Energy Community (Euratom) and Russia in the field of nuclear safety (Commission 2008e, Annex, 46). After five years of negotiations, a Multilateral Nuclear and Environmental Programme in the Russian Federation (MNEPR) was signed between Russia, the EU and Western donors in May 2003 in Stockholm (Bastian 2006:88).

In addition, the Swedish and subsequent Danish EU Presidencies focused on addressing a range of problems originating from Kaliningrad that needed to urgently be addressed, including the rapid spread of communicable diseases including HIV, the growing social and economic gap between Kaliningrad and the accession candidates Poland and Lithuania, and high rates of criminal activity in the oblast that were exacerbated by the withdrawal of the vast majority of the Russian troops that had been stationed there and ecological problems posed by the military bases and weapons in the region (Brok 2003, para 71; Catellani 2007:188-9; Herolf 2002:231). The Danish

EU Presidency (2002) shifted the focus of the ND policy towards its specific interests regarding Russia, specifically Kaliningrad and the Arctic (see NDAP-2). Denmark succeeded in launching a Northern Dimension Partnership in Public Health and Social Wellbeing, which reflected its particular concerns about the spread of HIV and drug-resistant forms of tuberculosis in Kaliningrad and North-West Russia (see Commission 2001a:8).

Germany, in contrast, refrained from bilateral action towards the former *Königsberg* and instead pursued its interests at the EU level to reassure the other member states, especially Poland, that it was not seeking to re-establish its influence over the region (Aalto 2006b:17; Bastian 2006:177, 274-5; Gänzle & Müntel 2008:9; Moroff 2007:114).

Assessing Member States' Influence during the Stabilisation Period

During the Stabilisation Period, the EU was unable to influence the Russian government's domestic policy. Its lack of success in influencing Russian developments is illustrated by External Relations Commissioner Chris Patten who acknowledged in early 2004 that 'overall, we have to accept that the results of five years of increasingly intensive co-operation [with Russia] are not as positive as we expected [...]' (Patten 2004a). EU member states also started to come under attack for actions and policies that the Russian political elites disapproved of. On two core issues the member states were able to achieve their goals vis-à-vis Russia at the European level: firstly, the extension of the PCA and secondly, the transit solution for Kaliningrad.

What is striking about this period in the EU-Russian relationship is that EU member states were hesitant to threaten Russia and apply restrictions in response to Russian actions they disapproved of, whereas the Russian government was ready to impose coercive trade measures to 'punish' states whose actions it objected to. During this period, the national governments pursued engagement with Russia predominantly at the EU level. However, as the case of the visa facilitation agreements showed, whenever the large states could not achieve a collective EU policy that aligned with their own interests, they opted for the conclusion of bilateral agreements with Russia. Furthermore, the German Chancellor and the British Prime Minister developed personal relations with the new Russian President that served to strengthen their bilateral relations with Russia (see Newton 2003:242-3). Germany increasingly

pursued its relations with Russia at the bilateral level rather than through the EU (Bastian 2006:270; Miskimmon 2007:110,149; Timmins 2007:171) in a move that Hill has described as a 'renationalisation' of foreign policy in the EU framework (Hill 1998:36).

In parallel with the reinforced bilateral relationships, member states continued however to actively promote their interests regarding Russia at the EU level. During this period the member states had, unlike in the preceding and subsequent periods, no opportunity to embed their interests in a major EU-Russian agreement. The Four Common Spaces approach did however present some opportunities for the member states such as Germany and France that were interested in strengthening trade relations with Russia (especially through the launch of the Common Economic Space concept).

In the absence of major policy-shaping opportunities, the member states were able to pursue their own (smaller) initiatives at the EU level (see Table 4.1 for details on which countries took advantage of the policy-making opportunities during their EU Presidency, on this issue, see also Schmidt-Felzmann 2008:173). This included the elaborations on the original Finnish concept of the Northern Dimension both by Sweden and by Denmark. France, during its EU Presidency in the second half of 2000, also succeeded in achieving the establishment of a regular 'dialogue' on two of its core interests regarding Russia: firstly on security matters in Europe through cooperation with Russia in the framework of the EU's Security and Defence Policy (ESDP) and secondly, on energy policy (Annual CFSP Report 2000; see Newton 2007:197; Gänzle 2008:64).

4.3 THE PERIOD OF RUSSIA'S RISE (2005-present)

It is difficult to determine exactly when the period of *Russia's Rise* began, but the end of President Putin's first term as President ushered in a period that has been marked on the one hand by a determination of the Russian government to prevent external actors from exerting any influence over Russian domestic policies and on the other hand an assertive policy towards EU member states. The Russian leadership became increasingly unwilling to concede any ground in negotiations.

Russia's Rise

During the second term of Vladimir Putin's Presidency (2004-2008), observers noted a fundamental change in the Russian governments' behaviour towards the West (e.g., Youngs 2009:83). By the mid-2000s Russia's economy had recovered substantially, as Figures 4.1 and 4.2 (above) illustrate. Aided by the booming oil prices which peaked at \$60 in August 2005 and rose to an all-time high of over \$140 in July 2008, the Russian state managed to repay most of its external debt and started building up substantial financial reserves (S. Ivanov 2008; Pravda.Ru 2006). Russia's repayment of its debts and establishment of a sovereign wealth fund meant that conditional aid provision could no longer be employed to try and influence Russia's domestic reform process (see Youngs 2009:83). This made Russia more self-sufficient which, in turn, enabled it to drive a hard bargain in negotiations with international partners.

In particular, the Russian government was determined to promote industrial capacity in Russia. The Russian President announced in 2005 his intentions to place restrictions on foreign investment for 'national security reasons' (Putin 2005; see also Leonard and Popescu 2007:11). Access of foreign companies and foreign investors to Russian resources, including in particular oil, gas, minerals and the forestry and fishery sectors was made more difficult (see Putin 2007). Strategic economic sectors - including mineral deposits and infrastructure monopolies - were being ringfenced. They were closed to foreign investors or brought back under 'predominant control by national, including state, capital' to bolster Russia's independence and security (Putin 2005). Raised export tariffs were designed to encourage investment to build up the processing industry in Russia.

In addition to these trade restrictions, for foreign investors the case of Russian privately owned oil giant Yukos was particularly worrying. Yukos had been a large, booming company before its owner was charged with tax evasion in 2004, prosecuted, and stripped of his assets. Yukos was declared bankrupt in August 2006, its assets were sold off and the company ceased to exist in 2007. The legality of the expropriation and imprisonment of Khodorkovsky and his associate were heavily disputed, especially since state-owned oil company Rosneft bought the bulk of Yukos' production assets and thereby became Russia's largest oil producing company. British Petroleum (BP) and Royal Dutch Shell were also among the companies that were experiencing difficulties with the Russian authorities during this period as allegations that they violated environmental law resulted in both companies

having to cede to Gazprom exploitation rights that they had acquired in the Transition Period.

In the second half of the 2000s, Russia became regarded as a country whose democratic transformation had stalled, or was even in the process of being reversed (see Kaczmarek & Smolar 2007:10). In 2006 an NGO law was passed that changed the conditions under which Russian and foreign NGOs could operate in Russia. It enabled Russian governmental agencies to exert firm control over NGOs and to block foreign efforts to strengthening 'civil society' in Russia (Klitsounova 2009:109-10). This affected in particular the UK's British Council offices in Russia (see Ch. 7). The apparent systematic persecution of political opponents, heavy-handed treatment of street protesters and restrictions on political parties seemed to confirm the view that Russia was becoming more authoritarian (see Kaczmarek & Smolar 2007:30). The murders of Russian opposition journalist Anna Politkovskaya in Moscow in October 2006 and of Alexander Litvinenko in London suggested that the freedom of speech was being progressively undermined in Russia.

President Dmitri Medvedev, who was elected in March 2008, pursued largely the same policies as his predecessor. Continuity was also guaranteed through the appointment of Vladimir Putin to the post of Prime Minister. A further sign of Russia's growing assertiveness and its readiness to use force to achieve its objectives was the deployment of Russian troops in Georgia in early August 2008 which briefly occupied large parts of Georgia in response to a Georgian 'assault' on South Ossetia, before withdrawing into the Georgian break-away regions South Ossetia and Abkhazia where they remain stationed as self-appointed 'peace-keeping forces'. In defiance of international opinion, the Russian government unilaterally recognised the two break-away provinces in autumn 2008.

Nevertheless, after the collapse in global commodity prices (just over \$30 in December 2008 from over \$140 in July) following the crash of the financial markets in September 2008 reduced revenues to the state budget⁹⁸ and undermined Russia's economic position (House of Lords 2009:13-14), President Medvedev acknowledged that Russia's 'domestic financial and technological capabilities' are insufficient and that Russia (still) needs 'money and technology from Europe' (Medvedev 2009), signalling a possible greater openness towards European countries in the aftermath of

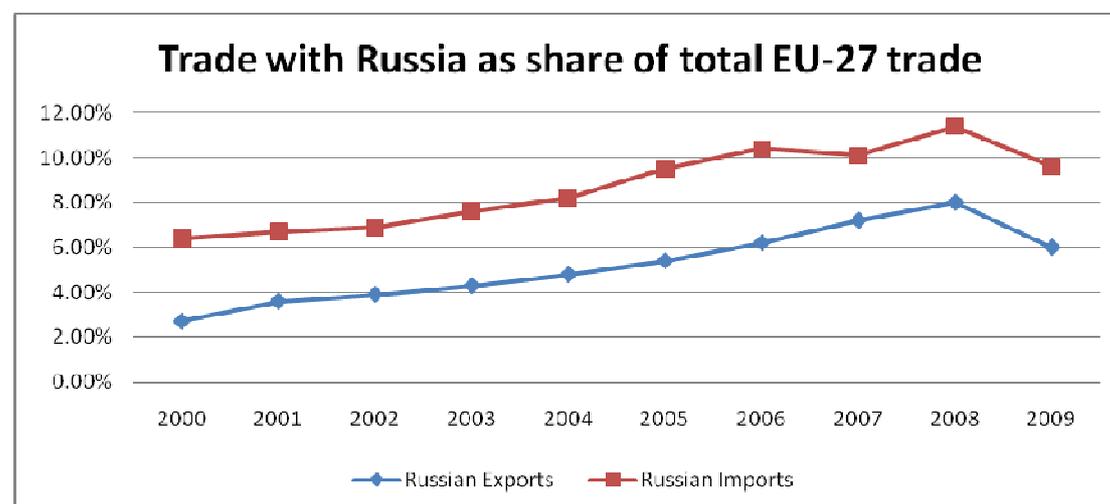
⁹⁸ Oil prices stabilised by October 2009 in the range between \$60 and \$80 per barrel of crude oil.

the crisis. However, since the mid-2000s the Russian government has become a difficult country to influence and to bargain with, especially in light of its growing economic self-sufficiency and increasing protectionism.

EU-Russia Relations during Russia's Rise

During Vladimir Putin's second presidential term, observers noted a fundamental change in the EU-Russian relationship as a result of a further strengthening of the 'power vertical', the re-establishment of government control in the energy sector and the sudden economic wealth which reduced the need to closely cooperate with the EU (Youngs 2009:83; Fantini 2007:255, 260). While Russia remained 'extremely interested in a major inflow of [...] foreign investment' (Putin 2005), from the mid-2000s, the Russian government imposed a 'series of disproportionate trade restrictions' (Commission 2008e:2, Annex, 16) and it was becoming more difficult for investors from EU member states to gain access to the Russian market. Among these restrictions were an import ban on Polish animal and plant products and Latvian sprats and the substantial raising of export tariffs on Russian timber by which both the Finnish and Swedish timber processing industry was affected (see Ch. 7).

Figure 4.5 The development of the EU's trade in goods with Russia



Source of the data: Eurostat (2010b)

Although the EU had managed during the Finnish Presidency in 2006, after more than a decade of trying, to get Russia to sign an agreement on the phasing out of Russian charges for member states' airlines to fly across Siberia, the Russian

government has yet to ratify the agreement. When in 2007 German Lufthansa needed an overflight permit to be extended, the Russian authorities put pressure on the German government and forced Lufthansa to agree to relocate its cargo hub from Kazakhstan to Russia (see Ch. 7) in exchange for extending the overflight rights. Despite the imposition of restrictions on foreign investments and the various temporary trade embargos imposed by the Russian authorities, EU-Russian trade continued to grow during this period (see Figure 4.5, above).

Finally, with Bulgaria's and Romania's accession to the EU in 2007, another PCA extension protocol had to be adopted to cover these new member states. The Russian government argued again, like it had done before, that it would only approve the PCA extension if the EU addressed Russian concerns and demands for compensation of potential losses resulting from their accession. The PCA provisions were provisionally extended to the new member states after their accession on 1 January 2007, but the extension protocol was not adopted and signed (along with an EU-Russian Joint Statement on EU enlargement) until more than four months after Bulgaria and Romania had already joined the EU (Council 2007a, 2007b). The significant delay in its adoption underscores the EU's much reduced ability to achieve the desired results in negotiations with Russia.

The negotiations on an EU-Russian agreement on liberalizing visa issuance procedures that had been launched in late 2004 were concluded comparatively swiftly. Along with the readmission agreement, it was agreed at the October 2005 EU-Russian summit and both were signed at the following summit in May 2006, entering into force on 1 June 2007. The visa facilitation agreement superseded the bilateral agreements that the three large states, Germany, France and Italy, had previously concluded with Russia. The EU's main achievement was to tie the conclusion of the visa agreement to a parallel conclusion of the readmission agreement, however the successful and comparatively speedy conclusion of negotiations itself was not a reflection of the EU's bargaining power, but rather of Russia's interests in obtaining visa facilitation and the EU's willingness to make concessions on the readmission agreement in granting Russia a substantial transition period.

A number of member states also experienced considerable political disputes with Russia during this period which affected the EU-Russian relationship. This included an Estonian-Russian dispute over the relocation of a Soviet monument in Tallinn (see Ch.7), continuing disputes over both the rights of the Russian minorities

in Latvia and Estonia and the ratification of the border agreements between Russia and these two countries and a Lithuanian-Russian dispute over the cut-off of oil supplies to Lithuanian oil refinery Mazeikiu Nafta (see van Elsuwege 2008:357). Furthermore, the readiness of three CEECs - the Czech Republic, Poland and Romania - to host elements of the American ballistic missile defence (BMD) shield was met with anger on the Russian side as it fuelled concerns in Russia of a (hostile) military rearmament on its borders. In response, President Dmitri Medvedev announced an increase in military capabilities in Kaliningrad, specifically the stationing of new short-range ballistic missiles (Iskander SS-26) in the oblast 'to be able, if necessary, to neutralise the [United States'] missile defence system' (Medvedev 2008). This decision was revisited and reversed again (Secrieru 2009:4), but Russia's bilateral relations with the three countries suffered considerably (CES 2010c; Fedorov 2010:117-119; Kaczmarek & Smolar 2007:19; Wilson et al 2009:26).

The Adoption of the Four Common Spaces Road Maps

After extensive negotiations, in May 2005 the EU and Russia adopted the Four Common Spaces Road Maps. The EU succeeded in ensuring the adoption of the road maps as a single package, whereas Russia had favoured the separation of the economic space from the other three 'Spaces' (see Haukkala 2010:136). Furthermore, the Russian side insisted on being treated as an equal partner rather than an object (see Parmentier 2008:108) and were successful in doing so: the road maps constitute a significant move away from the conditionality employed previously by placing both parties firmly on an equal footing, emphasizing in various parts of the document the 'equality between [the EU and Russia]... and mutual respect of interests' (see e.g. Road Map Common Space of External Security 2005:34). The wording used in the Road Maps underline the shift in bargaining power in the EU-Russian relationship.

The recognition of Russia as an 'equal partner' reflects also the strong influence of countries such as Germany, France and Italy over the shape of the 'Four Spaces'. They had long been advocating the treatment of Russia as an important (equal) strategic partner (see e.g. Newton 2003, 2007; Facon 2010). It also highlights the limited influence exercised by the new CEE member states that were in favour of maintaining strong conditionality in the EU's relations with Russia. This is partly explained by the fact that negotiations on the road maps were already in progress

when the CEECs acceded to the EU and although they participated in EU internal decision-making as observers (i.e. without formal voting powers) from 2003, they lacked overall the experience and necessary clout in decision-making to make a real impact.

Following the adoption of the Road Maps, during the Finnish EU Presidency in the second half of 2006, a Northern Dimension Framework Document was adopted in an attempt to relaunch the ND initiative. The ND was reduced to becoming subsumed under the Four Spaces concept as ‘a regional expression of the Common Spaces’ and a cross-cutting topic and tool that would be used ‘where appropriate’ (Commission 2006e:14.). The initiative became further downgraded with the development of the EU’s Strategy for the Baltic Sea Region, which was adopted in 2009 during the Swedish EU presidency. It turned the ND into a regional policy with a lower salience and visibility. The implications of this development are that the opportunities for the interested member states to develop the initiative further and achieve an impact towards Russia are very limited.

Towards a New Framework Agreement for EU-Russia Relations

Up until 2005, the revision of the contractual basis of the EU-Russian relationship was regarded as secondary to the implementation of the existing PCA provisions. In February 2004 the view was still predominant that ‘[t]he current structure of cooperation and in particular the PCA is neither outdated nor exhausted.’ (Commission 2004a:5). Analysts also argued that the development of an ambitious new agreement would amount to rewarding Russia at a time when it was becoming ‘increasingly undemocratic’ and ‘arrogant’ (Emerson et al 2006:3). And while the PCA’s initial ten year term was coming to an end in late 2007, the PCA stipulated that the agreement would automatically and continuously be renewed for a further twelve months unless either side gave notice to terminate it (PCA 1994, Art. 106). There was therefore no practical need for a successor agreement.⁹⁹

⁹⁹ It is plausible that the new college of Commissioners that started their work after the 2004 report was published played an important role in the change of policy, especially the new Commissioner for External Relations. Changes in the composition of the units working on Russia within the Commission are also likely to have influenced member states’ views on the matter (a new Head of Unit took office and leading desk officers that had endorsed the view that a new agreement was not necessary left during this period due to the internal rotation of posts). Some circles, unaware of the legal stipulations in the actual treaty, believed that the PCA was “expiring” at the end of the 10 year term and were thus convinced that it had to be replaced.

The main argument for the decision to negotiate a New Agreement was that Russia's WTO accession would change the conditions for EU-Russian trade, but EU officials insisted that this aspect could be taken care of by simply amending, rather than replacing, the existing PCA.¹⁰⁰ Advocates of a new agreement argued that because the PCA reflected the historical phase of Russian weakness during the transition period (Tassinari 2005a:55), an 'update' of the contractual relations was required to take account of the considerable changes in Russia and its relations with the EU. From the point of view of the new CEE member states, negotiations for a New Agreement presented the first opportunity to shape a key, legally binding agreement regarding Russia and therefore the first substantial opportunity to upload their individual objectives and get them incorporated in a collective policy. The need for unanimity in the adoption of such a policy, and the keen interest of many of the Western states in reforming the EU-Russian policy framework provided the CEECs with some leverage. But UK diplomats argued that while a new PCA agreement was needed, it would not be concluded at any cost.¹⁰¹ Russian political elites, in turn, indicated that 'Russia is not in a hurry' and that it does not really need a new agreement with the EU (see Commission 2008e, Annex, 81.).¹⁰² This 'lack of interest' weakened member states' bargaining power vis-à-vis Russia in the negotiations.

During the Finnish EU Presidency, the draft negotiating directives for the New Agreement were tabled by the Commission in July 2006, however Poland vetoed the adoption of the mandate in November 2006 and made its approval conditional upon the lifting of Russia's embargo on the import of Polish meat and vegetables (see Ch. 7) and demanded that a requirement for Russia to ratify the ECT (see Ch. 5) be included in the New Agreement (Haghighi 2007:344). The German EU Presidency in the first half of 2007 tried to help resolve the Polish-Russian dispute, but failed to get Poland to agree to the launch of negotiations. Its role as mediator was made difficult by the tense German-Polish relations and the traditionally close German relationship with Russia. Finally, during the Portuguese EU Presidency in December 2007, Russia lifted the ban on imports of Polish meat to Russia and Poland lifted its veto (see Light 2008:8). But before negotiations could be launched, the Lithuanian government vetoed the mandate. The Lithuanian government tied its consent on the one hand to

¹⁰⁰ Author's informal conversations with EU officials in 2003-4.

¹⁰¹ Author's interview with member state representative, Brussels, 16 July 2007.

¹⁰² Author's interview with diplomat of one of the Baltic States, Brussels, 3 December 2007.

the inclusion of key Lithuanian concerns in the mandate which Lithuania officials argued were of broader relevance and in the interest of all member states (MFA of the Republic of Lithuania 2008a, 2008b, 2008c),¹⁰³ most notably the inclusion in the mandate of a stipulation that any EU member state could suspend the negotiations with Russia at any time (Goldirova 2008a). On the other hand Lithuania tied its consent to Russia's resumption of oil supplies to the Lithuanian refinery Mazeikiu Nafta which had been suspended in July 2006 and not been resumed since (Ehin & Berg 2009:5; European Union Presidency 2008b; Galbreath et al. 2008:82-84; Goldirova 2008a). In contrast to Lithuania, Latvia which has also been affected by an oil supply cut off from Russia to Ventspils, the biggest oil port in the Baltic region (see Ehin & Berg 2009:5) refrained from making its endorsement of the negotiating mandate conditional upon the resolution of the issue.

The Russian side did not meet Lithuania's demands and the member states did not endorse the Lithuanian government's position regarding the mandate, although some of them shared its concerns about Russia (Goldirova 2008a). Some of the other member states applied pressure on the Lithuanian government to change its position on the mandate. The Slovenian EU Presidency in 2008 asked Lithuania to show solidarity with the other twenty-six member states (European Union Presidency 2008b). At the GAERC meeting at the end of May 2008 the negotiating mandate was finally approved (see European Union Presidency 2008b; Pavilionis 2008:177) and negotiations on the New Agreement were launched during the French EU Presidency in July 2008.

The negotiating mandate is a confidential document, but it was reported that various 'national annexes' were attached to the mandate to reflect specific national concerns whose inclusion in the mandate itself the other member states had rejected.¹⁰⁴ Apparently the economic interests of the main trade partners of Russia

¹⁰³ The specific issues that Lithuania wanted the mandate to address included the killing of Lithuanian citizens on 13 January 1991 and at Medininkai in July 1991, compensation for damage to the persons deported from the Baltic States as well as the disappearance of the President of the Lithuanian business club in the Kaliningrad Region in April 2007 (MFA of the Republic of Lithuania 2008a, 2008b, 2008c; Pavilionis 2008:176). Further issues Lithuania expected to have addressed were Russia's policy towards the 'frozen conflicts' (Abkhazia, Trans-Dniester) and specifically the territorial integrity of Georgia and Moldova as well as Russia's cooperation in the field of justice and law enforcement (Ehin & Berg 2009:5; European Union Presidency 2008b; Goldirova 16-4-2008).

¹⁰⁴ The UK succeeded in having a statement on the murder of Alexander Litvinenko added in the annex (Goldirova 2008a). According to a Lithuanian undersecretary of Foreign Affairs, the concerns about the Medininkai Massacre, the 13 January cases and compensation for damage to deported persons from the Baltic States were addressed in a unilateral declaration by the Commission which committed itself

will form an important part of the New Agreement. It is expected to set out, *inter alia*, the objectives and principles of a free trade agreement, to be negotiated once Russia has completed its WTO accession negotiations (Commission 2008e, Annex, 64).

The Georgian-Russian War

In response to Russian military action in Georgia which had started on 7 August 2008, the member states agreed on 1 September 2008 to suspend negotiations on the New Agreement, less than two months after they had been launched (see Bulletin EU 2008/9, Pres. Conclusions, 10; see also Bulletin EU 2008-11, 4. 1.35.25., para 1.). Supporters such as Poland and Lithuania had advocated the use of conditionality to force Russia to change its policies towards Georgia and the two separatist regions (EUObserver 2008a, 2008b). However some high ranking representatives of EU member states from both CEECs - including Estonia, Latvia, Romania and Bulgaria - and the older member states – including the UK, France and Sweden - emphasised that Russia should not be isolated and that engagement (and thus the negotiation with Russia on a new agreement) would be more beneficial than applying conditionality (Bild & Miliband 2008; Butt 2008; Estonian Government 2008; EU Observer 2008c; Foreign Secretary Miliband 2008; Latvian Ministry of Foreign Affairs 2008; Pavilionis 2008: 176; Riigikantselei n.d.; see also Bechev 2009:220-21). The decision to resume negotiations had also to do with the fact that member states accepted that they would not be able to change Russian policy with a suspension of negotiations. The British Ambassador to Lithuania, for example, acknowledged in September 2008 that ‘there are limits to our [i.e. the EU’s] leverage’ regarding Russia (Butt 2008).

The French EU Presidency ensured the swift resumption of EU-Russian negotiations. French Foreign Minister Kouchner indicated the French position on this issue already at the end of October 2008 in St Petersburg when he stated that EU-Russian negotiations on the agreement could resume at the EU-Russia Summit in Nice in mid-November (EU Observer 2008a). A report drawn up by the Commission on the state of EU-Russian relations recommended that negotiations be resumed because ‘this is the best way to engage with Russia’ (Commission 2008e:5). The French Presidency confirmed that ‘dialogue and negotiation are the best means of pursuing [the EU’s] aims, furthering its principles and values, and resolutely

to follow up these bilateral issues in Lithuania’s relations with Russia within the scope of its competences (Pavilionis 2008:176).

defending its interests' regarding Russia, but it insisted that the resumption of negotiations 'in no way legitimise the status quo in Georgia, or Russian action contrary to our [i.e. the EU's] values and principles' (Bulletin EU 2008-11, 3.). At the EU-Russia Summit in mid-November 2008 the decision to resume negotiations on the New Agreement was announced and negotiations resumed at the end of November 2008.

Despite the fact that the 'management' of Russia's conflict with Georgia in summer 2008 and its aftermath were regarded in the EU as 'encouraging' (Commission 2008e:5), Russia's military actions and the EU's failure to change Russian policy towards the break-away regions in Georgia demonstrated its inability to influence Russian actions in a decisive manner.

Assessing Member States' Influence during the Period of Russia's Rise

Since the period of Russia's Rise began, EU member states have faced significant obstacles in their trade relations with Russia stemming from a gradual increase in protectionist measures applied to them and the lack of positive trade instruments that could be used as a bargaining tool. During this period the EU has only been able to achieve results when it was willing to make concessions for the sake of reaching an agreement, such as regarding the Common Spaces where it allowed Russia to become an 'equal partner', and regarding the readmission agreement, where it offered concessions and the prospect of facilitated visa issuing to get Russia to sign and ratify the agreement.

On those issues where Russia had nothing to gain from the EU, such as the Siberian overflight charges, the EU was unable to obtain the desired outcome. Overall, this period in the EU-Russian relationship has been characterised by the EU's failure to capitalise on its strengths in trade and the attractiveness of visa free travel for Russia in order to extract concessions from the Russian government. Instead, the Russian government was much more successful in getting the EU to compromise on issues of importance to Russia.

During this period three main tendencies could be observed regarding member states' choice between the EU route and the bilateral avenue. First, the impact of the accession of the new member states was increasingly felt in EU decision-making regarding Russia as countries such as Lithuania and Poland became more assertive and decided to use their veto power as a bargaining chip, on the one hand to try and

force Russia to give in to their respective demands and on the other hand to force the other member states to incorporate their concerns in the collective EU policy. As a result, diplomats from the large member states have indicated that their country would increasingly pursue bilateral relations with Russia if the EU-Russian relationship continued to be blocked by national disputes.¹⁰⁵ Second, despite becoming subjected to Russian coercive actions, a number of member states refrained from pursuing a response at the EU level action. This is striking because cooperation could have been expected to strengthen their bargaining position in their respective disputes with Russia (for a detailed discussion, see Ch. 7). Third, the member states that support engagement with Russia have continued to be able to influence the shape of the collective EU policy towards Russia whereas those states favouring stronger conditionality in the collective approach towards Russia have had only a very limited ability to impress their views on the collective.

Finally, the development of new common policies towards Russia, specifically the negotiating mandate for a New (EU-Russian) Agreement presented unprecedented opportunities for the new member states to upload national ‘pet’ interests and try and have them included in the mandate. It also opened up, once again, the chance for the older member states to have their particular objectives regarding Russia enshrined in a legally binding agreement.

CONCLUSIONS

The analysis in this chapter has shown that member states’ collective ability to influence Russia has varied over time, becoming progressively weaker over the course of the 2000s. The EU’s influence has never been particularly strong. Even when the member states’ preferences and objectives have been congruent, joint actions have made only very limited impact on Russia. This challenges the wide-spread assumption that the EU is necessarily the preferable policy route because member states’ combined resources and the tools that the EU has at its disposition are vastly superior to those of the individual state.

Although Russia was very weak, both economically and politically, during the 1990s, from the very beginning of their relationship it has been difficult for EU member states to influence the Russian government’s policies at the EU level. The

¹⁰⁵ Authors interviews with member state representative (EU-15), Brussels, 5 December 2007.

EU's influence became even more limited over the course of the Stabilisation Period and the current period of Russia's Rise. We saw in the previous chapter (Ch. 3) that the EU scores high in its material resources. Especially its superior capacity in trade could be expected to help member states to wield significant influence over Russia at the European level. This chapter has confirmed what the discussion in the previous chapter already indicated - that the EU scores much lower in outcomes than one would expect from the assessment of its relative capabilities.

It is likely that member states' assessment of the EU's utility is informed by its past performance, so the inability of the EU collective to translate their combined capabilities into the desired outcomes would be a strong disincentive to choose cooperation at the European level if the member state could achieve at least some results with Russia at the bilateral level. At the same time, the considerable strengthening of Russia's negotiation power through the rapid economic recovery over the course of the 2000s and the introduction of restrictions on foreign actors in Russia placed the individual member government in a progressively weaker position at the bilateral level. From this vantage point, Russia's growing assertiveness turned the EU into the more promising avenue, with the member states reaping potentially greater gains from collective action than from pursuing their interests at the bilateral level.

Building on the discussion in this first part, the second part of the thesis that begins with the next chapter (Ch. 5) will explore member states' choice of foreign policy route against the background of EU-Russian developments and the constraints and opportunities that the member states face at the European level. In the three chapters that follow, I explore the relative benefits of the alternative courses of action (European vs. national action) and seek to determine whether there are any instances of member states choosing the EU route when there are relatively more benefits in pursuing their objectives bilaterally. Where this occurs, I try to identify if there are any indications that their choice is informed by considerations of the 'appropriateness' of European action or a concern for increasing the EU's capacity by working jointly at the EU level.

PART II
Case Studies

CHAPTER 5 ENERGY RELATIONS WITH RUSSIA: CONTINGENT CHOICES IN A SECTOR OF VITAL IMPORTANCE FOR THE MEMBER STATES.

This chapter analyses member states' choices on energy policy towards Russia in order to test the propositions set out in the introductory chapter. Together with the next chapter, one of the aims of this chapter is thus to examine whether a member state's choice of policy route is determined by whether the policy addresses a 'first order' issue, concerning a state's core (security) interests or addresses a 'second order' issue, as Hyde-Price (2006, 2008a, 2008b) has suggested. As ensuring adequate energy supplies can be regarded as such a 'first order' policy, the expectation (following Hyde-Price) would be for the member states to favour the bilateral route. Conversely, functionalist dominated literature would expect the EU's member states to cooperate because the EU's resources are superior to those of any individual member state and the EU has additional levers of influence, which suggest that the EU's effectiveness is greater than that of the individual member state. The literature on *Europeanisation* would also expect the member states, particularly the 'older' member countries, to prefer the EU route because it is the 'appropriate choice'. The literature also generates the expectation that the national governments will abide by the principle of solidarity and refrain from any action that could jeopardise other member states' interests.

The analysis in this chapter will show that national governments' choices are not determined solely by the place of energy in the hierarchy of importance, but that they are contingent on a number of additional factors, including their individual capacity to achieve the desired objectives at the bilateral level, their capacity to influence collective EU policy, and the effectiveness of the EU. Furthermore, this chapter finds that besides the place in the hierarchy, member states' choice of policy route is also influenced by what type of objectives they are pursuing. Where a common approach delivers benefits to all member states, such as the improvement of framework conditions for their energy trade with Russia and their investments in the Russian energy sector, they are likely to cooperate and jointly pursue the issue at the European level. In contrast, on issues on which individual states can accrue gains at the bilateral level in the absence of a collective EU policy, such as obtaining stakes in the Russian energy sector and supply agreements (including those associated with the

construction of new infrastructure), they are less likely to cooperate if they are in a position to achieve (more of) the desired results bilaterally.

The chapter is structured as follows. The first part reviews the arguments in the literature on EU external energy policy and member states' energy relations with Russia. The second part sets out the factors that influence member states' choice of the EU route and the third part sets out the factors that influence their bargaining position at the bilateral level. The following two parts explore member states' choices with concrete examples to try and uncover which factors are key to understanding their choice of policy route in the energy policy domain. The first of these (the fourth part) analyses member states' choice regarding broader issues in energy trade with Russia, namely the pursuit of improved framework conditions for member states' energy companies' access to the Russian energy sector, and the related issue of controlling Russia's access to the EU's internal energy market. Both of these issues serve to explore in particular whether a logic of consequences, i.e. the assessment of their own capacity relative to that of the EU, influences member states' choice of how to pursue their energy policy objectives and whether there is evidence to suggest that a Europeanisation shapes national governments' choices. The fifth and final part examines member states' choice of how to pursue the enhancement of their individual supply security by examining two cases. It explores the development of a collective 'solidarity mechanism' as a response to supply insecurities. Although it is essentially an intra-EU policy and encompasses responses not just to Russia but to all external energy suppliers, it directly targets supply problems originating from Russia and it has been promoted particularly by those member states concerned about the security of Russian gas supplies. The final case is an examination of pipeline projects which are designed to meet a growing demand and to enhance member states' gas supply security. Both of these cases allow us to examine also the social constructivist assumptions about the effects of a 'Europeanisation' on member states' choices. Due to the significant differences in the distribution of domestic resources and their dependence on Russian supplies or access to alternative supply sources, the member states can be expected to pursue a range of different objectives to each secure their own supply security. While both the solidarity mechanism and the construction of new pipelines promise to enhance the supply security of the EU as a whole, they do not benefit all member states in equal measure. Both therefore serve as useful cases to explore whether the member states' are indeed guided an emerging 'EU identity' and

a resulting concern for the collective which would make them privilege cooperation at the EU level irrespective of the relative costs and benefits.

5.1 THE ARGUMENTS IN THE ENERGY POLICY LITERATURE

Over the past couple of years, the literature on external energy policy of the EU (Baumann 2010; Umbach 2010; Youngs 2009) and the specific literature on EU-Russian energy relations (Finon & Locatelli 2008; Goldthau 2008, Johnson 2005a, 2005b; Proedrou 2007; Romanova 2008a, 2008b; Sánchez Andrés 2007; van der Meulen 2008) has grown substantially. Comparatively few academic analyses exist of the bilateral energy relations of individual member states with Russia. The studies that exist have focused on Germany (Westphal 2008), the Baltic States (Berg 2008), Romania (Tudoroiu 2008), Poland (Bouzarovski & Konieczny 2010; also Roth 2011, although his focus is on the EU), the Nordic States (Aalto & Tynkkynen 2008) and Sweden (Larsson 2006, 2007) specifically. In particular, there is only a very limited range of literature that provides a comparative overview of EU member states' energy relations with Russia (exceptions are Noël 2008 and Youngs 2009). Overall the literature has focused primarily on member states' choice *against* EU cooperation (the failure to cooperate), but the existing research has not systematically engaged with the motivations underpinning member states' choice for the European level, at best these have been addressed in passing. Building on the existing research on EU and Russian energy policy, my analysis contributes to the literature by explicitly examining member states' choice of policy route with a set of illustrative case studies on their response to specific problems that they experience in their energy relations with Russia.

Hyde-Price argues that because first order issues are of vital importance to the state, they are likely to be pursued at the bilateral level as the member states will be unwilling to compromise and make concessions for the benefit of agreeing a collective policy (Hyde-Price 2006, 2008a, 2008b). Energy policy is thus a hard case for cooperation (Proedrou 2007:330). Buchan (2010:371) found that [e]nergy security is probably the area in which the biggest gap exists between what EU states could do together and what they actually do'. From the outset it thus appears that member states pursue very few energy policy objectives at the European level, and most of their energy policy goals at the bilateral level.

Energy policy scholars emphasise member states' 'failure' to forge a common policy towards Russia and emphasise that their lack of solidarity are a result of their preoccupation with 'national interests' (e.g. Baumann 2010; Umbach 2010; Youngs 2009:4). They thus mirror the literature on the EU's external relations more broadly speaking. One of the key claims of these studies is that the member states would in fact be 'better off' bargaining with Russia collectively than pursuing energy related objectives at the bilateral level (e.g. Umbach 2010; Engelbrekt & Vassilev 2010:201; Geden et al 2006). The literature advances, if only implicitly, the view that the EU constitutes the most effective avenue for member states' pursuit of energy policy objectives, more effective, in any case, than the bilateral route. This somewhat contradicts the assumption derived from Hyde-Price (2006, 2008a, 2008b) that the member states are better off pursuing their first order objectives without the EU, since cooperation would require that they make concessions and compromise their core interests. If several member states are pursue the same objective and there is only a limited set of opportunities available, e.g. concerning energy supply or stakes in Russia's exploitation and production sector, the fact that they are competing with one another to obtain one of these opportunities acts as a strong disincentive to cooperate at the EU level (see Youngs 2009; Buchan 2010:370).

What the existing literature highlights is that member states' size, and the size of their energy markets, influence their choices. Buchan argues that it is primarily the large, 'old' member states that prefer to pursue their energy policies bilaterally rather than through the EU (Buchan 2009:92, 2010:361, 368; see also Berg 2008). Correljé and van der Linde (2006) argue that this is because they compete with one another to secure the supply of energy resources to their national markets. Youngs (2009) and also Noël (2008) echo this view, although they place the 'blame' on Russia by arguing that member states pursue their energy policy objectives at the bilateral level because Russia plays them off against one another. In contrast to these large, 'old' member states, researchers expect the small, and especially the 'new' member states with their small energy markets to pursue cooperation on energy policy towards Russia at the EU level (Karm 2008; Buchan 2009:18, 91) because small market size implies both that the country has less bargaining power and that it is less attractive to Russia.

Besides their size, the literature also indicates that the characteristics of energy as a policy issue influence member states' choice. First of all, as mentioned earlier,

energy is due to its vital importance for the normal functioning of modern industrialised countries clearly a ‘fundamental national interest’ and can therefore be regarded as a ‘first order’ issue (Hyde-Price 2006:222-23). Although Hyde-Price has not made explicit how member states pursue first order issues, in his two articles addressing the distinctive features of first versus second order concerns, he implies that member states pursue first order issues without the EU unless their objectives converge with those of other member states (see Hyde-Price 2006:222-23, 2008:32). This also confirms the assumption (see Chapter 2), that a convergence of a member state’s objectives with those of its fellow member states makes its choice of the EU route more likely.

Two rival expectations concerning member states choices on energy can be formulate, from a rational choice and from a social constructivist perspective. Rationalists would assume that member states’ choice is influenced by their own and the EU’s capacity to achieve the desired outcomes (see Chapter 3). Hyde-Price (2006, 2008a) has emphasised that the member states are likely to be unwilling to concede control over outcomes to the EU collective on first order issues, so on energy policy matter we would expect them to pursue their objectives at the bilateral level. However from a functionalist point of view, considering the EU’s capacity and that of the individual member state, we would expect the member states to pursue their energy policy objectives at the EU level because the EU has greater leverage. In contrast to rationalists, social constructivists expect the member states to cooperate at the EU level irrespective of the outcomes. They also expect the member states to act in solidarity with the other states expecting them in particular to refrain from the pursuit of policies at the bilateral level that could harm other member states’ energy supply security.

It is worth noting in this context that Buchan (2009) disputes the view that different choices of small and large member states stem from their different import dependence on Russia. He claims, with reference to the case of Germany, that the prevalent choice of the bilateral level in its energy relations with Russia originates not from the German-Russian energy interdependence as such, but from the ‘memory of the Second World War’ and the long history of complementary trade (Russian raw materials feeding German industry) (Buchan 2009:92-93). As we saw in Chapter 2, member states’ perceptions of Russia diverge considerably. The incongruence of their perceptions is likely to translate into a pursuit of divergent objectives in the energy

sector. This in turn could be expected to negatively impact their ability to shape collective policies towards Russia on energy issues and consequently make it less likely for them to achieve their objectives at the EU level, thereby engendering a preference for the bilateral level.

5.2 FACTORS INFLUENCING MEMBER STATES' CHOICES

First of all it is necessary to examine whether member states are free to choose their preferred policy route or if EC/EU competences constrain their choices. Then, in order to gain insights into the benefits of cooperation at the EU level compared to the bilateral level concerning their energy relations, I will review the main factors that influence their individual and collective capacity to influence Russia. This includes on the one hand their individual and collective bargaining position vis-à-vis Russia, and on the other hand their ability to shape the collective EU policies on energy towards Russia. If the member states' preferences and objectives are incongruent, the individual state will have difficulties influencing the collective EU policy according to their interests and are thus less likely to achieve the desired outcomes at the European level.

The EU's energy market liberalisation - constraining member states' choices?

In the field of external energy relations, the member states retain exclusive competence and the adoption of any EU policies towards Russia on external energy matters requires their unanimous support. In the absence of any explicit case law or treaties delimiting the competences of the EC and the member states in this field, EU member states can conclude their individual bilateral treaties on external energy issues, including energy supplies, infrastructure projects and investments with Russia (Haghighi 2008; Wåktare 2004). However since the late 1980s, progressive steps have been taken to integrate and liberalise national energy markets and with the adoption of a series of Directives since 1996¹⁰⁶ national electricity and natural gas markets have become progressively integrated and liberalised to achieve the endgoal of establishing a competitive internal energy market (IEM) (Braun 2009; Buchan 2009:20-27, 2010; Matlárý 1996, 1997; Mayer 2008). As a 'byproduct' of the internal energy market

¹⁰⁶ The key directives for the liberalisation of the EU's internal natural gas market have been Directive 98/30/EC, Directive 2003/55/EC and Directive 2009/73/EC and the key directives for the liberalisation of the EU's internal electricity market: Directive 96/92/EC, Directive 2003/54/EC, Directive 2009/72/EC.

integration, the member states' room for manoeuvre in external energy relations has also become somewhat constrained by the expanding EC competences.

While the conclusion of bilateral agreements with Russia remains in the competence of the member states the content of supply agreements has become constrained by case law that builds on the internal market rules for competition. From 2000 onwards, the Commission and the ECJ conducted investigations into territorial restriction clauses (otherwise known as 'destination clauses') in gas supply contracts between Russian Gazprom and gas importers in EU member states to determine if they violate competition rules on restrictive business practices (McGowan 2008:100-101; Nyssens et al. 2004; see also Youngs 2009:32).¹⁰⁷ The ECJ ruled that these clauses breach IEM liberalisation principles and must be abolished since they prevent importers in EU member states from reselling gas outside to other EU member states and thereby allow the Russian supplier to sell gas to different member countries at different prices.¹⁰⁸ As a result, national companies have lost the possibility of concluding exclusive contracts with Russia (see Commission 2003b, 2005d; Wåktare 2007:19-21)¹⁰⁹ whereas the right of each member state to conclude bilateral agreements with Russia on gas supplies and access to their domestic energy markets has been confirmed in EU-Russian and EU internal agreements (EU-Russian Joint Statement, April 2004; Directive 2009/73/EC; see also van der Meulen 2009:852).¹¹⁰

The IEM liberalisation has also imposed some constraints on the ability of national governments to block Russian inroads into their national energy markets. The liberalisation of the IEM opened up national gas and electricity markets not only to energy companies and investors from other member states but also to foreign companies. As a consequence of the ongoing liberalisation of member states' energy

¹⁰⁷ This included also investigation of intra-EU agreements, with a case being investigated between French company Gaz de France and Italian ENEL and ENI, respectively (European Commission 2004c).

¹⁰⁸ As a result of this ruling, Italian (ENI, Oct. 2003), Austrian (OMV, February 2005) and German companies' (June 2005, E.ON Ruhrgas) supply agreements with Gazprom had to be revised to bring them in line with EC/EU requirements (Wåktare 2004:19-21; European Commission 2003b, 2005a, 2005d).

¹⁰⁹ Long-term contracts generally include clauses stipulating the minimum volumes that the recipient country is obliged to take from the Russian supplier, regardless of whether or not such amounts may surpass the actual domestic requirements at any given time (e.g. during a particularly mild winter). This is known as the 'take-or-pay' clause. The necessity to sell on supplies is conceivable when a state receives more supplies than it needs as a consequence of fluctuations on the demand side and inflexible contractual obligations it entered into in terms of the volume.

¹¹⁰ The 1998 Directive took issue with long-term 'take or pay' contracts, but fell short of restraining member states' ability to conclude energy agreements with third countries.

markets, and the breaking up of national monopolies in the member states, Russian companies are also beginning to gain access to assets in the EU's downstream sector (i.e. the transmission to endconsumers), potentially enabling them to obtain control over every part of the supply chain (i.e. upstream/production in Russia, mid-stream transmission to EU member states and downstream supply to household and industrial consumers in the member states) (Proedrou 2007:336, 338; for a detailed discussion of the implications of IEM liberalisation, see McGowan 2008). In contrast, foreign access to the Russian energy sector is severely restricted and energy companies from EU member states depend on the national governments to conclude special bilateral agreements with Russia to obtain any stakes in the Russian energy sector.

Different supply relations and divergent preferences

There are considerable differences among the member states with regard to the mix of different types of energy in their national energy use and also concerning the volumes and types of energy supplies that they receive from Russia (see Figure 5.1, below). Furthermore, there are significant differences between them with regard to the alternative supply sources and supply routes available to them, with implications for their bargaining position regarding Russia. The differences in their energy supply situation contribute also to an incongruence of the objectives that they pursue. I will begin here by examining the implications of member states' supply dependencies on Russia for their bargaining position at the bilateral level. After exploring the implications of their supply interdependencies, I consider additional sources of bargaining power or vulnerabilities that have been caused by the progressive EU internal energy market liberalisation. Finally, in order to understand what the relative merits of the EU route are compared to the bilateral route, I assess member states' combined capacity to influence Russia in relation to their individual influence and I examine the instruments and additional levers that they have collectively at their disposition.

Member states' expected bargaining power from their supply relations with Russia

We can reasonably assume that a member state's ability to bargain with Russia on energy supply issues depends firstly on whether or not it imports Russian energy, specifically natural gas. Russia as a supplier and EU member states as consumers of Russian energy are interdependent. For Russia the importing member states play an

important role because revenues from its energy exports, especially from oil and gas sales, make a substantial contribution to the Russian state budget. For the member states Russia plays an important role because they need oil and gas to satisfy their domestic consumption. Secondly, we can expect member states' bargaining position to be influenced by how badly they need Russian supplies to satisfy domestic energy consumption, that is, whether or not they have access to alternative supply sources. From the Russian point of view the bargaining position is influenced by how badly Russia needs the respective member states as markets for its energy exports or whether supplies can be redirected to other customers.

If we consider supply volumes alone, the member states importing large volumes are in a relatively stronger position vis-à-vis Russia because they are responsible for providing substantial revenue to Russia. Also, large energy markets are attractive for Russia as they allow for an expansion of trade whereas small energy markets tend to be saturated and, most importantly, they procure only a tiny share of Russian export profits. Further, if we regard it as a possibility that Russian producers could cut off supplies to exert leverage and use their position as supplier as a bargaining tool, the volumes that the member states receive from Russia determine their vulnerability to supply disruptions. Large oil and gas volumes are difficult to substitute (as we will see in the following) due to the restrictions imposed by pipeline capacities and production capacities of alternative producers, but whereas member states that import large volumes of gas from Russia are from the outset more vulnerable, a disruption of supplies to them would also be extremely costly for the Russian state. Access to alternative sources of supply determines member states' sensitivity to supply cut-offs. Where alternatives are in place, their bargaining position is stronger.

Differences between the fossil fuels that Russia exports to the member states

Not all fossil fuels that Russia supplies to EU member states are equally important for member states' supply security. The import dependence on coal is the least significant as there are various alternative suppliers around the globe that can deliver supplies to the member states (see country fact sheets in Commission 2008g) and there are no problems or particular costs associated with its transport or storage. In contrast, oil and gas from Russia play a much more important role in member states' imports. Both oil and gas are supplied by Russia via pipeline to EU member states which

increases the interdependence of Russia as supplier and the member states as consumers – any switch to alternative customer bases or alternative suppliers is made difficult by the restrictions imposed by the existing transmission infrastructure. Whereas crude oil can be transported by other means, both from Russia and from alternative suppliers, natural gas deliveries depend, due to its nature as a gaseous substance, either on pipeline submission – and therefore geographic proximity to the sources - or on special Liquefied Natural Gas (LNG) infrastructure.¹¹¹ Only very few of the member states importing gas from Russia - Belgium, France, Greece and Italy (BP 2008, 2009) have LNG terminals that enable them to import gas in liquefied form from other parts of the world.

There are also differences in the emergency storage of these two fossil fuels. Disruptions or reductions of oil supplies can be offset by drawing on emergency stocks as all EU member states have an obligation to maintain considerable stockpiles.¹¹² These stockholding obligations limit the vulnerability of all EU members to oil supply disruptions in equal measure. Furthermore, oil supplies can be purchased on the global ‘spot market’ and supplied at short notice from alternative producers. Overall EU member states’ dependence on Russian oil supplies is therefore very limited. In contrast to the oil stocks obligations, there are currently no gas stockholding obligations, although mechanisms for dealing with supply disruptions have been developed since the early 2000s¹¹³. This has to do with the fact that gas storage requires the appropriate geological conditions and is also very costly.

The gas importing states are therefore restricted in their ability to compensate shortfalls unless they are connected to alternative supply sources and/or have considerable storage capacity.¹¹⁴ Those states that have pipeline connections to other

¹¹¹ LNG transport requires liquefaction of the natural gas by freezing it to -162°C. The required infrastructure consists of liquefying facilities, special tankers for transporting the LNG and facilities for returning it to its gas state. In comparison with pipeline transport, transporting natural gas as LNG only becomes more cost efficient with distances of more than 3,000 kilometers (Rempel 2007).

¹¹² The requirements have been laid down in Directive 68/414/EEC; Directive 73/238/EEC; Directive 2006/67/EC and Directive 2009/119/EC. The member states are obliged to hold the equivalent of 90 days average oil demand in their country as emergency stocks.

¹¹³ The relevant legislation is the Directive 2004/67/EC concerning measures to safeguard security of natural gas supply‘ that is repealed by Regulation (EU) No 994/2010 concerning measures to safeguard security of gas supply adopted in October 2010.

¹¹⁴ The storage capacity of the EU-15 is at 50 days of gas consumption (or 14 % of total consumption) on average, with Austria holding the equivalent to 115 days of average demand, France for 95 days, Germany and Italy for around 80 days and Denmark for around 65 days. The UK, Greece, Belgium, Spain and The Netherlands have storage equivalent to in the order of 10-20 days of average gas consumption while the remaining Member States have no storage capacity and therefore rely on

gas producers are in a better position to mediate supply shortages from Russia, but the volumes that can be passed through the pipeline are limited by the maximum capacity of each pipeline, and also the production margins of the other producers and their willingness to increase production to supply the necessary additional volumes to them. States possessing LNG terminals can import liquefied gas from alternative suppliers with greater flexibility than those relying on pipeline infrastructure for transmission. So, whereas member states' oil supply relations with Russia provide some insights into their trade interdependence with Russia, gas supply relations will have the greatest impact on their bargaining position and therefore I focus in my analysis primarily on the implications of the gas supply relations with Russia.

Member states' supply relations with Russia

Most of the eastern member states are of minor importance to Russia as energy importers since their imports amount only to a tiny share of Gazprom's total exports and profits whereas Germany and Italy are, by a large margin, the most important importers of gas and oil from Russia (see Figures 5.5 and 5.6; Noël 2008:1-2, 9). Together, Russian energy supplies to Germany and Italy account for almost half of all Russian gas supplied to the EU (Noël 2008:2). Most Western member states have, due to their location and existing infrastructure, access to a range of alternative gas supply sources (Buchan 2009:87; for details on alternative providers, see country fact sheets in Commission 2008e, Annex, 2009a) and they maintain also substantial volumes in storage. Austria, for example, was unaffected by the January 2009 supply suspension although it heavily relies on Russian gas since it holds substantial stocks and can import gas from other sources (Christie 2009:278). France, Greece and Italy are also in a special position since they have LNG infrastructure in place and can therefore replace Russian supplies from other sources by simply increasing its LNG shipments. The utility of LNG was demonstrated during the January 2009 gas supply crisis as Greece which was heavily impacted by the gas cut-off was able to mediate the shortfall whereas Slovakia and Bulgaria lacked alternatives and suffered major costs (Christie 2009:278; Commission 2009g:8; Willis 2009).

In contrast the CEECs and Finland are primarily or exclusively dependent on Russian supplies (see Figures 5.4-5.7, above) with no only or very limited alternative

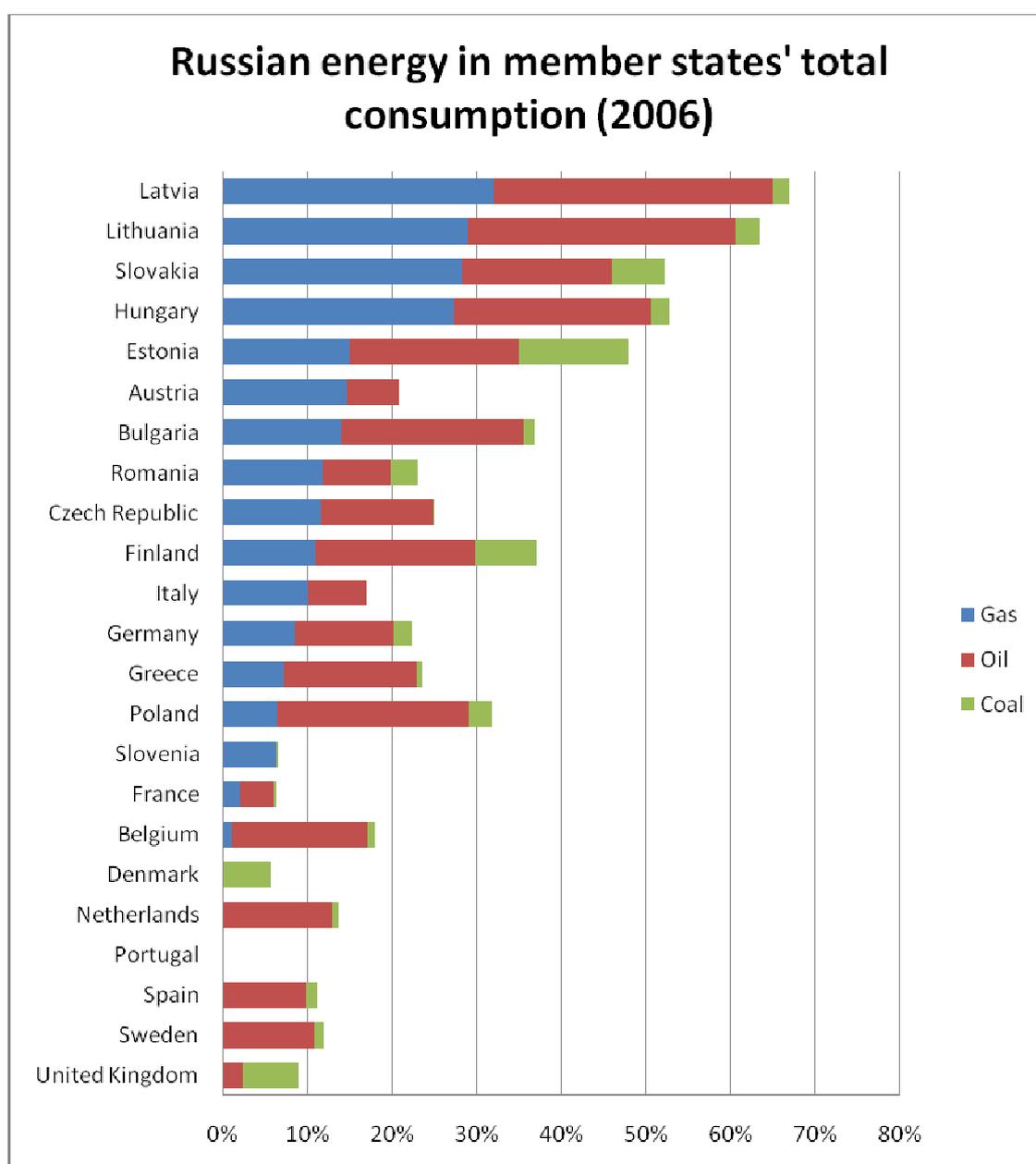
storage or back-up services from other Member States (for details, see Proposal for a Directive concerning measures to safeguard the security of supply 2002:267-268).

supply sources. The Baltic States in particular have been an ‘energy island’, largely cut off from the rest of the EU. They are completely dependent on Russian gas supplies and lack, due to their geographic location, and their small market size (which means the construction of e.g. LNG infrastructure would not be economically feasible) any access to alternative gas producers (Commission 2006a:6, 2009f:33; see also Aalto 2006b:61; Karm 2008:112; Stern 2005:99-100; Whist 2009:101). But also Romania, which maintains an important domestic production covering more than half of its gas demand, Hungary, which maintains substantial storage, and Poland whose domestic gas production capacity and the use of coal in electricity generation limits its import dependence were forced by the January 2009 disruptions to reduce or cut off the gas supply to large industrial companies to safeguard gas flow to households (Buchan 2009:88; Commission 2009f:8, 2009g:35; Karm 2008:112; Lang 2007:7; Willis 2009).

Transit countries’ position vis-à-vis Russia

In the context of energy supplies it is also necessary to consider how the status as transit country affects a member state’s bargaining position. Among the EU member states, the main transit states for the transmission of Russian gas are the Central and East European states. Gas supplies from Russia are delivered via two main pipelines, the Soyuz or Bratstvo (Brotherhood) pipeline that crosses Ukraine and the so-called Yamal-Europe pipeline¹¹⁵ that crosses Belarus. The *Brotherhood* pipeline network supplies approximately 80% of Russian gas exports which it delivers via two routes. One passes through Slovakia where it splits into two branches, one supplying Hungary and Austria and the other supplying the Czech Republic which also acts as transit state for supplies to Germany; the other supplies Romania and Bulgaria (which act as transit countries for supplies to the Balkan countries and Turkey). Austria in particular has been described as the ‘umbilical cord’ for Russian gas supplies and it is regarded by Russia as the most important and most reliable transit country for westbound Russian gas (Austria 2007; see also Matlárý 1997:41). The second pipeline, Yamal Europe, carries approximately 20% of Russian gas exports (Lang 2007:10).

¹¹⁵ Contrary to its name, the Yamal-Europe pipeline does not actually carry any gas from the Yamal peninsula, although this is what had been planned when the pipeline was constructed.

Figure 5.1 Imported Russian energy in member states' consumption¹¹⁶

The data is sorted by the natural gas shares; NB: Portugal receives 0.05% of its coal imports from Russia; with the closure of the last reactor of the Ignalina nuclear power station on 31 December 2009 the data for Lithuania will have radically changed.

Source: Author's compilation and calculation of data provided in individual country fact sheets (Commission 2008g).

¹¹⁶ From the analysis excluded were Malta, Cyprus and Luxembourg due to the lack of sufficient data. As regards oil imports, for Estonia and Latvia Russia was the 'main supplier' in 2004, see 'Energy Mix Fact Sheet' for Estonia and Latvia (European Commission, 2007a). No data was available for 2006. The calculations are based on the assumption that the share of Russian imports of oil was in both cases 100%. No data on oil imports was available for Slovenia either, but given its location and proximity to transmission infrastructure from Russia, Russia is likely to be a source of oil supplies, so the overall dependence on Russian energy is likely to be higher than shown here.

It delivers gas via Poland to Germany and other Western states (Łoskot 2003:12). In addition, and of particular relevance to Russia, Lithuania acts as transit country for Russian gas to Kaliningrad (Stern 2005:127; Whist 2009:101). Transit status enhances importing member states' leverage significantly as Russia relies on them for the safe delivery of supplies to other customers, especially when these are large markets (see also Engelbrekt & Vassilev 2010:195). Transit states are therefore in a stronger bargaining position due to the leverage that they have as a result of their crucial strategic position in the supply chain (they could refuse to pass gas supplies to the other countries). However transit states are only in a strong bargaining position if Russian supplies cannot be rerouted. If the transit state can be circumvented and Russian supplies can be passed on to the main customers via other routes, the bargaining position derived from its status as transit country is considerably weakened.

Countries that do not receive any Russian gas are in a very different position. In the absence of any dependence on Russia we might expect them to be in a strong bargaining position, however while they do not depend on Russia, the same is also true vice-versa, so they do not actually gain any real leverage from their supply independence. What is more, the member states that currently maintain energy interests regarding Russia are either producers themselves (Denmark, UK, Netherlands, Ireland) with a rapidly declining production or depend on other member states whose production is declining. As a result, they have an interest in securing gas supply contracts for their rising demand in the medium-term. The Netherlands has imported Russian gas since 2003 (Stern n.d., p. 9, 2005:143) and since the UK became a net energy importer again in June 2004 (after over a decade of being a net exporter) it has been receiving Russian gas, albeit only very minor shares, from the mainland via Belgium.¹¹⁷

Gas plays a very important role in the energy consumption of all of these states and due to the existing transmission infrastructure¹¹⁸ and their relative geographic proximity and because their own production is declining, Russia is potentially an important supplier of gas for the three main energy producers and also the states that depend on supplies from them (especially Sweden on Danish gas

¹¹⁷ According to Stern, spot sales of Russian gas to the UK and Belgium began in 2001, but these deliveries are included in French and German export data (Stern 2005:109).

¹¹⁸ These are especially the pipelines that currently mainly serve a role for exports but which can be reversed to receive imports from the existing transmission grids that deliver gas from Russia to neighbouring states.

supplies and Ireland on gas from the UK) (see Finon & Locatelli 2008:438; Söderbergh et al 2009:5037). Alternative sources of supply (especially Norwegian gas) are likely to be more expensive. These countries are interesting for Russian producers as potential new markets and derive some bargaining power from this. It was, for example, Gazprom's ambition to deliver up to 10% of the UK's gas supplies by 2010 (Stern 2005:143; Youngs 2009:87), but the share of Russian gas is currently estimated to be less than 2%.¹¹⁹ Nevertheless, overall the Russian bargaining position is much stronger than that of this group of countries since Russian producers can pick and chose among them. Their competition with one another means that cooperation in the EU is less likely than the bilateral pursuit of new gas supply contracts.

Incongruent assessments of Russia's reliability as an energy supplier

The divergent views that the member states hold about Russia (see Chapter 2) also affect their perception of Russia as an energy provider. The incongruence of their views and therefore also the objectives that they pursue negatively affect their ability to forge common EU policies towards Russia on energy and therefore also their ability to achieve their policy goals at the European level (see Chapter 2). Their divergent assessment of Russia as an energy supplier influences also how they assess their respective supply relations with Russia (for details, see Figure 5.1, above and 5.2 below), and in particular the conclusion they have drawn from the Russian supply cut-offs and temporary disruptions and suspensions that have affected EU member states in the 2000s on the action to be taken.

With regard to Russia as an energy supplier, the member states are split broadly into two groups of states. One group regards an import dependence on Russia as a liability whereas the other regards Russia as a valuable source of oil and gas supplies due to the major oil and gas reserves that it holds. The main events that brought to the fore these divisions were temporary gas supply cuts in February 2004, January 2006 and January 2009 (for details on the impact of the two-week long disruption, see Figure 5.2) and a suspension of Russian oil supplies in January 2007 resulting from disputes between Russia and the two key non-EU transit states, Ukraine and Belarus. They affected most CEECs and also the key consumers of

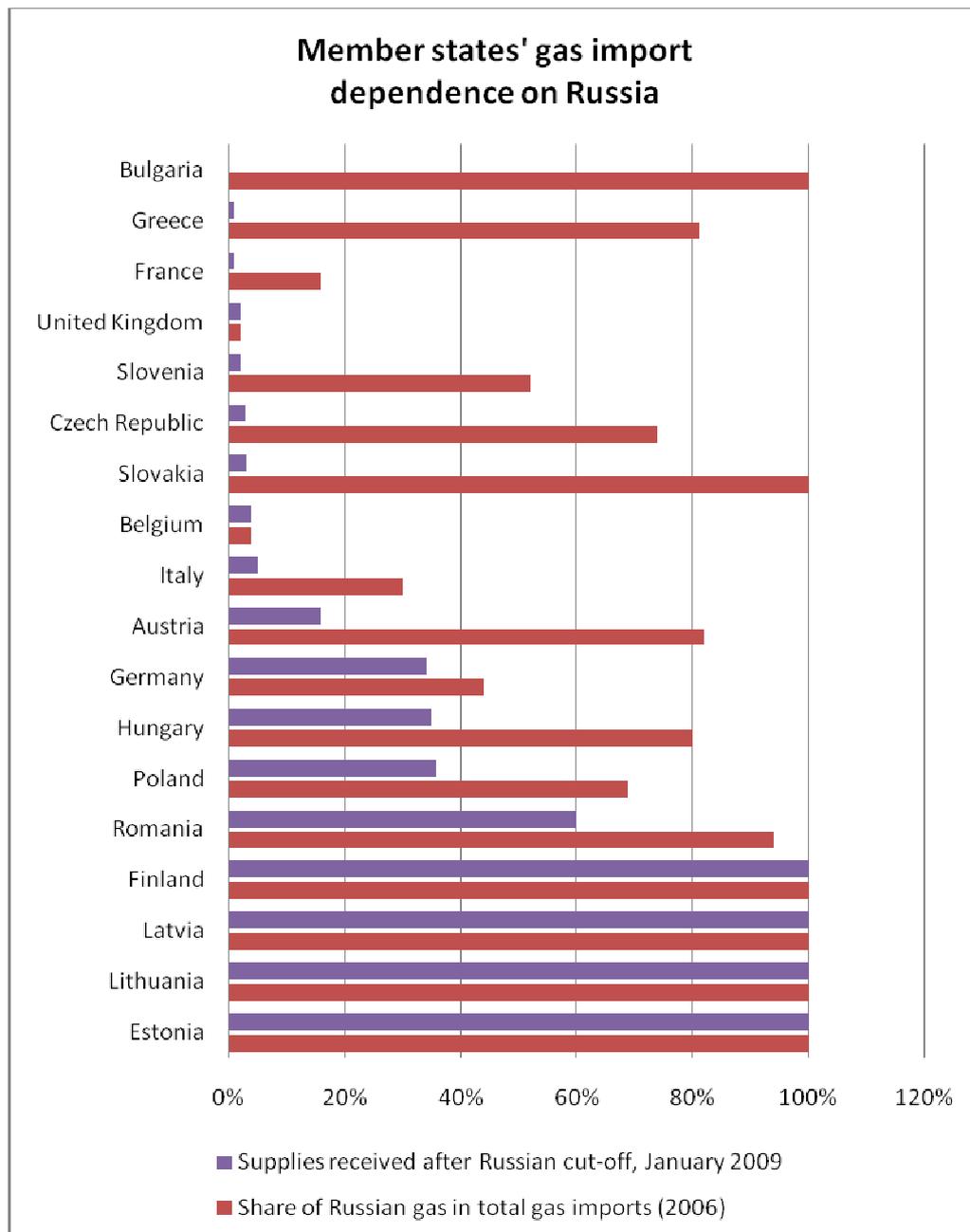
¹¹⁹ The physical origins of the gas through the interconnector pipelines from Belgium and the Netherlands to the UK are not known, but a very small amount of gas from Russia (via the Ukraine) is likely to 'find its way across continental Europe to the UK' (House of Commons 2009, column 1668W).

Russian oil and gas in Western and Southern Europe - Germany, Italy, Greece, Austria, France and Slovenia (for details, see Commission 2006d, 2007b, 2007c, 2007e, 2007h, 2008b, 2009f:56; Goldirova 2009; Miškinis 2004:244; Stern 2005:98, 2006b:43-44; Victor & Victor 2006:158). In addition, pipeline supplies of oil to Latvia and Lithuania have been cut, affecting on the one hand Latvia's loading port Ventspils Nafta following a failed attempt of Russian Transneft to obtain a controlling share in the port (see Aalto 2008a:202; Berg 2008:152-3; Leonard & Popescu 2007:14; Oldberg 2005:37; Roth 2009:5; Spruds 2002:363-4; Tkachenko 2008:178; Whist 2009:100) and affecting on the other hand the Lithuanian refinery Mazeikiu Nafta (since July 2006) following a reported leak, although observers, including high ranking diplomats, believe it was a response to the sale of the refinery to a Polish company (PKN Orlen) which prevented a takeover by Russian Lukoil (see Berg 2008:153; Ehin & Berg 2009:5; House of Lords 2008:51; Kaczmarek & Smolar 2007:19; Miškinis 2004:241; Oldberg 2005:37; Romanova 2008:87; Ušackas 2008; Whist 2009:100).¹²⁰

Strongly influenced by their political experience with Russia/the Soviet Union in the twentieth century and by the nature of their bilateral political relations in the twenty-first century (see Ch. 3) (but not so much their past experience of energy supply relations with Russia¹²¹) the CEECs mistrust Russia as an energy supplier. They strongly suspect that the Russian government uses state-controlled energy companies as a foreign policy instruments (see statements by political leaders Ilves 2007, 2009; Sarkozy 2009; see also the assessment by Baumann 2010:88; Berg 2008; Buchan 2010:358, 370; CES 2009; Finon & Locatelli 2008:437, 440; Galbreath et al. 2008:48; Geden et al 2006; Heinrich 2007; Hughes 2007:92; Kaczmarek & Smolar 2007:8; Miškinis 2004:239; Pop 2008; Proedrou 2007; Spiegel Online 2009; Stern 2005:99,115; Tarnogórski 2006:117; Tkachenko 2008; Umbach 2010:1230; Victor & Victor 2006:158; Whist 2009:92-93, 102). This view is also shared by Swedish political elites (see Larsson 2006, 2007). This group of countries is therefore keen to reduce its import dependence on Russian energy supplies and is aiming to diversify its sources of supply (e.g., Bouzarovski & Konieczny 2010; Krug 2004; Weichsel 2004).

¹²⁰ Author's interview with member state diplomat, 25 July 2007, Brussels.

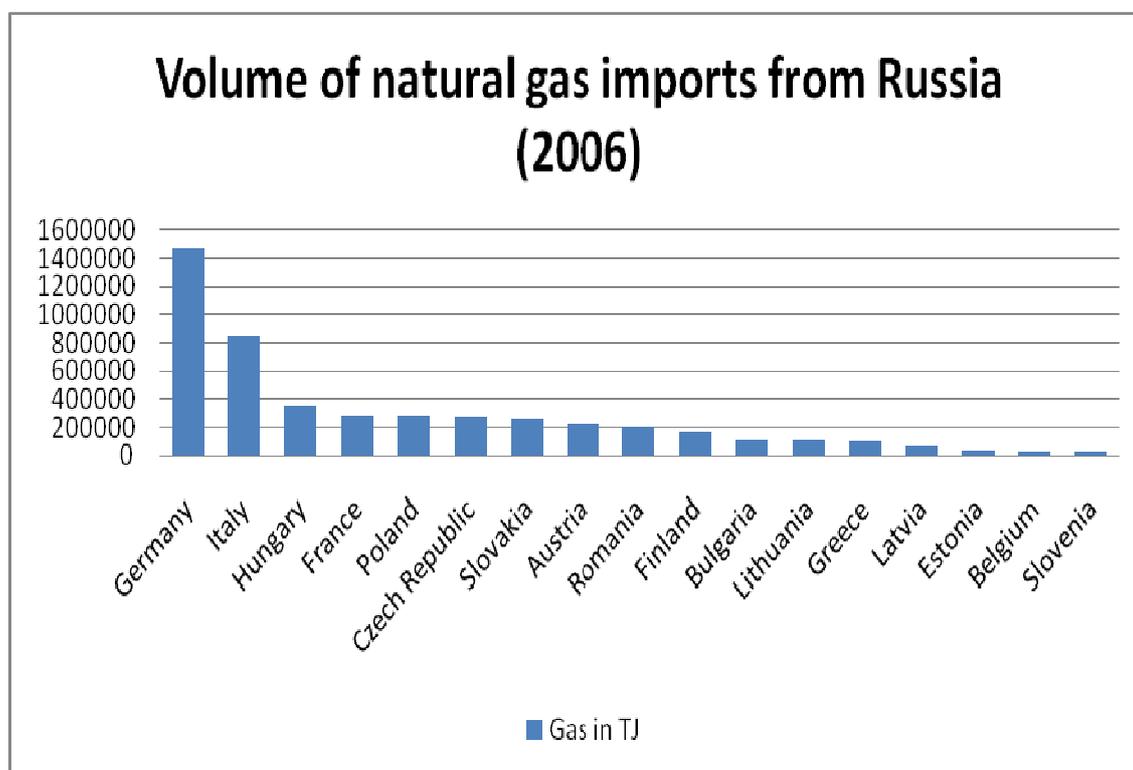
¹²¹ For a detailed analysis of the non-confrontational energy supply relations of the CMEA states and Russia under the Soviet regime, see Maddock (1980) and Victor & Victor (2006).

Figure 5.2 Gas imports from Russia and the effects of the January 2009 crisis

Source: Author's compilation from Stern (2005:143); Commission (2008g, 2009a); data for the UK (2006) is from House of Commons (2009, column 1668W).

Nevertheless, especially as regards gas, Russia is by far the cheapest supplier for the CEECs and their small domestic markets are fairly saturated, so diversification of sources is difficult (see Bouzarovski & Konieczny 2010:9, 12; Lang 2007:14-15; Ministry of Economy and Labour of Poland 2005:35-6; Stern 2005:116-120; Tudoroiu 2008:404; Victor & Victor 2006:157). These member states would also like to see the EU as a whole reduce energy imports from Russia (see e.g. Ministry of Industry and Trade of Czech Republic 2004), but for this to happen they require particularly the cooperation of those member states that import the largest volumes of gas and oil from Russia.

Figure 5.3 Russian natural gas supplies to EU member states

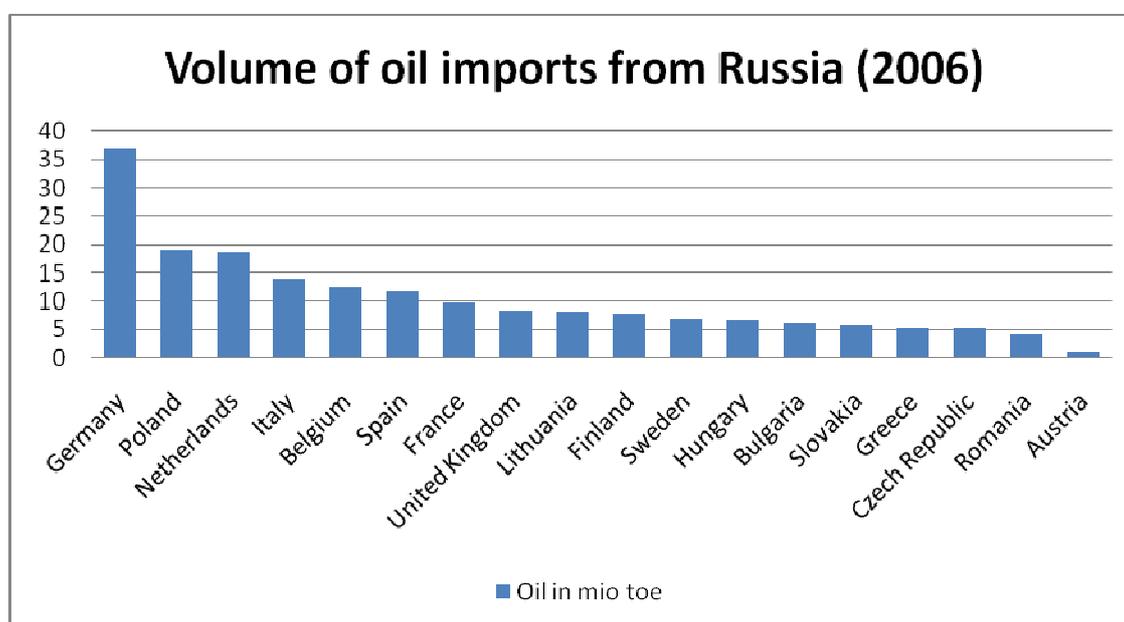


Source: Author's compilation from Commission (2008h).

Despite the fact that West European member states were also affected by the supply disruptions, their view of Russia as an energy supplier remains predominantly influenced by their perception of Russia as a 'strategic partner' (see Chapter 2). The fact that the Soviet Union was a reliable supplier during the Cold War despite the political and military confrontation with the 'West' has much greater weight in their views than the cut-offs that resulted from Russian disputes with the transit states that were motivated, at least in part, by Russian economic interests (see statements by

German Chancellor Merkel (2007) and British official Sir Stephen Brown (2005)). The key Western customers - Germany, Italy, France, the Netherlands, Austria and Greece (see Figures 5.3, above and 5.4, below) - regard Russia therefore as an essentially reliable supplier and rather its relationships with the CIS as a problem, with the consequence that they are keen on maintaining (or even increasing) the volumes of energy that they import from Russia and that they are in favour of a supply route diversification (see Finon & Locatelli 2008:438; Geden et al 2006; Handke & de Jong 2007; Harks 2007:24; Kaczmarek & Smolar 2007:8; Lang 2007:6; Westphal 2006:45; Whist 2009:92-93, 102).

Figure 5.4 Russian oil supplies to EU member states



Source Author's compilation from Commission (2008h).

The divergent views that the member states hold and the contrasting objectives that they pursue have a direct impact on their choice of policy route concerning the security of energy supply policies (with Russia sceptics favouring European level cooperation and countries with a favourable view of Russia as a supplier pursuing their objectives bilaterally) and particularly their policies regarding supply diversification projects which will be examined later in this chapter. First of all it is however necessary to examine their individual and collective bargaining position vis-a-vis Russia in order to gain insights into their capacity to influence Russia and achieve the desired outcomes at the bilateral level relative to their likely success in obtaining the results that they aim for at the European level.

Member states' individual and collective position vis-à-vis Russia

Table 5.1 (below) illustrates the key differences between the large states and most of the small (and especially the CEE states) which impact on these countries' bargaining position vis-à-vis Russia. Whereas most of the smaller states and all of the CEECs are highly dependent on gas imports from Russia, negatively affecting their bargaining power, most of them are also transit states, a fact that strengthens their position. The large states, in contrast, are less dependent on Russian supplies and Germany and Italy derive some leverage from their position as major customers for Russian gas. In Table 5.1 we also see that how member states assess Russia as an energy supplier overlaps to a considerable extent with their degree of dependence on Russian supplies.

Table 5.1 Russian gas importing member states' bargaining position

Origin of gas imports	SMALL STATES		LARGE STATES
	<i>small gas markets</i>	<i>medium sized gas market</i>	<i>large gas market</i>
All or most imports from Russia (share of > 66%)	Estonia Finland Latvia Lithuania* Slovakia*	Austria* Bulgaria* Czech Republic* Greece Hungary* Poland* Romania*	
Share of >33% from Russia + various alternative sources	Slovenia		Germany
small share of <33% from Russia +, most supplies from alternative producers			France Italy
None or less than 5% from Russia, but potential importer	Sweden	Belgium* <i>Denmark^(*)</i> <i>Netherlands^(*)</i>	<i>UK^(*)</i>

denotes transit states for the transmission of Russian gas; ^()denotes prospective status as transit state
Source: Author's own elaboration.

Those states that regard Russia as unreliable are also the states that are most dependent on Russian supplies and which are in a relatively weak bargaining position (although it is difficult to quantify how much leverage they derive from their status as

transit countries). In contrast most of those states that regard Russia as a reliable supplier and which are keen on maintaining or even increasing their current supply levels from Russia are also the states that derive considerable bargaining power from their position as major customers (Italy, Germany) or particularly strategic transit countries (Austria).

Besides their gas supply relations, the less dependent states that are also of greater importance for Russian energy exports derive some leverage from the position of their national companies in the domestic and regional European markets. Whereas national governments are unable to control access to their markets effectively since the liberalisation of gas and electricity markets in the EU has progressed, large national companies are in a position to bargain with Russian companies bilaterally as they hold stakes in the distribution of energy that are attractive to Russian companies wishing to maximise their gains across the whole transmission chain (i.e. upstream, midstream, downstream).

The majority of small states - with the exception of Austria and its *Österreichische Mineralölverwaltung* (OMV) and Hungary with its *Magyar Olaj- és Gázipari Nyrt* (MOL)¹²² - lack powerful national energy companies that own strategic infrastructure or have important stakes in EU markets that could serve as bargaining chips vis-à-vis Russia (see Buchan 2009:17, 2010:370). Besides their supply relationship and status as transit countries they have no real bargaining tools to negotiate successfully with the Russian government at the bilateral level to achieve their energy objectives. In contrast, large states such as Germany, Italy and France, but also Austria, are in a strong position in this regard as the prevailing control of large national companies ('energy champions') over considerable assets in the energy markets, including ownership of strategic infrastructure are extremely attractive to the major Russian energy companies, and particularly Gazprom.¹²³

Powerful energy companies are regarded by the large member states, notably Germany and France, as important when dealing with powerful foreign energy companies, such as Russian Gazprom (Buchan 2009:16, 2010:362; van Hoorn 2009:59). Of major interest to Russia are in this regard bilateral agreements with the

¹²² For details on both countries' energy companies, their relations with Russia and their activities on the regional markets, see Butler's (2011) detailed analysis.

¹²³ In Austria's case this concerns the major storage and distribution hub at Baumgarten; in the Belgian and Dutch cases their respective interconnector pipeline to the UK, and as regards the Netherlands also its position as a transit country for transmission of gas to Belgium and France, see AER & AIV 2005:30).

major European energy companies, especially German companies E.ON Ruhrgas, RWE and BASF Wintershall, French companies GDF Suez and Total, Italian companies ENI and ENEL and Austria's OMV (Commission 2003b; 2005a, 2005d; Leonard & Popescu 2007:28). All of these companies also cooperate closely with their national governments which facilitate the negotiation of so-called 'asset swap' agreements with their Russian counterparts.

The EU's capacity to influence Russia on energy

After having examined the individual bargaining position of the member states, we need to gain insights into their collective capacity to influence Russia at the EU level in order to understand which policy route is more likely to deliver the desired outcomes for them.

The EU collective derives from its position as major market for Russian energy in principle a strong bargaining position as energy sales to the EU are a significant source of revenues to the Russian state budget (and Russia's economic growth) since Russian domestic energy prices are heavily subsidised (Commission 2008e:2; Finon & Locatelli 2008:424,425; Goldthau 2008:690; Johnson 2005:186; Proedrou 2007:334-335; Stern 2005: 49-50,127,144; Tkachenko 2008:185; Victor & Victor 2006:141). But whereas the bargaining position of the EU collective is overall superior to that of the individual state because the EU as a whole is, by a large margin, the main destination for Russia's energy exports, we saw that Germany and Italy account together for around half of Russia's total exports to the EU. The other member states whose import volumes are much smaller will therefore benefit most from the combined leverage at the EU level, whereas Germany and Italy are likely to profit less from the greater capacity of the EU to bargain with Russia.

The EU collective can apply a number of coercive tools to achieve its objectives regarding Russia on energy, but considering the open nature of the IEM which facilitates Russian companies' access to national energy markets and the deliberately closed nature of the Russian market, the EU collective has no real incentives to offer that Russia is not already benefiting from. Furthermore, the few incentives that EU member states still have, such as granting Russia access to the EU's nuclear sector and allowing an increase of imports of Russian uranium beyond the 20% ceiling (in place to limit the EU's dependence on imports from third countries) are strongly opposed by some of the member states (in this case especially

France), and therefore difficult to implement (Grant & Barysch 2003). The EU collective could however also threaten to exclude Russia from the common gas and electricity markets where Russian companies currently benefit from a broad range of attractive investment opportunities. The implementation of coercive measures requires however the cooperation of all EU member states (and national energy companies) and it would also challenge the very principles on which the IEM is built. EU member states could also collectively threaten to stop investing in Russia's upstream (extraction/production) sector where Russian companies continue to depend on foreign expertise, but because Asian and American as well as Norwegian investors are keen to enter the Russian market, such measures would be ineffective as EU member states risk losing valuable investment opportunities without gaining any leverage in return (see Light 2006:65; Finon & Locatelli 2008:425).

The EU collective could also threaten to reduce oil and gas purchases from Russia. Because of Russia's need for a security of demand for its energy resources the EU collective is of major importance for Russia as EU markets are not replaceable in the short term as all existing pipeline grids are directed towards European countries and alternative infrastructure is lacking (see e.g., Kefferpütz, 2009:3; Secrieru 2009:6, 7). Nevertheless, some member states would be unable to fully mediate the shortfall (as the January 2009 supply crisis demonstrated, see Figure 5.2, above) and could thus be unwilling to suffer the consequences. In contrast, Russia may be prepared to bear the consequences as its sovereign wealth fund (see Chapter 4) could help buffer the impact.

Furthermore, Russia derives from its dominant position as gas supplier for the EU considerable leverage as it is not only the main natural gas producer in the world (19.6%) but it possesses also by far the largest natural gas reserves (with 23.4% of world proven reserves, compared to the EU's 1.6%) (BP 2009). Russia is also one of the world's major oil producers with production volumes second only to Saudi Arabia (12.4% of world production) and it holds major proven reserves (7th in world, with 6% of world total) (see BP 2009) and it supplies a third of the EU's imported oil. Although the leverage derived from its role as key oil supplier is limited by the fact that oil is traded on global markets, Russian oil supplies are for many member states, due to the geographic proximity of Russia, cheaper than the alternatives. In addition, the Russian government would most likely accelerate the construction of alternative infrastructure (LNG and pipelines) to Asian and American markets that are already in

the process of negotiating supply contracts with Russia. As a major natural gas (16.2% of world total) and oil consumer (17.9% of world total, see BP 2009) and with fossil fuel imports from Russia (including coal) accounting overall for around 20% of the EU-27's gross domestic energy consumption and 10% of its electricity generation,¹²⁴ the ability to apply pressure on Russia by refusing to buy its energy is extremely limited. Any threats to this end would hurt member states' interests both in the short and in the long-term.

However, despite the limits to the EU's leverage, there are also some distinct benefits that cooperation would offer which are directly related to the negative impact of the IEM on member states' bargaining position. The energy market liberalisation has opened up national energy markets to promote competition among energy providers in the electricity and gas sector and it has thereby forced member states to take steps towards the breaking up of national monopolies. A reduction of the market power of national energy companies (a process that has been pushed forward through 'unbundling' of ownership assets) negatively impacts on national energy companies' bargaining power vis-à-vis the dominant Russian energy companies. Against the background of the weakening of national governments' bargaining position due to the asymmetric situation that the IEM has created vis-à-vis external energy 'champions', a collective policy towards Russia at the European level promises to offer significant benefits to the member states in particular regarding market access and investments in the Russian energy sector, especially in light of the internal market integration. We will see in the following if the EU's superior bargaining position in these areas has motivated the member states to choose the EU route.

So, although the EU collective has a number of possible levers that it could apply to influence Russian energy policy, national governments' collective bargaining position at the European level is limited by the fact that they cannot credibly threaten to stop purchasing Russian energy supplies and that the effectiveness of EU level measures depends both on the willingness of member states to bear the costs that coercive measures would inflict on their economies and energy markets and on

¹²⁴ This was calculated by adding quantities of imports and indigenous production (for coal, oil and gas, respectively), calculating the share of Russian origin in total volumes, then its share in the gross national energy consumption and the electricity generation for each energy carrier. Electricity generation is used here as a proxy to assess the effects of a potential supply cut on the national economy and the general population, because comparable data for all member states on the use of the different energy carriers for household consumption, industry and transport is not available. On average 30% of EU-27 heating is from electricity (European Commission 2007, Annex 3:26).

Russia's susceptibility to these measures. Considering Russia's increasingly assertive posture over the course of the 2000s and the Russian government's ambition to limit any foreign interference (see Chapter 4), its likely willingness to bear losses in revenue as a matter of principle (see the discussion in Chapter 3) could undermine any leverage the EU may derive from such measures. Furthermore, thanks to the build-up of its sovereign wealth funds, Russia can better tolerate the loss of revenues than most member states can mediate supply shortages (see Stent 2010:162). Furthermore, because member states' individual supply relations with Russia differ significantly from one another, the costs of coercive measures would be unevenly distributed. This fact is likely to act as a disincentive for some of the key customers of Russian energy.

In contrast to the expected utility of the EU avenue for member states' pursuit of market access and investment objectives in Russia, with regard to their energy supply objectives, the EU route is, from the outset, likely to be of only very limited use as this is an area where firstly, the member states pursue contrasting objectives that make the pursuit of a common policy difficult and secondly, the EU as a whole has no powerful levers that they could deploy. How this affects member states' choice of policy route will be analysed after the examination of their choices on energy market access and investment goals which is undertaken here next.

5.3 IMPROVING FRAMEWORK CONDITIONS FOR TRADE WITH RUSSIA

The first case I examine here to find out what motivates member states' choice of policy route is the pursuit of improved framework conditions for access to Russian oil and gas fields and transmission infrastructure. As mentioned before, the creation and ongoing liberalisation of the IEM has created an asymmetric situation that negatively impacts member states' individual bargaining position vis-a-vis Russia through the forced 'unilateral' opening of their national energy markets to Russian (and other foreign) investors. Here member states' collective capacity is expected to be superior to their individual ability to achieve a substantial change in the Russian government's energy policy.

I proceed as follows: first, I examine member states' pursuit of Russia's ratification of the multilateral Energy Charter Treaty (ECT) as a means of achieving better framework conditions for national energy companies in Russia relative to the opportunities that the member states have at the bilateral level for achieving better

conditions. Second, I discuss the issue of reciprocal access to Russia's and the EU's markets. The focus on both offensive (gaining access to Russia's energy sector) and defensive goals (blocking Russian access to the EU market) makes it possible to test if there are any significant differences in member states' motivations between the two types of objectives.

Establishing binding framework condition through the Energy Charter Treaty

Since the end of the Cold War, the member states have pursued the establishment of improved framework conditions for their energy relations with Russia at the EU level through the multilateral framework of the ECT. The initiative for an ECT was launched by the Dutch government at the EU level in 1990, backed by both Italy and the UK (Buchan 2009:84; Matlárý 1997:73-75; Mayer 2008:255, 262). Building on the 'European Energy Charter' (December 1991), a political declaration, negotiations on the ECT began in 1992 and the Treaty was signed in December 1994 (around the time when the EU-Russian PCA was signed), entering into force in April 1998.

The main purpose of the ECT was to establish legally binding commitments between energy producers, transit states and energy consumers and facilitate investments and access of foreign companies by limiting the risks and legal uncertainties that had been associated with investments and trade in the energy sector (see Buchan 2009:84; Commission 1995a; Finon & Lucatelli 2008:427; Matlárý 1997:74, 75; Runner 2008a). In particular the ECT's key aim is to regulate trade in energy materials, products and technology. A transit protocol was to regulate also energy transit between energy consumers, transit states and energy producers.

Because of Russia's dominant position as the main energy supplier to the EU, enshrining firm commitments in the ECT constituted an important step forward in EU member states' attempts to establish greater transparency and trade and investment security in the energy sector. The Treaty provides for dispute settlement procedures for the resolution of state-to-state and investor-to-state problems. During this period, the Russian government was ready to make concessions, including a commitment to reducing the role of the Russian state in the energy sector (Matlárý 1997:54,74). The combined weight of the EU-12 better enabled the member states to push for Russia's adoption of such a comprehensive agreement, a fact that no doubt acted as a key motivating factor for choosing the EU route. During this period the EU's influence over Russia was at its greatest (see Chapter 4) and the member states were thus more

likely to obtain a change in Russia's energy policy collectively, at the European level, than on their own at the bilateral level.

Following its signature, the Russian Federation committed to applying the ECT on a provisional basis,¹²⁵ but for more than fifteen years, EU member states pursued Russia's ratification of the ECT and the signature and ratification of the transit protocol in vain – to the extent that it became regarded as an 'idée fixe' (Romanova 2008b:223; see also Kaczmarek & Smolar 2007:8). In parallel with the ECT negotiations, the member states ensured that Russia's commitment to implementing the provisions of the Energy Charter of 1991 and a subsequent declaration (the Lucerne Conference) of 1993 were enshrined in the Preamble of the PCA (1994). The PCA also contained a number of provisions designed to achieve Russia's energy market liberalisation (Art. 65, PCA). These provisions were subsequently emphasised in the Common Strategy on Russia (CSR, Principal Objectives 2, 4 and Part II, 4.a) which also explicitly stated as a key objective gaining access to the Russian pipeline system (CSR 1999, II. 4.d). In addition, the CSR included the ambition to get Russia to join in the negotiation of a transit protocol to the ECT (CSR 1999, II. 4.a). A protocol, focusing specifically on access to networks in countries located between the seller and the buyer of energy was concluded but the Russian authorities did not sign it.

Despite all of these efforts, after the privatisation, liberalisation and opening up of the Russian energy sector to foreign investors in the 1990s (Tkachenko 2008:166; Heinrich 2004:359), during Putin's Presidency the liberalisation process was reversed as the Russian government sought to ensure that Russia gains 'maximum benefit' from its own natural resources (Putin 2007). Government control was re-established in the Russian energy sector (Algemene Energieraad [AER] & Adviesraad Internationale Vraagstukken [AIV] 2005:11; Buchan 2009:94-96)¹²⁶ and contracts with Western energy companies that had obtained advantageous conditions were renegotiated (McGowan 2008:99; Umbach 2010:1233).¹²⁷

¹²⁵ Russia has provisionally applied the ECT as it did not deposit a declaration that it is unable to accept provisional application (see Leal-Arcas 2009:360). Norway, in contrast, decided *not* to apply the treaty provisionally and, as a consequence, unlike Russia it has never been bound by the Treaty's provisions.

¹²⁶ According to Stern, by 2005 the Minister of Economic Development and Trade was the only remaining high ranking supporter of such reforms in the Russian government (Stern 2005:197).

¹²⁷ Royal Dutch Shell and BP, both affected by this, claimed however that the rule of law is stronger in Russia than in other energy producer states and that even as 'junior partners' in Russia they are

With Russia's rapid economic development during the 2000s, Russian political elites started to regard the ECT as an unfair treaty forced upon Russia during a period of weakness (Buchan 2009:97). The Duma refused to ratify the ECT and rejected the possibility of signing up to its Transit Protocol. The ECT transit provisions threaten Gazprom's monopoly over the flow of gas in Russia (and from Central Asia across Russia) as its ratification would have forced the Russian authorities to allow foreign companies and independent producers to acquire the ownership of the oil and gas infrastructure in Russia (Buchan 2010:371,373; Geden et al 2006:17; Götz 2005:6; Paszyc 2003:27-8; Romanova 2008b:223; Stern 2005:107,138).¹²⁸

Both the oil and gas sectors are controlled now by the Russian government which owns decisive shares in a few large oil (Rosneft, Transneft) and gas (Gazprom) companies, holding either a majority stake or having obtained full ownership and it also controls the export pipelines and transportation grids within Russia (see Götz 2005:6; Finon & Locatelli 2008:425, 436; Stern 2005:105; Tkachenko 2008:185).¹²⁹ Furthermore, a Russian law on primary resources of July 2006¹³⁰ formally restricts foreign investors' access to Russian pipeline grids and oil and gas deposits (for details, see Adachi 2009). Two Russian companies, Gazprom and Transneft, also hold the exclusive export rights and the construction of new pipelines in Russia has to be approved by the Russian Ministry of Industry and Energy (Tkachenko 2008:172-3; Romanova 2008b:225). In addition, only enterprises registered in Russia can participate in national auctions of exploration and production licenses (Geden et al 2006:19).

Access of foreign companies to the Russian energy sector is restricted and tightly controlled by the government regarding investment, exploration licenses and access to transmission networks and these restrictions, along with a lack of

'making good money' (Hartmann 2007a); for details about their respective activities in Russia, see Heinrich (2004:356,358-9); Leonard & Popescu (2007:11, 20); Light (2008:17); Stern (2005:145-152); Tkachenko (2008:190).

¹²⁸ Considering the influence of the Russian government over the Duma, its failure to approve the ECT's ratification was an evident sign of the Russian government's lack of interest in the ECT.

¹²⁹ The strong link between the Russian government and Gazprom was underscored by Dmitri Medvedev's move from the position of Chairman of Gazprom to Russian President in 2008 (Buchan 2009:109).

¹³⁰ Federal Law No. 117-FZ "On the Export of Gas" of 18 July 2006; Federal Law "On Procedures for Foreign Investments in Companies of Strategic Significance for National Defense and Security" of 16 April 2008.

transparency and questions about the rule of law in Russia are the main cause of the insufficient investment levels and delays in the implementation of new projects (Berg 2008:148; Goldthau 2008:688, 690; Heinrich 2004; Mandil 2008:6; Noël 2008:5; Spruds 2002:365; Tkachenko 2008). Some oil and gas fields have become unworkable for Russian producers as they lack the requisite technology and know-how and major investments are required to exploit also the large fields that are located in difficult geological conditions and climate (Goldthau 2008; Leonard & Popescu 2007:18; Mandil 2008:5-6; Noël 2008:5; Stern 2005:11; Tkachenko 2008:168; Wasilewski 2004:95; Westphal 2008a:104; Whist 2009). One example is the case of French company Total and Finnish company Fortum that were, in the mid-1990s, involved in a consortium formed to develop the Shtokman field which holds one of the largest energy reserves that are yet to be exploited. By 2005 Gazprom had acquired sole ownership of the field (Stern 2005:17), but was lacking the necessary expertise.

Despite, or precisely because of, these unfavourable developments the EU member states continued to push collectively for Russia's ratification of the ECT. They ensured that reference was made to the ECT provisions in the Four Common Spaces Road Map for the Common Economic Space (2005:15-17). The need for secure and predictable investment conditions for EU companies and reciprocity in terms of access to markets and infrastructure, notably to pipelines in Russia, was emphasised by the member states at the EU level in the wake of supply disruptions in 2006 (see e.g. EU Presidency Conclusion 23/24 March 2006). Analysts started to describe Russia's energy sector as being characterised by selectivity and inequality before the law (e.g. Westphal 2008a:111).

Besides trying to enshrine the ECT principles in EU-Russian agreements, the member states also hoped to achieve more favourable framework conditions for their national companies in Russia's energy sector in the WTO accession negotiations with Russia which the Commission conducted on behalf of the member states (see EU-Russia Joint Summit Statement, May 2006). Some of the conditions that the member states sought to achieve by tying them to their support for Russia's WTO accession, were the abolition of gas export tariffs (which were at 30% in the mid-2000s), ending Gazprom's export monopoly, and the right of foreign investors to obtain access to

Gazprom's pipeline network and to build their own pipelines (Stern 2005:139).¹³¹ However, as Russia remains outside the WTO, these attempts also failed to register any progress in Russia's domestic energy market.

As it became unlikely that Russia would ratify the treaty, the member states reached an agreement at the EU level to pursue the insertion of key ECT provisions in the New (EU-Russia) Agreement which will be legally binding upon the member states and Russia (Commission 2008e, Annex, para 64; Rettman 2006a; Kaczmarek & Smolar 2007:8; but see Commission 2006a). This move was motivated by the belief that the EU would be able to obtain concessions from Russia during the negotiations for the New Agreement and get the Russian government to agree on including the main ECT principles in the agreement. Nevertheless some national governments and EU officials were sceptical about the EU's ability to get Russia to accept the inclusion of ECT principles in the agreement.¹³² In November 2006 Poland vetoed the adoption of the negotiating mandate for the New Agreement and tied it, among other things, to the inclusion of a requirement in the mandate that a stipulation be included in the New Agreement that Russia must ratify the ECT (Rettman 2006a; 2006b). Another key Polish concern was the ongoing dispute with Russia concerning the Russian embargo on Polish agricultural goods (see Chapter 7). According to a diplomat from another member state Poland stood alone in its demand regarding the ECT as there was a general consensus that '[t]he ECT is a dead end' (Rettman 2006b). However Poland's insistence on the inclusion of these provisions reflected much deeper concerns about Russia as an energy producer and supplier (for a detailed analysis, see Roth 2011), as we will see in the discussion of energy solidarity mechanisms and pipeline politics.

On 20 August 2009, after a proposal for an alternative international framework to replace or supersede the ECT, tabled by President Medvedev in late April 2009, had received little support from EU member states, the Russian government notified the ECT Secretariat of its decision to withdraw from the ECT. According to the treaty's provisions Russia is, since 18 October 2009, not bound by ECT provisions

¹³¹ The terms of Russia's WTO accession that the EU and Russia agreed in their bilateral agreement of May 2004 are confidential and little detail has been made publicly available.

¹³² Author's interview with Commission official, 22 November 2007, Brussels.

anymore, with the exception of the provisions relating to foreign investment on Russia's territory (ECT, Art. 45) which it remains bound by until 2029.¹³³

This illustrates that member states' collective influence over Russia in the energy sector diminished rapidly during the 2000s, mirroring the course of developments in the EU-Russian relationship more broadly speaking (see the previous Chapter 4). What this means for the member states is that the EU, despite its superior capacity, could not deliver the desired outcomes and that the lack of success in the promotion of improved framework conditions at the European level provided incentives for the member states to try and reach agreements with Russia at the bilateral level instead. As a result, throughout the 2000s, the large member states supported national energy companies' attempts to gain access to Russia's energy sector at the bilateral level. This, in turn, reduced the ability of the EU collective to use market access to the IEM as a bargaining chip. Meanwhile, for the smaller member states, and especially the CEECs that have been concerned about Russia's (un)reliability and (un)trustworthiness in the energy sector, the appeal of negotiating an agreement with Russia at the European level remained strong, especially in view of their extremely limited individual bargaining power.

Reciprocal access as a means of addressing asymmetries

Whereas the Russian government progressively closed the Russian energy market to foreign investors over the course of the 2000s, during that same period the creation of the IEM opened up member states' own energy markets, facilitating Russian buyers' access. The member states did not respond by formally restricting Russian companies' access to the IEM, and so Russian companies have the possibility of gaining access to strategic infrastructure as a result of third party shareholders' selling of stakes (for a detailed analysis of the implications for the ownership of Hungarian energy company MOL, see Butler 2011).

Gazprom, Lukoil¹³⁴ and Sugurtneftegaz, among others, purchased shares in marketing companies, transport and distribution in more than half of EU member

¹³³ In November 2009 an international tribunal in The Hague confirmed that Russia is bound by the ECT despite the fact that it never ratified the Treaty. Menatep, the holding company of Yukos, is suing under Article 45 of the ECT, which protects investors against expropriations of assets by a state (Ria Novosti 2009f). Yukos' main shareholder, GML, went to court arguing that Russia violated the ECT by snatching away Yukos assets in 2004 (Runner 2008a)

states¹³⁵ (particularly the CEECs) with the aim of gaining income from energy sales across the whole supply chain and to compensate for losses made in the subsidised domestic energy market (Arons 2004; Berg 2008; Butler 2011; Finon & Locatelli 2008:435; Gault 2004:185, footnote 41; Goldthau 2008:690; Oldberg 2005:37; Secieru 2009:6-7; Stern 2005:111, 113-4, 126-7; Tudoroiu 2008:394; Umbach 2010:1230; Wilson et al 2009:27). Meanwhile, political elites, not just in the CEECs, but also (*inter alia*) in the UK¹³⁶, fear that Russian energy companies could, on the instructions of the Russian state, cut off energy supplies in any part of the supply chain if they were to gain control over the whole transmission chain (see Stern 2005:116). Under these conditions, many CEE states have pushed after their accession to the EU for the adoption of common measures to prevent Russian state-controlled monopolist companies from entering their domestic energy markets.

The proposal of September 2007 for a third gas market liberalisation Directive envisaged in this context the adoption of a ‘reciprocity clause’ which became known as the ‘Gazprom clause’. The EU collective had placed already at a previous EU-Russia Summit great importance on the principle of reciprocity in terms of access to markets, infrastructure and investment (EU-Russia Summit Joint Statement, May 2006). However the proposal for such a ‘third country clause’ envisaged that third country investors wishing to acquire access to transmission networks in EU member states would have to comply with the EU’s internal ownership ‘unbundling’ rules. The member states were divided on this issue and could not agree on imposing such a requirement which would have prevented third country investors from obtaining stakes in member states’ energy markets unless they had complied with the requirements (see Commission 2009c:3-4, 3.2.1). Their position on whether or not a reciprocity requirement would be desirable was informed by the contrasting views they hold on Russia. The states that view a growing influence of Russian companies in their markets as a threat to their economic and political stability seek to prevent Russian companies from obtaining ownership of key energy infrastructure in EU member states (see Finon & Locatelli 2008:425; Mandil 2008:6), and in particular

¹³⁴ Lukoil is Russia’s largest privately owned oil company, but the Russian government and Russian banks hold shares in the company (Tkachenko 2008:186).

¹³⁵ This includes Germany, France, Italy, Austria, Finland, Greece, the Netherlands and Slovakia, Poland, Czech Republic, Hungary, Lithuania, Latvia, Estonia, Bulgaria and Romania.

¹³⁶ British reactions to Gazprom’s bid for the British company Centrica underscored this fear (see Romanova 2008b:224).

ownership of the transit pipeline.¹³⁷ They have therefore sought to tie Russian access to the EU's internal energy market to a weakening of Russian companies' dominant position to stave off Russian attempts to gain control of their national energy infrastructure.

The member states that regard Russia as a reliable and trustworthy partner, in particular France, Italy and Germany, have objected to blocking Russian access to EU markets for fear that the adoption of a reciprocity clause could provoke Russia into introducing retaliatory restrictions on access into its own markets (Youngs 2009:156), making it even more difficult for national companies to gain access to Russia's energy sector who had thus far been able to trade assets from their domestic markets for stakes in the Russian energy sector. Such exchanges of ownership stakes (otherwise known as 'asset swaps') involve, inter alia, Russian companies gaining access to EU downstream markets while member states' national energy companies gain access to Russia's upstream sector (see Finon & Locatelli 2008:438; Leonard & Popescu 2007:23; Romanova 2008b:224; Youngs 2009:38).

The divergent objectives that the member states pursue are not just influenced by their contrasting assessment of Russia as an energy supplier, but by the stronger bargaining power and greater financial capacity that the larger member states and their national companies have to engage in mutually beneficial bilateral deals with Gazprom (Finon & Locatelli 2008:427; McGowan 2008). Many of the small CEE states also lack energy companies with the necessary market power to engage in profitable asset swaps even if they wished to do so, with the notable exception of Hungary and its national energy champion MOL. Austria and Belgium have engaged, along with Hungary, in swaps with Gazprom in which they have provided access to their national markets in return for a new gas supply agreement (see Youngs 2009:82). Furthermore, the smaller CEE member states are faced with the additional problem that bilateral asset swaps between the large (Western) energy companies and Gazprom have given the Russian energy monopolist access to their energy markets (e.g. a German-Russian deal involving assets in Hungary, see Finon & Locatelli 2008:435; Westphal 2007:252).

In the restrictive business climate, personal relations with the Russian President of the heads of state of particularly the large states - Germany, France and

¹³⁷ Author's interview with CEEC diplomat, Brussels, 26 November 2007.

Italy¹³⁸ - have enabled national energy companies, in particular Italian ENI and ENEL, German EON Ruhrgas and French Gaz de France Suez¹³⁹, to reach agreements with Gazprom at the bilateral level that have given them access to Russian fields (with French company Total most notably gaining access to the huge Russian offshore gas field Shtokman) and new long-term gas supply contracts and, in return, Gazprom obtained access to their national downstream markets and distribution networks (Finon & Locatelli 2008:430, 435; Gault 2004:185, footnote 41; Giusti 2007; Leonard & Popescu 2007:23; Sánchez Andrés 2007:5; Stern 2005:121, 124; Tarnogórski 2006:116; Westphal 2008a:104-5; Youngs 2009:86-87). Personal relations between the heads of state or government and the Russian political elites are of great importance because member states' ability to gain access to Russian supplies and energy fields depends on intergovernmental agreements,¹⁴⁰ and '[n]either market rules nor international law will guarantee foreign investments, only the [Russian] president's agreement [will].' (Finon & Locatelli 2008:425).

Although bilateral agreements are unable to change the framework conditions in which their companies operate, they at least allow the member states to gain access to Russia's energy sector, even if it is circumscribed and contingent on the Russian states' continuing support. And although their choice for pursuing their objectives at the bilateral level means that different member states are competing with one another and are therefore not able to capitalise on their combined market power (Finon & Locatelli 2008:437; see also Leonard & Popescu 2007:23; van der Meulen 2008:45), they clearly believe that greater benefits in terms of market access are to be obtained at the bilateral level (see AER&AIV 2005:22).

The gas market liberalisation Directive that was adopted in July 2009¹⁴¹ stipulates that governments retain the power to decide on the transfer of national energy companies' assets to foreign buyers, but it cautions that such transfer should not put at risk the supply security of any member state (Art. 11, para 3.b), but it does

¹³⁸ Close and mutually beneficial relations between the two major Italian companies, ENI and Enel with Gazprom were underscored in 2007 when they acted on behalf of Gazprom and bought the expropriated gas assets of bankrupt Yukos in a controversial auction and subsequently ceded control of these assets to Gazprom under a pre-arranged deal. In return ENI and Enel were given a foothold in Russia's gas fields (The Economist 2007).

¹³⁹ GdF Suez is the result of a merger between Suez and GdF that was completed in September 2007 (for details see Youngs 2009:36).

¹⁴⁰ Author's interview with member state diplomat, Brussels, 13 November 2007.

¹⁴¹ Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC.

not stipulate if and how such risk might be assessed. While the Directive *suggests* that (legal) persons from third countries should only be allowed to control assets in member states' energy markets if they comply with the requirements of separation of ownership that apply inside the EU, member states are not obliged to enforce these requirements. They therefore have a choice of whether or not to impose such restrictions. This reflects, at least in part, the success of the large states that have been opposed to blocking Russian access to their markets.¹⁴²

In sum, despite their superior combined capacity at the European level, those member states that are able to bargain with Russia at the bilateral level tend to oppose a common policy that would potentially harm their prospects of continuing to strike bilateral deals with Russia on market access. Because of the divergence of views among the member states, the CEE states are unable to shape a collective EU policy that corresponds with their individual concerns. This has also to do with the fact that the status quo favours the more powerful member states and that it is them who are better able to shape EU policy due to the greater resources and weight that they have in EU decision-making (see Chapter 2). The CEE states are therefore at a disadvantage, but the possibility of achieving even small successes at the European level is a strong incentive to choose the EU route as they have little hope of achieving their objectives bilaterally.

5.4 ENSURING MEMBER STATES' SUPPLY SECURITY

After having analysed member states' policy choices regarding the broader framework conditions for their energy trade with Russia, I will examine here how they deal with supply insecurities regarding Russian natural gas, by first looking at the development of an EU internal 'solidarity mechanism' and second, by examining how they pursue gas supply diversification projects. Both are analytically significant cases because due to the considerable differences in their dependence on Russian supplies, the member states can be expected to pursue a range of different objectives to each achieve their own supply security. They are also of practical relevance as they have been the two most salient issues on the EU's energy policy agenda since the mid-2000s. Furthermore, whereas the solidarity measures are expected to benefit all

¹⁴² Of course the Directive was not specifically drawn up to deal with Russia and therefore other member states concerned about their relations with other energy producing states (e.g. Algeria) will also have influenced the final wording of these provisions.

member states (although not necessarily equally due to their different needs), the pipeline projects enhance the supply security of the EU as a whole, but benefit only a circumscribed set of member states directly. Both cases therefore provide insights into whether national governments are indeed guided by an emerging 'EU identity' and a resulting concern for the benefits that the EU collective will accrue (which would make them privilege cooperation at the EU level) or whether they make their choices based on an assessment of the anticipated outcomes for the country they represent. First their choice regarding an EU-internal solidarity mechanism is scrutinized and second, the choice on external infrastructure projects is analysed.

Security through solidarity

As indicated in the earlier discussion, many of the CEECs have great concerns about the reliability of Russian energy supplies that stem from their general threat perception concerning Russia. Events from 2004 onwards brought the issue of how to address threats to member states' security of Russian energy supplies to the fore as various supply disruptions that resulted from Russian disputes with the two key non-EU transit countries, Belarus and Ukraine, affected a range of western and eastern member states, raising the issue of energy supply security, and particularly that of the reliability of Russian natural gas supplies, onto the EU's agenda.

In February 2004 a dispute between Russia and Belarus resulted in Gazprom stopping the transmission of gas destined for Belarus through the Yamal pipeline and supplying only gas for delivery to EU member countries. Shortly after that, Gazprom cut off the gas deliveries entirely accusing Belarus of siphoning off supplies from the transit pipeline. This supply cut affected EU member states and Poland, then still an EU accession candidate, was left for two days without gas from the Yamal pipeline (Lang 2004:210). Another dispute during the winter of 2005/6, this time between Russia and Ukraine, resulted in January 2006 in a supply shortfall that lasted a day and a half and affected one tenth of supplies to the EU (Commission 2008i:6). Further disruptions occurred during the winter of 2006/7, this time affecting crude oil deliveries from Russia via Belarus through the Druzhba pipeline (Commission 2006d; Westphal 2007:247). In January 2007, several member states reported a complete cut in oil supply. Crude processing facilities in Germany, Poland, Hungary, Slovakia and the Czech Republic were affected and oil refineries had to draw on emergency stocks which mediated the shortfall (Commission 2007b, 2007c; 2007e). In autumn 2007 and

spring 2008 several more threats to the supply of natural gas emerged as Russia was again engaged in disputes with both Belarus and Ukraine, although these were in the end without consequences for the member states (Commission 2007h, 2008a).

The most significant gas supply disruptions which lasted thirteen days occurred at the beginning of January 2009 as a result of another Russian-Ukrainian dispute. Gazprom suspended supplies to Ukraine but continued to transmit gas to the EU. Nevertheless, several member states reported supply reductions, apparently caused by a siphoning off of gas in the Ukraine from the transit pipeline. Gazprom responded by reducing the gas volume transmitted through the pipeline on 5 January 2009 and cut off deliveries entirely on 7 January 2009 to put pressure on Ukraine and prevent it from siphoning off further gas supplies destined for EU member states. The disruptions affected a large number of EU member states (for details, see Figure 5.2, above), with deliveries to them fully restored only on 20 January 2009. It was the first supply crisis that resulted in such shortages that some member states could not mitigate the losses by national measures alone. EU representatives described it as ‘a gas crisis of unprecedented dimensions’ (Commission 2009b).

Shortly after the first Russian gas supply disruptions took place in February 2004, the first ever piece of EU legislation addressing the issue of gas security was adopted in April 2004.¹⁴³ The Directive built on a Commission proposal of 2002 for a gas supply security Directive¹⁴⁴ which in turn built on a provision in the first gas market liberalisation Directive that stipulated that member states should ‘take necessary safeguard measures in the event of a sudden crisis in the energy market’ (Directive 98/30/EC, Art. 24). In the preamble of the Directive, the need to establish ‘*genuine* solidarity between the Member States in a major emergency supply situation’ [emphasis added] (Directive 2004/67/EC preamble, para 13)¹⁴⁵ was emphasised. It does not however specify what is to be understood by ‘genuine solidarity’ or what it would entail. The Directive does however specify the modalities and instruments of emergency measures to be taken in the event of a supply crisis

¹⁴³ Directive 2004/67/EC concerning measures to safeguard security of natural gas supply (26 April 2004).

¹⁴⁴ Proposal for a Directive of the European Parliament and the Council concerning measures to safeguard security of natural gas supply (2002/C 331 E/41). It is noteworthy that this proposal was drawn up at the same time as a proposal for new legislation on emergency oil stocks.

¹⁴⁵ The Commission proposal of 2002 (preamble, para 14) spoke of ‘solidarity’ and emphasised the relation of supply security and the internal energy market: ‘For the well functioning of the internal market for gas and the security of supply, solidarity between Member States in emergency supply situations is essential’.

(Directive 2004/67/EC, Art.3-4, Art. 8-9). Unlike the earlier proposal, it also defines what a ‘major supply disruption’ would be: a reduction of gas import volumes from third countries by more than 20% (Directive 2004/67/EC, Art. 2). As Buchan has pointed out, this threshold implied that up to nine smaller member countries, mainly CEE states, could have their gas imports completely cut off without the requisite threshold for EU level action being met (Buchan 2009:82, 2010:373). This reflects also the fact that the Directive was proposed initially in the context of the natural gas market liberalisation (see Commission Proposal for security of gas supply 2002/C331) long before the first Russian gas supply disruptions occurred, and that it was tailored to address the then fifteen member states’ supply situation.

Following the first supply disruptions in February 2004, and with increasing intensity since then, it was particularly the new Eastern member states, and in particular Poland, that pushed for the establishment of cooperation mechanisms at the European level. In late 2005, in the absence of any firm commitment by other member states to assist a member state should Russian gas supplies be cut off, the Polish Prime Minister, Donald Tusk, proposed the conclusion of a ‘Musketeer’s Pact’ on energy which envisaged the putting into place of a formal requirement of assistance - akin to NATO’s commitment of collective defence (Art. 5 of its founding treaty) – in the event of threats to a member states’ energy supply security to gain assurance that fellow member countries would come to the rescue of those facing energy supply interruptions from Russia (Niklewicz & Pawlicki 2008; for a detailed discussion of Poland’s promotion of its energy policy objectives in the EU, see Roth 2011).

Whereas the ‘old’ member states were primarily focused on expanding their storage capacity and maintaining their right to conclude long-term gas supply agreements with Russia (and other suppliers) (Directive 2004/67/EC Preamble, para 11, see also Commission proposal 2002/C331), many CEE states (which are most directly affected by Russian gas disruptions, as the January 2009 crisis demonstrated) supported the idea of a collective ‘solidarity pact’. They have viewed EU level cooperation as a vital means of ensuring energy supply security as most of them lack the capacity to implement measures to make up for shortfalls in the event of supply disruptions (Geden et al 2006:16; House of Lords 2008:51-2). In view of increasing concerns about the security of energy supplies, especially among the Eastern member states after the renewed disruptions of supplies, a Commission Communication of January 2007 advocated the putting into place of ‘mechanisms to ensure solidarity’

between the member states in the event of a supply crisis (Commission 2007d, section 3.2). Lithuania and Poland pushed particularly hard for the inclusion of an energy solidarity clause in the Lisbon Treaty which resulted in the inclusion of several provisions that address the need for ‘solidarity’ to ensure energy supply security (for details, see Buchan 2009:88-89; Roth 2011; Youngs 2009:84). The main one is Art. 194 which stipulates that member states shall ensure the security of energy supply in the Union ‘in a spirit of solidarity’ (TFEU, 2007, Art. 194; see also Art. 100, para 1 and Art. 122, para 1) without however specifying what this might look like in practice.

Overall, the eastern member states received much support from the Commission during the period following the first supply disruptions as it regularly emphasised the need for ‘close cooperation between Member States which must be shown by *effective solidarity*.’ and underlined that ‘[t]hose belonging to the EU must necessarily speak with one voice on questions linked to external energy policy.’ [emphasis added] (Commission 2008c). The Commission had already underlined in ‘An Energy Policy for Europe’ that ‘*effective mechanisms* need to be put into place to ensure solidarity between Member States in the event of an energy crisis.’ [emphasis added] (Commission 2007d:10, section 3.2). This idea was further elaborated in the ‘Energy Security and Solidarity Action Plan’ of November 2008¹⁴⁶ which proposed a reform of the 2004 Gas Supply Directive (Commission 2008i:6). In particular it proposed to enshrine solidarity principles in formal, binding agreements between three or more member states and to compensate economically for ‘solidarity’ in the event of a supply shortage at a pre-defined cost (Commission 2008i, section 3.5, section 4.4, section 4.2.1.), an idea that was included also in the proposal of July 2009 for a Regulation to replace the 2004 Directive. It encouraged member states to ‘devise specific measures to exercise solidarity, including [...] commercial agreements between natural gas undertakings [and] compensation mechanisms’ (Preamble, 23). By focusing on practical arrangements and financial compensation, it not only reflected a significant change in the understanding of what constitutes ‘solidarity’ among the member states by shifting the focus from action taken ‘in the spirit of solidarity’ to ‘compensation of services rendered’, based on prior agreement, but it also implicitly acknowledged the absence of a political consensus among the member

¹⁴⁶ The ‘Energy Security and Solidarity Action Plan’ forms part of the Commission’s *Second Strategic Energy Review* of November 2008 that was adopted at the 2009 Spring European Council.

states on the issue of how to deal with Russia (and other energy producing states) (see Schmidt-Felzmann 2011a). The Regulation that was eventually adopted in late October 2010¹⁴⁷ explained in greater detail that the member states that are ‘exposed to less favourable geographical or geological conditions’¹⁴⁸ should be supported by measures that are to be devised ‘to exercise solidarity’, but emphasis was placed on the responsibility of natural gas companies to conclude commercial agreements (Regulation (EU) No. 994/2010, Preamble, para 36) rather than to cooperate on new political strategies to pre-empt future supply crises.

Whereas in previous EU documents and speeches by EU officials and national representatives the concept of ‘solidarity’ had been employed in a fashion that assumes that member states’ actions are governed by a shared sense of belonging – a common identity – that is expected to engender their willingness to offer both political and economic support to fellow members (see e.g., Commission 2007a, 2008a; Ilves 2007; Solana 2008; Vondra 2009), the apparent and significant evolution of the solidarity concept from the comparatively vague and broad understanding of action to be taken ‘in the spirit of solidarity’ (by virtue of being an EU member state) to this much more concrete and practical understanding of solidarity strongly indicates that member states’ actions in the energy sector are determined by their assessment of costs and benefits to them, and that a re-conceptualisation of their own interests towards a concern of what is best for the EU as a whole (which could have been expected to result from a socialisation in the EU) has not taken place.

As the analysis of member states’ ‘pipeline politics’ that follows will underline, the states that regard a maintenance or strengthening of their supply relations with Russia as desirable continue to pursue these interests at the bilateral level, while the incongruence of member states’ objectives severely restricts the CEECs’ ability to achieve their energy supply security objectives at the EU level, although most of them continue to pursue their objectives at the European level in order to address their limited individual capacity to resolve their supply insecurities.

¹⁴⁷ Regulation (EU) No 994/2010 of the European Parliament and of the Council of 20 October 2010 concerning measures to safeguard security of gas supply and repealing Council Directive 2004/67/EC.

¹⁴⁸ This was clearly addressed to the Eastern member states’ difficulties in dealing with disruptions of Russian energy supplies that were highlighted by the January 2009 supply crisis.

Supply security through diversification of routes and sources

The construction of new gas pipelines to deliver additional supplies from Russia and other third countries to the EU has been identified both as a way of meeting a growing demand¹⁴⁹ and as a way of reducing the risk of supply disruptions from reoccurring Russian disputes with Ukraine and Belarus (see Commission 2007d:10, section 3.2; Ilves 2009). New gas pipelines are, in principle, beneficial for all member states as more supplies are brought into the EU and these can, in principle, in the event of a supply crisis be passed on to other member states that are not the primary recipients, as long as the infrastructure connecting them to the primary customers permits this. Because the realisation of new pipeline projects depends both on the political will to support the construction (as any pipeline construction requires substantial upfront investment which will pay off only in the longer term) and the existence of sufficient demand on the prospective national markets (to make the pipeline pay), cooperation with other member states at the EU level promises to generate both the necessary financial means for the construction and to provide a sufficiently large consumer base to render the pipeline economically viable.

The twin aims of securing sufficient primary energy supplies to satisfy domestic demand and of ensuring the reliability of imports are shared by all member states in equal measure. Nevertheless, among them there are two main groups that pursue contrasting objectives that reflect their perception of Russia as an energy supplier, with a number of states vacillating between both ‘extremes’. As indicated earlier, the group that regards Russia as an important, reliable supplier is composed mainly of western member states, including the main producer countries among the member states (the Netherlands, Denmark, UK). These states are all very interested in securing new supply contracts with Russia to satisfy their growing demand, and in the case of current producers to make up for the decline in their domestic production capacity. The other group which is composed mainly of CEE states and which views an import dependence on Russia as the main source of supply insecurity due to their perception of Russia as an unreliable (and untrustworthy) supplier, wants to bring in supplies from alternative producers to reduce Russia’s leverage and to strengthen their

¹⁴⁹ This is due both to the decline in indigenous resources in the EU, and the need to meet the carbon emissions reduction targets that have been set at the EU level for the member states and which necessitate the use of ‘cleaner’ energy such as natural gas which is much lower in emissions than coal or oil.

currently extremely weak bargaining position. The transit states among them want to also increase Russia's dependence on them as transit countries.

Whereas source diversification, i.e. increasing energy imports from alternative providers, does not impact negatively on member states that are happy to increase their supplies from Russia, supply route diversification projects, i.e. the construction of new pipeline routes that channel Russian supplies to EU consumers by circumventing the current transit countries, impacts negatively on the states that fear a growing dependence on Russian imports and at the same time pursue an enhanced role for Russian gas transit through their own territory in two ways: firstly it increases the EU's overall import dependence on Russian suppliers and secondly, it weakens their position vis-à-vis Russia as traditional key transit countries since multiple pipelines for transmission of Russian gas to EU member states reduce the role of the individual transit state (Romanova 2008:87; Buchan 2009:101).

EU member states have pursued two main 'transit avoidance' pipeline projects (Stern 2005) to bring additional gas supplies from Russia to the EU. One is the *Nord Stream* pipeline, the other the *South Stream* pipeline. Nord Stream, launched in 2005, will circumvent transit countries, delivering Russian gas directly to Germany, i.e. the country that is by far the largest market for Russian gas already (Whist 2009:88-89; Sánchez Andrés 2007:5). The construction of *Nord Stream's* under water section started in April 2010 and the pipeline is to be completed by the end of 2011.

Two German companies (E.ON Ruhrgas, 20%; BASF Wintershall, 20%) a Dutch company (Gasunie, 9%),¹⁵⁰ a Danish company (DONG) and a French company (GDF Suez)¹⁵¹ concluded contracts with Gazprom to participate in the project, and the UK also reached an agreement with Russia on the possibility of contracting gas for the UK from the pipeline (Dagens Nyheter 2009a, 2009c; Gazprom n.d. 'About...Nord Stream'; Pop 2010a; Ria Novosti 2009e; Sánchez Andrés 2007:12; Tarnogórski 2006:107). Denmark, the Netherlands and the UK would benefit from receiving gas supplies through Nord Stream as such additional supplies would help them compensate for declining domestic production (Sánchez Andrés 2007:12; see

¹⁵⁰ Gasunie received this share in June 2008 after the German companies relinquished 4.5% each of their original shares (see Gazprom, n.d. 'About...Nord Stream').

¹⁵¹ Following the January 2009 gas supply crisis French energy giant Gaz de France (GDF) Suez declared an interest in joining Nord Stream as a shareholder. GDF Suez could receive a 9% share in the Nord Stream consortium through the further reduction of stakes held by the two German companies (RIA Novosti 2009c, 2010).

also Westphal 2008a:107). Belgium and Sweden have also been mentioned as key markets to be served by the pipeline although no supply agreement exists yet (Gazprom n.d. 'About...Nord Stream'; Pop 2010a; Stern 2005:120; Tkachenko 2008:179). *Nord Stream* will deliver around 27.5 billion cubic metres (bcm) annually through each of two parallel pipelines, carrying in total 55 bcm per year.¹⁵²

Nord Stream started as a bilateral initiative between Germany and Russia,¹⁵³ but German and Russian political elites have tried to achieve its acceptance as a collective project that benefits all EU member states. Its predecessor, the Northern European Gas Pipeline (NEGP)¹⁵⁴ was designated a 'project of common interest' in the EU-Russia energy dialogue at the October 2001 EU-Russia Summit (Stern 2005:121). Subsequently, in 2006, the status of *Nord Stream* as a Trans-European Network (TEN) project was confirmed. After the January 2009 supply crisis, German Chancellor Merkel was reported to have lobbied for the acceptance of Nord Stream as an EU project that serves the interests of all its member states (EU Observer 2009e), which could have opened up the possibility of receiving EU funding as a new strategic infrastructure project, but the use of EU funds for the project was strongly opposed by, *inter alia*, Estonian President Ilves who argued that it would be many times cheaper to build another overland pipeline and it was thus not warranted spending collective resources on this pipeline (Ilves 2009). Lithuanian President Adamkus also strongly opposed the implementation of *Nord Stream* (Youngs 2009:84) and Polish officials regarded the project as 'a plot aimed at subduing Poland'; a new Molotov-Ribbentrop Pact, or 'Putin-Schröder Pact'.¹⁵⁵ Other critics in the Baltic States and Sweden viewed it as a means for Russia to exert political pressure on the CEECs and countries of the CIS (see Berg 2008:150; Dagens Nyheter 2009a, 2009c; Galbreath et al. 2008:61; Gower & Timmins 2007b:294-5; Lang 2007:23; Männik 2008:33; Raik 2007:211; Tarnogórski 2006:115; Timmins 2007:180; Whist 2009:76; for a detailed discussion of Poland's views on Nord Stream see Bouzarovski & Konieczny 2010). High-ranking Polish officials also complained

¹⁵² For details on the sources of the Russian gas, see Runner (2009b); E.ON Ruhrgas (n.d. 'Yuzhno Russkoye') and Shtokman (n.d., 'About Company').

¹⁵³ For details on the original Finnish-Russian project plan of the 1990s, see Sillanpää (2009) and Tarnogórski (2006:106).

¹⁵⁴ It was known as Northern European Gas Pipeline (NEGP) until October 2006 when its name was changed to Nord Stream.

¹⁵⁵ The agreement for the pipeline was sealed between German Chancellor Schröder and Russian President Putin just a few weeks before Schröder left office. He was then recruited by Gazprom to the managing board of Nord Stream.

that the pipeline demonstrated ‘a lack of solidarity’ by Germany which he accused of putting its own interests above those of the other member states in pursuing the Nord Stream project with Russia (see the speech of Polish Prime Minister Tusk 2009; see also Baczynska 2007; EUObserver 2009e; Lang 2003:23; Tarnogórski, 2006:115; Whist 2009:76). Besides the possibility of receiving project funding, gaining political support for the pipeline at the EU level would therefore also have been of major importance for improving Germany’s reputation in the light of the strong accusation that had been levelled at it of maintaining ‘special’ exclusionary bilateral relations with Russia that were perceived to be to the detriment of the CEECs (Whist 2009:76).

While most CEECs oppose *Nord Stream* as a threat to their energy supply security (as they suspect it is designed to allow Russia to cut off supplies to them and abuse this as a tool to achieve political goals), Poland is particularly concerned about a weakening of its role as transit state (see Baczynska 2007; Bouzarovski & Konieczny 2010; Crawford & Catan 2008; Dagens Nyheter 2009a, 2009c; Goldirova 2007; Lang 2007:23; Pop 2008c; Raik 2007:211; Rettman 2009; Romanova 2008:87-88, 71, 90; Westphal 2008a:109,113). In its energy strategy document of 2005 (‘Energy Policy of Poland until 2025’), the Polish government had emphasised the need to bolster Poland’s position as transit country for the supply of Russian gas to other EU member countries (Ministry of Economy and Labour of Poland 2005:20-21; see also Lang 2007). In addition to fears about their energy supply security, political elites in Poland and the Northern and Baltic states also fear that the Russian government will (ab)use the situation to deploy troops in the Baltic Sea to guard the pipeline which could build up a strong Russian military presence in their neighbourhood (Sillanpää 2009).¹⁵⁶

The conflicting views of the supporters and opponents of the project made it impossible for Germany to promote the pipeline successfully at the EU level. Cooperating with the other member states and allowing them to have a say in the project planning would have meant that *Nord Stream* would either not have been realised at all, or instead of the underwater pipeline another overland pipeline would have been built, defeating the original purpose of circumventing the ‘troublesome’ transit countries Ukraine and Belarus. Meanwhile, the strongest opponent of the

¹⁵⁶ The sale of four French Mistral assault warships, announced in March 2010 in conjunction with GDF Suez’s bilateral energy agreement with Russia, seemingly confirming the suspicion that Russia is re-arming in order to dominate the Baltic Sea region militarily (Rettman 2009, 2010b).

pipeline, Poland, uploaded its objective of stopping the project to the EU level after it had failed to achieve any impact bilaterally both in relations with Russia and with its western neighbour Germany. Reportedly Poland's vetoing of the negotiating mandate for the New Agreement (see Chapter 4) was at least in part motivated by its ambition to prevent the realisation of Nord Stream.¹⁵⁷

In contrast to Nord Stream, a second supply route diversification project, *South Stream*, has been pursued almost exclusively at the bilateral level. This has a lot to do with the fact that it stands in direct competition to the major supply source diversification project, *Nabucco*, which has been forcefully promoted at the European level by the CEECs and strongly supported by the Commission. The *South Stream* pipeline project started as a bilateral Russian-Italian project (Gazprom and ENI) in 2003 and is intended to be operating from 2015 (Pop 2008b; Hydrocarbons-technology.com n.d.). It will avoid non-EU transit countries and deliver Russian gas across the Black Sea directly to Bulgaria and from there to four important gas markets: Greece, Italy, Hungary and Austria (see Figure 5.3, above), and also Slovenia.¹⁵⁸ The envisaged capacity of South Stream is 30bcm per year. Because South Stream increases Russian gas supplies to the EU, the project has – like Nord Stream – been opposed by CEE states intent on reducing Russia's leverage in the EU. Critics in the CEECs, such as Czech Prime Minister Topolánek, are convinced that both pipelines are designed to enable Russia to cut gas supplies delivered through the overland pipelines while supplying gas to the economically more important gas markets in Western Europe, negatively impacting them both as transit states and consumers (Proedrou 2007:340; Spiegel Online 2009).

As already mentioned, in member states' discussions about reducing their dependence on Russian gas, the main project under discussion has been Nabucco, a multilateral project to build an overland pipeline that will rely on non-EU transit countries and which is envisaged to bring in supplies from non-Russian producers.¹⁵⁹ The pipeline would run via Turkey to Bulgaria and through Romania and Hungary, ending at Austria's natural gas hub from where supplies could be distributed further to

¹⁵⁷ According to press reports a Polish representative argued that the veto could be traded (besides the lifting of the embargo on Polish meat and vegetable exports, see Ch. 7) for concessions towards Poland's core objectives regarding Russia in the transit of energy (Rettman 2006a).

¹⁵⁸ Between 2008 and April 2010 bilateral agreements were signed with all of these countries (Dagens Nyheter 2009b).

¹⁵⁹ The envisaged supply sources are the Caspian region (Azerbaijan, Turkmenistan and Kazakhstan), the Middle East (Iran and Iraq) and Egypt (Nabucco Gas Pipeline Project n.d. 'Markets for Nabucco').

Central and Western European states. *Nabucco* was launched in June 2004 but it took until 2009 until the participating states - the two newest EU members (Romania and Bulgaria), Hungary, Austria and EU accession candidate Turkey - signed an Intergovernmental Agreement, taking the project one step further towards the implementation phase. Shareholders are companies from the five participating countries (Romanian Transgaz S.A., 16.67%; Austrian OMV, 16.67%; Hungarian MOL, 16.67%; Bulgarian Energy Holding EAD, 16.67%; Turkish Botas AS, 16.67%) and Germany (RWE, 16.67%) (see Nabucco Gas Pipeline Project n.d. 'Shareholders'). Polish political elites are reportedly also considering getting Poland connected to Nabucco (see Lang 2007:15).

The development of *Nabucco* has been pursued, to the extent possible, at the EU level, primarily with the support of CEECs. Romanian President Basescu and Czech Prime Minister Topolanek, among many others, have lobbied at the EU level for support of the project (CES 2010c; Ilves 2007; Pop 2008b; Spiegel Online 2009). But while Romania strongly opposes *South Stream* (CES 2010c; Pop 2008b; Spiegel Online 2009), the three other states that committed to participating in *Nabucco* – Austria, Bulgaria and Hungary - have also concluded agreements with Gazprom to participate in *South Stream*. The CEE states that regard reliance on imports from Russia as a source of supply insecurity have accused the three states of failing to show solidarity with their fellow EU members (Mora 2009; Pop 2008b), but all three states benefit from increasing Gazprom's dependence on them as transit states through *South Stream* and their bargaining position would be further bolstered with the implementation of *Nabucco* (EU Observer 2009j; Pop 2010a; Mora 2009; CES 2010a). A key motivation of the choice of pursuing *Nabucco* at the European level rather than bilaterally has been the fact that its realisation hinges on the ability of the consortium to contract sufficient gas to fill the pipeline (envisaged capacity of 31bcm per year) and thus requires both the political backing and the greater visibility to find the necessary funding for it as experts have seriously questioned the project's feasibility (Engelbrekt & Vassilev 2010:197).¹⁶⁰

¹⁶⁰ Gazprom has locked a number of prospective Central Asian gas suppliers for Nabucco in long-term contracts and Chinese companies have also started to contract gas supplies from Central Asia, reducing gas volumes available for Nabucco. The fact that the production capacity of the Azeri gas field (Shah Deniz-II) that is meant to supply the bulk of Nabucco's gas falls short of filling the pipeline (Mora 2009) and that the reliability of future supplies from the Middle East is in doubt due to the persisting political difficulties with source and transit countries (EurActiv 2009a; Youngs 2009:73) has further limited the appeal of the project to investors. For an analysis of the new 'great game' taking place

From the outset there are good reasons for the member states to pursue the realisation of these three very costly infrastructure projects in cooperation with the other member states and with the support of EU funding as all three projects benefit, in principle, all member states (and not just those directly involved in the project) since they increase the volume of available gas supplies in the EU. The analysis has revealed however that the supply route diversification projects have been largely pursued at the bilateral level. Although the EU's superior capacity is a strong motivating factor, the practical factor of the incongruence of Eastern and Western member states' preferences that are strongly influenced by their respective assessment of Russia as an energy supplier has made the pursuit of *Nord Stream* and *South Stream* at the EU level extremely difficult. Conversely, it has also been difficult for the opponents of supply route diversification to block the realisation of the two projects due to the limited 'top-down' influence they can exert at the European level over essentially national decisions of both Germany and Italy, especially since a number of other 'weighty' member states have also become involved in the projects (especially in the case of Nord Stream).

The analysis has not revealed any evidence to support the assumption that EU member states will act 'in the spirit of solidarity' on pipeline projects and refrain from pursuing any projects that might harm other member states (see Table 5.2 for an overview of the 'winners' and 'losers' of the three projects). There is no real evidence that a logic of appropriateness drives the foreign policy choices of Italy and Germany. Both pursue projects that potentially harm the interests of CEE states. Instead, national capacity is a strong motivating factor in all three cases as the supporters of Nabucco would be unable to pursue the project on their own at the bilateral level, while both Germany and Italy have the capacity to implement their respective supply route diversification projects with Russia bilaterally. There are strong indications that securing energy supplies is indeed a 'first order' issue on which the member states are reluctant to compromise at the European level. In this regard the case of Nabucco illustrates that cooperation at the EU level is possible where first order concerns are not at stake. Nabucco does not impact negatively on the member states that are happy to increase their supplies from Russia, so there is no conflict with those states that seek to reduce their energy supplies from Russia.

between Russia and the EU in this region in competition for the Central Asian countries' resources, see Feklyunina (2008b).

Table 5.2 Overview of states ‘gaining’ or ‘losing’ from the pipeline projects

	Beneficiaries		Disadvantaged States
	<i>Increasing</i> Russian supplies	<i>Reducing</i> Russian supplies	
NORD STREAM	Germany ^(*+) UK Netherlands ^(*+) France Denmark ^(*+) Belgium (not confirmed) Sweden (not confirmed)		Austria ^(*-) Bulgaria ^(*-) Czech Republic ^(*-) Hungary ^(*-) Poland ^(*-) Romania ^(*-) Slovakia ^(*-)
NABUCCO		Austria ^(*+) Bulgaria ^(*+) Hungary ^(*+) Romania ^(*+) Germany (shareholder only, supplies not confirmed)	
SOUTH STREAM	Austria ^(*+) Bulgaria ^(*+) Hungary ^(*+) Greece Italy Slovenia ^(*+)		Czech Republic ^(*-) Poland ^(*-) Romania ^(*-) Slovakia ^(*-)

^(*) denotes transit state, ^(*+) denotes benefiting as transit state; ^(*-) denotes suffering as transit state.

Source: Author’s own elaboration.

CONCLUSIONS

The broader assumptions about energy as a ‘hard case’ for cooperation at the EU level have been largely confirmed by the preceding analysis. I found no compelling evidence of a logic of appropriateness driving member states’ choices. The founding member states of the EC that are in principle committed to further integration and cooperation at the European level are predominantly pursuing their energy objectives at the bilateral level. In contrast it is the new member states that have yet to be fully ‘Europeanised’ which tend to favour a collective approach to achieve their individual energy objectives. On the whole, in the energy sector logic of consequence considerations seem to prevail in member states’ decision of how to pursue their individual objectives regarding Russia. The analysis in this chapter has revealed that

whereas the place of a policy domain in the hierarchy of importance is an important factor that indicates *ex ante* a member state's likely choice of policy route, it does not determine member states' choices. Instead, it is necessary to explore how the gains from cooperation are divided among the member states on a particular issue. When trying to explain national governments' choices, it is necessary to examine whether the member states accrue gains collectively that are divisible (shared) or whether they compete with one another for limited opportunities. Where cooperation brings benefits in equal measure to all member states, they are likely to choose the EU route due to its superior capacity to deliver the desired outcomes whereas on issues where member states are in competition with one another, they are likely to pursue their goals with Russia at the bilateral level.

We have also seen that member states' choices are contingent on a number of additional factors, including firstly, their individual capacity to achieve the desired objectives at the bilateral level which is greater for the larger member states that are keen on maintaining or increasing their energy supply relations with Russia than it is for the smaller member states which lack bargaining power due to the minor importance as energy consumers and, as regards the transit states, their competition with other transit countries for a privileged position in the supply chain. Second, member states' capacity to influence collective EU policy also plays an important role. As we have seen, the divergent assessments of Russia negatively affect the individual state's ability to shape collective energy policies towards Russia that cater for their needs. However it is worth noting that the status quo of member states' selective cooperation and the preference of especially the large member states for concluding bilateral agreements with Russia benefit the latter. In contrast the small member states gain perhaps some benefits from the EU's multiplier function, but because of the incompatibility of the member states' core interests (strengthening relations with Russia versus reducing the energy relations with Russia), they are unable to achieve their objectives at the EU route. Third, the effectiveness of the EU, which as we have seen, has been comparatively limited, also plays an important role in member states' choice of policy route.

CHAPTER 6 THE NORMATIVE AGENDA. CONTRASTING MOTIVATIONS FOR CHOOSING THE SAME ROUTE.

After discussing member states' choices on 'first order' concerns (a hard case for cooperation) in the previous chapter, this chapter examines their choices on 'second order' objectives, a 'soft', 'easy' case for cooperation. It analyses how member states pursue their 'normative agenda',¹⁶¹ specifically the promotion of democracy and respect for human rights, in Russia. The chapter examines if member states' choice of policy avenue is tied to the place of the policy issue in the hierarchy, specifically if national governments pursue 'second order' 'ethical' concerns, reflecting their normative values, through the EU and if the EU functions as an institutional 'repository' that is if the member states pursue these issues at the European level to shift the responsibility to the EU institutions, putting them in charge of addressing democracy and human rights infringements (Hyde-Price 2006, 2008a). In order to find out if member states' individual and collective capacity to influence Russia informs their choices, I explore whether their resources and instruments place them in a position to achieve the desired outcome. I examine whether their objectives and approaches are congruent so as to determine whether they are in a position to forge a collective EU policy that conforms to their individual preferences. Finally, I also seek to find out in this chapter if the social constructivist assumptions derived from Europeanisation theory are confirmed. Do the member states choose the EU route because it is the 'appropriate choice' and because their cooperation at the European level benefits them as a collective, or is the EU the more effective avenue for achieving their aims, and this motivates their choice?

Contrary to the case of energy policy, where member states have been criticised for pursuing their objectives bilaterally rather than at the EU level, in the field of democracy and human rights promotion national governments, especially those of Germany and Italy, have been criticised for failing to pursue normative objectives at the bilateral level. The main explanation advanced in the literature for these states' preference for the EU route has been that their trade relations with Russia

¹⁶¹ Since the concept of Normative Power Europe (NPE), coined by Ian Manners in the early 2000s, has become common parlance and discussions of NPE centre around the second order objectives that member states are pursuing vis-à-vis Russia, I will use here the term 'normative' instead of the otherwise used concepts of 'the EU's values' or 'ethical principles. This choice of terminology is functional; I acknowledge that distinctions can be made between norms, values and principles (see e.g. the distinction made by Schimmelfennig (2003:71-72) or Haukkala (2010:82-83)).

require that they refrain from irritating Russia and that therefore they do not pursue normative objectives in their bilateral relations with Russia. This observation challenges the assumption that member states' choices of how to pursue their objectives within a particular policy sector are influenced by how useful the policy avenue is for procuring gains or helping them prevent losses within that particular sector. Instead, it points to the possibility that member states' choices are influenced by the anticipated impact on other policy sectors. The possible effect of decisions in one policy sector on the pursuit of an issue in another policy domain has been flagged by Hyde-Price who argues that member states will 'sacrifice' second order (normative) objectives when they clash with their first order objectives (Hyde-Price 2006:222-23,231; 2008a:31,32). Besides examining their individual and collective capacity to achieve normative objectives, I therefore also explore in this chapter whether the anticipated impact of their choice on first order interests such as trade and energy supply could influence their choices regarding the promotion of democracy and human rights in Russia.

The existing EU-Russia relations and EU external relations literature comments on the motivations for member states' choice of policy avenue only in passing but has not systematically examined the choices that the member states make on normative policy goals. I pull together the insights from the various studies and make clear how they relate to my analytical framework and what they add to my argument. My analysis confirms the assumption in the literature that member states tend to choose the EU route to promote their shared normative agenda regarding Russia, but it also highlights member states' contrasting motivations for doing so. I find that while one group of states is predominantly concerned about the potential costs of pursuing normative objectives at the bilateral level (thus choosing the EU because it is not associated with costs and instead provides benefits), a key motivation for the choice of policy route of the other group of states is both the multiplier function of the EU and the superior capacity of the EU relative to their individual ability to achieve Russia's democratisation and protection of human rights.

The chapter is structured as follows. The first part that follows this introduction begins by setting out the main arguments that can be extracted from the existing literature and develops a set of propositions from the literature and the analytical framework that was developed in the first part of the thesis. The second part of the chapter then explains what the normative agenda consists in and why it is

important for member states to pursue it. This is followed by an examination of member states' different approaches to promoting Russia's democratisation and respect for human rights. The fourth part examines the tools that the EU and individual member states have at their disposition and explains the relative benefits for the member states of choosing the EU route or the bilateral avenue. The final part of the chapter examines the motivations driving member states' choice between the EU and the bilateral level in the promotion of Russia's domestic political transformation. It scrutinizes member states' ability to shape EU policy and their collective ability to influence Russian domestic politics.

6.1 ASSUMPTIONS AND EXPECTATIONS IN THE LITERATURE

In the EU external relations literature, scholars have placed great emphasis on the EU's image and identity as a 'Normative Power' (Manners 2002). This, together with the EU's declared ambition to promote human rights, democracy and the rule of law not just among its members but also in relations with third countries, has been identified as a key component of member states' collective policies towards third states (Bastian 2006:273; Bretherton & Vogler 2006:55, 57; Elgström & Smith 2006:2-3; Keukeleire & MacNaughtan 2008:223; Lerch & Schweltnus 2006; see also Allison 2006:167). However this literature is mainly concerned with the 'normative' substance of the EU's external relations policy and does not consider the question of how the member states pursue normative objectives, whether they pursue them at the European or at the national level.

Manners (2002:252) has argued that the EU is constructed on a normative basis and that this predisposes it to act in a normative way in its external relations. Considering the 'identity' of the EU as a 'normative power', the EU can be regarded as the most 'appropriate' vehicle for the promotion of human rights, democracy and the rule of law in Russia by its constituent member states (Jurado 2006:121; see also Miles 2000:196). Furthermore, considering the EU's constitution as a 'community of values', and building on the assumption that the member states are subject to a 'Europeanisation' or socialisation which results in a redefinition of their identities, they can be expected to pursue the 'common values' that the EU embodies both at the bilateral level and at the EU level. This is because as EU members it is part of their 'EU identity' to pursue these objectives.

Besides this social constructivist perspective on member states' choice, the rationalist assumptions that I developed and elaborated on in the first three chapters can be applied also to the promotion of democratic and human rights principles. Although rationalist scholars have difficulties explaining why the member states would pursue normative objectives at all, they can shed light on how these objectives will be pursued. According to the logic of expected consequences the utility of the two policy tracks for member states' pursuit of normative objectives can be expected to be a key determinant of their choice of which policy route to take.

First of all this concerns the capacity of the individual state relative to the EU collective to achieve the desired outcomes. Because substantial material incentives are necessary to encourage third states to adopt human rights standards (Jurado 2006:129), EU level action can be expected to be more effective than the actions of an individual state, because – as we have seen in Chapter 3 - the combined resources of the collective that can be mobilised or withheld are much more substantive than that of a single state (see also Jurado 2006:122-3). Due to the superior resources that it offers, member states could therefore be expected to opt for the EU route to pursue normative objectives regarding Russia. A member state's positive assessment of the utility of the EU avenue for the pursuit of the normative agenda is also likely to be influenced (as we saw in Chapter 2) by its ability to shape collective policy according to its own preferences. The likelihood of success is greater if its objectives converge with those of the other member states, however if member states' aims are incongruent, it is difficult for the individual state to achieve a collective policy at the European level that represents its own interests. Furthermore, as the previous chapters (especially Ch. 2 and Ch. 3) highlighted, the EU's effectiveness depends not just on the EU's resources and instruments but also on member states' readiness to deploy them which requires that member states are in agreement regarding the action to be taken. If a member state's approach and objectives regarding Russia are incongruent with those of the other member states, it is less likely to opt for the EU route. The EU's external effectiveness can also be expected to be limited by how responsive the 'target' state is to external influence.

Second, as Chapter 1 explained, besides the assessment of their capacity, rationalists regard the anticipated costs and benefits derived from choosing the EU route or the bilateral avenue as a key factor in national governments' choice of policy route. First of all it is necessary to establish however why EU member states would

want to pursue normative objectives regarding Russia at all as rationalists would expect the member states to pursue normative objectives only if they benefit from them, and in the absence of any gains, would simply refrain from pursuing such objectives.

Several scholars have emphasised that the choice of the bilateral level to promote normative objectives is costly, because any criticism of Russian domestic politics tends to provoke 'irritated responses' from Russia which carry costs for the respective member state (e.g., Frellesen & Rontoyanni 2007:241). A report by Larsson (2007) concluded that there is a high correlation of public criticism of Russia's 'failures' to uphold democratic values being followed by economic reprisals, including the cut-off of energy supplies from the Russian side vis-à-vis the member state that has voiced criticism of Russian practices. The EU-Russia relations literature has in this respect suggested that since the pursuit of the normative agenda at the bilateral level is costly, member states will prefer to pursue normative objectives at the European level and let the EU 'shoulder the burden' and that they are unwillingness to promote normative objectives at the bilateral level (Barysch 2005:32; Bastian 2006:19; Timmins 2006a, 2006b, 2007:170-171; see also Gower 2007:119). Scholars are in agreement that this serves to protect member states' 'first order' concerns, notably their bilateral trade relations (Barysch 2005; Bastian 2006; Timmins 2006a, 2006b, 2007). Hyde-Price (2006:222-223, 231; 2008a:31, 32; 2008b:163) has referred to the 'use' of the EU in this context as a 'repository'. He has also argued that member states will 'sacrifice' normative objectives if they clash with core national interests since they rank in importance well below first order objectives (Hyde-Price 2006: 222). Hyde-Price thereby also suggests, although only implicitly, that member states will *not* pursue second rank issues at the bilateral level if they clash with first order objectives, because when such a clash occurs, the first order concerns will be prioritised (Hyde-Price 2006:222-23,231; 2008a:31,32).

Several authors have mentioned a popular desire for action as a factor influencing member states' choice of the EU level to address Russian domestic developments since, as they argue, national governments can placate domestic audiences by pointing to collective EU action that is being undertaken to address human rights violations and failings in the democratisation process in Russia and which are being dealt with more effectively at the European level than by the individual state alone (see Bastian 2006:19; Bechev 2009:220; Keukeleire &

MacNaughtan 2008:144; Timmins 2006a). There is thus a need for national governments to pursue normative objectives regarding Russia when the national public places pressure on them to act.

A number of propositions concerning the main factors influencing member states' choices can be derived from the discussion in the previous chapters (Part I, especially Chapters 1-3) and from the existing scholarship on the promotion of the normative agenda at the EU level, and literature on the EU-Russian relationship:

- **the member states are likely to choose the EU route because it is the appropriate vehicle** for pursuing normative objectives due to its identity as a 'community of values' and the formal commitment, enshrined in the treaties (see below), to promoting the normative agenda in relations with third countries.
- **the member states are likely to choose the EU route because of its superior capacity:** the EU has, as a 'multiplier', greater influence over Russia than they have individually
- **the member states are likely to choose the EU avenue in order to displace the costs** they would incur individually at the bilateral level and transfer them to the EU level
- **the member states are likely to choose the EU route because of the place of democracy and human rights promotion in the hierarchy of importance** on their foreign policy agendas

6.2 MEMBER STATES' NORMATIVE AGENDA REGARDING RUSSIA

The normative agenda that the member states pursue regarding Russia is composed of principles and objectives that have been enshrined in the EU treaties, in international agreements and in agreements between, and joint declarations of, the EU and Russia. Here, I first discuss the obligations enshrined in the EU's treaties and their implications for member states' relations with Russia. This is followed by a brief discussion of the international agreements that EU member states and Russia are party to and which impose common normative rules and standards on them. Then, I discuss the normative principles and shared obligations that have been enshrined in the EU-Russian agreements and reconfirmed in joint EU-Russian declarations. Finally, I provide an overview of the main concerns about Russian domestic political

developments that have prompted the member states to reinforce their efforts to achieve Russia's 'normative approximation' and Russia's implementation of the 'shared' normative principles.

Member states' normative agenda

The image and identity of the EU as 'Normative Power Europe' (Manners 2002, 2008) originates not primarily from its actions but from its legal base. The Maastricht Treaty (Treaty on European Union, TEU) of 1992 which created the EU with its entry into force in 1993 declares that the Union is founded on the principles of liberty, democracy, respect for human rights and fundamental freedoms (TEU 1992, Art. 6). But the TEU also goes further and stipulates that the promotion of normative objectives is a core component of the EU's external relations and that the objectives of member states' common external policies are 'to safeguard the common values [...] and 'to develop and consolidate democracy and the rule of law, and respect for human rights and fundamental freedoms.' not just domestically, but also in third countries (TEU 1992, Art. 11 (1)).

The Lisbon Treaty (Treaty on the Functioning of European Union, TFEU¹⁶²) of 2007 (which entered into force in December 2009) reiterates that '[t]he Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities.' and declares that [t]hese values are common to the Member States in a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality [...] prevail.' (TFEU 2007, Art. 2; see also Preamble and Art. 6). The TFEU thus also reflects the strong emphasis on the promotion of the EU's fundamental principles, and it lays down the need for the member states to promote them also in their external relations where '[...] the Union shall uphold and promote its values and interests and contribute to the protection of its citizens [and where it...] shall contribute to peace, security [...] and the protection of human rights [...] as well as to the strict observance and the development of international law, including respect for the principles of the United Nations Charter.' (TFEU 2007, Art. 3 (5); see also Art. 8).

In addition to the commitments that are enshrined in the EU's treaties, and in addition to the principles of the UN Charter, the member states and Russia are also

¹⁶² I refer here to the consolidated version of the TFEU.

party to a number of international agreements that prescribe their actions concerning democracy, the rule of law and respect for human rights and ‘fundamental freedoms’ including free and independent media and these shared commitments also form the basis for and normative framework within which EU member states pursue their relations with Russia. These are the principles and provisions set out in various declarations and agreements adopted within the framework of the Organization for Security and Co-operation in Europe (OSCE), especially the Charter of Paris of 1990, the Council of Europe’s (CoE) Convention for the Protection of Human Rights (1950) and the Universal Declaration of Human Rights that was adopted in the United Nations (UN) framework (1948). Since the democratic principles were also enshrined in the new Russian constitution of December 1993 Russia seemed to share with EU member states the same vision of its future development. Furthermore, with Russia’s accession to the Council of Europe in January 1996 (which took place despite concerns among many of its member states about Russian actions in Chechnya, see Chapter 4) Russia became formally committed to implementing the human rights standards and democratic principles which are enshrined in the Council’s legally binding agreements (see Stent 1999:230).

The normative principles that are meant to guide the actions of EU member states and Russia play an important role in the EU-Russian relationship. The commitment to the normative objectives enshrined in the EU’s treaties, and the international agreements that EU member states and Russia are party to, are enshrined as core elements and principles in the EU-Russian framework agreement. The PCA also set out the goals of the EU collective regarding Russia’s normative approximation. The PCA of 1994 declared the ambition to strengthen political freedoms and to support Russian efforts to consolidate its democracy (PCA 1994, Art. 1) and it emphasised the importance of the principles and provisions contained in the agreements made at the CSCE/OSCE, the rule of law and respect for human rights, particularly those of minorities, the establishment of a multi-party system with free and democratic elections (PCA 1994, Preamble). Most notably, the PCA enshrined the respect for democratic principles and human rights as essential elements of EU-Russian relations (PCA 1994, Title I, Art. 2). These objectives were also set out in the Common Strategy on Russia of 1999 which underlined member states’ ambition to achieve ‘a stable, open and pluralistic democracy in Russia, governed by the rule of law’, strengthening of Russia’s civil society, freedom of the media and free and fair

elections (especially Presidential and Duma elections) and international human rights commitments to the Council of Europe, UN and OSCE (CSR 1999 preamble; I.1; II.1.).

These normative ambitions are anchored in the belief that democracy, a multi-party system, respect for human rights and civil liberties and the rule of law are ‘essential prerequisites for political stability’ (Commission 2003:7). Official statements of the EU and joint EU-Russian statements and documents have regularly emphasised that the EU-Russian relationship is based on respect for democratic principles, human rights, the rule of law and the fundamental rights and freedoms set out in the Convention for the Protection of Human Rights, free and independent media and adherence to and effective implementation, in particular of United Nations (UN) and Council of Europe Conventions, Organization for Security and Co-operation in Europe (OSCE) commitments in this field (Commission 2004a:3; see also Joint Statement EU-Russia Summit October 1999; Joint Statement EU-Russia Summit May 2000; Road Map for the Common Space of Freedom, Security and Justice 2005:21-2; Road Map Common Space of External Security 2005:35).

Since the normative agenda plays such an important role for the EU collective in its relations with third countries, and in the EU-Russian relationship, it can be expected that the member states will choose the policy avenue that promises to be the most effective means of achieving the normative objectives regarding Russia.

The need for action – concerns about Russian domestic political developments

After an initially promising transition in the 1990s of the Russian political system towards a democratic form of government with a multiparty system, a constitution and free elections - what Prozorov (2006:105-6) has referred to as a brief period of ‘European enthusiasm’ - the development stagnated (see Chapter 4). Although the Russian domestic political system stabilised after the financial crisis of 1998 in parallel with the economic recovery, a series of political reforms under President Putin’s leadership resulted in a centralization of power, and the strengthening of state control resulted in a gradual deterioration of democracy, free speech, respect for human rights and the rule of law (see e.g., Allison 2006:167; Frellesen & Rontoyanni 2007:240; Keukeleire & MacNaughtan 2008:315; Kobrinskaya 2005:34; Neumann 2005:14; Nygren 2010:39-40).

President Putin attributed great importance to a ‘strong state’ in controlling Russia’s democratic development (Putin 2000; 2004; 2005), a belief that is also endorsed by his successor Dmitri Medvedev (Medvedev 2008, 2009).¹⁶³ The claim that Russia needed a tailored version of democracy, a ‘managed’ or ‘sovereign democracy’ (for a detailed discussion, see Bogutcaia et al. 2006:126-30; see also Nygren 2008:123-4; Stent 2008:1091; White 2006:22,30) was refuted by Western scholars who criticised this ‘tutelary democracy’ (Sakwa 2008:882) or ‘regulated democracy’ (Light 2009:88) as a sign of ‘democratic backsliding’ (Frellesen & Rontoyanni 2007:240). Some went as far as to describe developments in Russia as a ‘reversal of systemic change’ (Pridham 2009:53). By 2008, Russia experts such as Richard Sakwa deemed the democratisation process to have been effectively ‘derailed’ (Sakwa 2008:897) and Light argued that the Russian Duma had turned into a ‘pocket parliament’ (Light 2009:88-89), seriously undermining Russia’s status as democracy.¹⁶⁴

With the Russian government’s pursuit of Russia’s reinstatement as a ‘great power’, it has become even more difficult to influence Russia’s domestic political transformation. In fact, scholars have argued that the EU’s insistence on normative commitments and the goal of seeing Russia transform to a ‘Western style’ democracy is contrary to Russia’s aim of rebuilding itself as a ‘great nation’ in the international arena (Bordachev 2005:55; Emerson 2006:4-5; Lynch 2003:57). The rhetoric in the Annual Presidential Addresses to the Federal Assembly since 2001 leaves no doubt about the fact that Russian elites strongly object to external interference in Russian domestic politics. President Putin’s own declared ambition was that ‘in a not too far off future, Russia will take its recognised place among the ranks of the truly strong, economically advanced and influential nations.’ (Putin 2003) and his successor Medvedev berated ‘unilateral concessions’ made by Russia in the past and made clear that because Russia is one of the world's leading economies, a nuclear power and a permanent member of the UN Security Council, it should not give in to pressure to conform and strongly defend its interests (Medvedev 2009).

¹⁶³ Medvedev underlined that ‘[c]ivil society needs a strong state as a tool for development and maintaining order, and for protecting and strengthening democratic institutions’, but he acknowledged that ‘an all-powerful bureaucracy’ could pose a ‘mortal danger for civil society’. (Medvedev 2008).

¹⁶⁴ For a detailed discussion of the ‘derailed’ Russian democracy, see Fish (2005). For an account of the early stages of the Russian democracy in the early 1990s after Yeltsin took power, see Kagarlitsky (1994).

Russia clearly is a ‘hard’ case for member states’ democracy promotion. The growing assertiveness of Russian political elites vis-à-vis their ‘Western’ counterparts and the Russian government’s gradually growing unwillingness to allow outside interference in its domestic affairs over the course of the 1990s and particularly during the 2000s (see Chapter 4) have made it more and more difficult for external actors to influence Russian developments. From a rational choice perspective the member states can therefore be expected to pursue their normative goals by choosing the policy route that is the most effective and offers the greatest leverage.

6.3 MEMBER STATES’ CONTRASTING APPROACHES TO PROMOTING RUSSIA’S NORMATIVE APPROXIMATION

As the discussion in Chapter 2 highlighted, the congruence of member states’ objectives, strategies and preferred instruments with those of its fellow members can be expected to be a key factor in member states’ choice of policy route. The congruence of member states’ aims is, as we saw in Chapter 3, also important for the EU’s effectiveness, and thus the anticipated likelihood of success that the choice of policy avenue(s) promises to deliver. If member states’ objectives and approaches are incongruent, this incongruence is likely to act as a disincentive since a convergence of their aims with those of the other member states is a precondition for their ability to shape collective EU policy according to their interests and to achieve their goals through the EU.

There is a general consensus among the member states about the need to promote Russia’s normative approximation to the EU.¹⁶⁵ National governments would not dispute that it is desirable that Russia develops into a stable, democratically governed country (Gower 2007:118-9; Grant 2009:50; Leonard & Popescu 2007:2-3) and this consensus is reflected in the regularly issued official Presidency statements, demarches and Council conclusions. But although member states’ normative objectives regarding Russia are congruent, they disagree about how to achieve their aims.¹⁶⁶ The disparate preferences of the member states about how to achieve the desired outcomes are shaped by the contrasting perceptions that they have of Russia (see the discussion in Chapter 2). The divergent approaches stem from the fact that in

¹⁶⁵ Author’s interview with COEST representative (old member state), Brussels, 5 December 2007.

¹⁶⁶ Author’s interviews with COEST representative (old member state), Brussels, 5 December 2007; national official, Brussels, 16 July 2007.

this policy sector, member states' views on Russia's domestic political developments and their beliefs about what the Russian government's intentions are diverge significantly. Their assessments of Russia's domestic political situation varies between a belief that Russia is in the process of developing towards a fully-fledged democracy, even if the transformation is currently being halted (see e.g. Schröder's statements in *Hamburger Abendblatt* (2004)) and the conviction that the country is on a downward spiral towards authoritarian rule (see e.g., the speech of Lithuanian ambassador Adamkus (2008)).

The member states are split broadly into two groups, with one supporting the view that closer engagement with Russia will help the EU achieve the desired outcome and the other insisting that democracy will not be consolidated in the resurgent Russian state unless the Russian government is forced - by means of conditionality/coercion, including through isolation - to make progress in the transition towards a fully democratic state (Emerson et al. 2006:3; Leonard & Popescu 2007:4, 57; Tassinari & Vahl 2007:21).¹⁶⁷ The former will be referred to in the following as the 'engagement' approach and the latter as the 'coercive' approach. The composition of these two groups is roughly similar to the two groups discussed in Chapter 2 (one viewing Russia as a threat and the other as an opportunity). It should however be noted that the division of member states into these two groups is of course an oversimplification as it depicts member states at two extremes of a scale while arguably their positions are located along a spectrum between 'engagement' and the coercive approach (Tassinari & Vahl 2007:21) as the classification of the member states which was shown in Table 2.1 (Chapter 2) illustrates. One national diplomat described a fairly large group of states (Finland, Romania, Bulgaria, Slovenia, Belgium, Hungary and Denmark "and sometimes the Netherlands") as 'vacillating' between the two 'extremes'.¹⁶⁸ I discuss the two 'extremes' here to highlight key differences between them that affect the national governments' ability to forge collective policy towards Russia in this policy sector. I pinpoint, as far as that is possible, which states are the key proponents of the contrasting approaches.

Both the group supporting engagement with Russia and the group advocating a coercive approach justify their approach in terms of its effectiveness for achieving Russia's adherence to the shared normative principles. But Lerch and Schwellnus

¹⁶⁷ Author's interview with COEST representative (old member state), Brussels, 5 December 2007.

¹⁶⁸ Author's interview with COEST representative (old member state), Brussels, 5 December 2007.

(2006:307) have argued that it is difficult to determine actors' motivations for the decisions they take in the normative domain as one cannot trust their own justifications of policies they adopt since there is a possibility that they use normative arguments for purely instrumental reasons.

The group of member states that advocate a coercive approach endorses the view that the Russian government must be taken to task for any violations of the 'shared' normative commitments (Leonard & Popescu 2007:57). Any engagement with Russia should be made conditional upon its respect for the normative commitments it undertook by joining the CoE, the OSCE and the commitments it made in bilateral agreements with the EU because they regard the application of pressure and use of conditionality as necessary to ensure that Russia abides by its international commitments (Leonard & Popescu 2007:2-3, 57; Emerson et al 2006:3; Tassinari & Vahl 2007:21).¹⁶⁹

This group includes many new Eastern member states especially Poland, the Baltic States, the Czech Republic (and arguably also Romania) and some 'old(er)' member states, notably Denmark, Ireland, Sweden and the UK; and sometimes the Netherlands.¹⁷⁰ Some argue that the UK is not consistently involved in the area of norms promotion (Grant 2009:50), but there is a general consensus that the CEECs are more strongly committed to norms promotion regarding Russia than most other member states (Raik 2007:213, 218-9, 317; Ehin & Berg 2009:12; Keukeleire & MacNaughtan 2008:61, 137-38; see also Khudoley 2002:328).¹⁷¹ It is noteworthy that the Western states which are regarded as 'norms promoters' maintain (except for the Netherlands) comparatively limited trade and energy supply relations with Russia whereas the CEE states are highly dependent on trade with Russia and Russian energy supplies (see the discussion of member states' interdependence with Russia in Chapters 3 and 5). Estonia, for example, under the leadership of President Ilves (see Ilves 2009), has been extremely critical of Russian norms violations despite having

¹⁶⁹ Author's interview with diplomat of one of the Baltic States, Brussels, 25 July 2007.

¹⁷⁰ This classification has been drawn up from the author's interviews with a diplomat of one of the Baltic States, Brussels, 25 July 2007; a COEST representative (CEEC) (16 July 2007), Brussels; a CEEC diplomat, 26 November 2007, Brussels; a Council Secretariat official, 7 December 2007, Brussels; a CEEC diplomat, Brussels, 26 November 2007 and a COEST representative (old member state), Brussels, 26 July 2007, and is also informed by the assessment of member states' policies concerning the 'normative agenda' in Casier (2007:85); Casarini (2007:221); Dura (2008:11, 13, 15); Emerson et al (2006:3); Gänzle (2008:63); Gower & Timmins (2007b:293); Grant (2009:50); Leonard & Popescu (2007:42, 44, 47); Sergunin (2008:81); Tassinari & Vahl (2007:21-22); Tonra (2000:239); Vahl (2007:122); Whitman (1998:202); Zimmermann (2007:820).

¹⁷¹ Author's interview with a member state diplomat, 20 November 2007, Brussels.

the highest energy import dependence on Russia in the EU (Youngs 2009:179; see Chapter 5). According to diplomats¹⁷² and scholars the Western member states' norms promotion forms a core part of their foreign policy agenda towards any 'third' country whereas the CEECs' keen interest in pursuing normative objectives is focused on Russia (and the CIS countries) (Casarini 2007:221; Casier 2007:85; Dura 2008:11, 13, 15; Emerson et al 2006:3; Gänzle 2008:63; Gower & Timmins 2007b:293; Grant 2009:50; Leonard & Popescu 2007:42, 44, 47; Sergunin 2008:81; Tassinari & Vahl 2007:21-22; Tonra 2000:239; Vahl 2007:122; Whitman 1998:202; Zimmermann 2007:820). Because of their small size and very limited influence over Russia (see Chapter 3) - with the exception of the UK - they stand little chance of making any impact at the bilateral level. So, from the outset, the pursuit of normative objectives at the EU level would seem to be motivated by the EU's superior capacity and consequent greater likelihood of success.

In contrast to the advocates of conditionality and coercion, proponents of engagement entertain the belief that durable change in Russia can only be achieved gradually through closer engagement (see Schuette 2004:v-vi). The 'engagement' approach is based on the assumption that Russia can be 'coaxed' or 'socialised' into full normative approximation. Russia's normative approximation is thus regarded not as a precondition for member states' engagement with Russia, but as its end result (see Pinder 2002c:114,118). An intensification of trade, political and cultural cooperation, both at the EU level and at the bilateral level is regarded as paramount to achieving the goal of Russia's full transition to democracy. The belief is that it is not through isolation, but through steady interaction and an increase in mutual (trade) dependence that Russia will gradually be socialised into adopting and respecting the EU's constitutive norms (Facon 2010:181; Emerson et al 2006:3; Tassinari & Vahl 2007:21). Since they are interested in a strengthening of the political and economic relations with Russia, proponents of engagement will seek to intensify their relations with Russia both at the bilateral level and at the EU level.

Germany is frequently mentioned as a proponent of engagement (e.g., Stent 2010:166; Whist 2009:90, 91). German Foreign Minister Frank-Walter Steinmeier set

¹⁷² Author's interviews with a diplomat of one of the Baltic States, Brussels, 25 July 2007; a COEST representative (CEEC) (16 July 2007), Brussels; a CEEC diplomat, 26 November 2007, Brussels; a Council Secretariat official, 7 December 2007, Brussels; a CEEC diplomat, Brussels, 26 November 2007 and a COEST representative (old member state), Brussels, 26 July 2007.

out the idea of ‘engagement’ - ‘*Annäherung durch Verflechtung*’¹⁷³ - and the need for the EU to pursue this approach towards Russia in an article published in a German international relations journal during the German EU Presidency of 2007 (Steinmeier 2007). Diplomats¹⁷⁴ and scholars also place Italy, France and the smaller countries Greece, Cyprus, Hungary, Slovakia and Bulgaria in this group (Collina 2008:29; Dunne & Wheeler 2001; Dura 2008:10,12; Emerson et al 2006:3; Facon 2010:173-175; Grant 2009:50; Geré 2008:142; Giusti 2007; Kaczmarek & Smolar 2007:13,15; Leonard & Popescu 2007; Rettman 2010c; Tassinari & Vahl 2007:21-22; Timmins 2005, 2007; see also Stumbaum 2007:71). In addition, Dura (2008:12) places Belgium, Austria and Finland in the ‘engagement’ group. What these states have in common is that Russia is important for them as energy supplier and as a trade or investment partner (for details, see Chapters 3 and 5).

The states supporting the approach of engagement can therefore be expected to benefit economically from adopting a strategy of close interaction with Russia. While it is plausible that engagement might bring about changes in Russia in a slow, incremental process, an alternative explanation of why these member states would choose to engage rather than coerce Russia is that they give primary weight to economic interests and view the adoption of a confrontational stance towards Russia on perceived failures regarding the normative agenda as harmful to their economic interests (Emerson et al 2006:3). If Hyde-Price is right about how member states pursue first order interests (Hyde-Price 2006, 2008a, 2008b), the states that are proponents of engagement pursue normative objectives at the EU level in order to avoid a worsening of the bilateral relationship that could hurt their ‘first order’ interests. This view has been confirmed by policy-makers engaged in the formulation of the EU’s policy towards Russia¹⁷⁵ and also various scholars researching the EU-Russian relationship (see e.g., Dura 2008:10-11; Hanna Smith 2005:112; Kaczmarek & Smolar 2007:9;).

¹⁷³ The strategy of ‘*Annäherung durch Verflechtung*’, launched during the German EU Presidency with Foreign Minister Steinmeier’s publication in a German journal of international relations did not, contrary to popular perception, reflect the official government policy towards Russia. It was developed as an internal strategy paper by the Foreign Ministry’s Policy Unit, independently from the Chancellery, and failed to receive endorsement of the latter (Author’s interviews in Berlin, June 2007).

¹⁷⁴ Author’s interviews with diplomat, 13 November 2007, Brussels and with Council Secretariat official, 7 December 2007, Brussels.

¹⁷⁵ Author’s interview in Brussels, 16 July 2007.

Analysts argue that the ‘trade protectors’ engage in norms promotion at the bilateral level primarily in confidential meetings and generally refrain from publicly accusing the Russian government of failures (see the remarks of German officials in Dempsey 2005; see also Dura 2008:10-11; Schuette 2004:25). Analysts have for example emphasised that economic interests have been the root cause of the German Chancellors’ unwillingness to publicly criticize Russian domestic political developments (Timmins 2007:171-2, 176-177, 179; Grant 2009:50). A number of scholars and analysts have also argued that despite the intentions of the new German Chancellors (first Schröder, then Merkel), and of French President Sarkozy to place greater emphasis on norms promotion vis-à-vis Russia, their national policy continues to focus on the promotion of trade and strategic objectives at the bilateral level whereas normative concerns regarding Russia are being downplayed in public (Dempsey 2005; Föhrenbach 2002: 212,216-7; Facon 2010:173; Miskimmon 2007:166; Timmins 2005:67; 2007:180-182; Westphal 2008:114; see see also Youngs 2009:47; 177-178, 179).¹⁷⁶

The fact that national governments pursue such contrasting approaches has implications for their choice of policy route as it also affects the capacity of the EU to achieve the desired objectives. This is because the division among the member states regarding the question of how to promote Russia’s normative approximation considerably limits the effectiveness of the EU (Wagnsson 2008:196; Lerch & Schweltnus 2006:308). The contrasting positions also constitute an obstacle to the ability of individual governments to shape collective policy in line with the national interests. As we saw in Chapter 2, the incongruence of member states’ preferences limits the individual government’s ability to forge collective policies at the European level that correspond with its interests. Nevertheless the states advocating engagement are overall in a more favourable position than those advocating a coercive approach towards Russia, because the successful pursuit of coercive policies requires cooperation among the member states, but those states that favour engagement can prevent the adoption of coercive measures towards Russia by refusing to adopt such a policy. As regards the proponents of coercion, they can block the granting of additional carrots to Russia, but they cannot alter the existing policy that is based on

¹⁷⁶ During Merkel’s first visit to Moscow for the German-Russian bilateral summit in January 2006 she did take the high profile route of meeting with Russian human rights organizations and made statements in the press conference following the summit on the situation in Chechnya and the Northern Caucasus (Timmins 2007:182).

the principle of engagement. Furthermore, at the bilateral level they wield insufficient power over Russia to make any impact with their individual use of coercive measures. Besides, the more powerful coercive measures are trade-related instruments and EC/EU competence in external trade matters constrains their ability to implement individual sanctions.

Finally, the examination of diplomats' own views and those of the scholarly community regarding member states' underlying motivations for choosing to jointly push for Russia's further democratisation and respect for human rights highlights a limitation of Hyde-Price's argument about the EU serving as 'repository' for member states' second order normative objectives (see Hyde-Price 2006, 2008a, 2008b). The 'repository' function of the EU appears to be valid only for the 'trade protectors', but it does not fully capture the motivations of the 'norms promoters' for choosing the EU route. As a CEE diplomat insisted: '[w]e [i.e. the member states] should not forget our European values because of certain economic interests.'¹⁷⁷ Thus, for the 'norms promoters', it seems to be the 'multiplier' function of the EU (see the discussion in Chapter 2) and not the EU's potential to function as a 'receptacle' that motivates their choice of European level action. In the following, member states' motivations for choosing the EU route and/or the bilateral level will be further scrutinized by reviewing first the tools that they have at their disposition both at the European and at the national level, and by examining then the type of policies that they have pursued in practice.

6.4 MEMBER STATES' TOOLS FOR PROMOTING THE NORMATIVE AGENDA AT THE NATIONAL AND THE EUROPEAN LEVEL

Having set out in Chapter 3 the power resources that the member states have individually and as a collective at their disposition to pursue their foreign policy goals regarding Russia, the discussion here will focus specifically on the instruments for norms promotion that they can draw on. Scholars have pointed out a number of different tools and there is a general agreement that national governments' main means of pursuing normative objectives vis-à-vis Russia have been first, the use of conditionality or coercion; second, norms diffusion through engagement; and third, 'shaming' - that is achieving change through rebukes for failures to respect and

¹⁷⁷ Author's interview with CEEC diplomat, Brussels, 26 November 2007.

implement the normative standards (see Blockmans 2008:183-4; Jurado 2006:120-121, 125; Matlár 2004:143-44; Smith 2001:188-192). These three types of measures will be discussed here in terms of whether member states' individual or combined capacity to influence Russia is likely to be greater.

Member states' instruments of conditionality

As we saw in Chapter 3 regarding the influence of the EU collective over Russia more generally speaking, the lack of interest by the Russian political elites in achieving closer integration with the EU limits member states' ability to use conditionality to achieve changes in Russia. Various scholars have pointed out that norm dispersion is most effective when there is a desire for and credible prospect of accession to the EU (e.g., Balfour 2006:118; Le Gloannec & Rupnik 2008; Nygren 2008:112). Given the Russian government's lack of interest in EU membership after a rather brief period in the 1990s during which this option was being seriously considered (see Leshukov 1998), the member states have to rely on other forms of conditionality, with the most powerful incentive being the unrestricted access to the single market (see Chapter 3). If some member states subordinate achieving normative goals to other political, strategic or economic considerations at the bilateral level and if they are against deploying the full range of collective tools at the European level in response to Russian failures to comply with the conditions they impose, Russia will be led to expect to receive rewards without fulfilling the conditions and this will undermine the effectiveness of conditionality (see Schimmelfenning & Sedelmeier 2004).

At the bilateral level, member states are constrained in their ability to apply conditionality by means of trade through the EC/EU's exclusive competence in external trade, but they could withhold their provision of aid and could suspend their individual political cooperation with Russia.

Trade as a lever

At the bilateral level the member states have less powerful incentives and coercive measures to apply towards Russia than at the European level. As Chapter 3 has shown, member states' main collective source of influence over Russia is the EU's superior position in trade. The instruments of conditionality that member states could employ at the EU level to influence Russian domestic policies include in particular economic rewards such as granting privileged access to the EU's single market to

reward progress or the threat of withdrawing preferential access to punish failures. In practice, as we saw in Chapter 3, much of the EU's economic 'rewards' were granted to Russia to help along progress and to give new impetus to Russian domestic reforms rather than to reward the Russian government for the progress it had registered. In any case, economic incentives are regarded by some scholars as insufficient to achieve Russia's compliance with normative standards (see e.g., Vogt 2006:11-12). Further, because of the strong disagreements in the EU since the accession of the new members in 2004, those advocating engagement are likely to experience difficulties in reaching an agreement at the European level on granting any further incentives or making any further concessions towards Russia.

Besides offering rewards, the member states can apply economic sanctions, capitalising on the EU's status as major trading block. The EU's ability to change Russian domestic practices by using economic resources is however limited (see also the discussion in Chapters 3 and 4). At the EU level, the member states have to reach a collective decision on whether or not to employ conditionality in trade to respond to Russian norms violations with, *inter alia*, a suspension of trade flows. Their willingness to agree to, and then uphold, sanctions is negatively impacted by the incongruence of their preferences in this regards. As we have seen trade protectors are against coercion, whereas norms promoters would be supportive of sanctions, but because of the fundamentally different approaches of both groups, it is difficult for individual states that favour coercion to achieve an agreement on imposing sanctions (see also K. Smith 2001:192-196).

Furthermore, as we have seen in Chapter 3, the trade asymmetries regarding the types of products the EU trades with Russia do not actually favour the EU. To achieve the maximum impact the EU would have to suspend the trade in products that provide the largest revenues to the Russian state budget. It would therefore have to suspend energy imports from Russia, but while Russia may be willing to bear the cost of such measures in the light of the political elites' determination to decide how to run the country and pursue an own path towards democracy (which strongly indicates their willingness to suffer material consequences for the sake of principles, see Chapter 3), primary energy resources from Russia are difficult for the member states to replace (see the previous Chapter 5), so national governments would actually risk placing their own, domestic markets under strain and it is unlikely that the governing elites of energy import dependent states that receive much of their supplies from

Russia would be willing to place their citizens at the risk of supply shortages for the sake of achieving changes in Russian domestic policies. Besides, it is unlikely that such measures would achieve a consolidation of democracy in Russia (see Schmidt-Felzmann 2011b).

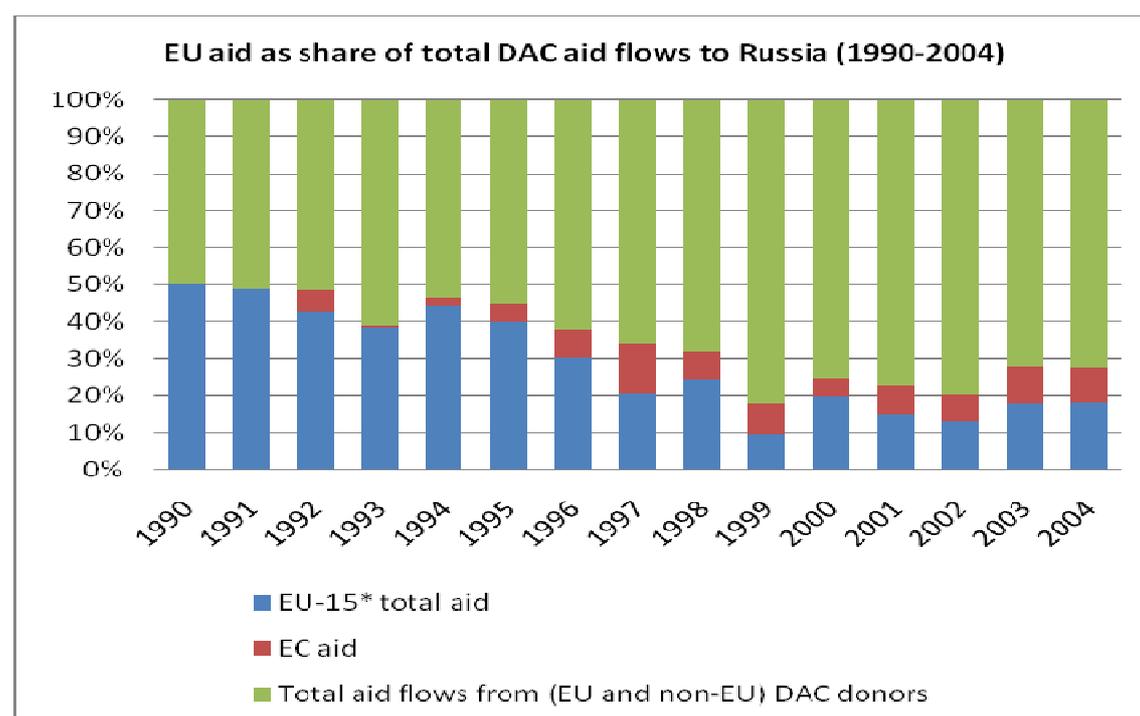
Aid as a means of influencing Russia

Besides trade, the member states were also able to use aid for the promotion of their normative agenda. They can tie the provision of aid to Russia's fulfilment of normative conditions and can suspend it if these conditions are not met. EU member states have provided aid to Russia both individually, *inter alia* in the framework of the OECD's DAC aid provision (up until 2004), and collectively in the EU framework where several financial instruments, notably the Technical Assistance Programme for the countries of the Commonwealth of Independent States (TACIS), adopted in 1991, and the European Neighbourhood Policy Instrument (ENPI), which succeeded it, as well as the European Initiative for Democracy and Human Rights (EIDHR) have been key instruments in member states' efforts to help along the consolidation of democracy, respect for human rights and civil society in Russia (Commission 2001b:12, section 4.2). These funding programmes have been used to fund the reforms of political and legal structures in Russia and to support specific projects to promote human rights, the rule of law and democracy in the country (see Blockmans 2008:179-80; Keukeleire & MacNaughtan 2008:226). Besides seeking to achieve Russia's domestic transformation through the positive incentives of providing funding in support of the reforms, EU member states have also had the possibility to suspend their individual and collective financial and technical assistance to Russia to coerce the Russian authorities into implementing the reforms that EU member governments regarded as necessary.

Over the first decade (1991-2001), the EC/EU granted more than €2 billion through the TACIS programme on technical assistance (including also support to nuclear safety) in Russia (Patten 2001), but although in principle, at the EU level, the member states have greater resources at their disposition we can see in Figure 6.1 (below) that the actual share of EU aid compared to member states' combined individual aid to Russia was comparatively small both compared to the overall aid volumes, and compared to the provision of aid by the large donors among the member states (for an overview of their individual contributions, see Figure 4.4, Chapter 4).

Aid suspensions can be agreed by qualified majority voting in the event of violations of democratic principles and human rights (and other obligations) that are set out explicitly in the PCA, in line with EU legislation on the EU's provision of assistance to Russia (see e.g. the Regulation for the period from 2000-2006).¹⁷⁸ If the threat of aid suspension was used as a tool of conditionality to influence Russian domestic policies, the suspension of aid by the larger member states which make a substantial individual contribution of financial aid (see Figure 4.4, Chapter 4) could be expected to have a much greater impact on Russia than a suspension of EC/EU aid. Meanwhile a suspension of aid by the small member states would have little consequence (see Figure 4.4, Chapter 4). Collectively the member states would have the greatest influence if they suspended both their individual aid and agreed to suspend the provision of collective EU assistance to Russia.

Figure 6.1 EU and national aid to Russia as share of total DAC aid¹⁷⁹



*Aid from Finland, Sweden and Austria before their accession to the EU in 1995 has been excluded.

Source: World Bank (2010). NB: no further data on DAC members' aid was collected after 2004.

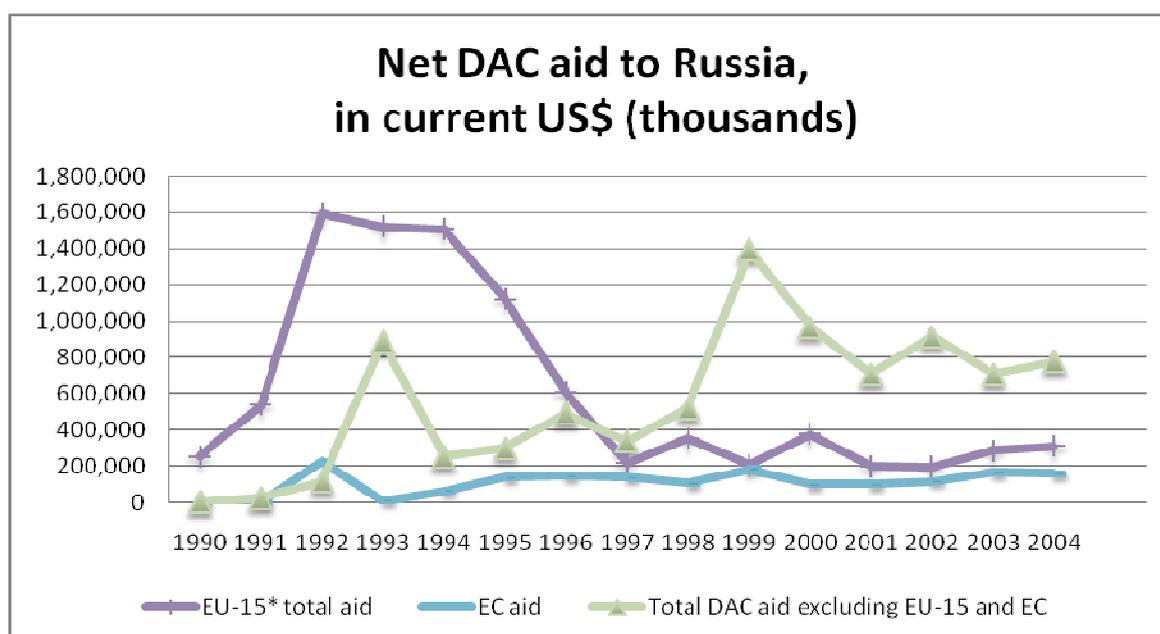
With Russia's rapid economic recovery during the Stabilisation Period in the early 2000s (see Chapter 4), the importance of external funding for the Russian government

¹⁷⁸ Council Regulation 99/2000, 1999, Art. 16

¹⁷⁹ NB: In the World Bank dataset on Russia, EC aid is labelled as 'European Commission' aid.

– and also the volumes of aid provided by external donors (see Figure 4.4, Chapter 4) - diminished quickly and so did the possibility to use financial assistance as a lever (see Stent 2008:1089). Furthermore, the volumes of total aid from the EU to Russia have been comparatively limited overall as Figure 6.2 (below) illustrates. In fact, member states' individual aid and that of non-EU donors have been much higher than EU aid flows to Russia in the DAC framework.

Figure 6.2 EU aid and member states' aid with non-EU DAC aid¹⁸⁰



*Aid from Finland, Sweden and Austria before their accession to the EU in 1995 has been excluded.
Source: World Bank (2010). NB: no further data on DAC members' aid was collected after 2004.

Political sanctions

Besides the conditionality of trade and aid, the member states can also use political conditionality to achieve the desired changes in Russia. Individually at the bilateral level they could suspend political relations with Russia to force it to comply with their demands. It is unlikely that the small member states' suspension of political relations at the bilateral level with Russia would make a great impact. As we saw in Chapter 3, Russia has a considerable number of alternative political partners to choose from. Political conditionality therefore promises to be much more effective if it is applied collectively at the European level. However, as Schimmelfenning and Sedelmeier

¹⁸⁰ NB: In the World Bank dataset on Russia, EC aid is labelled as 'European Commission' aid.

(2004:666) have pointed out, if there are conflicts among EU member states about the use of conditionality and the target state (Russia) learns about these conflicts and receives inconsistent signals, it is likely to manipulate the internal divisions to its advantage.

The coercive political instruments that the EU collective can deploy to punish Russia for violations of its normative commitments include the suspension of political cooperation, including the suspension of ongoing dialogues. It includes also the suspension of negotiations for new EU-Russian agreements or the suspension of the ratification process for such agreements. The member states ensured the inclusion of a clause in the PCA that would allow them to implement collective sanctions against a breach of these ‘essential’ normative provisions (PCA 1994, Art. 107 and Joint Declaration on Art. 107 and 107 (2)) by the Russian government; see also Blockmans 2008:184). In addition to these measures, the development of sectoral agreements and especially the negotiation of new political framework agreements has provided national governments with leverage as the negotiation of such agreements enables them to put pressure on the Russian elites e.g. by making a continuation of negotiations conditional upon Russia’s compliance with their demands.

However, because the member states are in disagreement about whether or not Russia is more likely to respond in the desired manner to coercion or whether it is more likely to respond to constructive engagement, it is difficult for them to reach an agreement not just on trade sanctions but also on political sanctions. The member countries that support a coercive approach towards Russia therefore have to overcome significant resistance in order to pursue their favoured strategy at the European level.

Engagement as an instrument of norms promotion

Research on EU democracy promotion has emphasized the ‘diffusion’ of norms through engagement as a key means of achieving third states’ domestic political transformation (Manners 2002:244-45; 2006:184; regarding the CIS region specifically, see Nygren 2008:112-113). This approach is in line with the interests of the member states supporting engagement with Russia. Engaging in trade with Russia has been identified specifically as a key means of promoting human rights in Russia (Commission CSP 2001:4, section 1.3). The expected outcome is that by engaging Russia in ‘good practice’ and diffusing the EU’s normative principles a gradual change of attitudes and practices in Russia itself will be achieved. It is also

emphasised that because the respect for democratic principles and the rule of law constitute important preconditions for free trade, achieving the opening up of the Russian markets to EU companies would have as a desirable side-effect an improvement in the rule of law and democratic practices in Russia.

Political Dialogue

At the European level much emphasis has been placed on maintaining regular political dialogue with Russian decision-makers. Mechanisms and institutions to facilitate close cooperation at all levels of the administrative hierarchy have been enshrined in the PCA (1994, Art. 6-9). Besides the engagement of European, national officials with Russian policy-makers at the European level, the member states can also engage with Russia in structured political dialogue at the bilateral level. The large member states engage in regular bilateral consultations with Russia and in this framework they have the possibility to pursue the normative agenda. The small member states have more limited political contacts with Russia and are therefore constrained in their ability to pursue normative objectives bilaterally in consultations rather than in public statements targeted at Russia.

At the European level, during the Dutch Presidency in 2004, the EU collective reached an agreement with Russia to hold biannual consultations on human rights (Annual CFSP Report 2004). These have taken place since March 2005, but their purpose is solely to serve as a consultative forum. They lack any enforcement mechanisms so that the implementation of any agreements that may be reached in this forum could not be monitored (Rettman 2010c). From the EU point of view, the consultations are premised on the idea that regular engagement and the exchange of views on issues of key concern will achieve Russia's socialisation regarding the EU's normative objectives.

Scholars have pointed out that political dialogue and persuasion has been the preferred mechanism with which the EU collective has pursued Russia's transformation, whereas negative or coercive instruments have been rarely deployed (Balfour 2006:119; see also Panebianco 2006:137). Because of the non-binding character of political dialogue, and thus the absence of a requirement to adopt decisions by consensus at every step of the EU's dialogue with Russia, individual member states supporting engagement with Russia can pursue their approach

effectively at the European level despite the incongruence of their preferences with the group of states that favours coercive measures regarding Russia.

Shaming Russia

Besides dialogue and engagement, EU member states can employ 'shaming' both at the national and at the European level. Because Russian political elites are very concerned about Russia's image in the West (see Feklyunina 2008), the member states can try and 'shame' the Russian government into compliance through the public exposure of undesirable actions (see Schimmelfennig 2005). At the European level a number of tools can be employed to 'shame' Russia into improving its democratic and human rights record. The instruments include (as we have seen in Chapter 2), unilateral declarations by the EU, public 'Demarches' and Presidency Statements. The impact of these political statements hinges on member states' willingness to issue strong statements condemning Russian failures. The countries holding the EU Presidency have regularly issued statements condemning Russian 'failures'. The exception was Italian Prime Minister Berlusconi who, at the press conference following the EU-Russia Summit of November 2003, defended the Russian President's policy on Chechnya and towards Yukos, thereby contradicting the collectively agreed policy of issuing regular rebukes (Frellesen & Rontoyanni, 2007:231). Berlusconi's actions underscored the fact that the office of the Presidency provides a member state with a platform from which it can pursue its individual interests and the negative impact that the individual state's (ab)use of the EU platform during its Presidency can have on the effectiveness of collective policy towards Russia.

Regardless of whether Russian political elites declared their support for democratic and human rights principles and committed to these principles (e.g. the provisions included in the PCA) out of a sincere belief in their rightfulness (or desirability) or for instrumental reasons, the fact that they have formally committed to upholding these principles enables the member states to shame the Russian government when it deviates from them and potentially enables them to achieve a change in Russia's policy by exposing inconsistencies between the Russian political elites' declarations and their actual behaviour (see Schimmelfennig 2005). Russian political elites will be concerned with what the public exposure of 'illegitimate'

behaviour will do to their international standing and reputation (see Schimmelfennig 2005).

But, as Schimmelfennig (2000:117) argues, 'states do not have to internalize values and norms but they have to live up to them in a credible way.' It is conceivable that the Russian political elites supported the democratic and human rights principles for mainly instrumental reasons, such as gaining access to the important 'Western' institutions and receiving financial and technical aid to help along Russia's economic transition. In that case the formal normative commitments prescribe and proscribe appropriate ways of acting but do not affect the underlying interests, and so reputational costs may be included in the Russian government's cost-benefit calculation (see Sedelmeier 2005).

Nevertheless, by making public the Russian government's failings concerning the commitments it made in the various international agreements and EU-Russian agreements (see the earlier discussion in 6.2), most notably the PCA, member states can place pressure on Russia to alter its behaviour so as not to endure further 'humiliations'. Member states' capacity to achieve the desired changes in Russian domestic politics through dialogue and 'rebukes' is however limited by the Russian government's unwillingness to allow external interference in its domestic affairs (see Chapter 4) and the development of concepts such as 'managed democracy' or 'controlled democracy' as justification for why Russia's political system must necessarily differ from the 'Western' style democracies. By presenting such legitimising explanations for the type of political system that has (been) developed in Russia, the political elites in Russia can refute EU member states' criticism.

The fact that a few high-ranking national political elites have subscribed to the Russian justifications based on the 'uniqueness' of Russia's situation (German Chancellor Schröder during (Hamburger Abendblatt 2004) and after his time in office (Focus Online 2006) and Italian Prime Minister Berlusconi during his time in office (Frellesen & Rontoyanni 2007)) makes clear the limits to 'shaming' Russia effectively. As Schimmelfennig and Sedelmeier (2004:666) have pointed out, divisions among the member states can negatively impact the effectiveness of conditionality, but in this case also the effectiveness of shaming. If some member states lend credibility and legitimacy to Russian justifications, the ability of the EU collective to rebuke Russia for its failings is considerably weakened.

National political elites can also voice their concerns and criticism at the bilateral level, but individually, they are unlikely to achieve the same impact because a collective ‘rebuke’ is guaranteed much greater visibility. In this regard the EU’s function as a multiplier provides a strong incentive for the member states to choose European level action rather than to pursue their normative objectives at the bilateral level. Individual attempts to shame Russia are not only less effective because of the more limited visibility, but they are also associated with the risk of incurring substantial costs. This is because Russian political elites tend to respond negatively to criticism of its domestic affairs with repercussions including problems in the bilateral trade relations of the respective member state with Russia (Frellesen & Rontoyanni, 2007:240-1).¹⁸¹ Criticism of Russian domestic political developments or actions that run counter to Russian objectives are frequently followed by economic reprisals of some sort (although it is difficult to find incontrovertible evidence that could *prove* the link between a member state’s criticism of Russian domestic political failings and retributive measures imposed by the Russian government on these countries). Dutch criticism, during the country’s EU Presidency, of Russia’s handling of what the Russian authorities referred to as terrorists (in the Beslan hostage crisis) was followed by a temporary trade embargo on Dutch goods in 2004). The Russian Ambassador to Sweden, Alexander Kadakin (Kadakin 2009), also emphasised that the Russian-Swedish relationship was negatively affected by Swedish criticism of Russian developments regarding the state of democracy and the protection of human rights in Russia. The pursuit of normative goals at the EU level, rather than at the bilateral level, thus enables member states to ‘anonymise’ their criticism of Russia and thereby displaces the costs that they would incur at the bilateral level.

From a rationalist perspective, member states will choose the policy route that delivers greater merits. Considering the incongruence of member states’ preferences concerning the choice of tools – coercion or engagement – and inconsistent ‘messages’ from the member states concerning the (il)legitimacy of current Russian practices, their ability to achieve the desired results at the European level appears to be rather limited. From the identity and self-image of the EU it does not follow that the EU actually has the capacity to achieve normative objectives vis-à-vis Russia. Member states are in fact seeking to change Russian practices and such goals are

¹⁸¹ Author’s interview with diplomat of one of the Baltic States, Brussels, 25 July 2007.

difficult to achieve in any country (on the problems of external democracy promotion see e.g. Light 2001:87-91), and even more so in Russia where the ideal of a strong state and control over domestic affairs are regarded as key to the successful development of the country (see Chapter 4). Nevertheless, the EU has, due to its scale and the additional instruments available to the member states, a far greater capacity to deliver the desired outcomes than the individual state has. In view of the EU's greater potential influence, and its possibility to serve as a means of displacing the costs that member states risk if they criticise Russian domestic political developments at the bilateral level, they can be expected to favour the EU route in their pursuit of normative objectives.

6.5 THE IMPACT OF THE EU'S INTERNAL AND EXTERNAL INEFFECTIVENESS ON MEMBER STATES' CHOICES

After having reviewed the instruments and resources that the member states have at their disposition, both individually and collectively, I will now analyse the choices, both of the policy route, and of the policy instruments, that the member states have made in practice in their pursuit of the shared normative agenda. We will see that all the member states opt for the EU level. However their motivations for doing so differ considerably. Their choice of, and preference for, a particular set of policy instruments will provide some indication as to what motivates their choice of policy route.

The EU route to gain greater weight

In the early 1990s the twelve and then fifteen EU member states offered technical assistance and aid for Russia's domestic political transformation to achieve the desired reforms and stabilisation in Russia. Coordinating their activities at the EU level promised to give them greater weight than pursuing these policies at the bilateral level only. The Russian political elites' interest in closer political but especially economic ties with the EU (see Chapters 3 and 4) provided the member states with the opportunity to obtain Russia's formal commitment to 'Western' human rights standards and democratic principles with the inclusion of human rights and democracy clauses in the Partnership and Cooperation Agreement (PCA 1994 Preamble and Art. 2) and enshrining a commitment to conducting political dialogue on normative issues in the PCA (PCA 1994, Art. 6). Achieving Russia's formal commitment to the EU's

normative principles in the PCA did not imply that any progress was achieved on the ground. Nevertheless, enshrining these principles enabled the member states to 'shame' Russia in the event of failures to abide by these commitments, and it provided for formal channels to conduct dialogue on normative issues at the European level.

The collective struggle to influence Russian policy towards Chechnya

A key issue for the member states, perhaps the most salient throughout the 1990s and 2000s, have been the measures implemented by the Russian authorities to deal with the fight for independence by the Chechen insurgents (Timmins 2007:179; see also Schuette 2004:19). After the Russian government's the launch of the first Chechen War (December 1994-August 1996), EU member states became concerned about the rapidly increasing numbers of reported human rights violations that accompanied the military interventions in Chechnya (Light 2006:61; Saari 2009:737; see also Gower 2000a:176, footnote 25; Frellesen & Rontoyanni 2007:241). In January 1995 they started to discuss collective measures to be taken at the European level. Besides voicing strong objections to Russian actions in various statements and démarches, they debated also the suspension of the signature of the Interim Agreement on Trade with Russia and the suspension of the ratification process of the PCA (see Chapter 4, Table 4.1). But these discussions were initially inconclusive and it was not until March 1995 that the member states reached an agreement to put on hold the adoption of the Interim Agreement (Newton 2003:222; Bastian 2006:96). The main concerns that the member states had about whether or not to adopt the Interim Agreement on trade and trade-related issues was that it could be seen to reward Russia while military actions in Chechnya were ongoing. Thus, the status quo in this case favoured the 'norms promoters'. With the Interim Agreement Russia was to be granted already MFN status while the PCA's ratification and entry into force was still pending (Commission 1995b, 1995c).

The member states also disagreed about the need to impose more far-reaching trade sanctions or the freezing of TACIS (Bastian 2006:96). Here, the status quo actually favoured the proponents of engagement. The supporters of engagement were concerned about the risks of isolating Russia and the likelihood of exacerbating rather than ameliorating the situation with a suspension of aid (Bastian 2006:80). In the end, the member states agreed to tie the signature of the Interim Agreement to a guarantee

by the Russian government to respect the fundamental freedoms of the people in Chechnya (Commission 1995b; Yakemtchouk 2005:48). In response to what analysts deemed to be only very moderate improvements of the situation in Chechnya (Newton 2003:230), the Interim Agreement was adopted by the fifteen member states in July 1995, entering into force in February 1996. The German and British governments particularly supported the sending of a ‘positive signal’ to Russia (see Bastian 2006:96; Commission 1995c). The PCA ratification process which had also been halted temporarily was completed in October 1997 after peaceful negotiations started in the Chechen Republic.

After the entry into force of the PCA, the suspension clause in the agreement (PCA 1994, Art. 107(2)) would have enabled the EU to suspend relations if Russia breached the fundamental democratic and human rights principles that underpin the PCA (see preamble and Art. 2) (Bastian 2006:80; Haukkala 2010:77-8). There was no sign of any real change of the Russian government’s policy towards the Chechen separatists as a result of the measures that the member states had taken at the EU level. With the entry into force of the PCA in 1997 and the start of regular institutionalised meetings between EU and Russian representatives, normative concerns were regularly raised at the biannual EU-Russia summit meetings, but without achieving any tangible results (Light 2006:61; Schuette 2004:19-22). In fact, not long after the entry into force of the PCA, the second Chechen War (from Aug. 1999)¹⁸² was launched. EU level action was considered to be necessary as individual member states’ actions promised to achieve only a very limited impact given the limited levers that each state could apply individually. The renewed military action prompted the member states to consider again the possibility of employing coercive measures to achieve a change in Russian policies. It has to be remembered however that the renewed outbreak of military conflict followed the most serious economic crisis in Russia which had caused great instability and considerable concerns about a reversal of Russian reforms and an outbreak of civic unrest that could spill over into the EU along the shared border with the new EU member state Finland (see Chapter 4).

¹⁸² There are disagreements on when exactly this ‘Second War’ ended, with some arguing it came to an end in May 2000, others arguing it finished in 2002 and yet others claiming it came to an end only in 2006 (see e.g. Cornell 2004; Bastian 2006).

In response to the increasing reports of Russian human rights violations, in late 1999 EU member states contemplated the imposition of sanctions to try and force the Russian government to stop its military campaign. Against the background of the political and economic instability of the 1990s, the now fifteen member states decided against a suspension of the EU's political cooperation with Russia since rebuilding the Russian economy and achieving Russian domestic political stabilisation were deemed to be overriding priorities and the possibility of alienating Russia and risking a rupture in the EU-Russian relationship were regarded as too high (CFSP Annual Report 1999; for a discussion of developments in EU-Russian relations during this period, see Chapter 4). Haukkala (2010:118) argues that the fact that the member states had publicly threatened sanctions in late 1999 'pre-committed' them to apply at least some punitive measures after the Russian government showed now willingness to seek a peaceful solution with the Chechen rebels (Haukkala 2010:118). However, among them, the British Prime Minister Blair questioned the utility of sanctions while the French government was among the most critical of Russian military actions in Chechnya (Newton 2003:242-3) and the German government also favoured 'sending a strong signal' to Russia (Haukkala 2010:116). It is significant that the three most influential states in the EU were in disagreement about the action that should be taken. As the discussion in Chapter 3 indicated, the effectiveness of external action is impaired when the preferences of the member states are incongruent regarding the measures to be implemented vis-à-vis the 'target' state as compromise agreements are unlikely to go beyond the 'lowest common denominator'.

In January 2000, the EU collective decided to impose sanctions to force Russia to put an end to its military campaign which was reportedly putting thousands of civilians at risk (Haukkala 2010:116). The member states agreed to put on hold any concessions on trade issues to Russia, suspending the Generalised System of Preferences (GSP) and they delayed the signature of a scientific and technological co-operation agreement that had been developed on the basis of PCA provisions (PCA 1994, Art. 62) (Annual CFSP Report 1999; Light 2006:61-62; see also Belder 2004:20; Bastian 2006:98; Haukkala 2010:118). Because the conclusion of this agreement was very much in the interest of the Russian government with its ambitions to modernise the Russian economy, it could have very well served as a lever. However withholding an agreement for essentially technical cooperation was unlikely to be given higher priority by the Russian authorities than winning the battle against

the Chechen separatists to put a stop to plans to break away from the Russian Federation.

The member states also suspended TACIS funding for the year 2000 for any projects outside the priority areas of democracy and human rights promotion, reducing the funding from the €130 million that had been benchmarked for the year 2000 to just €40 million (Bastian 2006:98; Haukkala 2010:116-8; Petiteville 2003:132; K. Smith 2001:195). Nevertheless, the Commission increased, in the meantime, the funding provided to Russia through its humanitarian aid programme, from €2.2 to €23 million (Bastian 2006:98) and since bilateral aid continued to flow (see Figure 6.2), these measures were rather symbolic and were from the outset unlikely to inflict sufficient harm to achieve a change in Russian policy for material reasons, although they could potentially have brought about a change in Russian policy if Russian political elites had been concerned about the political repercussions of its actions. The member states also agreed that the implementation of the recently adopted Common Strategy on Russia (see Chapter 4) be reviewed (CFSP Annual Report 1999). It had been designed as a new unilateral instrument with which the EU collective expected to achieve a set of priority goals vis-à-vis Russia.

Similar to the sanctions that the member states had imposed in response to the First Chechen war, the measures they implemented were rather restrained – leading some to refer to them as ‘pseudo-sanctions’ (Bastian 2006:98-99). The member states had in fact refrained from stronger measures such as an embargo on a range of goods or a visa ban or the suspension of the PCA agreement as a whole (Haukkala 2009c:1766, 2010:118). Despite the divergent opinions on the extent of the sanctions to be implemented, on the whole the fifteen member states shared the concerns about possible negative repercussions that strong sanctions could have. Overall there was a consensus that continued engagement with Russia was necessary to help along the consolidation of reforms after the collapse of the Russian economy in 1998 (Pinder 2002c:114,118). It was feared that isolating Russia by imposing further coercive measures could result in a backlash and a complete loss of influence over Russian developments (K. Smith 2001:197). In June 2000, the member states decided to lift the sanctions, partly because some (moderate) change seemed to have taken place, but mainly because these measures had failed to achieve any appreciable effect on Russian policies (see Belder 2004:20; Pinder 2002c:118; Haukkala 2009c:1770). The (moderate) pressure exerted by the EU collective on Russia with this set of sanctions

is unlikely to have made much of an impact as the Russian authorities adjusted their strategies mainly to the threat posed by the Chechen rebels, with little sign of Western criticism being taken into consideration.

Member states' failure to achieve any notable success with the measures that they had imposed at the EU level could, alternatively, have been expected to lead to the imposition of measures with more 'teeth'. However, the concerns about likely negative repercussions for their political relations with Russia meant that it was impossible for proponents of stronger sanctions to convince the collective that these were necessary and likely to deliver the desired results. That the member states did not, in the end, go beyond the set of very limited measures demonstrates two things: firstly that those member states that advocated sanctions could not convince states that were concerned about negative repercussions of the need to take strong coercive action; secondly, that member states continued to fear, as they did in the Transition Period, that Russia could orientate itself away from the EU and by doing so, endanger the success of the ongoing reforms which were ultimately expected to benefit the member states themselves.

Stronger economic sanctions that might have brought about a change in the Russian government's policies were not desirable from the point of view of the member states. Suspending imports of the goods that made the most substantial contribution to the Russian state budget and would have 'hurt' the Russian economy most (see Chapter 3), but both gas and oil imports from Russia were too important for the member states themselves to stop importing them for the sake of achieving political goals (see Haukkala 2010:118). Furthermore, Russia's economic recovery with the rising oil prices (see Chapter 4) meant that it was less dependent on foreign aid and the reduction of the (comparatively limited) volumes of TACIS aid could therefore not hurt Russia's economy to an extent that it would have become too costly for the Russian government to continue its actions in Chechnya.

Besides the sanctions, the member states pursued dialogue and 'shaming'. They insisted on including references to the EU's concerns about the Russian government's policy towards Chechnya in the Joint EU-Russia Summit Statements of both May and October 2000. Further, they voiced their concerns and issued rebukes over the course of the late 1990s and early 2000s in the form of EU Presidency statements and Demarches on Chechnya (e.g. Presidency Statement 23/09/1997; Demarches 9/07/1997, 30/07/1997, 24/02/1998; 9 June 2001; 18 July 2001; see

Annual CFSP Report 1997, 2000, 2004). However neither the sanctions nor the shaming of Russia or political dialogue achieved any change in Russian policy towards Chechnya.

In sum, the EU's potential to influence Russian domestic reforms was considerable in the 1990s as the country underwent a difficult transition after the collapse of the Soviet Union, was in need of technical and financial support to assist the recovery of its economy and some Russian political elites contemplated the possibility of joining the EU. Nevertheless, during the 1990s, the EU collective was not able to shape Russian domestic developments decisively, despite the use of conditionality and the regular interaction with Russian officials in the framework of the PCA structures. TACIS projects also failed to deliver the desired results (Youngs 2009b:898; Light 2009:85). The Commission found that the respect for human rights principles in Russia after the reforms undertaken during the 1990s continued to lag behind the country's formal commitments (Commission CSP 2001:4, section 1.3).

The EU's ability to promote the normative agenda regarding Russia was limited by the incongruence of member states' preferences concerning the intensity of the sanctions which arguably negatively impacted the effectiveness of the collective EU measures. The fact that they could agree on the limited sanctions shows however that despite some differences, the member states overall converged in the assessment that some 'punishments' were necessary to try and influence Russian policies. However the situation in Russia itself placed constraints on the member states as economic reprisals would have increased the economic and consequently also the social and political stability in the country while the Russian government was struggling to implement the reforms that it had started to achieve Russia's transition from a command economy to a modern market economy. The risks inherent in placing more economic pressure on Russia thus acted as a disincentive.

The change in EU policy after the Second Chechen War and '9/11'

The lack of success of EU policy towards Russia on Chechnya and its respect for human rights and democratic principles more generally, led to the development of a 'new, more pragmatic' EU approach towards Russia (Timmins 2003:86). The Swedish EU Presidency gave privileged attention to relations with Russia - despite, or precisely because of the earlier dispute about the war in Chechnya - and invited President Putin in an exceptional gesture to the meeting of the EU's heads of state and

government in Stockholm in March 2001. Various internal reports underlined that the EU was pursuing a strategy of ‘constructive engagement’ with Russia regarding Chechnya, which involved the EU ‘pressing Russia for progress’ and encouraging it to find a political solution to the conflict (Annual CFSP Report 2000, 2001, 2002, 2003) while continuing to ‘shame’ Russia (2 March 2002; 27 June 2002; 26 August 2002) by condemning human rights violations in Chechnya and also elsewhere in Russia (see Oostlander 2000:10; Annual CFSP Report 2000).

Following the ‘9/11’ terrorist attacks in the US, the Russian government began to convince some of the national governments that the Chechen rebels are in fact fundamentalist terrorists and the Russian state’s battle against Chechen separatists was part of the global ‘war on terror’ (Cornell 2004). After the events of 9/11, German Chancellor Schroeder was the first to call for a reassessment of Russian military policy in Chechnya (Timmins 2007:179) as he declared during President Putin’s state visit to Berlin shortly after the terrorist attacks that “[r]egarding Chechnya, there will be and must be a more differentiated evaluation in world opinion.” (quoted in Cornell 2004:253). France’s relationship with Russia had suffered as a result of strong French criticism of Russia’s renewed military actions in Chechnya but the French President’s stance also became more accommodating after the French-Russian relationship had suffered as a result of strong French criticism of Russia’s military actions in Chechnya which resulted in a rapprochement between France and Russia (Newton 2003:242-3). The Italian Prime Minister Berlusconi, for his part, emphasised at the EU-Russia Summit in November 2003 his support for Putin’s policies towards Chechnya and declared that allegations of human rights infringements in Chechnya and regarding the treatment of the imprisoned former Yukos owner Mikhail Khodorkovsky were unfounded (see Collina 2008:30-31; Braghiroli & Carta 2009:18). His statements provoked severe criticism from the other member states (see Timmins 2006b:310; Emerson 2004:2). These remarks were made at a time when an Italian-Russian agreement on promoting Italian industry clusters in Russia was being concluded, so it is likely that the endorsement of Putin’s policies was at least in part motivated by the economic interests Italian companies maintained in Russia.

Criticism of Russia’s policy towards Chechnya continued to be voiced by national officials, including, *inter alia*, the German Foreign Minister Fischer

(Wipperfürth 2004:124).¹⁸³ EU member states' attempts to 'shame' the Russian governing elites became also more and more difficult as the Russian political elites sought to legitimise the Russian political system that had developed as a particular Russian brand of democracy (Putin 2001a, 2001b, 2003a, 2004, 2005) which they justified on the grounds that the Russian government's primary task has been to limit unwanted side-effects of democratic procedures, such as threats emanating from disruptions caused by demonstrations and elections and maintaining Russia's 'integrity and sovereignty' (Ryzhkov 2005b). They argued that the democratic consolidation needed to be closely supervised (or 'managed') by the state, and that Russia's democracy had to be gradually phased in to become stable and effective (Putin 2003b; Russian Foreign Policy Concept 2008, section 5; see also Ivanov 2008; Ryzhkov 2005a, 2005b; Bogutcaia et al. 2006:126-30; Der Spiegel 2005, Tretyakov 2003). President Medvedev (2008; 2009) confirmed this position after he took office.

The political elites in many of the Western member states gave (at least initially) credence to the Russian justifications about why the democratisation process was not progressing as Western observers had expected. They used them as arguments for why it is necessary to engage with Russia rather than to impose sanctions to achieve Russia's full democratisation. German Chancellor Gerhard Schröder was among the most prominent advocates of this view. He confirmed his conviction that President Putin had espoused Western democratic principles and argued in November 2004 that Putin is an impeccable democrat, a claim that he reconfirmed in 2006 after his retirement from office (Hamburger Abendblatt 2004; Focus Online 2006).

Overall the fifteen EU member states recognized that the use of conditionality was not delivering the desired results and they emphasised that '[i]t is only via engagement, making full use of our combined negotiating strength, that the EU can promote a fully functioning rules-based system in Russia' (Commission 2004a:3; see also Schuette 2004:24).¹⁸⁴ But as EU member states pursued a 'rapprochement' with

¹⁸³ The handling of two hostage crises involving Chechen rebels - the siege of the Dubrovka theatre in Moscow in October 2002 and the siege of a school in Beslan (North Ossetia) in September 2004 (for details see White 2006:27; Lynch 2005:141; Light 2006:62) - was regarded by observers as a sign of the Russian authorities' continuing ruthlessness and unwillingness to negotiate and reach a peaceful political settlement with the Chechen insurgents.

¹⁸⁴ Although this quote is taken from a Commission communication, the Commission's report was closely coordinated with the Council's assessment of the EU's relations with Russia, and is thus likely to reflect the member states' core principles.

Russia, Russian political elites began to criticise EU member states – especially Denmark and the UK – for granting asylum to Chechen insurgents, insisting that they were terrorists and that these states were therefore harbouring terrorists (Light 2006:62). Denmark’s decision to allow a Chechen World Congress to take place in Copenhagen around the time when the EU-Russia summit was scheduled to take place in the city triggered further complaints from the Russian side and its refusal to meet Russian demands to cancel the congress was followed by a Russian trade embargo on some Danish goods at the instigation of the United Russia Party (Leonard & Popescu 2007:14; Roth 2009:6; for details, see Bastian 2006:90-91; Halbach 2002:7). Although the Danish government did not change its domestic policy, the EU collective gave in and relocated the EU-Russia summit to Brussels. Similarly, Dutch Foreign Minister, Bernard Bot’s criticism during the country’s EU Presidency in September 2004 regarding the Russian authorities’ handling of the Beslan school hostage crisis (for details see Lobjakas 2004; see also Light 2006:62) was followed by temporary trade sanctions – a ban on Dutch flower imports which can plausibly be linked to the incident (Timmins 2006a:60–61; see also Wilson et al 2009:26).

Haukkala and Bastian have argued that many of the member states ‘hid’ behind the EU which, by expressing collective disapproval of Russian actions in Chechnya, took the burden off the bilateral relationship and allowed them to carry on ‘business as usual’ at the bilateral level (Haukkala 2009c:1767-8, 2010:119; Bastian 2006:256). The EU’s utility as a ‘repository’ for member states’ normative objectives was certainly underscored by the reprisals that those member states suffered which had issued public criticism of Russia.

The uphill struggle to influence the re-emerging Eurasian power

From the mid-2000s onwards, as a consequence of the growing assertiveness of the Russian government vis-à-vis external actors, EU member states faced even more problems in their attempts to influence Russian domestic politics (see Belder 2004: para AB). As the discussion in Chapter 4 highlighted, a considerably increase in economic power and the ambition to reclaim its position as major world power limited the Russian government’s receptiveness to external influence. However during this period, the number of legal proceedings brought by the Commissioner for Human Rights under the European Convention on Human Rights against Russian human

rights offences also indicated that Russia was becoming a serious human rights offender (see Blockmans 2008:185).

The lack of success of European level action has been blamed on the fact that Russia has obtained from the EU and its members much of what it wants, and the instruments employed by the EU collective are simply not compelling or ‘muscular’ enough in condemning Russian human rights violations and democratic failings (Timmins 2005:67; Tassinari 2005a:56). One analyst went as far as to describe the EU’s policy as consisting simply of ‘making helpless statements’ (Tassinari 2005a:56). According to a diplomat from one of the Western member states, Russian policies cannot be changed by EU attempts to ‘educate’ Russia but, normative objectives have to be enforced, since Russia is not ready to ‘be told’ what it should be doing.¹⁸⁵ In this context, critics have noted that at the European level the pursuit of engagement with Russia prevails over attempts to employ conditionality because of the economic interests of the member states, notably in the maintenance of reliable energy supplies from Russia, but also political and security interests (Schuette 2004; Tassinari & Vahl 2007:21).

The Four Common Spaces road maps reflected the diminishing influence of the member states regarding Russia at the European level as a consequence of Russia’s economic recovery and thus its increasing assertiveness and decreasing need for external assistance (see Chapter 4). Russian officials resisted the incorporation of the EU’s constitutive norms in the EU-Russian agreement and declared that they would not accept any their inclusion in any future agreements with the EU (Allison 2006:166; see also Light 2009:89-90). Despite the fact that some member states advocated the inclusion of political conditionality in the Four Common Spaces (Gower & Timmins, 2007b:293), the wording of the Four Common Spaces Road Maps (see Chapter 4) shows that the normative agenda is much toned down, compared to the PCA (see Allison 2006:170). In addition to underlining the limited capacity of the EU, this also highlights the rather limited commitment of the member states to collectively push for the inclusion of normative objectives in the agreement as they did not treat the inclusion of normative objectives as a *sine qua non* for the adoption of the road maps.

¹⁸⁵ Author’s interview with diplomat (old member states), Brussels, 13 November 2007.

The agreement in November 2004, after the accession of the new member states to the EU, to hold biannual EU-Russia consultations on human rights, including the rights of minorities, and fundamental freedoms demonstrated the continuing interest in engaging Russia in dialogue. However the fact that such a dialogue was established cannot be credited to the EU's influence over Russia, but had more to do with Russia's keen interest in raising the issue of the treatment of the Russian minorities in the new member states Latvia and Estonia (see van Elsuwege 2008:340-41). In the biannual human rights consultations with Russia (since March 2005), the EU side regularly raised the human rights situation in Chechnya, media freedom, freedom of opinion and assembly and events in Russia that suggested a further weakening of the human rights situation there, such as the assassination of Anna Politkovskaya, the situation of NGOs after the entry into force of the law on NGOs (see Annual CFSP Report 2005; 2006, 2007; 2008; 2009). There is no compelling evidence that suggests Russian elites are changing their views on democracy and human rights promotion as a consequence of these talks (Commission 2008e:3). Analysts have argued that the consultations do not amount to more than 'diplomats getting to know each other' (Rettman 2010c) and that the EU and Russia are simply 'going through the motions' (Allison 2006:167) which has been attributed to Russian elites' unwillingness to listen to 'lectures' on how to run their country (Light 2009:83). Nevertheless it has given member states a bigger platform to voice concerns.

Promoting Russia's democratisation by means of aid was also becoming even more difficult than before. With Russia's economic recovery, political elites in Russia rejected external assistance that is linked to democratic conditionality (Fischer 2008:116). The increasing unwillingness of Russian political elites to accept external aid grew also with the 'coloured revolutions' in Georgia and Ukraine that seemed to indicate that NGOs that are funded by 'the West' could bring about undesirable political change. Funding from the European Instrument for Democracy and Human Rights (EIDHR) to Russian NGOs was in this context being increasingly scrutinised by the Russian authorities (Commission 2008e, Annex, 60). Especially the implementation of projects in the North Caucasus became increasingly difficult, to the extent that no new initiatives were foreseen from 2008 (Commission 2008e, Annex, 62). In January 2006 particular concerns arose over the fact that the adoption of new restrictive legislation was limiting the ability of foreign non-governmental

organisations (NGOs) to operate in Russia (for details see Saari 2009:743-44; Commission 2008e, Annex, 86.; Light 2008:23; see also Rettman 2010c). The forced closure of a number of British Council offices in Russia in January 2008 (see Ch. 7) further increased fears that the development of civil society in Russia was being systematically restricted.

The Russian Duma (2003, 2007) and Presidential elections (2000, 2004, 2008) were also criticised with regard to the restrictions imposed on political competition and freedom of association and assembly that resulted from electoral reforms and accusations of vote-rigging were levelled at the Russian authorities (Commission 2008b:3, Commission 2009:40; for details on the most recent electoral reforms, see Nygren 2010; Saari 2009:737-38, 743; on the earlier elections, see White 2006:24-27). Reports by the OSCE and Council of Europe pointed out failings regarding the treatment of the political opposition, signs of electoral fraud and problems concerning the treatment of election observers, notably the undermining of the ODIHR's electoral observation in recent elections (Light 2008:21; Saari 2009:746; Commission 2008e: Annex, 86.). Furthermore, the fact that opposition politicians' activities were restricted – most notably former chess player Garry Kasparov of the 'Other Russia' party who was arrested after a demonstration held shortly before the Russia's parliamentary elections - reinforced concerns about the Russian authorities' respect for basic democratic principles of free and fair multi-party elections (for a discussion of shifts in the role and rights of the opposition parties, see Nygren 2010).

Questions about the state of Russia's democracy and the independence of the Russian judiciary increased when the Russian authorities initiated legal proceedings, on the grounds of tax evasion, to prosecute Vladimir Gusinsky whose media empire had published increasingly critical reports on Russian actions in Chechnya and the state of democracy in Russia (White 2006:23). Analysts complained about the manipulation of the media regarding pre-election coverage of the government friendly parties and opposition parties (for a discussion of the role and control of the media, see Nygren 2010:46-50). The murders of several Russian investigative journalists that had been critical of the government, most notably Anna Politkovskaya (2006) and Anastasia Baburova of the *Novaya Gazeta* (in January 2009), and the failure of the Russian authorities to track down and hold to account the culprits have also been interpreted as further signs of a deterioration of the state of democracy in Russia.

The arrest (in Oct. 2003), prosecution and imprisonment of Mikhail Khodorkovsky, then chairman of the largest, privately owned Russian oil company Yukos, and his business partner and seizure of Khodorkovsky's considerable assets with the dismantling of Yukos increased concerns about the independence of the Russian judiciary (White 2006:29; Timmins 2007:179; see also Nygren 2010:53).¹⁸⁶ The UK authorities decided in 2008 that the main suspect (a Russian) in the high-profile murder case of Alexander Litvinenko should be extradited to the UK as the independence of the judiciary in Russia could not be guaranteed (see Chapter 7).

In sum, despite the member states' continuing pursuit of the normative agenda at the EU level, over the course of the 2000s the situation in Russia progressively worsened rather than improved, but the lack of success of the sanctions during the 1990s and the early 2000s appears not to have affected member states choice of policy route during the decade that followed. External factors, both the terrorist attacks in the US that allowed Russia to present its actions in Chechnya as 'anti-terrorist' measures, and Russia's speedy economic recovery and growing international ambitions negatively impacted the EU's capacity to achieve Russian domestic political changes. A diplomat from one of the new member states concluded: 'There has been a general shift since 2005. The "we can change Russia" dream is over.'¹⁸⁷ The limited capacity of the EU to bring about change in Russia does not provide much of an advantage for the member states compared to their actions at the bilateral level. So although much of the EU external relations literature and research on the EU as a normative power assumes that collectively the member states can exert much greater influence over third states, in the case of Russia this does not hold true.

But whereas the EU's (severely limited) capacity does not appear to act as a disincentive for the member states to choose the EU route, both the EU's function as a multiplier or platform for the individual state to voice its concerns with a greater international impact and the displacement of costs to the individual state through an anonymising of their individual policies and consequently the avoidance of reprisals

¹⁸⁶ Khodorkovsky and his company were accused of tax evasion and sentenced to several years in a Siberian prison. Rosneft, the largest state-controlled oil company, gained ownership of the main part of Yukos – Yuganskneftegas – after Yukos was declared bankrupt in December 2004 (Tkachenko 2008:187). After the Yukos affair, other oligarchs such as Roman Abramovich agreed to the sale of Sibneft to Gazprom in September 2005 (Sakwa 2008:892-93).

¹⁸⁷ Author's interview with CEEC representative in COEST, Brussels, 20 July 2007.

from Russia against the individual state appear to motivate member states choice of the EU route.

Whereas the old member states' objective regarding Russia were to prioritize stable economic relations with Russia, the new member states, with their 'historically rooted resentment and suspicion of Russia' focused on the issues of democratization and human rights in Russia (Hughes 2007:78,87,92). In any case, the continuing emphasis on engagement which was reflected also in member states' response to Russia's war with Georgia (see Chapter 4) demonstrates the sway over the EU's normative policy held by the group of member states that pursues engagement with Russia.

CONCLUSIONS

The analysis in this chapter has shown that normative policy is indeed an 'easy' case for cooperation. But, whereas all member states pursue second order objectives – democracy and human rights promotion in Russia - first and foremost at the EU level, their motivations for doing so differ substantially. Small states choose the EU level mainly because of its superior capabilities, thus maximising gains, and the important trade partners of Russia choose the EU route primarily to minimise costs to their bilateral relationship. For the 'norm promoting' states (particularly the small(er) member countries), the EU acts as an amplifier and thus a means of getting their views heard and increasing their pressure on Russia through 'shaming'. Because Russia does not attribute any weight to their views, their efforts at the bilateral level have little impact on Russian domestic developments, and to the contrary, have the potential to trigger coercive or punitive Russian actions that they are unable to respond to effectively at the bilateral level. Their limited individual capacity to achieve the desired objectives at the bilateral level and the EU's superior capacity (even if its effectiveness is limited) to achieve the desired outcomes seems therefore to play a particularly prominent role for the group of states that are 'norms promoters'.

In contrast for the supporters of 'engagement' that are concerned about maintaining favourable trade and political relations with Russia – mainly the large(r) states - the EU acts indeed as a repository, as Hyde-Price (2006; 2008a) has suggested. The costliness of pursuing the promotion of democratic and human rights principles at the bilateral level appears to be their dominant reason for choosing the

EU level. States maintaining strong trade relations with Russia are unlikely to be willing to risk these by forcefully pursuing the normative agenda at the bilateral level and so their preference for EU level action serves both to displace the anticipated costs of pursuing normative objectives and also serves to placate the domestic audience. They can protect their bilateral trade and political interests by ‘leaving the EU in charge’ of criticising Russia. The EU thus acts as a means of promoting Russia’s normative approximation not because it is necessarily more effective, but because it is less costly.

We have also seen that among the member states there are divergences in the approach they advocate to achieve Russia’s transformation. The differences between proponents of engagement with Russia and those advocating the use of coercive measures and conditionality to achieve the shared normative objectives have been exacerbated with the accession of the new member states in May 2004 as many of the CEECs view Russian actions through the prism of their historical experience with the Soviet Union and do not believe that Russia can be ‘socialised’. The status quo favours the member states that pursue engagement with Russia. They can engage with Russia at the bilateral level and at the European level. In contrast the member states that would prefer to respond to Russia’s failures to abide by its normative commitments with coercion are unable to achieve any impact individually at the bilateral level since the norms promotion requires substantial material resources to be effective. At the European level they are unable to pursue their goals effectively because coercive measures require member states’ unanimous support. In the absence of an agreement on a change in policy towards Russia in terms of a stronger use of coercion, the status quo of engagement with Russia is maintained.

We have also seen in this chapter that the preference for the EU route does not imply that member states will categorically avoid raising their normative concerns at the bilateral level. However the degree to which member states pursue normative goals at the bilateral level – in addition to pursuing these objectives at the European level - differs according to the importance they attribute to maintaining ‘friendly’ relations with Russia.

Finally, since the findings in this chapter confirm the expectations that the member states will cooperate at the European level it is actually difficult to disentangle from these ‘logic of consequences’ expectations whether also a consideration of the ‘appropriateness’ of their actions enters into the member states’

choice of policy route. It could be the case that they choose the EU route both because it is the ‘appropriate choice’ given the image of the EU as a ‘normative power’ and their commitment, as member states, to promote the EU’s constitutive norms in the external relations field, but the choice of the EU route could also be motivated by the fact that cooperation at the European level benefits them as a collective and because the EU is the more effective avenue for achieving their aims.

CHAPTER 7 INDIVIDUAL DISPUTES. CONTRASTING CHOICES TO RESOLVE BILATERAL DIFFICULTIES WITH RUSSIA.

After having analysed member states' choices on first and second order issues, this final case study chapter examines the choice of policy route of states engaged in a bilateral dispute with Russia. From the mid-2000s onwards, a number of high intensity disputes emerged between EU member states and Russia. These disputes have varied in terms of issue area – regarding trade, justice and home affairs and also cultural issues – and the countries involved - with both large and small, Western states and CEECs engaged in disputes with Russia. The bilateral disputes analysed here were chosen because the issue was of high political salience for the domestic audience - measured by whether or not the issue made it onto the domestic political agenda and was reported about in the media - and provoked substantial financial or political cost to the member state. The salience of the issue is relevant to understand responses of the respective state because issues of high salience require an urgent resolution whereas disputes of low salience impose only limited costs and do not require a speedy resolution. In none of the chosen cases are member states' choices between the EU and the bilateral level constrained by EC competence.

Because bilateral disputes are specific to the respective state's relations with Russia, it seems likely that affected states would deal with the issue bilaterally. Nevertheless, as the discussion in Chapter 3 established, an individual state's capacity to achieve its objectives at the bilateral level is much more limited than the combined capacity of the member states at the European level. Because of the EU's superior capabilities and resources the affected state can be expected to choose the EU route to try and resolve its problems with Russia, taking advantage of its superior capacity. However, because of the individual nature of the problems, and quite in contrast to the preceding cases of energy (Chapter 5) and normative policies (Chapter 6), from the outset we can expect that a state engaged in a dispute with Russia will find it hard to achieve its objectives at the European level. Given the individual nature of the problem, its objectives will not converge with those of the other member states and its ability to upload its problems and forge a common EU approach towards Russia (see Chapter 2) is therefore likely to be weak.

As the Russian government has become progressively more assertive in its relations with EU member states (see Chapter 4), gaining greater leverage and bargaining power through the EU could therefore be expected to be of vital importance for a speedy resolution of their dispute(s) with Russia. However, the affected state's success at the European level depends both on the willingness of the other member states to support it ('show solidarity')

and their readiness to mobilise the necessary resources to force Russia to resolve the dispute. However, from autumn 2006 until mid-2008 all EU member states had the opportunity to force their dispute onto the EU's agenda and making their adoption of the negotiating mandate for the New (EU-Russia) Agreement (see Chapter 4) conditional upon the resolution of the dispute. The disputes examined here all fall within this timeframe. This bargaining chip enables even the smallest member state to wield considerable influence in the EU, thereby increasing the state's likelihood of achieving success at the European level. Nevertheless, as Chapters 3 and 4 indicated, the EU's capacity to influence Russia by putting on hold the launch of negotiations for a new agreement is only as strong as the Russian government's desire and need for such an agreement. From the vantage point of the 'logic of appropriateness' we would expect the older member states to be more likely to pursue their objectives at the European level and those that joined the EU more recently to be more likely to pursue their goals at the bilateral level.

The analysis will show that the member states are predominantly driven by their assessment of the relative merits of their choices in resolving the dispute and as they reassess the utility of their choice, they tend to switch between the two tracks and readjust to new developments. The cases examined here also reveal that national governments consider not just the anticipated likelihood of success informed by an assessment of their capacity to achieve the desired outcomes, but there are also indications that they consider the costs that their choice will impose on their reputation in the EU and on their relationship with Russia.

The chapter is structured as follows. The first part discusses the contentions of the existing literature. The second part examines several member states' trade disputes with Russia. The third part examines the UK's dispute with Russia over judicial issues. The fourth and final part examines member states' disputes in the cultural sphere.

7.1 MEMBER STATES' EXPECTED CHOICES

Bilateral disputes are, by definition, issues that concern member states at the bilateral level. Therefore, the choice for member states to make concerns firstly, whether or not to upload the issue to the EU level and to pursue a resolution there, or to try and resolve the issue bilaterally. The empirical evidence suggests that member states always start pursuing the resolution of their bilateral disputes with Russia at the bilateral level first, and only when this is unsuccessful do they consider uploading the dispute.

Table 7.1 Member states' bilateral conflicts with Russia

Country affected	Year	Cause or Issue at Stake	Issue Area	Type of Issue	Choice
Germany	2007-2009	Lufthansa suspension of permission to fly over Siberia and Russian demand to relocate its transit hub to Siberia	trade	defensive	1
Latvia	2006-2008	Fish exports – Russian embargo on Latvian canned sprats	trade	defensive	1
Finland	2007-2010	Steep increase of Russian timber export tariffs and Russian expectation that Finnish timber processing companies will relocate to Russia	trade	defensive	1
Sweden	2007-2010	increase of Russian timber export tariffs and Russian expectation that Swedish timber processing companies will relocate to Russia	trade	defensive	1
Poland	2004-2007	ban on agricultural exports to Russia	trade	defensive	2
Lithuania	2006-present	oil supply from Russia via pipeline-cut-off because of alleged technical failure	trade	defensive	3
United Kingdom	2007-present	extradition request for main suspect in Litvinenko murder, Lugovoy	judicial cooperation	offensive	3
Estonia	April-May 2007	Russian objection against relocation of Soviet war monument and exhumation of Soviet soldier's bones, resulting in: 1. Russian retaliatory measures (extended waiting times at Russian border, blockade of rail and transport bridges); 2. cyber attacks on important Estonian servers (banks, government); 3. attacks on Estonian embassy staff in Moscow and failure of Russian authorities in Moscow to intervene	culture (historical heritage)	defensive	2
United Kingdom	2007-2008	closure of British Council offices outside Moscow	cultural cooperation	defensive	3

1= bilateral only; 2= bilateral, then EU; 3= bilateral, then EU, then bilateral.

Source: Author's own compilation and classification.

Because disputes between individual member states and Russia originate at the bilateral level, member states have essentially three options for how to pursue their resolution which will be examined here: to pursue the dispute resolution at the bilateral level (1. bilateral only); to upload the dispute from the bilateral to the EU level and resolve it there (2. bilateral, then EU) or, if unsuccessful, to pursue it again at the bilateral level (3. bilateral, then EU, then

bilateral). As regards particularly the second and third option, it is necessary to consider the ‘choice’ between the bilateral level and the EU level not as a case of ‘either-or’, but as a preference for and emphasis on one or the other avenue in the sequence that I have indicated, without implying that the other route will be abandoned entirely. Table 7.1 (above) provides an overview of the main disputes between the member states and Russia, indicating whether the member states are trying to alter Russia’s position (offensive) and whether they are trying to defend themselves against Russian attempts to alter their position (defensive) (Forsberg & Seppo 2009) and if the choice to upload the issue, or refrain from using the EU level, resulted in a resolution of the dispute. The disputes are ordered by issue area and choice (1-3).

Existing explanations of member states’ choices

There currently exists very limited academic research on bilateral disputes of the member states with Russia. The two notable exceptions are Forsberg and Seppo (2009) and Roth (2009). Roth has found that member state governments tend to upload their disputes to the EU level only after attempts to resolve the issue bilaterally have failed (Roth 2009:24). This challenges the assumption that the type of policy issue that the member states pursue determines also their choice of route. My findings largely confirm that the characteristics of the issue that is at the heart of the dispute do not per se determine the choice of route that the member states take. Roth has also found that domestic politics can be a factor in member government’s decision to upload a dispute to the EU level especially if the government in question seeks to demonstrate a high level of activity to the domestic public (Roth 2009:22-24; see also Forsberg & Seppo 2009:1816). This view was also confirmed by a member state diplomat.¹⁸⁸ The UK-Russian dispute that Roth (2009) also examined confirms that domestic political pressures can be a factor encouraging member state governments to upload a dispute,

In their analysis of EU-Russian trade related disputes, Forsberg and Seppo (2009:1807) highlight the need to distinguish between offensive and defensive objectives. They argue that when EU member states are pursuing offensive objectives and Russia has important defensive interests at stake, the EU collective will be unable to achieve the desired outcomes (Forsberg & Seppo 2009:1807). Indeed they find that solutions to disputes tend to be achieved only between the respective state and Russia directly (Forsberg & Seppo 2009:1806). I build on these research findings and show that their relative capacity and the

¹⁸⁸ Author’s interview with COEST representative (old member state), Brussels, 5 December 2007.

characteristics of the policy issue are not the only and certainly not the key factors influencing the member states' preference for one or the other policy route.

7.2 TRADE DISPUTES WITH RUSSIA

The member states have conferred powers to the EC/EU on external trade, limiting their own scope for pursuing individual policies towards Russia at the bilateral level. But whereas the Commission negotiates trade agreements with Russia on behalf of the member states, they can seek to address Russian trade barriers that affect only their own products at the bilateral level, provided they do not breach EC rules. As long as Russia remains outside the WTO it can impose protectionist tariffs on its exports to EU member states and impose barriers on its imports. This has created considerable problems for the affected member states as we will see in the following. Because on external trade the EU has the superior bargaining position vis-à-vis Russia, and because in this sector the EU/EC has already a range of competences, trade issues would appear to be 'soft' cases for member states' cooperation. Here several such disputes will be examined with the expectation that each of the affected member states will opt for the EU route to try and resolve them: a prolonged Polish-Russian dispute over an import embargo on Polish agricultural goods; a Latvian-Russian dispute over an import embargo on canned sprats from Latvia; a German-Russian dispute over the renewal of overflight rights for the German aircarrier Lufthansa; a dispute between Russia and the two Nordic states, Finland and Sweden, over a planned steep increase of export tariffs for Russian timber and a Lithuanian-Russian dispute over the suspension of oil supplies via pipeline to Lithuania's oil refinery.

The embargo on Polish agricultural exports

Following its accession to the EU, Poland was engaged in a defensive dispute with Russia about a ban on imports of Polish meat (since June 2004) and plant products (since November 2005) that the Russian authorities' imposed because of problems with the certificates accompanying the products, specifically irregularities in their quality standards and origin. This is despite the fact that at the EU-Russia Summit in late April 2004, the EU and Russia had committed themselves to avoiding any unnecessary disruption of trade in animal products (EU-Russia Joint Statement, 27 April 2004). However, in this sector, like in many others (see Chapter 4), the Russian government aims to promote an increase in domestic production and

has, as a consequence, imposed a ‘series of disproportionate trade restrictions’ on EU member states (Commission 2008e:2, Annex, 16).¹⁸⁹

The embargo on Poland was not an isolated case as more than a third of all member states were affected by the ban on animal products in 2004.¹⁹⁰ The other affected countries were the Netherlands, Germany, the Czech Republic, Estonia, Latvia, France, Belgium, Denmark, Ireland and Austria (Consumer Eroski 2004).¹⁹¹ The focus here will be on Poland as it is the only member state against which the Russian authorities upheld the import embargo for several years and this case makes it possible to examine whether the member state’s choice changed over time in response to the lack of success in achieving a resolution of the dispute.

At the bilateral level, Poland did not have much leverage in negotiations with Russia as Russian importers could substitute Polish meat and plant products from other sources. This also explains why the Russian side could uphold the import ban for several years. The fact that this was essentially a trade issue and that a whole range of other member states had experienced similar problems with Russia meant that it was a comparatively ‘easy’ case for uploading to the EU level. Besides, Russia covers approximately one third of its demand for raw and processed agricultural products by imports and is the second largest destination for agricultural exports from the EU (Commission 2008e, Annex, 16). Therefore the EU route could be expected to be the appropriate choice for pursuing Polish interests. However the EU collective was struggling to reach an agreement on veterinary issues and also on export certification (two issues that were among the key sources of conflict in this dispute). The fact that the EU lacked a comprehensive veterinary and phytosanitary agreement with Russia¹⁹² meant that Poland would most likely experience difficulties in trying to get the dispute resolved through the EU.

¹⁸⁹ Russia covers approximately a third of its demand for raw and processed agricultural products by imports and it is the second largest destination for EU member states’ agricultural exports (Commission 2008e:2, Annex, 16).

¹⁹⁰ After its EU accession, Finland also experienced problems with Russia regarding the export of Finnish eggs to Russia (see Oostlander 2000a).

¹⁹¹ Already in the mid-1990s, following the three neutral states’ accession (Austria, Sweden, Finland), Russia had imposed ‘excessive’ testing and certification requirements that was unfavourable for EU exporters (European Commission 1995:10). The Russian authorities imposed import restrictions over alleged sanitary shortcomings which caused difficulties for the Finnish egg sector and, according to Roth, prompted Finland to push for a strong EU response (Roth 2009:1). Russia also threatened to ban all EU meat imports after the accession of Bulgaria and Romania (see van Elsuwege 2008:358) and Wilson reports that as a result of a Bulgarian-Russian dispute a ban on pork exports was threatened (Wilson et al 2009:26).

¹⁹² See European Commission (n.d.) ‘EU-Russia: SPS issues’, at http://ec.europa.eu/food/international/trade/eu-russia_spsissues_en.htm [last accessed 20 November 2010].

The Polish government initially pursued the resolution of the issue in bilateral consultations with Russia (Roth 2009:9). When in early November 2005 the Russian Federal Service for Veterinary and Phytosanitary Surveillance (Rosselkhozadzor) imposed additional restrictions on the import of certain plants from Poland because of problems with the quality and the export documents (Kaczmarek & Smolar 2007:21), this was followed a few days later by a ban on plant products.¹⁹³ In November 2005 Poland provided written information about the Russian import bans to the other member states and asked them for their support (Commission 2005f; Council 2006). Just under two years after the ban was imposed, the Polish government decided to force the issue onto the EU agenda and in April 2006 the Russian ban on Polish exports of meat and plants was raised in the EU at various levels (see Common Spaces Progress Report 2007). At the end of May 2006 it was confirmed at the EU level that steps had been taken for Poland's exports to meet the Russian technical requirements (Council 2006). Since the Russian authorities did not lift the ban, the Polish government asked for firm and coordinated action to be taken at the EU level and received support from both Spain and Ireland. The two countries emphasised the need for a joint agreement on authorisations for meat exports to Russia and a common approach on certification requirements and veterinary issues (Council 2006).¹⁹⁴

In July 2006, Jarosław Kaczyński, the new Polish Prime Minister, tried to mobilise the EU to gain leverage vis-à-vis Russia (Roth 2009:22). In mid-November 2006 the Polish government made its adoption of the negotiating mandate for the New EU-Russia Agreement conditional upon the lifting of the Russian ban and called for EU solidarity (Roth 2009:10, 23; Forsberg & Seppo 2009:1814). It thereby prevented the launch of negotiations at the November 2006 EU-Russia Summit. Other member state governments criticised Poland's unwillingness to compromise and the EU collective opposed the imposition of sanctions against Russia (see Forsberg & Seppo 2009:1816; Kaczmarek & Smolar 2007:22; Roth 2009:10,12). They especially criticised that Poland was invoking solidarity without being genuinely interested in finding a solution (Roth 2009:12, 25). Only Lithuania openly supported Poland's attempt to achieve a resolution of the dispute at the EU level (Pavilionis 2008: 174).

¹⁹³ The ban reduced Polish agricultural exports to Russia by 45% and Poland incurred according to its own estimates losses in the trade of agricultural goods with Russia totalling around €400 million per year (Commission 2005f; Rettman 2006a).

¹⁹⁴ The main exporters of meat to Russia are Ireland (€70mio worth), Germany (€60mio) and Spain (€30 mio). As regards pork, the main exporters are Poland (€70mio), Germany (€39 mio), Denmark (€38 mio) and Spain (€26mio) (figures are for 2003, from Consumer Eroski 2004).

After unsuccessful efforts by the Finnish and German Presidencies to mediate in the conflict between Poland and Russia to find a compromise solution, German Chancellor Angela Merkel raised the issue during the discussions at the EU-Russia summit in Samara in May 2007. She emphasised at the press conference that followed the meeting that ‘it [was] now an EU matter’ (Merkel 2007) and spoke out – on behalf of the EU Presidency - in solidarity with Poland regarding the continuing Russian ban on Polish meat exports, describing it as a common EU concern: [a] difficulty for a Member-State is a difficulty for all of us at the European Union. [...] So, a Polish problem is a European problem.’ (Barroso 2007).

In September 2007, Poland increased pressure on Russia by blocking a preliminary stage of Moscow’s OECD accession negotiations (Roth 2009:10) and by threatening to block Russia’s WTO accession (Beunderman 2007). These measures did not achieve any results. The breakthrough in the Polish-Russian dispute came with the Polish elections of a new coalition government and Donald Tusk as new Prime Minister in October 2007 (Forsberg & Seppo 2009:1806; Roth 2009:11). Poland made a conciliatory gesture by unblocking Russia’s OECD talks and Prime Minister Tusk declared his reservations regarding the installation of the US missile defence shield on Polish soil which Russia had strongly opposed (Roth 2009:11; Blockmans 2008:172, footnote 18). The ban on meat products was lifted by Russia in December 2007, restrictions on Polish fruit, vegetables and plants were lifted after both signed in January 2008 a Memorandum of Understanding (MoU) in the framework of the EU-Russian MoU on phytosanitary certification of 2005 and the signature of an EU-Russian MoU on pesticides, nitrates and nitrites at the end of March 2008 (Four Common Spaces Progress Report 2008). In January 2008 Polish representatives withdrew their veto on the negotiating mandate for the New EU-Russian Agreement (Pavilionis 2008:175).

The Polish-Russian dispute has shown that a lack of success at the bilateral level can act as a motivation for pursuing the issue at the EU level. Furthermore, uploading was facilitated both by the fact that there was no question about the legitimacy of Poland’s case. A key motivation for Poland’s pursuit of its national objectives regarding Russia at the EU level was the opportunity that had presented itself with the negotiating mandate for a new EU-Russian agreement. It considerably increased the leverage that it could exert over the EU collective and over Russia.

The Latvian-Russian sprats dispute

Between 2006 and 2008, Latvia was engaged in a defensive dispute with Russia about its ban on canned sprat exports from Latvia to Russia for reasons of food hygiene (Commission 2008e, Annex,16; Ministry of Foreign Affairs of Latvia 2008; Wilson et al 2009:26). The Russian import restrictions against Latvia's two largest sprats producers decreased Latvian canned fish exports by 25% in 2007 (Roth 2009:5). Like the case of agricultural products this was arguably part of the Russian President's policy of forcefully promoting Russia's domestic processing industry (see Putin 2007). Latvia could have uploaded the issue and pursued a resolution of the dispute at the European level. The issue of food hygiene had already been subject of EU-Russian agreements, and Poland's uploading of its own dispute to the EU level arguably made it also easier for Latvia to upload the issue as it was, like the Polish case, related to certification standards. With the combined weight of the EU Latvia could have gained considerably greater influence over Russia, but - as the case of Poland showed - the uploading of the issue, and vetoing the launch of negotiations for the New Agreement did not guarantee a resolution of the dispute. Instead it was likely that little progress would be made at the European level and that the dispute would drag on over a prolonged period of time. Nevertheless, the repeated imposition of import bans by Russia on Latvian sprats also indicated that the likelihood of Latvia reaching an agreement with Russia on its own terms at the bilateral level was low. But although the European Commission services were offering technical assistance to Latvia¹⁹⁵, the issue was not uploaded onto the political agenda of the EU.

One diplomat argued that Latvia has a lot of problems with Russia, but as a rule 'keeps rather quiet' and does not upload its issues to the EU level.¹⁹⁶ After pursuing the lifting of Russia's restrictions on Latvian sprats exports between 2006 and 2008 at the bilateral level (Roth 2009:22), it achieved that export permits to the Latvian companies Gamma A and Licis-93 and the companies Karavela and PK Invest were renewed in January 2008 (Ministry of Foreign Affairs of Latvia 2008). This case indicates that the desire not to allow the dispute to increase in intensity can be a strong motivation to resolve a dispute at the bilateral level, even when the issue in question is 'easy' to upload and could be addressed at the multilateral level. The collective regulation of issue of food hygiene with Russia is, after all, a concern that is relevant to other member states as well.

¹⁹⁵ Author's interview with COEST representative (CEEC), Brussels

¹⁹⁶ Author's interview with COEST representative (old member state), Brussels, 5 December 2007.

The German-Russian Siberian overflight dispute

In the autumn of 2007, the German authorities became engaged in a defensive dispute with Russia that was triggered by the Russian Transport Ministry's refusal in November of that year to renew an overflight permit for Lufthansa Cargo, the main German freight carrier, for the Russian airspace over Siberia unless the company relocated its cargo hub from Kazakhstan to Siberia (Deutsche Welle 2007; Hartmann 2007a).

For the so-called Siberian overflight, airlines flying over Russian territory require permits by the Russian authorities and they are charged hefty fees. Siberian overflight charges affect European airlines servicing routes between Europe and the Far East, in particular China (Commission 2005c:3). The strategic importance of the Siberian transit corridor is that the Transsiberian flight route to Asian destinations saves airlines both time and kerosene (Hartmann 2007a). The charges that the national airlines have to pay for flying over Siberia are substantial: payments by EU airlines totalled €250 million in 2003 and rose to around €350 million in 2007 (Commission 2005c:6; Hartmann 2007a).¹⁹⁷ These charges are not related to normal payments for Air Traffic Control services and are unique to Russia.¹⁹⁸

The dispute began in late October 2007 when the Russian Transport Ministry requested from the German Ministry for Transport that Lufthansa Cargo land on its Transsiberian flights at one of Russia's Siberian airports. While the Russian Transport Ministry claimed that Lufthansa had, in February 2007, in a bilateral protocol, committed to moving its transit hub to the Russian cities of Krasnoyarsk or Novosibirsk (Eigendorft et al 2007; Roth 2009:16; see also Russian Ministry of Transport 2007), the German government spoke of a 'misunderstanding' which it was trying to resolve with the Russian authorities (Bundesregierung 2007). Meanwhile, Lufthansa Cargo categorically refused linking a relocation of its hub with the overflight permits as it had just concluded a two-year agreement with the Kazakh airport Astana (Moscow Times 2007; Beunderman 2007; AFP 2007). Lufthansa also objected to the Russian demands because the two Siberian airports were not equipped to international standards and the weather conditions unfavourable (Die Tageszeitung 2007; AFP 2007). At the end of October 2007, with the expiry of a temporary Russian-German overflight agreement, the Russian authorities banned Lufthansa Cargo from

¹⁹⁷ In 2008 these charges were estimated to total around 420 million US\$ (Commission 2010b).

¹⁹⁸ Russia is the only country in the world where such payments have to be made and the charges levied are regarded as incompatible with international law, specifically Article 15 of the 1944 Chicago Convention (Commission 2005c:6).

using Russian airspace.¹⁹⁹ Lufthansa cargo planes were forced to make detours around Russian airspace to reach the Kazakh airport Astana. This suspension of overflight rights was a major issue for the company as Lufthansa Cargo operated 49 flights per week on this route and was therefore facing considerable costs (Hartmann 2007a).²⁰⁰ According to Lufthansa sources, if the company was forced to change its routes permanently, flight frequencies might have to be cut which would seriously harm German export business (Moscow Times 2007). Because of the significant economic importance of the issue, it was necessary for the German government to reach a satisfactory agreement with Russia.

The German government could have pursued the resolution of the issue at the European level as the characteristics of the disputed issue favoured the EU route. The dispute would have been easy for Germany to upload for two main reasons. Overflight permits and the associated charges are an important issue also for other EU member states (Hartmann 2007a) and collectively they have substantial bargaining power by virtue of the fact that 75% of Russia's external passenger air traffic is directed towards the EC (Commission 2005b:8, para 2.1.3; 2005c:3). Secondly, at the EU level, member states had been engaged in negotiations about the abolition of overflying charges for more than a decade (see Commission 1995:5, 2005c:9, section 4.4). In May 2004 the EU had reached with Russia an agreement on the phasing out of the overflight charges as part of their bilateral WTO accession agreement (see Chapter 3, see also Commission 2005b:8-9, para 2.1.3, 2005c:9, section 4.4) and a formal agreement on the abolition of Siberian overflight charges was concluded by them at the EU-Russia Summit in November 2006.²⁰¹ The agreement was approved by the Russian government in November 2007 but remains yet to be signed and ratified by Russia (Commission 2008d:5; 2008e, Annex:12). Another compelling argument for why Germany should have pursued the issue via the EU was the existing EC competence in the field of Air Service Agreements with Third Countries (see Regulation EC 847/2004). All in all this was a 'soft' case for cooperation, and the combined weight of the EU could have helped Germany achieve its objectives.

¹⁹⁹ Russian officials had complained that Lufthansa Cargo should not fly through Russian airspace and then use Astana airport as its hub. According to the Ministry, Lufthansa Cargo had had time until 25 June 2007 to notify the Russian authorities, but the company had failed to confirm either of the two Siberian airports as its new transit hub (Eigendorft et al 2007). Observers also speculated that Lufthansa's decision to relocate in Moscow from the Aeroflot's 'home' airport Sheremetyevo to the privately owned, but more modern Domodedovo might have upset the Transport Ministry and Aeroflot (Eigendorft et al 2007).

²⁰⁰ These detours increased the kerosene use by 600,000 litres and created additional costs of about €280,000 per week, in addition to adding three hours of flight time for the planes (AFP 2007; Zweites Deutsches Fernsehen 2007b).

²⁰¹ According to this agreement, charges were to be abolished at the very latest by 2013.

A strong reason against uploading the dispute to the EU level was the track record of the EU in this sector, namely the fact that the EU's negotiations with Russia on the abolition of overflight charges had dragged on for over a decade with Russia's ratification of the agreement still pending. The EU's effectiveness regarding this issue was therefore clearly limited and a swift resolution of the dispute at the European level was unlikely. But although the highest proportion of EU-Russian air traffic is between Russia and Germany which held in 2005 a share of 39% of EU frequencies with Russia²⁰² (Commission 2005c:6; Moscow Times 2007), and Lufthansa Cargo's mother company Lufthansa is also by far the largest international passenger carrier in Russia (12.6%), Germany was in a weak bargaining position. The Russian authorities could simply refuse to grant the overflight permit and circumventing Russian airspace in the long-term would have substantially increased the costs for Lufthansa Cargo.

Despite the advantages of greater bargaining power that the pursuit at the EU level would have provided, the German authorities chose to pursue the issue exclusively at the bilateral level. Lufthansa reportedly asked German officials to use every possible means to find a solution (Moscow Times 2007), but throughout the dispute, other EU member states were informed informally, but not consulted on their views (Deutscher Bundestag 2008:4; Roth 2009:18). The great advantage of pursuing the issue bilaterally was that here they could retain full control over the negotiations with Russia (rather than relinquishing control by getting the other member states involved in the matter at the EU level) and it could, in principle, speedily resolve the dispute with Russia directly by granting concessions.

After the Russian authorities had suspended Lufthansa Cargo's overflight right, the German authorities responded to the ban by barring Aeroflot cargo flights at Frankfurt Hahn airport in Rhineland-Palatinate. However, Aeroflot, which had landed during the ban in Luxembourg, threatened to move its cargo flight operations permanently to Luxembourg, and for fear of economic losses the German Transport Minister lifted the ban already the following day (RP Online 2007; Moscow Times 2007; Roth 2009:16-17; Zweites Deutsches Fernsehen 2007a, 2007b; Deutscher Bundestag 2007:3). Its retaliatory measure at the bilateral level therefore remained without any consequence for Russia. Had the German government pursued the issue at the European level and enlisted the support of the other member states, the action taken against Aeroflot would have been much more effective.

²⁰² In second place was Spain (12%) followed by France (11%), UK (8.5%) and Finland (7%). Among the new member states, Poland and the Czech Republic have significant traffic with the Russian Federation (COM-2005-77:6)

After their failed attempt to exert any leverage on Russia, German Transport Minister Tiefensee and Foreign Minister Steinmeier pursued the resolution of the dispute at the bilateral level (see Bundesministerium für Verkehr, Bau und Stadtentwicklung 2007a; Die Tageszeitung 2007; Zweites Deutsches Fernsehen 2007a). Just six days after it had imposed the ban on Lufthansa Cargo, the Russian Ministry granted the company again temporary overflight rights following the Germany Ministry for Transport's declaration of their readiness to discuss the Russian demands concerning the relocation of Lufthansa's cargo hub (AFP 2007; Die Tageszeitung 2007; Zweites Deutsches Fernsehen 2007a; see also Eigendorft et al 2007). Bilateral discussions with Russia were, from December 2007 until Lufthansa's signature of an agreement with Krasnoyarsk airport in January 2009, concerned with the modalities of the transfer of the cargo hub to Karsnoyarsk, including the putting in place of the necessary infrastructure for planes to land in any type of weather (Bundesministerium für Verkehr, Bau und Stadtentwicklung 2007a, 2007b, 2008; Hartmann 2007a; Ria Novosti 2009a). So, effectively, Germany reached an agreement with Russia that settled the matter to Russia's advantage (Beunderman 2007).

A number of factors played into the German decision to pursue a resolution of the issue at the bilateral level, and not via the EU. The German government had considered uploading the dispute to the EU level, but the official justification for why it had in the end refrained from uploading the dispute to the European level was that no other European airline was affected (other European airlines use large planes that do not need to make a stop-over en route to Asian destinations) and so the bilateral level was deemed more appropriate (see e.g. Airliners 2007; Hamburger Abendblatt 2007; A. Meier 2007; Die Tageszeitung 2007). In the German government's official response to questions from the German parliament (*Bundestag*) on its choice of policy route the government made clear that it considered the bilateral German-Russian air traffic agreement and the EU-Russian agreement on abolishing overflight charges not to be (directly) related and consequently the government saw no justification for pursuing the issue at the EU level (Deutscher Bundestag 2008:2). Furthermore, based on interviews he conducted with policy-makers, Roth argues that the German government believed that uploading the dispute to the EU level would increase the intensity of the dispute and therefore make it more difficult to resolve (Roth 2009:18).

Krichbaum, the chair of the German Parliament's European Affairs Committee had also compared the conflict with the Polish-Russian dispute over meat exports and asked the German government to take the dispute to the EU level if a resolution of the dispute was not possible at the bilateral level (Beunderman 2007; Hartmann 2007a, 2007b; Zweites

Deutsches Fernsehen 2007b).²⁰³ The fact that Lufthansa Cargo received, as part of the deal, overflight rights for cargo operations to Korea (Bundesministerium für Verkehr, Bau und Stadtentwicklung 2008) and that using Krasnoyarsk cuts down the flight time by half an hour, suggests that the decision to cooperate and reach an agreement with Russia at the bilateral level rather than to push for coercive action at the EU level was influenced also by practical considerations, namely that a relocation of the transit hub to Siberia would prevent further disruptions to Lufthansa Cargo's operations and that a conciliatory approach towards Russia on this issue could earn Germany some concessions. In the end, this choice of policy route ensured firstly that an agreement with Russia was concluded in a speedy fashion and secondly, that this agreement would benefit Germany, even if it was largely on Russian terms.

This case demonstrates that there can be (good) reasons for a member state not to choose cooperation in the EU even when the issue is in principle a 'soft' case for cooperation. So even when the EC has already competences in an area closely related to the policy issue in question, it does not follow that the member state will necessarily take advantage of the combined leverage to pursue its objectives via the EU. It is also evident from this case that the capacity of the member state does not (pre)determine the policy avenue(s) chosen by it. Rationalists would expect Germany, as a large member state, to take advantage of both the EU and the bilateral avenue in the resolution of its dispute with Russia. Germany's choice also underscores the fact that the greater bargaining power that the EU has in negotiations with Russia compared to the individual state can be outweighed by the anticipated damage that a drawn-out negotiation with Russia at the European level could cause to the national economy. The cost of 'no agreement' could in this regard be the most crucial factor in the assessment of the utility of the EU route versus the bilateral avenue. But, in addition, it is also possible that a perception of inappropriateness or lack of legitimacy of uploading the dispute influenced the German decision, quite in contrast to Poland which, it could be argued, chose the EU route to resolve its dispute because it had not undergone the processes of Europeanisation yet that had influenced the German decision-makers' choice against the EU avenue.

²⁰³ Krichbaum also argued that the Bundestag must not ratify Russia's WTO accession agreement unless the Russian authorities changed their position in the dispute and the Chair of the German business association for trade with Eastern Europe also demanded strict sanctions (Beunderman 2007; Zweites Deutsches Fernsehen 2007b; see also Eigendorft et al 2007).

The Nordic-Russian timber export tariff dispute

Finland and Sweden were engaged in a defensive dispute with Russia about a substantial increase in the tariffs for timber imports from Russia, affecting particularly the Swedish (mainly concerning birch) and Finnish timber processing industry (Commission 2008e, Annex,16; Cameron 2007). Russian timber export tariffs are of great consequence for Finland where the timber and paper industries account for a big share of the economy (Pop 2010b).

Finland's and Sweden's problems started on 1 July 2007 when the Russian export tariffs for timber were raised from €6 to €10 euro per cubic meter, and the Russian authorities announced that tariffs in 2009 would quintuple, bringing them up to €50 per cubic meter (Hartmann 2007a).²⁰⁴ As in the case of agricultural products, this move was part of a broader policy which President Putin had announced in his Annual Address to the Federal Assembly in 2007 where he declared that access of foreign companies to Russian forestry resources would be made more difficult in order to promote the development of Russian domestic processing industries so as to secure greater revenue from the processed products than Russian exporters were earning from selling the raw materials (Putin 2007). The increase in tariffs was intended to force Finnish (and other) companies to move their pulp and paper processing plants to Russia and designed to reduce the much less profitable Russian exports of unprocessed timber and increasing exports of Russian manufactured timber products (Forsberg & Seppo 2009:1816; Roth 2009:5).²⁰⁵

This tariff hike would have had a substantial detrimental impact on the processing industries in Sweden and even more so in Finland where forestry industry is heavily dependent on imports of Russian logs. There are estimates that one fifth of all the timber used by Finnish pulp and paper manufacturers is imported from Russia, and rough estimates of the impact of these substantial tariff increases indicated that around 16,000 jobs would be at stake if the tariffs were raised to the planned levels (see Crawford & Catan 2008; Forsberg & Seppo 2009:1816). Considering the vital importance for Finland and Sweden of obtaining concessions from Russia to prevent domestic industry from making heavy losses, we would expect that both countries choose to upload their problem to the EU level in order to try and bring the EU's combined weight to bear on Russia and to take advantage of the EU's bargaining power in trade, particularly in the context of the ongoing WTO accession negotiations with Russia at the working group level. The export duties contradicted the

²⁰⁴ Already in the mid-1990s, following Finland's accession to the EU, the Russian authorities significantly increased tariff protection that was deemed 'excessive' (European Commission 1995:10).

²⁰⁵ Finnish company UPM-Kymmene agreed to form a joint venture with Russian company Svezha to invest in wood-processing in Russia (Forsberg & Seppo 2009:1818).

agreement reached between the EU and Russia in their protocol on Russia's WTO accession in which Russia had committed to giving up trade barriers such as the timber tariffs (Forsberg & Seppo 2009:1816).

The argument against uploading the issue to the EU level was similar to Germany's consideration of the policy route that promised to best protect the interests of its airtransport company. If they had decided to pursue the issue at the EU level, the two Nordic states would have had to relinquish control over the process and the issue would have become embroiled in the drawn out and still ongoing WTO accession negotiations. The EU route did not promise a swift resolution as the experience of the EU-Russian negotiations on Russia's WTO accession had shown. If they wished to see the tariff dispute resolved in a timely fashion, the bilateral level was more likely to deliver the desired results. Here, Finland and Sweden could try and agree a compromise solution with Russia that would take immediate effect and resolve the pressing concerns of their respective timber processing industries.

The Finnish government urged the Commission representative to raise the issue at the EU-Russia Summit in Samara (Helsingin Sanomat 2007a) and, after bilateral negotiations over the course of the summer of 2007 achieved no results, the Finnish and Swedish government reportedly argued that the issue should be resolved at the European level (Forsberg & Seppo 2009:1817). The Swedish Minister for Trade, Sten Tolgfors urged the EU to become active in August 2007 (Forsberg & Seppo 2009:1817), but in contrast to the Polish grievances, the dispute did not enter the publicly visible political agenda. If any negotiations at the European level took place among the member states, they were happening behind closed doors. This had perhaps also to do with the fact that as a result of pressures from the Finnish forest and paper industry (see Forsberg & Seppo 2009:1819), Finland in particular became determined to negotiate its way out of the dispute bilaterally and, quite unlike Poland, refrained from pushing further for the EU to get involved (Dura 2008:13).

The key argument against the EU level was, according to industry representatives, that the EU's involvement and consequent increase in salience of the dispute would exacerbate the problems (see Forsberg & Seppo 2009:1819). Furthermore, Finnish Prime Minister Vanhanen was concerned that an attempt to link Russia's WTO accession with the maintenance of lower tariffs for timber exports would hinder, rather than help bring about, a solution in this dispute (Helsingin Sanomat 2007b; see also Forsberg & Seppo 2009:1817). This strategy seemed to initially deliver the desired results as in November 2008 Russian Prime Minister Putin announced in a bilateral meeting with Finnish Prime Minister Matti Vanhanen that the increase in tariffs on timber exports, set to take effect from January 2009

would be postponed for nine months. However this apparent success (Forsberg & Seppo 2009:1819) had much to do with the effects of the global financial crisis on the Russian economy and the limited probability that it would be able to attract investors to build up its own processing industry in Russia in the difficult financial climate and the consequent need to maintain Russian timber export levels.²⁰⁶

Like the Latvian and German case, this example shows that the superior capacity of the EU relative to that of the affected states did not play a key role in their choice of policy route. Despite the fact that this was an easy case for uploading, and that the EU's capacity to bargain with Russia is much greater than that of these two small states, they opted for resolving the issue primarily at the bilateral level. Similar to the overflight dispute, the financial cost of no agreement put pressure on both governments to achieve an agreement with Russia on the maintenance of existing tariff levels. In this regard the slow-moving negotiations between the EU and Russia in the context of Russia's WTO accession negotiations acted as a strong disincentive, turning the bilateral avenue into the more promising avenue for achieving (more of) the desired outcomes. However, the choices of the Finnish and Swedish government could have equally been influenced by considerations of the appropriateness of their choice, as EU members, of the EU avenue to resolve an individual bilateral dispute with Russia.

The Lithuanian-Russian oil supply suspension dispute

Since July 2006, Lithuania has been engaged in a dispute with Russia about the Russian suspension of pipeline oil supplies to the Lithuanian refinery Mazeikiu Nafta which is the most important taxpayer in Lithuania. The cut-off therefore had a significant economic effect (Whist 2009:100). Unlike the previous cases discussed here, this was not an easy issue to upload as the supply of energy remains a national issue that the member states generally deal with at the bilateral level (see Chapter 5). Besides, even jointly they would have great difficulties forcing Russia to 'switch' the oil supply back on. Nevertheless, the pursuit of the issue at the EU level promised much greater bargaining weight than what Lithuania enjoyed at the bilateral level. For more than half a year the Lithuanian authorities sought

²⁰⁶ Although it falls outside the period that has been studied in this thesis, it is worth noting that the EU-Russian agreement of 7 December 2010 concerning Russia's WTO accession included a commitment by the Russian side to phase out export tariffs on timber and other raw materials (Rettmann 2010d; Pop 2010b). This means that the tariff issue did make it in the end onto the EU's agenda, and this development is likely to have been brought about by the persisting Russian ambition to build up national manufacturing industries to process its own raw materials, and also the lack of a binding agreement between the affected member states and Russia on the tariff question.

unsuccessfully to resolve the matter bilaterally with Russia. Eventually the government chose to upload the issue to the EU level.

In February 2007 Lithuanian officials threatened to join Poland in vetoing the PCA negotiating mandate (see Chapter 4) in order to get the EU to help resolve the issue of Russia's oil suspension (Blockmans 2008:172, footnote 18).²⁰⁷ At the May 2007 EU-Russia summit the Commission President Barroso and German Chancellor Merkel – on behalf of the EU Presidency - spoke out 'in solidarity' with Lithuania regarding the temporary closure of the pipeline to supply its oil refinery, describing the disputes with Russia as a common EU concern: [a] difficulty for Lithuania [...] is a European problem [...] (Barroso 2007). Nevertheless, besides the declaratory support of the member states and the technical assistance of the Commission, taking the EU route did nothing to resolve the supply problem of Lithuania. In June 2007, not long after the EU-Russia summit meeting, Russian Energy and Industry Minister Viktor Khristenko announced that the pipeline is faulty and cannot be fixed and that the refinery would now be supplied with shipments via the Baltic Sea (Light 2008:8-9; Whist 2009:100;). Diplomats from the CEECs did not lend this Russian claim any credibility however and argued that there did not seem to be anything wrong with the pipeline itself and that this was a deliberate supply suspension.²⁰⁸

Following this announcement the issue was then raised with Russia through EU channels, but without achieving any progress (Commission 2008e, Annex, 20).²⁰⁹ In early 2008, after Poland had lifted its own veto, Lithuania vetoed the negotiating mandate for the New Agreement and made the resumption of Russian oil supplies to Mazeikiu Nafta a condition of its adoption (Pavilionis 2008:174; Roth 2009:5). The Lithuanian government was however pressured by some of the other member states into lifting its objections to enable the launch of negotiations for the New Agreement (see Chapter 4). After Lithuania endorsed the adoption of the mandate, its dispute with Russia concerning oil supplies through the Druzhba pipeline dropped again back down to the bilateral level.

Reflections – with or without the EU?

The analysis of member states' trade-related disputes with Russia has shown that whereas all the evidence indicates that 'logic of expected consequences' considerations drive their choice of policy route through which they have tried to resolve their respective disputes with Russia,

²⁰⁷ Author's interview with Commission official, DG Trade, 19 July 2007, Brussels.

²⁰⁸ Author's interviews with diplomats from the CEECs, 20 June 2007, Berlin; 20 July 2007, Brussels; 25 July 2007, Brussels.

²⁰⁹ Author's interview with Commission official, DG Trade, 19 July 2007, Brussels.

they do not all, as one might have expected, opt for European level action and instead several states have preferred the bilateral route to avoid the costs that failure to reach an agreement with Russia in a timely fashion would have imposed on their national companies. It is also noteworthy that they all pursued first of all the resolution of their disputes at the bilateral level and uploaded their problems only to the EU level (if they did so) after failing to achieve any progress bilaterally.

7.3 JUDICIAL DISPUTES WITH RUSSIA

In the field of Freedom, Security and Justice (JLS) member states are free to conclude bilateral agreements on issues that are not covered by the *acquis communautaire* (for details see Title VI, TEU, 1992). Police and judicial cooperation has been pursued by individual member states at the bilateral level only. Because such issues are specific to that particular judicial case and because the member states retain exclusive competence in this sector, they can be regarded as hard cases for cooperation. The main bilateral dispute with Russia over an essentially judicial matter developed between the UK and Russia following the murder in London of a Russian exile who had acquired UK citizenship. The UK was expecting to put the main suspect, a Russian national on trial in Britain. This dispute can be expected to be a hard case for cooperation as there is no exclusive EC competence in this area and, touching on national security, it is a highly sensitive area for the UK. Further criminal matters, especially concerning questions of judicial cooperation and the extradition of criminals, are regulated by bilateral extradition treaties between individual states and Russia.

The UK-Russian Litvinenko affair

Since 2007 the UK is engaged in an offensive dispute with Russia about the extradition of the key suspect in the murder of a Russian exile, Alexander Litvinenko, who had acquired British citizenship. In November 2006 Litvinenko, a former Federal Security Bureau (FSB) officer, died three weeks after having been poisoned with a radioactive isotope (Polonium 210) in a public place in London. Initially British and Russian investigators cooperated with one another (Ambassador Brenton 2007a). After completing investigations into the murder, the British Crown Prosecution Service (CPS) announced in May 2007 that they were charging a Russian national and former Russian intelligence officer, Andrei Lugovoy, with the murder of Alexander Litvinenko by deliberate poisoning (Crown Prosecution Service 2007; for details regarding the evidence see Foreign Secretary Miliband 2007a). The murder suspect

had met Litvinenko on the day he was poisoned, together with another former Russian intelligence officer. The CPS lodged an extradition request to bring him before a court in London (Crown Prosecution Service 2007). Meanwhile, according to the UK Ambassador to Russia, cooperation between the UK and Russia was ‘very good’ (Ambassador Brenton 2007c). At the beginning of July, more than five weeks after the extradition request was submitted, the Russian Deputy Prosecutor General informed the UK Home Secretary that Lugovoy would not be extradite, citing constitutional grounds as the reason, and offered to put Lugovoy on trial in Russia.²¹⁰ The British CPS rejected the proposal and argued that because the crime was committed against a British citizen, and took place in London, that London was the appropriate venue for the trial (Ambassador Brenton 2007c)²¹¹. An additional reason was the fear that Russian courts would stage a political trial and acquit Lugovoy²¹² in spite of the evidence (Roth 2009:19) and that there would be grounds for a legal challenge against a trial in Russia as the UN and the EU had long declared their concerns about the state of the rule of law in Russia, namely its apparently selective application (Ambassador Brenton 2007c). The CPS consequently announced that it would continue to seek a trial of Lugovoy in England.

While the investigations were ongoing, the UK government had regularly briefed the other member states, especially the Article 36 Committee (Police and Judicial Cooperation) about the planned extradition request (see Roth 2009:20). After the Russian authorities turned down the request, it chose to upload the issue to the EU level to put pressure on the Russian government to extradite the suspect. In June 2007 the UK requested that a protocol be annexed to the negotiating mandate and that the mandate for the New Agreement includes reference to the Litvinenko case and member states’ common ‘European concerns’ about it (Foreign Secretary Miliband 2008d; see also Roth 2009:21). National diplomats reported that the UK had contemplated making its adoption of the negotiating mandate for the New Agreement conditional upon the extradition of Lugovoy by Russia.²¹³ The government decided however that greater gains would be made from addressing these issues in the framework of negotiations for the New Agreement. The UK government also took coercive measures at the bilateral level and announced that four Russian diplomats from the Russian

²¹⁰ The Russian Constitution (Art. 61) prohibits the extradition of Russian citizens.

²¹¹ The new British Prime Minister Gordon Brown emphasised at the Prime Minister’s Monthly Press Conference on 23 July 2007 that ‘a British citizen had been assassinated on British soil and therefore action had to be taken as the culprit had been identified but the Russian authorities were unwilling to engage in the necessary cooperation on the matter (Brown 23-7-2007).

²¹² It would also have required the British authorities to hand over their evidence to the Russian prosecutor.

²¹³ Author’s interview with diplomat of one of the member states, 27 March 2007, London.

Embassy in London would be expelled, it suspended visa facilitation negotiations with Russia, made changes to visa procedures concerning the Russian government and suspended counter-terrorism cooperation with Russia and announced it would review co-operation with Russia on an unspecified 'range of issues' (Foreign Secretary Miliband 2007a, 2008d; Ambassador Brenton 2007b). The Russian government expelled four UK diplomats in return and reciprocated with visa restrictions (Roth 2009:20). The other member states had not been informed of the diplomatic expulsion prior to the UK's announcement and several of them regarded the measure as an 'overreaction' (Roth 2009:21).²¹⁴

The UK government argued that the lack of cooperation from the Russian side had led to these diplomatic measures (Ambassador Brenton 2007d). Domestic factors were clearly an additional motivating factor for uploading the issue to the EU level after the UK could not achieve a resolution of the dispute bilaterally because the murder had exposed British people to serious radiation and 'the British public would not accept such crimes going unsolved because British courts cannot try the main suspect' (Ambassador Brenton 2007c, 2007d; Foreign Secretary Miliband 2007a). This suggests also that the British government felt the need to demonstrate to the British public that it was doing everything it could to try the murder suspect in Britain.

Following the diplomatic expulsions, the UK pursued the issue again at the EU level with the intention to convince the other member states of the need for future EU engagement with Russia to take its refusal to extradite the murder suspect into account (Foreign Secretary Miliband 2007a). Support from the other EU member states at the EU level was limited to Presidency statements. The German EU Presidency issued a statement in which it 'expresse[d] its hope that all necessary steps will be taken to resolve the murder of Alexander Litvinenko.' and that it 'expects the Russian judicial system to cooperate constructively with the British authorities' (EU Presidency Statement, 1 June 2007). The Presidency statement did however refrain from any indication of support for the British extradition request. Another statement reiterated that the murder of Alexander Litvinenko was 'a grave and reckless crime' and expressed 'disappointment at Russia's failure to cooperate constructively with the UK authorities' (EU Presidency Statement, 18 July 2007), although it did not explain what constructive cooperation would entail. The statement also declared that the matter had raised 'important questions of common interest to EU Member States' (EU Presidency

²¹⁴ It is noteworthy that the British Ambassador to Russia described the UK's measures as 'balanced, considered and targeted' (Ambassador Brenton 2007b).

Statement, 18 July 2007), but failed to specify these. The Presidency statement neither referred to the expulsions of diplomats nor did it condone the measures taken by the UK.

At the bilateral level the UK was unable to achieve any progress and at the EU level, member states provided only limited support. While they fully supported the CPS' criminal investigation, they did not endorse the UK's approach and accused the UK government of double standards (Roth 2009:21). The distinction that UK officials had made already in spring 2006 between their own judicial system and that of Russia was that UK courts are 'independent and free from political interference', so the government cannot bypass the law (Ambassador Brenton 2006; see also Commission 2008e, Annex, 75.). A factor contributing to the failure of the UK to shape EU policy was that the British authorities rejected Russian arguments about the constitutional barriers to extradite a Russian national to the UK (see also Ambassador Brenton 2008) although UK authorities had repeatedly refused Russian extradition requests for Russian nationals residing in the UK (incl. Chechen Akhmed Zakayev and Russian oligarch Boris Berezovsky²¹⁵) on legal grounds²¹⁶, a decision that the Russian Ambassador to Sweden argued was essentially 'politically motivated and legally absurd' as the verdict protected 'suspected terrorists and criminals' from extradition (see Kadakin 2009). The murder suspect Lugovoi ran for a seat in the Russian parliamentary elections of December 2007 and was elected to the State Duma, thereby gaining immunity from prosecution.

This case underscored firstly that a member state may pursue its national objectives at the European level and at the national level in parallel, to maximise impact, especially when doing so does not provoke any (material) cost to the country. Secondly it highlighted the role that domestic pressures can play in seeking such a heightened impact through uploading of the dispute to the EU level.

²¹⁵ The UK is not the only member state to refuse an extradition request from Russia. Denmark refused to extradite Akhmed Zakayev in 2002 and also refused to cancel the Chechen World Congress in 2002 in Copenhagen. Spain (2000/1) and Greece (2003) refused to extradite Vladimir Gusinsky (Greece) (Roth 2009:6).

²¹⁶ Over the period from 2001-2007, the UK refused repeatedly extradition requests by Russia for 13 individuals (House of Commons 2007).

The UK authorities granted political asylum to Chechen exile Akhmed Zakayev and the Russian oligarch Boris Berezovsky. Regarding Zakayev the British judges refused the request. ['The Russian Federation vs Mr Zakayev', ruling of 13 November 2003]. (Ambassador Brenton 2006). As regards Berezovsky made, the Russian Prosecutor General opened in February 2006 a criminal case against him on charges of plotting a coup and requested at the beginning of March his extradition from the UK (Ambassador Brenton 2007c). Ambassador Brenton stated that for an extradition, besides delivering compelling evidence to the British judges, the Russian authorities would have to prove that he would get a proper trial in Russia (Ambassador Brenton 2007c).

7.4 DISPUTES OVER CULTURAL ISSUES

Decisions on cultural matters, such as the construction or removal of monuments and cultural artefacts associated with Russia and the work of member states' national cultural organisations in Russia are issues where the member states enjoy exclusive competence. And although cultural cooperation between the EU and Russia is being regularly emphasised and promoted, cultural cooperation with Russia remains a bilateral matter. Here, two cases will be examined: firstly, the UK-Russian dispute about the operations of the British Council in Russia and secondly, an Estonian-Russian dispute about the relocation of a monument to the Soviet soldier in the centre of the Estonian capital.

Both of these cases are 'hard' cases for cooperation. Although the British case of the restrictive policy towards the British Council in Russia was of broader relevance for other member states and their cultural organisations operating in Russia, the activities of national cultural institutions, such as the British Council, in Russia, are regulated in individual bilateral agreements with Russia. As regards the Estonian case, the relocation of cultural heritage within an EU member state is an exclusively national issue that has no consequence for the other member states, quite in contrast to other cultural disputes with Russia that have affected a number of member states, such as the return of national treasures (cultural artefacts) that the Soviet army removed from, *inter alia*, German, Austrian and Danish territory, during the Second World War (see President of Russia, Press Statement 23 May 2007), but which have been pursued at the bilateral level only (see also Aggestam 2000:75; Bastian 2006:68,157-160, 89; Roth 2009:16; Stent 2010:157-159; Timmermann 1996:213).²¹⁷

The Estonian-Russian Bronze Soldier Dispute

In April-May 2007, Estonia was engaged in a dispute with Russia that caused what has been referred to as 'the worst crisis since 1991' in Estonian-Russian relations (Astrov 2009:86). Estonian Prime Minister Andrus Ansip had decided to relocate a monument honouring Soviet soldiers who had fought against Nazi Germany, the 'Monument to the Liberators of Tallinn'²¹⁸, better known as the Bronze Soldier or 'Alyosha' - from the centre of Tallinn at Tõnismägi (St. Anthony's Hill) (Brüggemann & Kasekamp 2008:433, 2009:57-58; Mälksoo

²¹⁷ Author's interview with national diplomat, 30 November 2007, Brussels. See also German Coalition Agreement 2005-2009, p. 133.

²¹⁸ In 1995 the text accompanying the monument was changed from the contentious 'liberation' to a simple 'remembrance of those who fell' (Brüggemann & Kasekamp 2008:433).

2009:74).²¹⁹ The relocation was to take place before Victory Day (9 May) 2007 in order to prevent an escalation of violence around the site after ethnic Russians and Estonian nationalists had clashed the previous year on the Victory Day anniversary. The decision to relocate the monument angered ethnic Russians in Tallinn and Russian officials in Moscow. The Russian government protested against the plans to exhume the Soviet soldiers buried under the monument (Mälksoo 2009:77-78). On 26 April 2007 archaeologists exhumed the bones and the monument was re-erected in Tallinn's military cemetery.

The relocation provoked a series of riots in Tallinn which resulted in the death of a young Estonian of Russian ethnicity (Brüggemann & Kasekamp, 2009:57; Mälksoo 2009:78; *Der Tagesspiegel* 2007). The Russian Federation Council passed a resolution in response to the relocation that called for a stern response including the possible termination of diplomatic relations with Estonia (Roth 2009:13). Cyber attacks targeted mainly internet sites of the Estonian Government, but also of Estonian banks were,²²⁰ according to Estonian Prime Minister Ansip, launched 'from the servers of Russian state authorities' (Ansip 2007a), although these allegations were never proven. Estonia also faced economic pressures as a result of boycott calls against Estonian products and Estonian sales contracts were cancelled, planned Russian investments suspended, truck traffic into Estonia was blocked and rail deliveries of Russian oil, petroleum products and coal through Estonian ports were reduced or suspended (Brüggemann & Kasekamp 2008:436, 2009:58; *Der Tagesspiegel* 2007; Ehin & Berg, 2009:5; Roth 2009:6,12,13). The Estonian embassy in Moscow became a second site of Russian protests. It was besieged for several days by the Russian patriotic youth organizations Nashi and Molodoya Gvardiya (Young Guard), stones were thrown at the embassy building, the national flag was torn down and the Estonian Ambassador Kaljurand and visitors to the embassy were attacked (Prime Minister Ansip 2007a; Brüggemann & Kasekamp 2009:58; Mälksoo 2009:78; *Der Tagesspiegel* 2007).²²¹ The failure of the Russian authorities to protect the embassy and failure of the Russian police forces to stop the protestors from tearing down the Estonian flag, restricting the movement of embassy staff or blocking access to visitors was regarded as a breach of the Vienna Convention on Diplomatic Relations (Roth 2009:13).

²¹⁹ see also the justifications for the relocation offered by Prime Minister Ansip 2007a, 2007b; Foreign Minister Paet 2007a; for the legal basis of the relocation, see Supreme Court of Estonia 2007

²²⁰ Author's interview with EU official, 28 November 2007, Brussels.

²²¹ The previous year British Ambassador to Russia, Tony Brenton had been subjected to a harassment campaign by Nashi after he spoke at a conference of the Russian opposition, the "Other Russia", in July 2006 (Roth 2009:6).

The Estonian government kept the bilateral conflict initially at the bilateral level and deliberately sought to avoid uploading the dispute (Roth 2009:24). Estonian Foreign Minister Paet made clear that the relocation of the Bronze Soldier and dealing with the riots in Tallinn were 'Estonia's internal matters' (Paet 2007b). The Swedish Foreign Minister Carl Bildt emphasised that he was convinced that Estonia could handle the situation on its own (Estonian Ministry of Foreign Affairs 2007b). After the monument and bones had been shifted from the centre of Tallinn, Estonian Foreign Minister Urmas Paet informed the German EU Presidency of the events in Tallinn (Estonian Ministry of Foreign Affairs 2007a). With the escalation of the crisis, some member states, including Latvia, Lithuania and Sweden issued declarations of support (Estonian Ministry of Foreign Affairs 2007a, 2007b).

After violence on the streets and the attacks in cyberspace escalated, Estonia chose to upload the issue to the EU level. This choice was motivated by the inability to resolve the issue at the bilateral level and the urgency and level of threat to Estonia's national security. The EU Presidency Statement on 2 May 2007 insisted that, as a member of the EU, Estonia needed to be treated in line with international legal obligations:

The Presidency of the European Union is gravely concerned about current developments in relations between Estonia, a Member State of the European Union, and the Russian Federation [...] the situation of the Estonian Embassy in Moscow gives cause for concern.... [The EU Presidency] strongly urges the Russian Federation to comply with its international obligations under the Vienna Convention on Diplomatic Relations [...] (European Union Presidency 2007a).

The EU Presidency tried to mediate between the two parties and the German EU Presidency issued a statement regarding Russia's perceived violation of the Vienna Convention on diplomatic relations contributed to the resolution of the dispute. The Estonian Foreign Minister Urmas Paet declared on 1 May 2007 that 'the coordinated activities undertaken against Estonia by Russia are a matter of the entire European Union' and that 'The European Union is under attack, as Russia is attacking Estonia.' (Paet2007b). The German EU Presidency tried to mediate in the conflict, but the Duma delegation that came to Tallinn undermined these efforts when it claimed that the Estonian Government should resign (Prime Minister Ansip 2007a; Brüggemann & Kasekamp 2009:58; Mälksoo 2009:78).

Because the dispute surrounding the monument formed part of a broader unresolved conflict between a number of the CEECs and Russia about the 'legacy of the past' and how to deal with the Soviet history (see also Ehin & Berg 2009), uploading the issue to the EU level was likely to negatively impact on Estonia's image and conjure up a perception of the country

as ‘trouble-maker’ in the EU-Russian relationship.²²² The fact that there were some misgivings among national representatives who criticised the Estonian government for provoking Russia²²³ suggests that the other member states could have tried to prevent Estonia from relocating the monument so as not to provoke a conflict with Russia over the issue. For the Estonian government national rather than European level action and retaining its freedom of manoeuvre in implementing the measures that they deemed appropriate at the national level was at this point in time of great importance to prevent the outbreak of civil unrest around the memorial site. It is significant that it was only at the height of the crisis that Prime Minister Ansip and Estonian Foreign Minister Paet asked for the support of the EU collective to stop Russian ‘attacks’ and stop it from ‘interfering with [Estonia’s] internal matters’ and suggested that this could include ‘suspending talks between the European Union and Russia or not commencing them at all’ (Paet 2007b; Ansip 2007a). However the Estonian government did not join Poland in vetoing the start of negotiations of the New Agreement (Roth 2009:14), instead it asked the German EU Presidency to postpone the planned May 2007 EU-Russian summit (Foreign Minister Paet 2007b), a request that the German government rejected (Der Tagesspiegel 2007), highlighting once more the limited weight of a small country such as Estonia in shaping policy at the European level.

Estonia received support from the other member governments as its concerns were regarded as legitimate; it was facing serious pressure from Russia and it had conducted itself in a cooperative manner (Roth 2009:15).²²⁴ At the EU-Russian summit Commission President Barroso and the German EU Presidency spoke out in solidarity with Estonia, but Barroso also emphasised that the fallout from the relocation of the monument was for Estonia to resolve bilaterally (Barroso 2007). When asked about the events of April/May 2007, Estonian diplomats were extremely eager not to be perceived as ‘misusing EU solidarity’ and keen to avoid being branded as a ‘troublemaker’ in EU-Russian relations (Roth 2009:15).²²⁵

The Estonian-Russian dispute and the UK-Russian judicial dispute highlighted the important role that the perceived legitimacy of a member state’s position in a bilateral dispute (and the illegitimacy of Russian actions) can play for national decision-makers in small eastern member states quite in contrast to the absence of any concern by the UK for how its actions might be perceived.

²²² Author’s interview with diplomats from CEECs, 16 July 2007, Brussels.

²²³ Author’s interview with diplomat from EU-15, 20 July 2007, Brussels.

²²⁴ It is noteworthy that the German ex-Chancellor Gerhard Schroeder strongly criticised the relocation of the monument and took issue with how Estonia handled it, reportedly describing it as ‘contradicting every form of civilised behaviour’ (Steuer 2007).

²²⁵ Author’s interviews with diplomats from the CEECs, 19 June 2007, Berlin and 16 July 2007, Brussels.

The UK's British Council dispute with Russia

The UK was engaged in a defensive dispute with Russia over the forced closure of British Council offices outside Moscow in Russia in late 2007 and early 2008 (for details see Roth 2009:20-21). This occurred after the Russian government had in 2006 introduced a new law on NGOs in Russia which gave the government greater control over the activities of NGOs operating in Russia. In late October 2007 the Russian authorities demanded that the British Council suspend all operations outside Moscow from January 2008. They argued that these offices operated without a legal basis (Roth 2009:19). The closure of the British Council offices in St Petersburg and Yekaterinburg by 1 January 2008 was confirmed on 12 December 2007 by the Russian government. Foreign Secretary Miliband complained that the measures taken against the British Council were 'contrary to the letter and spirit of the legal framework under which the British Council operates' which included the Vienna Conventions and the bilateral UK-Russian agreement of 1994 on cultural cooperation (Foreign Secretary Miliband 2008b). Russian Foreign Minister Sergei Lavrov actually stated publicly in mid-December 2007 that the forced closure of the British Council offices were a 'retribution' for the measures the UK had taken in the Litvinenko affair (Foreign Secretary Miliband 2008b; Roth 2009:7).²²⁶

Since the increasing control over NGOs in Russia also concerned other member states' cultural and political institutions, the UK was able to upload the issue to the EU level, although the closure of a key cultural institution was specific to the UK and did not affect other major cultural institutions of EU member states such as the *Goethe Institute*, the *Institut Français* or the *Instituto Cervantes*. Further, due to the specific context of the linkage between the UK's offensive policy regarding the hand-over of the Russian suspect and Russia's offensive policy regarding the closure of the British Council offices, the UK could alternatively have decided to address the issue at the bilateral level with Russia in the context of the Litvinenko affair. The British government had in fact discussed the possibility of taking punitive measures at the bilateral level against Russia's cultural activities in the UK in response to the closure of the British Council offices, for example by sending back Russian masterpieces scheduled for show at the Royal Academy, or by taking measures against the two Russian diplomats at the Russian Embassy who are dedicated to cultural work (Foreign

²²⁶ The Litvinenko case was also reportedly the reason for the forced removal of the BBC's Russia Service from two local FM stations in November 2006 and the Bolshoye Radio joint venture in August 2007 which left the Russian service without FM broadcasting (Esposito 2007; Harding 2007).

Secretary Miliband 2007b, 2008b). But since the UK wanted to force Russia to revisit its decision to close down the two British Council offices the support by other member states that were not embroiled in the judicial dispute promised to strengthen its position. The key motivation for uploading the issue to the EU level was thus to exert greater pressure on Russia which the UK alone could not have achieved under the circumstances of the entrenched bilateral conflict over the Litvinenko affair.

But although the UK also managed to get both the Portuguese and the Slovenian Presidency to issue statements regarding the British Council office closure, it took the Portuguese EU Presidency over a week to issue a statement in which it expressed its concern and urged the Russian Authorities to revisit their decision concerning the closure of the British Council offices (EU Presidency Statement, 21 December 2007). This is indicative of the fact that there were substantial disagreements among the member states on what the statement should say and how to phrase it (for details on the decision-making process, see Chapter 2). Despite these statements, the offices in St. Petersburg and Yekaterinburg were closed on 1 January 2008 and British Council staff were harassed (EU Presidency Statement, 17 January 2008). A fortnight after the closure of the offices the Slovenian Presidency, on behalf of the other member states, ‘urge[d] the Russian Federation to allow the British Council to operate freely and effectively in Russia and to take no further actions that might hinder its activities (EU Presidency Statement, 17 January 2008). The Presidency also declared the Russian actions as ‘contrary to the spirit’ of the cultural cooperation Russia agreed at the EU-Russia Permanent Partnership Council on Culture of October 2007 in Lisbon (EU Presidency Statement, 17 January 2008).

Following these statements, the UK government let the issue ‘drop’ again to the bilateral level, although UK Foreign Secretary Miliband emphasised that when discussions with Russia for the New Agreement would open, the UK government would address Russia’s clampdown on cultural cooperation regarding the British Council (Foreign Secretary Miliband 2008d). In the end, the UK did not achieve its objectives via the EU and the two British Council offices remain closed, with only the Moscow office remaining in operation.

This case has shown that a member state’s choice to upload a dispute to the EU level can also be motivated by the state of its bilateral relations with Russia and the limited anticipated effectiveness of bilateral action relative to a collective approach at the European level.

CONCLUSIONS

The disputes that have been examined here challenge somewhat the assumption that the superior capacity of the EU will act as a key motivating factor for member states' choice of policy route. In fact the uploading to the EU level did in most cases not bring about a resolution, with the exception of Estonia whose uploading of the dispute to the EU level helped put pressure on Russia after the situation had escalated. Overall, the member states' actual choices confound expectations given that we would expect them to cooperate on 'soft' cases and pursue 'hard' cases at the bilateral level. Instead, the evidence indicates that in cases where member states incur substantial costs from failing to reach an agreement with Russia (Germany, Finland, Sweden, Latvia), they are more likely to pursue the issue at the bilateral level than at the EU level (with the exception of Poland). The choice against the EU route is thus motivated firstly by an assessment of the EU as an ineffective or slow avenue, promising success only in the long-term, secondly by a desire to retain control over the negotiations with Russia, enabling the conclusion of acceptable, if sub-optimal, outcomes and thirdly, a desire to limit the costs created by the dispute for national businesses. Furthermore, the two UK-Russian disputes highlighted also the fact that the member states may decide to pursue their objectives at the European and at the national level in parallel to try and maximise their impact. In the case of the UK, the choice of the EU route did not impose any tangible costs whereas it had the potential of increasing pressure on the Russian government.

In sum, the analysis of this range of bilateral disputes qualifies the findings from the preceding chapters further and highlights the contingent nature of member states' choice of policy route and indicates that two additional factors that can motivate their choice against seeking cooperation at the EU level are firstly whether or not the member state needs to reach an agreement with Russia urgently and secondly whether the 'uploading' of its disputes could be deemed legitimate.

CHAPTER 8 CONCLUSIONS: WHAT MOTIVATES EUROPEAN UNION MEMBER STATES' CHOICES?

In Europe, we need, above all, unity of purpose. [...] the incoherence of European policy towards Russia over much of the past decade has been frankly alarming. No other country reveals our differences as does Russia. This is a failure of Europe as a whole, not any Member State in particular. But it does our interests no good.
(*EU Trade Commissioner Peter Mandelson, 20 April 2007, Bologna*)

INTRODUCTION

In a much quoted speech to a conference in Italy in 2007 (see the excerpt above), EU Trade Commissioner Peter Mandelson called on the member states to demonstrate greater unity in dealing with Russia and emphasised that the incoherence of their common policy towards Russia seriously harms their collective interests. The concerns about the limited effectiveness of EU policy towards the Russian Federation which the Trade Commissioner voiced at Bologna have long preoccupied policy-makers and researchers alike. They also touch upon one of the core issues that the existing literature on EU foreign policy and the EU as a global actor has underscored, that of member states' difficulties, or even 'inability', to speak 'with one voice' in their relations with third countries and the effects this has on the EU's capacity to wield its influence in the international arena.

This thesis set out to explain what motivates member states' choice of policy route through which to engage with Russia and, specifically, to provide an understanding of what makes them choose cooperation and support a common policy towards Russia at the European level and what motivates their choice to engage with Russia bilaterally. With this research project I have shed light on the apparent puzzle of EU member states' continuing choice to pursue their relations with third states bilaterally, outside the EU framework, that much of the existing literature has noted without however systematically investigating it. Why indeed would any member state opt against using the EU's superior combined material and political weight to achieve its foreign policy objectives and instead make do with its own, much inferior national resources and more limited political influence in its dealings with a third state as powerful as the resurgent Russia? With a systematic analysis of three empirically and analytically significant policy cases, representing a mix of 'hard' and 'soft' cases for cooperation and both a strong rationalist logic (energy) and a strong constructivist logic (norms), my research makes an important contribution to filling the surprisingly large gap in the EU foreign policy and EU-Russia relations literature, addressing one of the most fundamental 'problems' that affect the EU's capacity to pull its weight in international

affairs: what are the underlying reasons for why the member states have difficulties in ‘speaking with one voice’ to the Russian Federation? Why do they opt against the pursuit of common policies?

My main findings from the analysis are firstly that rational choice theory seems to offer better explanations of member states’ choice of policy route than social constructivist theory. The three case studies revealed very little definitive evidence that the member states are guided by a ‘logic of appropriateness’ (March & Olsen 1998), that is that they cooperate and engage with Russia at the European level because this is the appropriate route to take for an EU member state, irrespective of the outcomes. And although many scholars have argued that the member states would be better off cooperating than acting alone, I found considerable evidence that suggests that EU member states follow a ‘logic of expected consequences’ (March & Olsen 1998), that is that their decision of which policy track to choose to pursue their objectives regarding Russia is determined by their assessment of which of the two is more likely to deliver the desired outcomes. Secondly, a key finding from my study is that member states’ choice of policy route is highly contingent. Although my case studies have highlighted the importance of member states’ assessment of their own capacity relative to that of the EU as a key motivating factor for which policy route they choose, in each case that I examined, and particularly in the case of bilateral disputes, a combination of additional factors played into their decision of how to pursue their objectives.

After first elaborating on my main findings and how they relate to the existing literature on the EU’s relations with Russia, I explain their implications for the EU as a global actor and sketch what my findings contribute to the current debates about the EU’s effectiveness in international affairs.

8.1 CONTRIBUTION OF THE ANALYSIS TO RESEARCH ON THE EU’S RELATIONS WITH RUSSIA

The main finding of this thesis is that the rationalist ‘logic of consequences’ offers better explanations for member states’ choice of policy route for engaging with Russia than does the social constructivist ‘logic of appropriateness’. My analysis of the three empirical cases (Chapters 5-7) revealed very little evidence of the effects of *Europeanisation* on member states’ choices, despite the fact that they are embedded in an extensive web of joint decision-making in the EU (see Chapter 2) within which ongoing processes of socialisation could be expected to engender a habit of cooperation among the national governments and to refocus

national decision-makers' attention from the national interest towards a concern for the common European interest.

Quite to the contrary, the evidence from the three case studies strongly indicates that the member states are very much concerned with outcomes and that the assessment of the anticipated consequences of their choice of policy route plays a major role in their decisions of how to pursue their objectives regarding Russia. These findings contrast with existing research in the area of the EU's external trade where Young (2002) found evidence that suggests member states' willingness to cooperate at the European level is frequently guided by a 'logic of appropriateness' and 'enlightened rationality', brought about by their embeddedness in the institutionalised mechanisms of cooperation even where their interests only overlap and do not actually converge. Research on external relations policy towards enlargement candidate countries (e.g., Schimmelfennig 2000, 2003, 2005, 2008; Schimmelfennig & Sedelmeier 2004, 2005a, 2005b) also revealed that the member states are guided in their policies towards neighbouring third states not just by the anticipated outcomes but also by considerations of the appropriateness of their actions.

I explain in the following what the main factors are which, according to my findings, enter into member states' 'logic of expected consequence' calculations in the pursuit of their foreign policy objectives regarding Russia and I draw conclusions on why the member states are focused almost exclusively on the anticipated consequences of their choices when, in principle, one would expect to find also in this field of foreign affairs indications that they (at least occasionally) make choices that are 'appropriate' to their condition as EU members.

Characteristics of the policy issue as a predictor of choices?

A key proposition that I explored in the thesis is whether the choice of policy route is tied to the characteristics of the policy sector in which the member state seeks to engage Russia. My analysis focused exclusively on policy issues on which the member states can choose whether or not to cooperate. Issues within the area of the EC's exclusive competences were therefore deliberately excluded from the analysis. I used the distinction suggested by Hyde-Price (2006, 2008a) between 'first order' issues and 'second order' issues whereby the former concept covers all issues that directly impact on the security and prosperity of a state and the latter captures all other issues that preoccupy EU member states, but specifically 'ethical' issues that are associated with the normative values of the respective state, which do not require the deployment of resources and which do not affect a state's vital interests (Hyde-Price 2006:222).

My findings confirm overall Hyde-Prices's argument that where an issue sits in the hierarchy of importance influences the choice of policy route through which the national government will pursue the issue. The case of energy policy (Chapter 5), a 'hard case' for cooperation, demonstrated that the member states do indeed pursue first order issues at the bilateral level. But although the examination of energy policy confirmed that the member countries are, on the whole, more likely to pursue such objectives bilaterally, it also highlighted the greater likelihood of the smaller/Eastern member states to pursue their energy policy goals at the European level. This finding underscores the contingency of member states' choices on additional factors, beyond the policy characteristics alone.

The analysis of member states' choices regarding the normative policy (Chapter 6), a 'soft' case for cooperation, confirmed the expectation that the member states will cooperate and pursue such 'second order' issues at the European level. It also showed that second order issues are pursued by the member states in parallel at the bilateral level, as long as this pursuit does not impose unacceptable costs on them, specifically on their bilateral trade and political relationship with Russia. Most importantly, my analysis has revealed that although all member states choose to pursue normative objectives at the European level, they actually do so for different reasons and, in addition, they advocate contrasting ways in which the EU should pursue its (normative) policy towards Russia. The fact that they advocate such divergent approaches also has a direct bearing on the EU's effectiveness – the incongruence of their policy objectives limits their ability to pursue a common policy and thus their likelihood of success.

Furthermore, my analysis revealed that there is a need to differentiate between different types of issues within a first order policy domain, namely that it matters whether a policy issue delivers benefits to individual states that are 'private' and not divisible or whether a policy issue delivers gains in equal measure to all the member states, in which case the member states are generally ready to cooperate at the European level, including on first order issues. This confirms the arguments in the existing literature about the greater likelihood of cooperation where this does not provoke any costs (see Chapter 1).

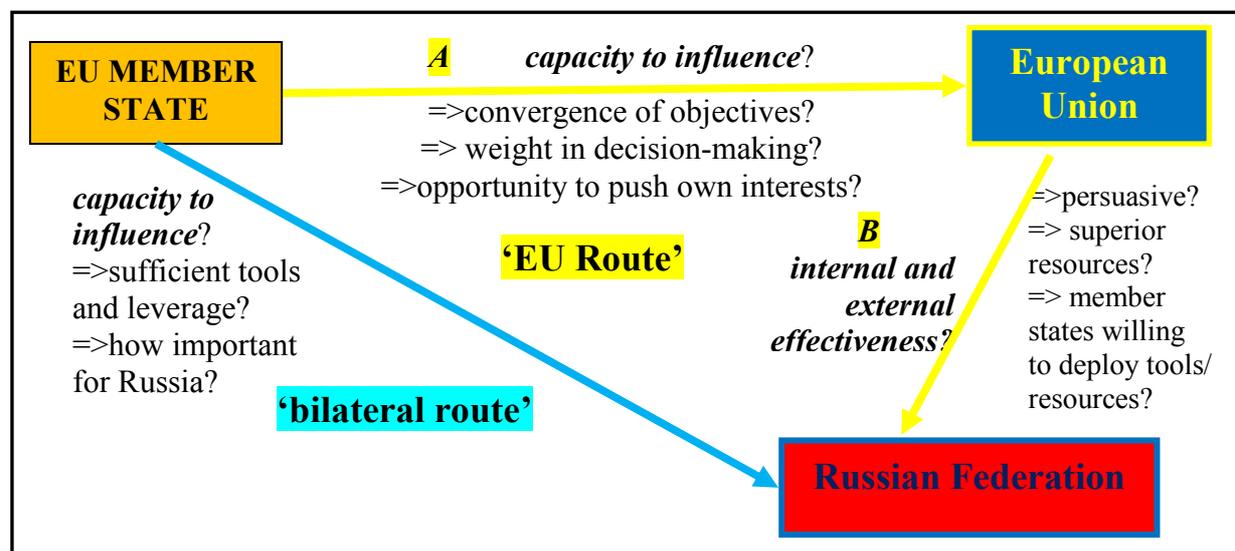
National capacity and the EU's effectiveness

The main rationalist proposition that I examined in this thesis together with the influence of the characteristics of the policy issue over their choices is that member states' assessment of their individual capacity relative to that of the EU determines their choice of policy route. I have employed the concepts of 'internal effectiveness' and 'external effectiveness' that

Laatikainen and Smith (2006) have put forward to distinguish between EU internal factors that impact on the EU's ability to 'pull its weight' (see Chapter 2) and the external factors, most notably the capacity and responsiveness of the target (see Chapter 3). 'Internal effectiveness' denotes in this context member states' ability to agree common policies at the European level and 'external effectiveness' captures the EU's actual ability to achieve the outcomes it aims for in its external actions.

As Figure 8.1 (below) illustrates, in order to assess the relative merits for the member states of taking the bilateral route or of pursuing their objectives at the European level we need to know firstly whether the state is able to shape a common EU policy according to its interests (EU route –A) and secondly, how the EU scores on both the internal and the external effectiveness (EU route –B). I explained in the first part of the thesis (Chapters 1-4) the range of constraints that the member states face in their attempt to influence Russia via the EU route and bilaterally. Figure 8.1 summarises the main factors that appear to influence the choice of each policy route.

Figure 8.1 Capacity and EU effectiveness in the choice of policy route



Source: Author's own elaboration.

Most important for the EU route (part A) is that when the member states' preferences are incongruent, this constrains their ability to shape EU policy and thus limits their likelihood of achieving the desired outcomes at the European level. Accession of the new member states to the EU in 2004 and 2007 has in this regard generally been found to have negatively impacted on the individual member state's ability to formulate and agree common policies towards

Russia, mainly due to the greater divergence of perceptions, approaches and objectives that the new member states brought into the EU (see the discussion in Chapters 1-3; see also Leonard & Popescu 2007; K.E.Smith 2008:237; Whitman 2010:29). My analysis has shown that the incongruence of member states' preferences has a differential impact on choices across the different member states but also across the different policy issues. As the analysis in this thesis has shown, the incongruence of preferences and approaches of the member states towards Russia has a profound effect on the willingness of the large member countries to pursue joint policies when they are able to reach bilateral agreements with Russia. As regards the smaller member states, the empirical evidence suggests that their main motivation for choosing the EU route is their vastly inferior individual capacity to influence Russia. Despite the EU's ineffectiveness, it offers some benefits for them in its function as a 'multiplier' and serves as an important means of acquiring a 'bigger voice' and consequently greater impact.

Size as a predictor of choices?

In the literature, but also by national and EU policy-makers, the member states' capacity is generally being directly related to the size of the country (see my discussion in Chapters 1-3). However significant for the analysis I undertook was not their size per se, but their material capacity and resources which are generally closely related to their geographic and economic size (however for a critical discussion of 'size', see Thorhallson 2006). The case studies revealed a difference between the large states and the small member states. We have seen especially in Chapters 5 and 6 that member states' divergent preferences regarding Russia, both concerning the energy policy sector and also regarding their preferred approach of how to promote Russia's democratisation and respect for human rights present serious obstacles to their ability to pursue collective policies towards Russia effectively. The internal ineffectiveness and its negative impact on the EU's external effectiveness could therefore be expected to discourage all EU member states from pursuing their objectives at the European level rather than bilaterally.

At the risk of somewhat abstracting too much and oversimplifying the findings, we can draw the conclusion from the case studies that the large member states are more likely to pursue first order objectives at the bilateral level and second order objectives at the EU level. The ineffectiveness of the EU and thus its limited capacity to deliver the desired results appears to play a particularly strong role in the large member states' considerations of the merits and demerits of the two policy routes. The analysis revealed that when European level

action does not deliver the desired results the large states are likely to pursue their objectives at the bilateral level. My study of the energy policy sector (Chapter 5) and the examination of the main developments in the EU-Russian relationship (Chapter 4, especially on the visa agreements with Russia), have also given strong indications that the large states are prone to take the bilateral route when they are unable to achieve the desired collective policy on first order issues at the European level, i.e. where an internal ineffectiveness impedes the pursuit of an effective policy towards Russia externally. This is because on first order issues cooperation at the EU level is more costly for them when their views on the policy that should be pursued towards Russia diverge substantially from those of the other member states, and this is not outweighed by the benefits that cooperation can potentially deliver. As regards the democracy and human rights promotion in Russia, the cost of pushing these issues at the bilateral level is considerable for the large member states when it is known that Russian officials tend to ‘punish’ critics by imposing coercive, punitive means, whereas the EU avenue procures two main gains: it placates the domestic audience and it ‘anonymises’ their criticism of Russia and thereby protects their bilateral relations.

The small member states, in contrast, are more likely to pursue both first and second order objectives at the EU level despite the problems of EU internal ineffectiveness that results from their divergent preferences. They choose the EU route nevertheless, because despite the difficulties of forging collective policies that conform to their interests, the EU avenue provides them with a superior capacity to influence Russia. The gains from cooperation, especially from the EU’s function as ‘multiplier’, and the greater likelihood of success due to the EU’s superior resources and greater (potential) leverage it can apply on Russia, relative to their own at the bilateral level, appear to be the decisive factors motivating their choice.

The CEECs have overall a more limited capacity to achieve their objectives at the bilateral level, while many of the Western member states have a much greater capacity due to their larger size and thus superior resources, but also their greater importance for Russia as trade and political partners. Member states’ capacity thus broadly aligns with the division between the ‘Russia-sceptical’ (small states, limited capacity) and ‘Russia-friendly’ (large states, greater capacity) group of states, although these groups are not identical, as the exploration of the UK-Russian dispute (see Chapter 7) has shown where the UK’s approach towards Russia shifted (temporarily) away from that of the other large, Western member states and aligned more with that of the CEECs.

Although the case studies have shown that there are significant differences between large and small states, with the large states more prone to engage with Russia at the bilateral level than the smaller member states, my research also indicated that the size of a member state is not a stand-alone factor in their choice of policy route. There are also significant differences between various small states which became apparent in the analysis (see Chapter 5 on energy and Chapter 7 on disputes). Differences between the large (Western) states were revealed in particular in their decisions of how to resolve their bilateral disputes with Russia, with the UK making vastly different choices from Germany. The same is true for the smaller member states, with Poland and Lithuania making rather different choices from Latvia, Finland, Sweden and Estonia who pursued the resolution of their disputes primarily at the bilateral level.

The differences between the large and the small member states that the study revealed are, when all is considered, really a byproduct of factors other than size. My analysis has shown that the contrasting perceptions that the member states have of Russia (which I identified and described in Chapters 2, 5 and 6) influence to a significant extent their choice of policy route. In particular, the CEECs' assessment of Russia as a potential threat and an unreliable partner and the more favourable assessment of Russia by the smaller Western member states, such as the Netherlands and Sweden, appeared to play a strong role in their choice of policy avenue.

One of the difficulties faced in disentangling the effects of capacity from the impact that their assessment and perceptions of Russia has is that all of the large EU member states are 'old', Western states and therefore it is not possible to compare and contrast these states' choices with those of eastern member states of similar political and economic weight. Due to these limits inherent in the circumscribed range of member countries, it is not possible to determine whether a state's capacity (as measured by material resources and capabilities) is more important for understanding its choices than its recent political and economic history with Russia.

While it is difficult to tell for sure whether member state governments' decisions are linked to their country's capacity relative to that of the EU or whether their assessment of Russia, or the type of policy issue and their degree of interdependence with Russia play a more decisive role, what is clear however is that member states' choices are contingent on a range of factors, and that the individual capacity of a member state is just one of them. It is therefore difficult to reach definitive conclusions *ex ante* about which factors will, in a particular set of circumstances, be the most crucial and it is thus hard to predict what sort of

choices a member state will make on a given issue at a given time as we rarely are faced with *ceteris paribus* situations. What we can conclude on the basis of my research findings is that the member states' expectations about the likelihood of achieving with their choice of policy track the desired outcome and the prospect of avoiding undesired costs are both key factors that enter into their consideration of which avenue is the most suitable for the pursuit of their foreign policy interests regarding Russia.

Domestic politics as a possible additional factor

The domestic political conditions have been largely bracketed out in this study. Nevertheless, clues as to why some member states pursue their objectives rather bilaterally than at the EU level, or vice-versa, can also be found in domestic politics. At the domestic level, public pressures tend to inform national government's policy choices and pressures, both from the opposition parties and the public may increase or limit the importance they attribute to the EU's capacity and effectiveness. Political elites' assessment of Russia can, under stable external conditions, shift as a consequence of domestic political developments, notably changes in government. Matonyt and Morkevicius (2009) have found in a large-scale survey on threat perceptions (examining the cases of Germany, Belgium, Lithuania and Poland) that right-wing political elites are more likely to regard Russia as a threat than left-wing elites. Changes in government are therefore quite likely to translate into different approaches towards Russia which could have an effect not just on the substance of the policies they pursue but also on how, i.e. through which avenue, they pursue them. The internal debates in Germany about whether or not to 'upload' the Siberian overflight dispute, and the sudden resolution of the Polish-Russian dispute over the Russian ban on Polish agricultural exports after a change in government in Poland, indicate that domestic politics can play an important role. The role of domestic politics was also demonstrated in the case of the UK which had, on the whole, pursued a policy of engagement towards Russia (see Chapter 4), but as Roth argues, the British response to Russia's refusal to extradite the murder suspect in the Litvinenko case (see Chapter 7) reflected the governing party's need to play to the public at a time when the Prime Minister was preparing for the next General Elections (see Roth 2009).

Whereas Western member states' policies towards Russia have been overall characterised by continuity, in spite of changes from left-wing to right-wing governments (such as e.g. in Germany between Kohl, Schroeder and Merkel), domestic political shifts have been much stronger in the CEECs where political elites remain divided between those favouring the maintenance of strong (bilateral) relations with Russia and those pursuing the

reduction of Russia's influence over their country's domestic economic and political development. We can expect shifts in domestic political coalitions between supporters of the two contrasting approaches to affect foreign policy decisions and indeed different governments have pursued rather different policies (for details, see Bechev 2009:213; Berg 2008; Dura 2008:13; Ehin & Berg 2009; Engelbrekt & Vassilev 2010:198; Kaczmarek & Smolar 2007:18; Raik 2007:218-9; Spruds 2009; Tudoroiu 2008:392, 405, 407).

Two tracks or multiple venues?

My examination of member states' choices regarding the two (main) foreign policy avenues open to them to engage with Russia has been to the exclusion of multiple other venues and channels. It could be argued that I perhaps oversimplified the picture by focusing only on the European and the bilateral track; after all, states engage in 'venue shopping', as Jupille and Snidal (2005) have called it, and pick for each problem or policy goal that they pursue the venue that appears the most suitable, or promises to deliver the greatest benefits. Since we know that the member states are active in a variety of international forums, there is of course a question of whether the focus on just one institutional venue – the EU – risks overlooking alternative avenues that could have an effect on member states' decision to pursue their objectives at the European or the national level. Granted, with regard to the three case studies that I analysed there are various alternative venues with overlapping membership (i.e. not all EU member states are members in all of the alternative venues) through which the member states could pursue their objectives. As regards energy policy, and particularly the question of their security of supply, there is also the International Energy Agency (see MacNaughton 2008) in the framework of the OCED, and NATO or the G8. With regard to normative objectives, EU member states can of course pursue the promotion of democracy and respect for human rights in Russia through the main European intergovernmental organisations that cover these issues and in which Russia is a member, namely the Council of Europe and the OSCE, but also the United Nations. The WTO has also served as a forum through which to address Russian protectionist policies that have affected EU member states (see Chapter 7).

Nevertheless, the EU is by far the most densely integrated venue that the member states are engaged in and due to its considerable material resources and the combined political influence of the constituent states, it can be expected to be the most effective forum for the pursuit of the 'first' and 'second order' issues that I have examined. And, despite the range of alternative venues that the member states could use, the EU is the most immediate option for member states that decide to pursue their objectives in cooperation with other

states. There are also strong reasons for the member states to expect that the EU will be the most effective venue, more effective in any case than the intergovernmental organizations that are much larger in membership (and narrower in scope) and thus (even) less able to take decisions and implement them effectively than the EU itself is (see Chapters 2 and 3). As the most highly integrated decision-making forum that the member states have access to, and the one that has by far the most highly institutionalised framework for cooperation with Russia in place, of all the possible alternative policy venues, the EU is the most likely number one forum for the member states to choose if they decide to cooperate rather than to pursue their objectives bilaterally.

8.2 IMPLICATIONS OF THE FINDINGS FOR THE EU AS A GLOBAL ACTOR

Besides the contribution that this thesis is making to the literature on the EU's relations with Russia, my findings have also broader implications for our understanding of both how EU member states pursue their relations with third states and how this impacts on the EU's capacity as a global actor. A number of scholars consider the EU-Russian relationship in fact as a 'test case' for the EU's ability to exert its influence on the international stage (e.g. Barysch 2005b:32, Frellesen & Rontoyanni 2007:231, Gower 2007:111, Haukkala 2008:318, Raik 2007:219). Latvian president Vike Freiberga even referred to the ability of the EU to formulate a common policy towards Russia as a 'litmus test' of the EU's common foreign and security policy (see Dagens Nyheter 2005).

The Russian case offers insights into how, and for what, EU member states use the EU and also into the extent to which EU membership affects their national foreign policy choices. Of course one has to be careful when making inferences from a single case study. There are naturally questions of how representative the findings are and how generalisable they are to member states' relations with third countries more broadly speaking. With its special role in European history and the contemporary political developments of the 20th century on the European continent, the relationship with Russia stands out in terms of the difficulties it poses for the member states and the urgency of resolving them. EU member states' ability to influence Russia provides insights also into the EU's capacity to exert its influence over other neighbouring (small and large) states that do not have the prospect or desire to become members of the EU. Russia clearly is a hard case in this regard that sheds light on the limits to the EU's external governance in the absence of a membership perspective (see e.g., Barbé et al 2009). We are however less likely to gain useful insights

into EU member states' relations with smaller, less significant third states that are located at a distance from the member states.

The Russian case study reveals also, beyond the immediate neighbourhood, a number of findings that are likely to be relevant for understanding the member states' relations with other third countries of comparable international weight and importance (such as the United States and the People's Republic of China). It can be expected that the EU's multiplier function (as an incentive for taking the EU route), the constraining effects of an incongruence of member states' preferences (as a disincentive for taking the EU route, and an incentive for pursuing their objectives at the bilateral level) and also the competition between the member states for strategic trade relations apply to member states' relations with the US or China too. Here the Russian case suggests that the member states will be unwilling to compromise and will pursue issues on which they make private, indivisible gains bilaterally, whereas they can be expected to cooperate on first order issues on which all member states accrue gains in equal measure. On second order issues, we can expect the member states to pursue these collectively at the European level. Further, we can expect there to be significant differences between the large and the small member states, and also between the 'old' European states and the 'newcomers'. As in the case of Russia, an incongruence of the different member states' approaches is likely to influence their choice of policy route, with those that have the capacity to achieve their objectives bilaterally pursuing their interests outside the EU framework whereas those that lack the necessary capacity will seek to achieve their goals at the European level although the intensity of the historical trade, political and security policy relations with Russia is arguably unique and in relations with other global powers the split between Eastern and Western member states is likely to be much less pronounced.

The EU's capacity as an international actor

In this study the question of the EU's and member states' success in influencing Russia and achieving their objectives was largely sidelined since the primary focus was placed on the motivations underpinning their choices rather than the consequences of their choice. Nevertheless, I based my scrutiny of their motivations for engaging with Russia bilaterally or via the EU on an assessment of their individual and collective capacity to influence Russia and from this assessment a couple of broader implications for the EU's capacity as an international actor can be developed.

Besides the limits to the EU's external effectiveness that stem from limitations of its resources and capabilities (especially the oft mentioned absence of a strong European military

force), despite its position as a major trade actor, clearly, the incongruence of member states' individual interests and preferences negatively affects and constrains EU member states' ability to influence common decisions at the European level to obtain there the results that they cannot achieve individually. Whitman (2010:30), among others, blames the lack of a 'unity of purpose' that Trade Commissioner Mandelson also emphasised, in particular on the profound divisions among the member states that directly affect the EU's capacity to project its influence. Further, whereas much of the literature suggests that the EU's inability to influence Russia is linked to member states' choice to pursue their objectives bilaterally rather than jointly at the EU level, my analysis has revealed that even where the member states do act jointly, they have trouble agreeing on a common approach and they disagree about which resources to mobilise. The EU's ineffectiveness regarding Russia stems in part from the incongruence of member states' objectives and the diversity of preferred approaches for achieving them and it has also to do with member states' reluctance to employ coercive measures and to implement full-blown sanctions to achieve their objectives by force. As we saw in the preceding chapters the EU collective often could only agree on implementing soft measures vis-à-vis Russia and that consequently considerable concessions were made to Russia even when important interests were at stake, because of the unwillingness of many of the member states to push for changes in Russia by coercive means (since they do not wish to risk alienating Russia), coercive tools are rarely deployed to bring about change in Russia and this reluctance to deploy force limits the EU's bargaining position. But whereas the limits to member states' willingness to apply the full range of tools available to them at the European level help explain the EU's overall limited influence, the analysis in this thesis has shown (especially Chapters 3-7), the EU collective has been spectacularly unsuccessful in most areas of great concern to the member states, such as Russia's ratification of the Energy Charter Treaty, its (full) democratisation and the implementation of the agreement to abolish charges for airtransport (Siberian overflight). What we can infer from the Russian case in this context is that increasing the EU's internal effectiveness is not necessarily a recipe for success externally.

In sum, the analysis in the preceding chapters (1-7) demonstrated that cooperation in the EU does not procure that many benefits for its member states since the levers available at the EU level are fairly limited (despite the nominally superior capacity if measured by material resources) and there is also a question about whether the member states are willing to mobilise the necessary resources and deploy coercive measures to achieve common objectives vis-à-vis Russia (see Whitman 2010). But whereas much of the literature, both on

the EU-Russian relationship, and on the EU as a global actor, has focused on the EU's capacity in absolute terms and emphasises (as we have seen in Chapter 3) that the EU's superior position in trade gives it substantial leverage over Russia the crucial question is whether the EU is actually able to translate its position as major trade actor, and the combined resources and instruments of its member states, into real influence over Russia, and whether its capacity is actually sufficient to influence any major third states.

My examination of member states' individual and collective capacity to influence Russia (see Chapter 3) revealed from the outset, the member states are severely constrained in their ability to influence Russia due both to the Russian government's increasing assertiveness in foreign policy and its unwillingness to allow any external interference in its domestic politics. My analysis of the progression of the EU-Russian relationship over the course of the 1990s and 2000s (see Chapter 4) and the specific cases of energy policy (Chapter 5), external democracy promotion (Chapter 6) and especially the trade-related disputes concerning Russia's protectionist/restrictive policies towards a range of member states (the ban on agricultural goods, the timber export tariffs and the Siberian overflight charges) further demonstrated the considerable difficulties that the EU collectively, and member states individually have experienced in trying to influence Russia. My research thus highlighted the need to also take into account the responsiveness of the 'target' when assessing the EU's capacity as an international actor. The broader implications of my findings are that the assumption is misplaced that simply by cooperating the member states will be able to influence Russia and achieve the outcomes that they desire.

In his seminal article of 1993, Christopher Hill (1993:315) underscored the challenges posed to the EU's ability to agree, its resources and the instruments at its disposal. The analysis of the EU's relations with Russia reveals that, almost two decades later, these are three weaknesses that continue to limit the EU's influence in the international arena. It is necessary to be cautious with regard to the broader applicability of the findings from the Russian case to the EU's external effectiveness more generally. In fact it is precisely because Russia is a hard case that the findings may be understating the EU's actual capacity for collective action in external relations more generally. After all, a major reason for why the EU's policies towards Russia have achieved only very limited success is that Russia has been such a 'hard nut to crack'.

CONCLUSIONS

This chapter started with a quote by EU Trade Commissioner Peter Mandelson who insisted that the incoherence of member states' policy (or policies) towards Russia does their collective interests 'no good'. Much of the existing literature on the EU's relations with Russia follows a similar argumentation. The research is generally prescriptive, urging the member states to pursue their interests towards Russia jointly. Scholars have in particular attempted to proscribe the bilateral engagement with Russia that challenges the EU's unity of purpose. My own intention in this thesis was rather different. What I set out to do, and what is also the most substantial contribution that the thesis makes to the existing literature on the EU-Russian relationship and the EU's external relations policy more generally, was to uncover first of all why it is that the member states continue to 'fail' to speak with one voice. Secondly, my ambition was to understand and explain what it is that the member states gain or lose from pursuing their interests - with, or without the EU - and to test alternative explanations for their choice of policy route. My analysis revealed that the member states benefit from pursuing a range of issues at the European level, but that they also accrue gains from pursuing a host of objectives at the bilateral level. Which choice they will make is, as my findings from the three empirical case studies revealed, highly contingent on a combination of factors and determined by their assessment of the (anticipated) utility of their choice.

Whereas my research findings make a valuable contribution to the ongoing debates about the EU as a global actor and specifically the EU's effectiveness in international affairs, the most substantial contribution that this thesis makes to the existing literature is that it represents the first systematic analysis of member states' motivations for engaging with Russia bilaterally or at the European level and thereby sheds light on an extremely underresearched aspect of the EU-Russian relationship that has direct bearings on the effectiveness and future development of the EU's policies towards the Russian Federation.

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²²⁷ NB: Whereas EU and Russian official sources have been listed separately here as they are easy to distinguish from secondary sources, all reports and transcripts of speeches by national and EU officials have been listed for easier reference along with the secondary literature in alphabetical order .

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Annex – Data that is displayed in the Figures in Chapters 3-6.

I Total Russian military spending after the Cold War (Figure 3.1)

Russia's Military expenditure (1988-1999), in constant (2008) US\$ millions										
	1988	1989	1990	1991*	1992	1993	1994	1995	1996	
total value, in constant (2008) US\$ (millions)	339,100	314,400	266,000	166,000	66,000	58,300	56,800	33,700	29,700	

*missing value

Russia's Military expenditure (1988-1999) - continued													
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
33,000	21,000	21,800	29,700	33,000	36,600	39,000	40,600	44,200	48,400	52,500	58,300	61,000	

Source: SIPRI (2010).

II Member states' trade with Russia, 1999–2008 (Figures 3.2 and 3.3) – Source: Eurostat (2006, 2007, 2008, 2009)

	Import 1999	Import 2000	Import 2005	Import 2008	Export 1999	Export 2000	Export 2005	Export 2008
Austria	656	1132	2141	2251	476	711	2047	3420
Belgium	1022	1614	4156	5489	636	944	1986	3717
Bulgaria		1641		3684		129		
Cyprus	83	160	46	29	6	7	16	19
Czech Republic	1308	2260	3368	5922	357	420	1132	2895
Denmark	280	419	752	1113	379	542	962	1386
Estonia	258	391	753	815	76	82	402	881
Finland	2151	3471	6577	10099	1624	2174	5950	7610
France	2745	4501	7957	13007	1370	1838	3702	7009
Germany	8077	14263	20720	34787	5057	6660	17155	32298
Greece	491	1185	3389	2509	230	269	273	416
Hungary	1539	2809	3985	6651	335	496	942	2670
Ireland	9	11	59	115	259	179	237	308
Italy	4211	8336	11789	16085	1724	2521	6064	10470
Latvia	292	402	594	1184	106	85	328	1011
Lithuania	875	1544	3464	6330	151	238	992	2582
Luxembourg	5	18	41	17	16	21	61	139
Malta	1	12	1	1	0	0	2	2
Netherlands	2012	3901	10767	19787	1306	1796	4447	7166
Poland	2514	5019	7093	13708	668	943	3181	6052
Portugal	187	248	374	404	13	17	79	191
Romania		1218		3329		97		610
Slovakia	1275	2346	2975	5267	97	115	403	1813
Slovenia	150	251	341	396	122	210	592	1118
Spain	1202	2412	5068	7389	382	578	1068	2800
Sweden	782	958	2950	4998	468	601	1712	3023
United Kingdom	2148	3256	7368	8081	789	1066	2662	5117

III EU-Russian net foreign direct investment in 2006 and 2007 (Figure 3.4)

EU27 Member States' FDI flows with Russia (mio Euro)						
	2006 FDI Outward	2006 FDI Inward	Net FDI 2006	2007 FDI Outward	2007 FDI Inward	Net FDI 2007
Austria	1206	-35	-1241	0	0	0
Belgium	69	-5	-74	958	13	-945
Bulgaria	5	130	125	9	171	162
Cyprus	-1	223	224	41	78	37
Czech Republic	81	-19	-100	-1	-51	-50
Denmark	63	105	42	45	11	-34
Estonia	31	51	20	85	-1	-86
Finland	377	8	-369	69	-12	-81
France	1012	82	-930	603	202	-401
Germany	2597	2480	-117	6698	12	-6686
Greece	1	8	7	36	12	-24
Hungary	422	-27	-449	95	-72	-167
Ireland	-3	-34	-31	6	333	327
Italy	21	8	-13	19	86	67
Latvia	11	6	-5	31	34	3
Lithuania	29	-1086	-1115	7	224	217
Luxembourg	266	-1017	-1283	417	-1012	-1429
Netherlands	5943	21	-5922	488	17	-471
Poland	55	-31	-86	221	-184	-405
Portugal	0	1	1	2	2	0
Romania	88	6	-82	0	37	37
Slovakia	16	1	-15	40	-14	-54
Slovenia	45	-1	-46	130	32	-98
Spain	119	148	29	81	283	202
Sweden	323	44	-279	407	-130	-537
United Kingdom	-25	0	25	0	0	0
EU-27 Total	10662	1516	-9146	17106	957	-16149

Source: Eurostat (2008). NB: for Malta (2006 and 2007), Austria (2007) and the UK (2006 inward and 2007 inward and outward) some of the FDI data was missing/not available.

IV The development of Russian Gross Domestic Product (per capita) volumes (Figure 4.1)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
	2693	2602	2465	2106	1926	1686	1618	1564	1590	1510	1613	1775	1870	1968
	2003	2004	2005	2006	2007	2008								
	2122	2286	2444	2644	2866	3030								

Source: World Bank (2010). NB: Figures have been rounded by the author.

V The growth of Russian GDP in the post-Cold War period (Figure 4.2)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
	-3	-5	-14.5	-8.7	-12.6	-4	-3.6	1.4	-5.3	6.4	10	5	4.7	7.3
	2004	2005	2006	2007	2008									
	7	6.4	7.7	8.1	5.6									

Source: World Bank (2010). NB: Figures have been rounded by the author.

VI Military expenditure as a share of Russia's GDP (Figure 4.3)

	1988	1989	1990	1991*	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
	15.8	14.2	12.3	8.9	5.5	5.3	5.9	4.4	4.1	4.5	3.3	3.4	3.7	4.1	4.4
	2003	2004	2005	2006	2007	2008									
	4.3	3.8	3.7	3.6	3.5	3.5									

Source: SIPRI (2010).

VI Net Bilateral aid flows from DAC donors 1990-2004 (current US\$ (thousands)) - (Figures 4.4, 6.1 and 6.2)

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Austria*	0	0	0	0	0	2,700	470	560	730
Belgium	0	0	17,700	0	20	860	670	1,140	380
Denmark	0	2,020	8,090	0	3,730	12,550	13,840	17,470	17,890
Finland*	0	0	0	0	0	14,900	16,460	14,760	18,860
France	0	15,120	3,640	14,880	14,960	16,950	21,000	18,020	82,130
Germany	254,000	520,000	1,501,600	1,461,220	1,444,220	987,360	474,930	90,540	82,260
Greece	0	0	0	0	0	0	210	560	810
Ireland	0	0	0	0	0	870	440	130	0
Italy	0	0	4,240	15,250	7,160	2,440	6,110	510	300
Luxembourg	0	0	570	230	0	940	180	570	740
Netherlands	0	0	7,900	5,780	0	17,860	1,040	360	70,930
Portugal	0	0	0	0	0	20	0	10	0
Spain	0	300	380	0	0	310	160	250	390
Sweden*	0	0	0	0	0	12,190	18,970	14,290	21,240
United Kingdom	0	0	49,320	22,770	37,460	52,330	51,850	56,150	54,810
EU-15* total aid	254,000	537,440	1,593,440	1,520,130	1,507,550	1,122,280	606,330	215,320	351,470
EC aid	0	0	224,950	7,510	61,230	138,600	145,110	139,650	105,340
EU-15 and EC total aid	254,000	537,440	1,818,390	1,527,640	1,568,780	1,260,880	751,440	354,970	456,810
Total aid flows from (EU and non-EU) DAC donors	254,000	563,540	1,934,150	2,416,830	1,819,760	1,561,060	1,240,220	690,140	976,720
EU-15 and EC aid as share of total DAC aid	100	95	94	63	86	81	61	51	47
Total DAC aid excluding EU-15 and EC	0	26100	115760	889190	250980	300180	488780	335170	519910

Source: World Bank (2010).

Net Bilateral aid flows from DAC donors 1990-2004 (current US\$ (thousands)) – continued.

	1999	2000	2001	2002	2003	2004
Austria*	680	970	1,750	4,770	19,800	22,990
Belgium	170	1,480	240	340	100	90
Denmark	9,410	13,680	14,290	13,210	36,480	690
Finland*	18,250	13,150	13,250	11,880	14,320	27,580
France	15,910	16,950	14,200	23,790	34,580	31,890
Germany	81,150	63,510	64,090	54,100	82,560	98,310
Greece	910	600	300	480	3,440	930
Ireland	0	280	0	510	460	570
Italy	880	191,150	1,280	240	2,000	1,020
Luxembourg	280	200	280	750	780	740
Netherlands	11,650	4,130	9,880	8,220	11,110	12,780
Portugal	0	0	40	40	10	70
Spain	1,950	690	7,120	2,990	2,420	3,290
Sweden*	18,850	31,640	32,530	31,650	40,250	69,650
United Kingdom	46,190	39,220	38,310	41,500	37,870	37,910
EU-15* total aid	206,280	377,650	197,560	194,470	286,180	308,510
EC aid	182,360	97,220	97,950	114,050	165,280	160,070
EU-15 and EC total aid	388,640	474,870	295,510	308,520	451,460	468,580
Total aid flows from (EU and non-EU) DAC donors	1,782,300	1,441,700	1,004,520	1,223,320	1,159,160	1,244,800
EU-15 and EC aid as share of total DAC aid	22	33	29	25	39	38
Total DAC aid excluding EU-15 and EC	1393660	966830	709010	914800	707700	776220

Source: World Bank (2010).

VII The development of the EU's trade in goods with Russia - (Figure 4.5)

EU-27 TRADE IN GOODS WITH RUSSIA										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Russian Exports	2.70%	3.60%	3.90%	4.30%	4.80%	5.40%	6.20%	7.20%	8.00%	6.00%
Russian Imports	6.40%	6.70%	6.90%	7.60%	8.20%	9.50%	10.40%	10.10%	11.40%	9.60%

Source: Eurostat (2010b)

VIII Russian Supplies in Gross National Energy Consumption (2006)²²⁹ - (Figure 5.1)

	GAS	OIL	COAL
Austria	14.70%	6.07%	0.00%
Belgium	1.04%	16.04%	0.90%
Bulgaria	14.00%	21.60%	1.27%
Czech Republic	11.63%	13.30%	0.09%
Denmark	0.00%	0.00%	5.75%
Estonia	15.00%	20.00%	12.90%
Finland	11.00%	18.77%	7.31%
France	2.14%	3.93%	0.29%
Germany	8.58%	11.64%	2.17%
Greece	7.22%	15.67%	0.71%
Hungary	27.21%	23.47%	1.99%
Italy	10.06%	6.91%	0.00%
Latvia	32.00%	33.00%	2.00%
Lithuania	29.00%	31.55%	2.84%
Netherlands	0.00%	12.90%	0.80%
Poland	6.43%	22.67%	2.60%
Portugal	0.00%	0.00%	0.05%
Romania	11.76%	8.03%	3.20%
Slovakia	28.20%	17.84%	6.14%
Slovenia	6.24%	n.d.	0.39%
Spain	0.00%	9.78%	1.46%
Sweden	0.00%	10.73%	1.18%
United Kingdom	0.00%	2.34%	6.58%
EU-27	6.15%	10.18%	2.45%

Source: Author's calculations from data in Commission Staff Working Document COM (2008)744.

²²⁹ The percentage shares were calculated by adding import volumes to indigenous production, calculating the share of Russian origin in the total and then its share in the gross national energy consumption. As the country data sheets list some gas figures in terajoule (TJ) while others are given in Million tonnes of oil equivalent (Mtoe), the gas figures in TJ were converted into tonnes of oil equivalent using the formula $10.000(TJ):0.2388 \times \text{gas (in Mtoe)} = \text{gas in TJ}$. While this method is imperfect, the calculation of approximate shares of Russian energy in total consumption and electricity generation does yield better insights into supply dependencies than the figures for import volumes and the share of Russian gas in total imports alone.

IX Gas imports from Russia and the effects of the January 2009 crisis (Figure 5.2)

	Russian Gas (2003) Share of Imports	Russian Gas (2006) Share of Imports	Supply Reduction, January 2009
Estonia	100%	100%	n/a
Lithuania	100%	100%	n/a
Latvia	100%	100%	n/a
Finland	100%	100%	n/a
Bulgaria	(n.d.)	100%	-100%
Slovakia	100%	100%	-97%
Romania	91%	94%	n/a
Greece	76%	81%	-80%
Czech Republic	74%	73.9%	-71%
Austria	77%	82%	-66%
Hungary	86%	80%	-45%
Poland	85%	68.84%	-33%
Slovenia	60%	52%	-50%
Germany	37%	44%	-10% (average) (South: -60%)
Italy	32%	30%	25%
France	24%	16%	15%
The Netherlands	17%	n/a	n/a
Belgium	(n.d.)	4%	n/a
United Kingdom	(n.d.)	2%	n/a

Source: Author's compilation from Stern (2005:143); Commission (2008g, 2009a); data for the UK (2006) is from House of Commons (2009, column 1668W).

X Russian natural gas supplies to EU member states (Figure 5.3)

	Gas in TJ
Germany	1477669
Italy	858012
Hungary	351905
France	292239
Poland	286175
Czech Republic	275720
Slovakia	264567
Austria	234017
Romania	209425
Finland	180308
Bulgaria	121355
Lithuania	115354
Greece	102506
Latvia	71174
Estonia	37595
Belgium	28194
Slovenia	21337

Source: Commission (2008h)

XI Russian oil supplies to EU member states (Figure 5.4)

	Oil in mio toe
Germany	36.9
Poland	19.2
Netherlands	18.7
Italy	14
Belgium	12.6
Spain	11.8
France	9.8
United Kingdom	8.4
Lithuania	8.04
Finland	7.8
Sweden	7
Hungary	6.79
Bulgaria	6.32
Slovakia	5.7
Greece	5.4
Czech Republic	5.225
Romania	4.2
Austria	1.2

Source: Commission (2008h)