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Margot Light

The Evolution of EU policy towards its CIS neighbours

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Contents

| | |
|--|-----------|
| Introduction | 6 |
| 1.The EU and the CIS until 1999 | 7 |
| 2.The EU and the CIS from 2000 | 11 |
| 2.1. TACIS and the ENPI | 11 |
| 2.2. The European Neighbourhood Policy | 13 |
| 2.3. The EU and Central Asia. | 15 |
| 2.4. The EU and Russia | 17 |
| 3.Conclusion | 22 |
| References | 23 |



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Abstract

When the EU began to plan enlargement, it was important to define and establish a new relationship with the successor states to the Soviet Union. This paper traces the evolution of the EU's policy towards those successor states from 1991 until the present. In the 1990s the EU tended to treat the post-Soviet states as if they were homogenous and policy was concentrated primarily on Russia. From 2000 onwards, a more differentiated policy was adopted, particularly once the European Neighbourhood Policy was launched. However, because of Russia's energy resources on which the EU was dependent, and because the EU's neighbourhood was also Russia's neighbourhood and Russian policy makers increasingly resented EU intervention into an area which they considered a vital sphere of Russia's interests, Russia still tended to dominate the attention of the EU.

Introduction

When the Cold War came to an end in 1989 with the fall of the Berlin Wall, US President George Bush (Senior) used the phrase 'new world order' to characterize the system which would replace it. The term resonated with the desires and aspirations of millions of people who had lived through rapid change of an unprecedented magnitude and looked forward to an era of peace and prosperity. In Europe, the new world order signified European unity. The reunification of Germany, or rather the absorption of the German Democratic Republic into the Federal Republic of Germany, symbolized the end of the division of Europe. East Europeans were convinced that, like East Germans, they would rapidly be given their rightful place within existing European institutions. West Europeans, perhaps out of a mix of guilt and generosity, began to consider how best to assist the former socialist states of Central and Eastern Europe (CEE) make the transition to liberal democracy and successful market economies. No-one gave much thought to the role that the Soviet Union would play in the new European order. The disintegration of the USSR and the emergence of Russia and fourteen other independent countries magnified the problem of incorporating the former Soviet Union into Europe's new security and economic systems.

By the end of the century, Europe's new contours had begun to take shape. In 1994 the European Council approved a 'pre-accession strategy' designed to facilitate their eventual accession to the EU, while NATO designed a series of measures to facilitate cooperation with the CEE, the end point of which, it soon became clear, would be incorporation into the alliance. In June 1997, the European Council recommended that the European Commission should commence negotiations with the governments of Cyprus, the Czech Republic, Estonia, Hungary, Poland and Slovenia for membership of the EU. In October 1999 Slovakia, Latvia, Lithuania, Romania, Bulgaria and Malta were also invited to begin negotiations. Earlier, in March 1999, Poland, Hungary and the Czech Republic had become members of NATO. An inexorable process had begun of separating Europe into 'insiders' (countries that would belong to the major European international organisations) and 'outsiders' (countries that would belong to neither).

When the EU began to plan enlargement, it became apparent that it was important to define and establish a new relationship with the successor states to the Soviet Union. Although the three Baltic states were immediately accepted as prospective EU members, there seems to have been no question of extending membership to the other 12 successor state, perhaps because they were not deemed to be really European, or perhaps because there was less confidence that they had undertaken democratic transition. It is also the case, of course, that EU members were divided on the question of enlargement; some members were afraid that 'widening' the EU would detract from their aim of 'deepening', while the fear of a federal Europe made others (most prominently the UK) hope that 'widening' would have precisely the effect of preventing 'deepening'.

This paper traces the evolution of the EU's policy towards the successor states to the Soviet Union from 1991 until the present. It divides the period into two stages, looking first at policy in the 1990s and then from 2000 onwards. It does this partly for analytical convenience, but also because there appears to have been a shift in EU policy. In the first period the EU tended to treat the post-Soviet states as if they were homogenous and policy was concentrated primarily on Russia (although it soon became necessary to ensure that Ukraine received similar treatment to Russia). In the second period, a more differentiated policy was adopted, particularly once the European Neighbourhood Policy was launched. But Russia still tended to dominate the attention of the EU, both because of its energy resources on which the EU was dependent and because the EU's neighbourhood was also Russia's neighbourhood and, as Russia became more assertive, Russian policy makers increasingly resented EU intervention into an area which they considered a vital sphere of Russia's interests.

I. The EU and the CIS until 1999

The means by which the EU tried to ensure that the newly independent former Soviet states (NIS) were not marginalized by the enlargement process was to negotiate ten-year Partnership and Cooperation Agreements (PCA) with each country. Less than the Europe Agreements that were designed to prepare aspirant states for EU membership, the PCAs were, nevertheless, far more than ordinary treaties on political and economic relations. The declared aims of the PCAs were to establish closer political links between the EU and the individual countries, to provide a framework through which the EU could support the political and economic reform process in the NIS and to foster trade and investment¹. The PCAs took some time to negotiate and even longer to ratify. While waiting for ratification, relations were based on Interim Agreements on Trade and Trade-related matters. Since ratification depended on the country in question satisfying EU member countries and the European Parliament that it was en route to establishing democracy, there was often a long delay before the PCAs came into force. In the case of Russia, for example, the PCA was concluded in 1994, but the EU delayed ratification when the first Chechen War began later that year and the agreement only entered into force in 1997. In the case of Belarus and Turkmenistan, ratification has not yet occurred. However, Belarus and Turkmenistan are not the only NIS which fall short of the criteria generally regarded as necessary for a democracy. A glance at the list in Table I makes it clear that the EU was selective in applying democratic criteria to the NIS as a condition of concluding and ratifying PCAs.

Since the PCA with Russia was the first to be negotiated, it is perhaps not surprising that it served as the blueprint for the other PCAs. Purporting to be ‘based on the respect of democratic principles and human rights’, they were highly normative in tone and intent. The aims set out in the agreements were more or less identical; they included the provision of an appropriate framework for political dialogue between the EU and the country concerned, the promotion of trade and investment and harmonious economic relations, support for the country’s efforts to consolidate its democracy and to develop its economy and to complete the transition into a market economy and the provision of a basis for economic, social, financial and cultural cooperation. They all provided for political dialogue to be conducted via a ministerial level Cooperation Council², assisted by a Cooperation Committee, regular meetings at senior civil servant level and regular contact at parliamentary level via a Parliamentary Cooperation Committee.

In the case of Russia and Ukraine, however, the PCA also provided for regular summit meetings (in the case of Russia, biannual meetings between the President of the Council of the European Union and the President of the Commission of the European Communities on one side, and the President of Russia on the other, and biannual meetings at senior official level between the European Union Troika and Russian officials were specified; while Ukraine was to have annual summit meetings and meetings between the EU Troika and Ukrainian senior officials by mutual agreement). This extra layer of contact supports the argument that the EU has always given priority (and continues to do so) to Russia. Ukraine occupies the second position and the EU’s relations with the other NIS are less intensive.

The other sections of the PCAs dealt with provisions affecting business and investment, trade, legislative, economic, financial and cultural cooperation. In the case of the PCAs with Russia, Ukraine and Moldova, there was a section to deal with current payments and capital. The PCAs with Armenia, Azerbaijan, Georgia and Uzbekistan included a section on cooperation on matters relating to democracy and human rights, and a section on cooperation on the prevention of illegal activities and control of illegal immigration (Russia’s PCA included the latter section, but did not have a separate section on democracy and human rights).

¹ In fact, however, as far as trade is concerned, the PCAs include little more than a MFN clause.

² In May 2003 the EU-Russia Cooperation Council was turned into a Permanent Partnership Council.

Table 1: Partnership and Co-operation Agreements (PCAs) between the EU and the NIS

| Country | Entered in force |
|-----------------|---|
| Armenia | 1 July 1999 |
| Azerbaijan | 1 July 1999 |
| Belarus | Signed in March 1995 but not yet in force. Interim agreement is also not in force |
| Georgia | 1 July 1999 |
| Kazakhstan | 1 July 1999 |
| Kyrgyz Republic | 1 July 1999 |
| Moldova | 1 July 1998 |
| Russia | 1 December 1997 (signed in 1994 but ratification delayed by first Chechen war) |
| Tajikistan | Signed in October 2004. Interim agreement in force since May 2005 |
| Turkmenistan | Signed in May 1998 but is not yet in force. Interim agreement is not yet in force |
| Ukraine | 1 March 1998 |
| Uzbekistan | 1 July 1999 |

Source: http://ec.europa.eu/comm/external_relations/ceeca/pca/index.htm, accessed 5 March 2007

Well before the PCAs went into operation, the NIS had begun to receive economic and other forms of support from the EU. The EU and its member states are extremely generous providers of assistance to the NIS. The most important vehicle of EU support was the TACIS programme (Technical Assistance to the Commonwealth of Independent States), which was launched in 1991 with the purpose of supporting the process of transition to a market economy and democratic society. Between 1991 and 1999, the EU committed over 4 billion euro of funding to the CIS. At first, five sectors were identified as priority areas for assistance: training, energy (including nuclear safety), transport, support for industrial and commercial enterprises, and food production and distribution. After entry into force of the PCAs, however, these priorities were gradually revised to reflect better the specific needs of the recipients. TACIS funds were allocated to assist in restructuring state enterprises and private sector development, improving nuclear safety and the environment, public administration reform, social services and education, agriculture and food, energy, and transport.

Although most of the aid was bilateral, cross-border programmes were also funded. As Table 2 demonstrates, Russia received the largest proportion of TACIS funds. On a per capita basis, however, Armenia, Moldova, Georgia, Azerbaijan, Ukraine and Kyrgyzstan all received more aid than Russia. Although the EU is, without doubt,

Table 2: ALLOCATION OF TACIS RESOURCES, 1991-1999 (in million euro)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|-------------------------------------|------|------|-------|-------|-------|------|-------|-------|-------|
| Armenia | 2.3 | 9.6 | 17 | 0 | 6 | 14 | 0 | 10 | 0 |
| Azerbaijan | 0.4 | 12.5 | 8 | 8 | 6 | 16 | 0 | 26.8 | 9.5 |
| Belarus | 8.9 | 14.6 | 9 | 7 | 12 | 0 | 5 | 0 | 0 |
| Georgia | 5 | 9 | 6 | 8 | 6 | 16 | 0 | 16 | 0 |
| Kazakhstan | 7.7 | 20.6 | 14 | 14 | 15 | 0 | 24 | 0 | 16.6 |
| Kyrgyzstan | 0.7 | 9.2 | 10 | 0 | 8 | 0 | 13 | 0 | 8.6 |
| Moldova | 1.1 | 9 | 0 | 10 | 9 | 0 | 18 | 0 | 14.7 |
| Russia | 212 | 111 | 160.8 | 150 | 161.2 | 133 | 132.9 | 139.7 | 73.5 |
| Tajikistan | 0 | 0 | 0 | 4 | 4 | 0 | 0 | 0 | 0 |
| Turkmenistan | 0.9 | 8.8 | 0 | 8 | 4 | 0 | 11.5 | 0 | 6.7 |
| Ukraine | 28.7 | 48.3 | 43.3 | 50.5 | 72.5 | 76 | 59 | 44 | 38.6 |
| Uzbekistan | 1.7 | 18.8 | 0 | 15 | 10 | 28 | 0 | 29 | 0 |
| Regional Programmes* | 106 | 88.6 | 172 | 131.5 | 124.5 | 152 | 135 | 155.8 | 129.4 |
| Donor Coordination** | 0 | 34.9 | 21 | 24.7 | 40 | 43 | 37 | 43 | 64.4 |
| Programme Implementation Support*** | 6.2 | 24 | 11.1 | 21 | 23 | 37.5 | 34.5 | 31.9 | 65.6 |
| Others**** | 0 | 0 | 0 | 10 | 10 | 11 | 11.9 | 0 | 0 |

Notes:

* Includes Inter-state, nuclear safety and cross-border cooperation programmes

** Includes EBRD Bangkok Facility, Partnership and Coordination Programme, International Science and Technology Centre

*** Includes Coordinating Units, Information, monitoring and evaluation

**** Includes Democracy Programme and STAP-Linkenen facility

Source: http://ec.europa.eu/comm/external_relations/ceeca/tacis/figures.pdf, accessed 5 March 2007.

a generous donor to the NIS, the TACIS programme has been criticised for being fragmented and project-driven, rather than strategic, and for clinging to a model of regional cooperation that has proven to be ineffective owing to the reluctance of the NIS states to work together (see, for example International Crisis Group, 2006).

In June 1997 the EU signed a new inter-governmental treaty, the Amsterdam Treaty, the main purpose of which was to make the EU's common foreign and security policy (CFSP) more effective. It established a new policy instrument called 'common strategies.' By adopting a common strategy EU members would commit themselves to cooperate on policy towards a particular area or country where the Member States had important interests in common. The first such strategy to be elaborated was the Common Strategy on Russia, approved by the Cologne European Council in June 1999. It committed the EU to assist in the establishment of a 'stable, open and pluralistic democracy in Russia', and aimed at 'responding to the common challenges of the continent through intensified cooperation.' It set out four areas of action (consolidation of democracy, the rule of law and public institutions; integration of Russia into a common European economic and social space; stability and security; common challenges on the European continent) on which the EU would focus in order to 'strengthen the strategic partnership between the Union and Russia'. There were also more particular initiatives in fields such as non-proliferation and organised crime³.

In December 1999 a Common Strategy on Ukraine was adopted which aimed to support the democratic and economic transition process in Ukraine, ensure stability and security, and support strengthened cooperation between the EU and Ukraine within the context of EU enlargement⁴. Both were adopted for an initial period of four years.

Although the Common Strategies were developed in the context of the strengthening of the CFSP, they were also intended to ensure a harmony between EU and member-state policy towards Russia and Ukraine and to prevent European leaders from dealing bilaterally with the two countries on issues that the EU as a whole could or should address. Both included an exhortation to member states to 'make additional efforts to coordinate their actions'. However, their success in this regard was limited. Nor were the Common Strategies welcomed in the NIS.

The Russian government, for example, was irritated by the 'apparent tone of condescension and hubris' used in the Common Strategy. It responded by elaborating its own goals for its relationship with the EU which it presented to the Helsinki European Council in October 1999 as the 'Medium-Term Strategy for the Development of Relations between the Russian Federation and the European Union (2000-2010)'⁵. The Ukrainian government was unenthusiastic about its Common Strategy because it wanted a Europe Agreement. A presidential decree adopted the previous year on the 'Strategy of Ukraine's integration to the European Union' claimed that 'The national interests of Ukraine require identification of Ukraine as an influential European country, full-fledged EU member'⁶. The Ukrainians were extremely disappointed that Ukraine had not been included in the list of countries confirmed at the October 1999 Tampere European Council which could commence accession negotiations and they saw the Common Strategy as a poor consolation prize. The Moldovan and Belarusian governments, on the other hand, were offended that the EU had not adopted Common Strategies on Moldova and Belarus. On balance, the Common Strategies did not provide anything which was not already in the PCAs and the EU itself soon came to the view that they provided no significant added value (see Haukkala and Medvedev, 2001).

³ The EU's Common Strategy on Russia is published in Official Journal of the European Communities, L157/1, 24/06/1999.

⁴ The EU's Common Strategy on Ukraine is published in Official Journal of the European Communities, L331/1, 23/12/1999.

⁵ See Gowan (2000), p. 11; Russia's Medium Term Strategy can be found at 'Strategiya razvitiya otnoshenii Rossiiskoi Federatsii s Evropeiskim Soyuzom na srednesrochnuyu perspektivu (2000-2010 gg)', *Diplomatsicheskii vestnik*, No. 11, 1999, pp. 20-28. For an interesting comparison between the two strategies, see Menkiszak (2006), Appendix III, pp. 67-8.

⁶ 'On Approval of the Strategy of Ukraine's Integration into the European Union [sic]', Decree No. 615/98, 11 June 1998, http://www.sdfm.gov.ua/articles.php?cat_id=94&art_id=276&lang=en, accessed 7 February 2007. See also Horbulin (1996), pp. 3-8, cited in Bukkvoll (1997), p. 66.

It was not surprising that EU attention was concentrated primarily on Russia in the early years after the disintegration of the USSR. As the legal heir to the Soviet Union, Russia 'inherited' the Soviet Union's relations with the EU, so there was, in effect, an existing relationship on which to build. Moreover, the Russian Ministry of Foreign Affairs took over the buildings and most of the personnel of the Soviet Ministry of Foreign Affairs. Soviet embassies and trade missions abroad, with some personnel changes, immediately began to represent the Russian Federation. Foreign embassies, international agencies, prominent non-governmental organizations and media representatives were already located in Moscow. Russia, therefore, started its independent existence with enormous advantages.

The non-Russian successor states, by contrast, had to start from scratch. The symbols of external sovereignty – international recognition and individual membership of international organizations such as the UN – were granted immediately. Internal sovereignty, however, was more difficult to assert in many cases, either because a sense of statehood barely existed (this was the case, for example, in Belarus) or because there were violent conflicts between different groups within the state (for example, in Georgia and Moldova). In these circumstances, the establishment of an active and independent foreign policy proved to be no simple matter. All the Union Republics that formed the USSR had, in theory, possessed ministries of foreign affairs. Only Belarus and Ukraine, however, had any experience of foreign representation, having held separate seats at the UN since its inception and having contributed staff to its international civil service and to its specialized agencies. Lack of diplomatic expertise and the shortage of experienced staff were compounded by the great material difficulties presented by establishing representation abroad.

It also took the EU some time to establish relations with the NIS. At first, foreign representatives accredited to the governments of the newly independent states continued to operate from Moscow. The Delegation of the European Commission to Ukraine, Belarus and Moldova was opened in Kyiv in 1993 (Moldova only got a resident EU delegation in 2005), to Central Asia in Almaty in 1994 (supported by smaller field offices, led by *chargés d'affaires*, in Bishkek and Dushanbe; in 2005, the EU also opened a representative office in Astana), to Georgia in 1995, and to Armenia in 1999. Azerbaijan and Uzbekistan do not have EC delegations but Europa Houses, and there is a TACIS branch office in Belarus.

Apart from starting with considerable diplomatic and material advantages, Russia was also by far the largest of the successor states. As the recognized legal heir to the USSR, a permanent member of the UN Security Council and the only successor state with recognized nuclear status, it immediately occupied a more prominent role in the international system than any other successor state. It possessed significant energy resources and immediately became an important trading partner for the EU. By 1999 it ranked seventh amongst EU trading partners; the EU-Russian trading relationship was valued at 40.6 billion and it constituted 2.7 per cent of EU trade with the world (see Table 3). The value of the EU's trade with the other NIS was far smaller, amounting to only 12.2 billion for all 11 states. Indeed, if it is added to Russian trade, the value of EU-CIS trade (imports and exports) as a whole was 52.8 billion and it constituted 3.4 per cent of total EU-world trade. Russia also was the first NIS to institute market reforms and, until the 1998 financial crash, many western analysts were extremely optimistic about the Russian economy (see, for example Layard and Parker, 1996).

Table 3: EU TRADE WITH MAIN PARTNERS 1999 (billion euro) (IMPORTS+EXPORTS)

| Partners | Values | % |
|---------------|--------|-------|
| WORLD* | 1.530 | 100.0 |
| 1 USA | 341 | 22.3 |
| 2 Switzerland | 115 | 7.5 |
| 3 Japan | 106 | 6.9 |
| 4 China | 69 | 4.5 |
| 5 Norway | 52 | 3.4 |
| 6 Poland | 46 | 3.0 |
| 7 Russia | 41 | 2.7 |
| ALL CIS | 53 | 3.4 |

Source: http://trade.ec.europa.eu/doclib/docs/2005/february/tradoc_111965.pdf, accessed 7 March 2007.

Despite the optimism about the Russian economy and the hope that the other NIS would follow suit, there were a number of disappointments on both sides at the slow pace of progress in implementing the PCAs and the two Common Strategies. Nevertheless, a dense network of political and economic consultations was established between the EU and the NIS in the 1990s. The Cooperation Committees met frequently, while various subcommittees brought NIS and EU experts together. At the highest level, EU-Russia and EU-Ukrainian summits took place at regular intervals and there was also a steady flow of high-level visits between the capitals of the CIS and various European capitals.

2. The EU and the CIS from 2000

The EU's policy towards the NIS appeared to change gear in 2000 from a 'one size fits all' to a more differentiated approach. One reason for this differentiation was the adoption of a new TACIS regulation in January 2000. A second reason was the approval of a European Neighbourhood Policy (ENP) which no longer treated the CIS as a homogenous area. Together with the South Mediterranean countries, Belarus, Moldova and Ukraine, together with the three South Caucasus states, were categorized as the EU's neighbours, while the Central Asian states were the EU's 'neighbour's neighbours'⁷. Russia refused to be classified as a neighbour and insisted that it occupied a category of its own. By this time a number of difficulties had arisen in Russian-EU relations and they tended to cast a shadow over the EU's relations with the other NIS. At the same time, the 'colour revolutions' in Georgia, Ukraine and Kyrgyzstan in November 2003, November 2004 and March 2005 kindled the hope within the EU that democratic transition had finally begun to take hold in the NIS but they also exacerbated the difficulties in EU-Russian relations. This section will look at the new TACIS regulation and the European Neighbourhood and Partnership Instrument (ENPI) that replaced it, before examining the EU's relations with these three categories of states – the European neighbourhood, Central Asia and Russia.

2.1. TACIS and the ENPI

The new TACIS regulation aimed to 'make adjustments on the basis of past experience and on the development of the partner countries themselves'⁸. The regulation established a programme to run for the period 1 January 2000 to 31 December 2006. TACIS would now take the evolving and differing needs and priorities of partner States, individually and as regions, into account. It would aim to maximise impact by concentrating on a limited number of significant initiatives (but not precluding small-scale projects). It would also promote inter-state, interregional and cross-border cooperation between the partner states themselves and between them and the countries of Central and Eastern Europe. Under the new regulation, the European Commission would outline its priority areas in each partner country in Strategy Papers (SP), covering a period of five to seven years. In parallel, it would also draw up Indicative Programmes (IP) for a two- to-three year period with specific objectives. Annual Action Programmes (AP) would detail the specific projects to be financed. A sum of 3,138 million euro was allocated for the implementation of the programme⁹.

⁷ This term was used by the European Commissioner for External Relations and European Neighbourhood Policy in a speech in Kazakhstan in October 2006. See <http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/06/615&format=HTML&aged=0&language=EN&guiLanguage=en>, accessed 7 March 2007.

⁸ Council Regulation (EC, EURATOM) No 99/2000 of 29 December 1999 concerning the provision of assistance to the partner States in Eastern Europe and Central Asia, *Official Journal of the European Communities*, L 12/1, 18/1/2000.

⁹ The Strategy Papers and National Indicative Programmes can be found http://ec.europa.eu/comm/external_relations/ceeca/rsp/progs.htm, accessed 14 February 2007.

The activities on which the new TACIS regulation concentrated were support for institutional, legal and administrative reform; support to the private sector and assistance for economic development; support in addressing the social consequences of transition; the development of infrastructure networks; the promotion of environmental protection and management of natural resources; the development of the rural economy; as well as support for nuclear safety. As Table 4 indicates, Russia again received the largest proportion of TACIS funds. On a per capita basis, however, Moldova, Georgia, Ukraine, Armenia, Kyrgyzstan and Azerbaijan received considerably more aid than Russia.

Table 4: ALLOCATION OF TACIS RESOURCES, 2000-2005 (in million euro)

| Country | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|--|-------|------|-------|-------|------|-------|
| Armenia | 10 | 0 | 10 | 0 | 10 | 0 |
| Azerbaijan | 24 | 0 | 14 | 0 | 15 | 0 |
| Belarus | 5 | 0 | 0 | 6 | 0 | 8 |
| Georgia | 11 | 4 | 14 | 0 | 29 | 2 |
| Kazakhstan | 0 | 15 | 0 | 6.6 | 7 | 3.4 |
| Kyrgyzstan | 0 | 10 | 0 | 4.5 | 6.2 | 15.2 |
| Moldova | 0 | 21 | 0 | 25 | 0 | 42 |
| Russia | 92 | 90 | 90 | 162.2 | 114 | 80 |
| Tajikistan | 0 | 0 | 0 | 3.7 | 9.6 | 17.3 |
| Turkmenistan | 0 | 0 | 0 | 1.5 | 2.2 | 5.7 |
| Ukraine | 73 | 108 | 87 | 92.8 | 92 | 88 |
| Uzbekistan | 15 | 0 | 0 | 8.7 | 11 | 9.2 |
| Central Asia ** | | | 50 | 26.7 | 14 | 15 |
| Regional Programmes*** | 112.4 | 118 | 128.5 | 104.8 | 168 | 191.6 |
| Donor Coordination**** | 48 | 40.4 | 35 | 15 | 4 | 0 |
| Programme Implementation Support and others***** | 47.2 | 21.8 | 22 | 24.1 | 20.8 | 37 |

Notes:

** Includes from 2002 on Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan

*** Includes the Inter-state, nuclear safety, cross-border cooperation and Baltic Sea programmes

**** Includes EBRD Bangkok Facility, Partnership and Coordination Programme, International Science and Technology Centre

***** Includes Coordinating Units, information, monitoring and evaluation and possible other costs

Source: http://ec.europa.eu/europeaid/projects/tacis/financial_en.htm, accessed 5 March 2007.

In 2004 an evaluation of the implementation of the new regulation found that the overall relevance of TACIS vis-à-vis the EU's strategic priorities in the region was high but it criticized the APs on the grounds that they were discussed but not negotiated with partner countries. As a result, the recipients of EU aid did not regard themselves as partners and there was a perception that the dialogue envisaged by the regulation had not occurred. The evaluators also expressed doubt that the heavy concentration by TACIS on a restricted number of areas (as the regulation stipulates) enhanced either the relevance or the effectiveness of the programme. Moreover, they thought that the project-based approach tended to be top-down, which diminished the sense of ownership of the projects. Nor did they think that TACIS had fully responded to the diversification that had occurred in the NIS region since the end of the 1990s, and to the different priorities the EU had vis-à-vis its NIS partners, but they pointed out that it was difficult to adapt the same instrument to such different priorities as partnership and building of common spaces (the EU policy priorities in Russia and Ukraine) and alleviating poverty (the EU's main concern in the Caucasus and Central Asia) (DRN, 2006).

At the end of 2006, TACIS was replaced by the European Neighbourhood and Partnership Instrument (ENPI) which will support both the countries covered by the European Neighbourhood Policy and Russia. It is designed to target sustainable development and approximation to EU policies and standards. For the budgetary period 2007-2013, approximately 12 billion euro in EC funding will be available for the ENPI, an increase of 32 per cent in real terms relative to the support for the NIS and southern Mediterranean neighbours during 2000-2006. The main focus of ENPI will be on country programmes, including support for the implementation of ENP Action Plans (see below) towards which 73 per cent of the funds will be geared. However, the funds can also be used

to foster cooperation among partner countries, especially those among them that are geographically close to each other, including, where appropriate, with countries not eligible for Community assistance¹⁰.

The five Central Asian Republics will be funded partly through the Development Cooperation Instrument (DCI) and partly via the ENPI Eastern Regional Programme.

2.2. The European Neighbourhood Policy

As the enlargement of the EU loomed closer, the European Commission began to give serious thought to the consequences of enlargement for the NIS and the Southern Mediterranean. They had no serious prospect of acceding to the EU in the foreseeable future, but they were perceived as ‘essential partners’. Indeed, the attainment of security, stability and sustainable development *within* the Union was deemed to require political reform, social cohesion and economic dynamism *outside* it, in particular in the EU’s new eastern neighbourhood¹¹. The European Commission proposed ‘a differentiated, progressive, and benchmarked approach’ to the new neighbours. This approach was elaborated in the European Neighbourhood Policy Strategy Paper which was published by the Commission in May 2004 and approved by the Council of the EU in June 2004¹². Although at first it was intended to include only Belarus, Moldova and Ukraine, the countries of the South Caucasus were added in June 2004.

The objective of the ENP is to share the benefits of the EU’s 2004 enlargement with neighbouring countries so as to strengthen the stability, security and well-being of both members and neighbours and to prevent the emergence of new dividing lines between the enlarged EU and its neighbours¹³. The new neighbours were to be offered the chance to participate in various EU activities, which would draw them closer to the EU without actually giving them the opportunity to join it. The basis of the ENP is the bilateral ENP Action Plans agreed between the EU and each partner which set out an agenda of political and economic reforms with short and medium-term priorities. Each Action Plan is based on a detailed country report compiled by the Commission which assessed the bilateral relations between the EU and the country, evaluated the progress achieved under the PCA, and described the current situation in selected areas of particular interest. In all the NIS Action Plans, the areas of particular interest were listed as ‘the development of political institutions based on the values – democracy, the rule of law, human rights – underlined in the Agreement, regional stability and co-operation in justice and home affairs, and economic and social reforms that will create new opportunities for development and modernisation, for further liberalisation of trade and for gradual participation in the Internal Market’¹⁴.

The ENP Action Plans for Ukraine and Moldova were adopted in February 2005, while those for Armenia, Azerbaijan and Georgia took until November 2006 to complete. Each of them sets out a series of priorities within and beyond the scope of the PCA to be met by the neighbours (in the case of the countries of the South Caucasus they are to be met within a five year period; the Action Plans for Moldova and Ukraine extend over a three year period). Progress in meeting the priorities will be monitored. At the end of the period covered by the Action Plan, the Commission will issue a further report and on this basis, decisions may be taken on the next step in the development of bilateral relations, and this may involve the establishment of new contractual links. In Ukraine’s Action Plan, the possibility was put forward of a new enhanced agreement, the scope of which would be defined

¹⁰ Regulation (EC) No 1638/2006 of the European Parliament and of the Council of 24 October 2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument, *Official Journal of the European Communities*, L 310/1, 9/11/2006.

¹¹ Commission of the European Communities, Communication from the Commission to the Council and the European Parliament, ‘Wider Europe – Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours’, COM (2003) 104, Brussels, 11/3/2003, p. 3.

¹² Council of the European Union, Presidency Conclusions 10679/2/04, 19 July 2004, http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ec/81742.pdf, accessed 12 February 2007. The strategy had been preceded by a Wider Europe framework paper.

¹³ Communication from the Commission, European Neighbourhood Policy Strategy Paper, COM(2004) 373, Brussels, 12.5.2004.

¹⁴ The Country Reports can be found at http://ec.europa.eu/world/enp/documents_en.htm, accessed 12 February 2007.

in the light of the fulfilment of the objectives of the Action Plan and of the overall evolution of EU – Ukraine relations. In December 2006 the Commission published a satisfactory progress report for Ukraine. On 2 March 2007 negotiations began on a new Enhanced Agreement¹⁵. Moldova's progress report was less positive and the European Commission proposed increasing EU assistance to Moldova to support the reform process and the implementation of the Action Plan¹⁶. The EU also established an EU Border Assistance Mission to Moldova and Ukraine in December 2005 to assist in overall capacity building for border management, including customs, on the Moldova-Ukraine border¹⁷. Furthermore, a visa facilitation and readmission agreement was reached between the EU and Ukraine in December 2006 and a similar agreement is under negotiation with Moldova.

Although Belarus was included in the list of countries covered by the ENP, no Action Plan has been negotiated. However, Benita Ferrero-Waldner, the Commissioner for External Affairs and European Neighbourhood Policy, adopted the unusual measure of issuing a message to the Belarus people in which she explained that Belarus would have to respect human rights, democracy and the rule of law in order to participate in the ENP¹⁸. The European Parliament has regularly criticized the Belarusian authorities and called upon the Council and Commission to adopt a more active policy in defence of democracy in Belarus¹⁹. Influenced perhaps by these instructions, as well as by Poland and Lithuania, the events in Georgia and Ukraine and the deteriorating conditions for civil liberties in Belarus, the EU has become increasingly critical of the Belarus government. A number of named Belarus officials deemed to be complicit in Belarus' democratic deficit have been banned from obtaining visas to visit EU countries. The EU has also taken active steps to foster the construction of a civil society in Belarus by creating alternative sources of information and education for Belarusians. In January 2006 the EC granted 2.2m euro to help set up the European Humanities University (EHU) in exile in Vilnius. In February 2006, new EC-financed TV and radio broadcasting programmes for Belarus were launched, as part of a wider 2 million euro project that will cover internet, support to the Belarusian written press and the training of journalists, in addition to radio and TV broadcasts. In October 2006, the Commission launched a 4.5 million euro programme to support scholarships for Belarusian students wanting to study abroad²⁰.

The ENP has been criticized for the 'disproportion between the number of commitments and tasks that the neighbours must make and carry out and the benefits promised by the EU' and for 'being vague on many of the key areas that neighbouring countries are really interested in' (Pelczyńska-Nałęcz, 2005; p. 27 and Grabbe, 2004). The Action Plan for Ukraine, for example, sets out a comprehensive list of 71 priorities, each of which consists of several subsections, while Moldova's Action Plan lists 80 priorities, again each with several subsections. Although the ENP Strategy Paper claimed that 'the priorities for action will...constitute benchmarks which can be monitored and assessed', it is difficult to see how exhortations such as to 'Enhance contacts and cooperation at the cross-border and regional level with neighbouring new EU member states by taking up the opportunities and challenges arising from EU enlargement' (priority 70 in the Ukraine Action Plan and priority 79 in the Moldova Action Plan) can constitute a benchmark which can be assessed. Nor is it clear that the Action Plans are an advance on the PCAs, since many of the priorities consist of instructions to implement commitments made in the respective PCAs.

As part of its report on implementation in December 2006, the Commission seemed to recognize some of these problems and it published proposals on how the ENP could be strengthened. Among the proposals were

¹⁵ ENP Progress Report Ukraine, SEC(2006) 1505/2, http://ec.europa.eu/world/enp/pdf/sec06_1505-2_en.pdf, accessed 7 March 2007.

¹⁶ ENP Progress Report Moldova, SEC(2006) 1506/2, http://ec.europa.eu/world/enp/pdf/sec06_1506-2_en.pdf, accessed 7 March 2007.

¹⁷ See The European Union Border Assistance Mission to Moldova and Ukraine, http://ec.europa.eu/world/peace/docs/eubam_presspack_en.pdf, accessed 20 April 2007.

¹⁸ Non-Paper "What the European Union could bring to Belarus" http://ec.europa.eu/comm/external_relations/belarus/intro/non_paper_1106.pdf, accessed 7 March 2007.

¹⁹ See, for example, European Parliament resolution on Belarus, P6_TA(2005)0363, <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P6-TA-2005-0363+0+DOC+XML+V0//EN>, accessed 10 April 2007.

²⁰ The EU's relations with Belarus http://ec.europa.eu/comm/external_relations/belarus/intro/index.htm, accessed 7 February 2007. See also Pelczyńska-Nałęcz (2005).

plans to enhance the economic and trade component of the Action Plans. Although this had been included in the Strategy Paper, the proposals suggested that ENP partners should be offered ‘a clear perspective of deep trade and economic integration with the EU’, which should include improved access in all areas of economic potential and interest for ENP partners. Similarly, the Strategy had included the aim of facilitating mobility, but the 2006 proposals recognized that ‘the length and cost of procedures for short-term visas (e.g. for business, researchers, students, tourists or even official travel) is a highly “visible” disincentive to partner countries, and an obstacle to many of the ENP’s underlying objectives’.

The Commission pointed out that since the ENP partners faced similar problems in a number of fields, it would make sense to build a thematic dimension to the ENP by introducing common debate, action and cooperation between the EU and all or most ENP partners in areas such as energy, transport, the environment, rural development, information society, research cooperation, public health, financial services, border management, migration and maritime affairs. It also proposed strengthening political cooperation and enhancing regional cooperation and it included a new proposal to initiate an EU regional policy with the partner countries around the Black Sea, to include both ENP countries and Russia and Turkey. Finally it proposed strengthening financial cooperation by seeking synergies between ENPI and other EU funds as well as with Member States, International Financial Institutions (IFIs) and other donors. The proposals included two innovative financing mechanisms: an amount of 300m for a Governance Facility to acknowledge and support those partner countries that have made most progress in implementing the agreed reform agenda set out in their Action Plan, and a sum of 700m for a Neighbourhood Investment Fund, to be used to support IFI lending in ENP partner countries²¹. The EU also has Special Representatives in Moldova (appointed in March 2005) and the South Caucasus (appointed in July 2003) whose mandates include contributing to a peaceful settlement of the conflicts in the area and enhancing the effectiveness of border and customs controls and border surveillance activities.

The measures proposed by the Commission in December 2006 may make the ENP more effective. In fact, however, the real problem is that the EU expects the new neighbours to adopt EU norms in the same way that the accession countries did, but it is not prepared to offer them the same motivation – that is, the prospect of accession, which is what the new neighbours really want.

2.3. The EU and Central Asia

The Central Asian states were not included in the EU’s European Neighbourhood Policy and although the 2000 TACIS regulation treated them as individual states, the European Commission adopted a Strategy for Central Asia in 2002 which grouped the five Central Asian states together and aimed to promote their stability and security and to assist in their pursuit of sustainable economic development and poverty reduction. In March 2004 the Commission established a regular Regional Political Dialogue with the Central Asian countries in the hope of creating a forum that could bring the five countries together and contribute to building confidence and mutual trust. In July 2005, following the ‘tulip revolution’ in Kyrgyzstan in March 2005 and the Andijan massacre in Uzbekistan in May 2005, when Uzbek Interior Ministry troops fired into a crowd of protesters, the EU appointed a Special Representative for Central Asia whose role is to contribute to the implementation of the EU’s policy objectives in the region and to enhance the EU’s effectiveness in the region. The Special Representative is also tasked with ensuring closer coordination with other relevant partners and international organizations in Central Asia, such as the OSCE.

The 2002 Strategy for Central Asia concluded that the challenges facing Central Asia, at both the national and regional level, called for efforts to foster increased cooperation between them. TACIS would contribute to their

²¹ Communication from the Commission to the Council and the European Parliament, On Strengthening The European Neighbourhood Policy, COM (2006)726 final, http://ec.europa.eu/world/enp/pdf/com06_726_en.pdf, accessed 4 February 2007.

cooperation by providing assistance through three ‘tracks’ consisting of a regional cooperation programme designed to promote good neighbourly relations (focusing on transport, energy networks and environmental protection); a regional support programme, implemented at national level designed to address the main common challenges to sustainable economic development; and a poverty reduction scheme in two or three selected target areas. The Strategy paper was accompanied by an Indicative Programme for 2002-4²². An annual allocation of 50 million euro was envisaged for the years 2002-2006, which was double the previous allocation. In 2005 and 2006 the allocations were increased to 66 million euro and 60 million euro respectively. From 1 January 2007 aid to Central Asia is provided through the new Development Cooperation and Economic Cooperation Instrument which will apply until 31 December 2013²³.

The EU also sponsors Central Asian cooperation with other countries and regions. For example, a major European Commission project – the Transport Corridor Europe-Caucasus-Asia (TRACECA) – includes both the Caucasus and Central Asia. Initiated in 1993, it envisages the construction of an east-west transport corridor linking the EU to the three South Caucasus and five Central Asian states via the Black and Caspian Seas. It funds both technical aid and infrastructure rehabilitation projects²⁴. The Interstate Oil and Gas Transport to Europe (INOGATE) programme is even broader, encompassing 21 countries, including four of the five Central Asian States (Turkmenistan is not included). It supports the development of regional energy markets and their gradual integration with the EU market. In November 2004 elements of both schemes were joined together in the ‘Baku Initiative’, launched by representatives of the Commission and fifteen states from the Black Sea and Caspian. Participants pledged to hold regular energy and transport ministerial conferences and discuss increased harmonisation of the two sectors.

The fears aroused in the EU that it is becoming excessively dependent on Russia for its energy needs have led to a renewed interest in Central Asian energy resources. The EU deems the establishing secure and safe export routes for Caspian oil and gas to be important for its plans to diversify its energy supplies. In November 2006 the Baku Initiative produced a Road Map which identified four priority areas for future energy cooperation: convergence of energy markets on EU internal energy market principles, enhancing energy security by addressing energy exports/imports, supply diversification, energy transit and energy demand issues, developing energy efficiency and renewable energy sources, and improving the investment climate in order to facilitate investment in the energy sector. In the period 2007-2010, priority will be given to capacity building programmes for energy authorities to increase their understanding of EU energy legislation and practice, preparing regional energy efficiency action plans, upgrading existing energy networks and developing new routes and infrastructure²⁵.

Although these schemes are very ambitious, their achievements so far have been modest, in part because of inadequate funding, and in part because of the reluctance of the states to cooperate with one another (International Crisis Group, 2006). A new Strategy Paper for Central Asia for 2007-2013 is under elaboration and is scheduled to be adopted in June 2007. The current German EU presidency announced in advance that relations with Central Asia would be one of its priorities and Chancellor Merkel informed the European Parliament in January 2007 that the EU neighbourhood policy towards the Black Sea region and Central Asia planned as part of the ENP will be elaborated during her Presidency²⁶.

²² Strategy Paper 2002-2006 & Indicative Programme 2002-2004 for Central Asia, http://ec.europa.eu/comm/external_relations/ceeca/rsp2/02_06_en.pdf, accessed 4 February 2007.

²³ Regulation (EC) No 1905/2006 of the European Parliament and of the Council of 18 December 2006 establishing a financing instrument for development cooperation, Official Journal of the European Union L 378/41, 27.12.2006.

²⁴ See the TRACECA website for the projects, at <http://www.traceca-org.org/default.php?l=en>, accessed 7 February 2007.

²⁵ Ministerial Declaration on Enhanced energy co-operation between the EU, the Littoral States of the Black and Caspian Seas and their neighbouring countries, 30 November 2006, at http://ec.europa.eu/dgs/energy_transport/international/regional/caucasus_central_asia/baku/doc/2006_11_30_astana_conclusions.pdf, accessed 4 February 2007.

²⁶ Speech by Angela Merkel, Chancellor of the Federal Republic of Germany, to the European Parliament in Strasbourg on Wednesday, 17 January 2007, at http://www.eu2007.de/en/News/Speeches_Interviews/January/Rede_Bundeskanzlerin2.html, accessed 10 March 2007.

2.4. The EU and Russia²⁷

Russians were shocked that the EU's new neighbourhood plans appeared to put Russia in the same category as the other European NIS. According to Sergei Yastrzhembsky, presidential representative in charge of Russia's EU policy, the European Neighbourhood Policy was not suitable for Russia, or as he put it, 'The offered suit is too small for us. It is not the right size for Russia's shoulders'²⁸. Russia was duly left out of the ENP and the decision was made to develop the Russian-EU strategic partnership through the creation of four common spaces.

The four Common Spaces – a Common Economic Space, a Common Space of Freedom, Justice and Home Affairs, a Common Space of External Security, and a Common Space on research, education and culture – have ambitious aims. The objective of the Common Economic Space is to create an open and integrated market between the EU and Russia. The Common Space of Freedom, Justice and Home Affairs aims to build a new Europe without dividing lines, and to strengthen the EU-Russian strategic partnership on the basis of common values, while the Common Space of External Security aims to increase security by improving cooperation on tackling terrorism and all forms of organized crime, as well as other illegal activities. The objective of the Common Space on research, education and culture is to reinforce people-to-people contacts, promote common values and contribute to increase the competitiveness of the EU and Russian economies. At the Russian-EU summit in St Petersburg in May 2003 a decision was made to negotiate road maps which would act as the short and medium-term instruments for the implementation of the Common Spaces. The four roadmaps were adopted at the EU-Russian summit in May 2005²⁹.

It is a mark of the complexity and multi-faceted nature of the Russian-EU relationship that negotiations on the four roadmaps continued, because a series of difficulties have dogged the relationship since Vladimir Putin became first Prime Minister and then President of Russia. The first issue which led to deterioration in relations was the launch of a second war against Chechnya in 1999. The EU was highly critical of the conduct of the war. The EU Council, for example, condemned the bombardment of Chechen towns and the treatment of internally displaced people and decided to limit TACIS assistance to priority areas such as human rights, the rule of law, support for civil society and nuclear safety³⁰. Since the war in Chechnya was, in their view, a domestic matter, Russian officials were offended by the EU's critical statements and the sanctions³¹. After the attacks on the World Trade Centre and the Pentagon on 11 September 2001, however, in the face of the common threat of international terrorism, Russia's cooperation with western countries resumed. Russia supported the UN Security Council Resolution which endorsed US military action against the Taliban, increased its supply of weapons to the Northern Alliance fighting the Taliban government in Afghanistan and opened Russian airspace to US airplanes for humanitarian flights. President Putin also gave tacit support to the offer of the Central Asian states of logistic support, including bases, to the US military for the operation against Afghanistan. He had always claimed to be fighting a war against international terrorism in Chechnya and he had insisted that Osama Bin Laden was funding Chechen terrorists, many of whom had been trained by Al Qaeda. He assumed that once the attack against Afghanistan was launched, Western criticism of the war against Chechnya would cease.

²⁷ This section draws from Roy Allison, Margot Light and Stephen White (2007) *Putin's Russia and the Enlarged Europe*, Chatham House and Blackwell, 2006, published as part of a project 'Inclusion without Membership? Bringing Russia, Ukraine and Belarus closer to "Europe"', funded by the UK Economic and Social Research Council, grant RES-000-23-0146

²⁸ *Itar Tass Weekly News*, 9 November 2004.

²⁹ For details about what the Common Spaces aim to achieve, see Final Road Maps, http://europa.eu.int/comm/external_relations/russia/summit_05_05/index.htm#fsj, accessed 3 April 2005.

³⁰ See Helsinki European Council, Presidency Conclusions, Annex 2, 10 and 11 December 1999, http://europa.eu.int/council/off/conclu/dec99/dec99_en.htm#annexII, accessed 4 February 2006. The sanctions were removed after six months.

³¹ See, for example, the article by Konstantin Ugodnikov and Aleksei Chichkin, 'Yevropa grozit zabit' okno v Rossiyu', *Rossiskaya gazeta*, 28 January 2000.

At first, Putin's assumption appeared to be correct. The united determination to eliminate the threat of international terrorism appeared to put the EU's concern for human rights and democratisation on the back burner. EU criticism of Russian policy in Chechnya became far more muted. Far from mentioning Russia's human rights abuses, the final EU-Russian summit statement in October 2001, for example, expressed EU support for the Russian authorities' efforts to reach a political settlement in Chechnya. Moreover, a joint declaration was adopted 'on stepping up dialogue and cooperation on political and security matters'. It was agreed that in addition to the existing regular political consultations, monthly meetings would be held between the EU Political and Security Committee Troika and Russia 'in order to take stock of consultations on crisis prevention and management'. Other one-off meetings would be organised between the EU's Political and Security Committee and Russia in response to events³².

Paradoxically, however, Chechnya became an even more contentious issue in Russian-EU relations after the EU had ceased to raise the issue publicly. The venue for the 10th Russian-EU summit was moved from Copenhagen to Brussels, for example, when President Putin refused to travel to Denmark because the Danish authorities declined to ban a meeting of the World Chechen Congress in Copenhagen at the end of October 2002. The Russian government accused the EU of double standards in refusing to label Chechens as international terrorists. In a report for the EU Council and Parliament on relations with Russia, the EU Commission, in turn, appeared to question Russia's commitment to core universal and European values and the pursuit of democratic reforms³³.

Russian criticism of the EU's response to Chechen terrorism became far sharper in September 2004, after the Beslan siege, when a tactlessly phrased request for information about the siege from the Dutch Foreign Minister (the Netherlands held the presidency of the EU at the time) caused outrage in Russia. The diplomatic row was smoothed over rapidly and the Russian government agreed to an EU proposal to establish regular consultations on human rights, the first of which took place on 1 March 2005³⁴. Nevertheless, Russian resentment at what was perceived to be an attempt to interfere in the country's domestic affairs and objections to European 'double standards' continued. On the EU side, the political measures that President Putin introduced in Russia in response to the Beslan siege aroused concern³⁵.

There are a number of other issues that have affected EU-Russian relations since 2000. Throughout 2001 and 2002, for example, the status of Kaliningrad dominated the agenda. Ceded to the Soviet Union at the Potsdam Conference in 1945, Kaliningrad was administratively part of the Russian Soviet Federative Socialist Republic although it was physically separated from it by Belarus and Lithuania. When the Soviet Union disintegrated, Kaliningrad remained part of Russia, while Belarus and Lithuania became independent states. Travel by land between Kaliningrad and the rest of the Russian Federation now required the crossing of three borders; either the borders of Lithuania and Latvia or of Lithuania and Belarus or of Poland and Belarus. Poland and Lithuania granted visa-free travel to Kaliningrad residents but other Russians from the mainland needed visas to travel through Lithuania. From the moment that the accession of Poland and Lithuania to the EU was mooted, it was clear that Kaliningrad would become a Russian exclave within the EU and that people and goods would only be able to move between it and the rest of the Russian Federation by traversing Schengen territory which would require visas.

It was only in 2001 that Russia and the EU began to pay attention to the potential problems this would create. The Commission was more concerned about the lack of economic development, environmental degradation,

³² See the EU-Russia Summit, Brussels, 3 October 2001, Annexes 2 and 4 for the Joint Statement and Joint Declaration; http://europa.eu.int/comm/external_relations/russia/summit_10_01/dc_en.htm, accessed 13 February 2006.

³³ Communication from the Commission to the Council and the European Parliament on relations with Russia, COM(2004) 106, http://europa.eu.int/comm/external_relations/russia/russia_docs/com04_106_en.pdf, accessed 30 June 2005.

³⁴ Sergei Lavrov, 'In the face of a Common Threat', *Diplomatic Yearbook 2004*, Press release, 2 March 2005, available at http://www.rusembcanada.mid.ru/pr/020305_e.html accessed on 25 April 2007.

³⁵ See, for example, the EU Parliament's resolution on the EU-Russia Summit in November 2004, P6_TA(2004)0099, <http://www.europarl.eu.int/omk/sipade3?PUBREF=-//EP//NONSGML+TA+P6-TA-2004-0099+0+DOC+WORD+V0//EN&L=EN&LEVEL=1&NAV=S&LSTDOC=Y&LSTDOC=N>, accessed 12 October 2005.

poor state of governance and the absence of the rule of law in Kaliningrad and did not think that special arrangements needed to be made for the movement of people apart from increasing the number of border crossing points between Kaliningrad and its neighbours and improving their physical infrastructure and information systems³⁶. But for Russians the freedom of movement of Russians between Kaliningrad and the rest of Russia was an extremely serious issue of sovereignty. By personally calling for visa-free travel for Kaliningrad residents and appointing Dmitry Rogozin, a fundamentalist nationalist, as his special envoy on Kaliningrad, President Putin politicised the issue and this made it harder for the two sides to reach agreement. A compromise was finally reached in November 2002: from 1 July 2003 Russians could transit Lithuania to travel to and from Kaliningrad under a Facilitated Rail Transit Document (a single trip by rail) and Facilitated Transit Document (multiple trips by car) Scheme which would be free of charge to all Russians and issued on the basis of an internal passports until 31 December 2004. Thereafter, Russians would have to present an international passport to obtain a FTD or FRTD³⁷. Poland introduced visas for all Russians on 1 October 2003, but they are free of charge for Kaliningrad residents. Although the visa issue has continued to be a sensitive topic in general in Russian-EU relations, agreements were finally reached on visa facilitation and readmission of illegal immigrants on May 25, 2006 and they are due to enter into force June 1, 2007.

The Northern Dimension, adopted by the EU in 1998 as part of its external relations, would have been an excellent means to deal with the economic, ecological and governance problems of Kaliningrad, including its impending status as an exclave of the Russian Federation located within the EU, since the instruments it envisaged included collaboration across borders as a method of resolving problems. However, despite the adoption of two action plans in 2000 and 2003, its potential has never really been fulfilled³⁸. The revolving presidency of the EU is partly to blame – the Northern Dimension receives more attention when a North European member state holds the EU presidency and less when the presidency moves on after six months. But there was also a shift in EU attention more generally; the EU's northern border was a salient issue after the 1995 enlargement, but by the beginning of the new century, the EU was focused on the broader range of problems raised by the impending incorporation of ten new members and the new EU borders that would create. The Northern Dimension was also affected by obstacles on the Russian side. Putin's first campaign on becoming president was to reduce regional autonomy and to strengthen the federal centre. The cross-border cooperation explicitly fostered by the Northern Dimension is not compatible with strengthening the power vertical. Moreover, the cross-border cooperation and regionalisation that is the core of the Northern Dimension challenges the geopolitical realism that predominates Russian thinking about security and Russian concern for national sovereignty.

During the Finnish EU presidency in 2006, a new Northern Dimension Framework Document was adopted which turned the Northern Dimension into a common policy of the EU, Russia, Norway and Iceland. The framework emphasises that 'the Northern Dimension policy is henceforward a common project and a common responsibility'³⁹. The accompanying political declaration took note of a list of projects submitted by the Russian Federation for possible implementation under the Northern Dimension framework.

In the months preceding EU enlargement, Russia's extension of the PCA to the ten accession states was the cause of a further tension between Russia and the EU. The EU apparently expected that Russia would automatically extend the PCA to all ten new members prior to the enlargement on 1 May 2004. On the 30 January 2004, however, Deputy Foreign Minister Chizhov handed the ambassadors of the EU member states a

³⁶ The EU and Kaliningrad, Communication from the Commission to the Council, COM (2001) 26 final. Brussels, 17 January 2001.

³⁷ Kaliningrad: Transit, Communication from the Commission to the Council, COM (2002) 510 Final, Brussels, September 18, 2002; "Joint Statement on Transit between the Kaliningrad Region and the Rest of the Russian Federation," Brussels, November, 11, 2002, www.europa.eu.int/comm/external_relations/russia/summit_11_02/js_kalin.htm, accessed December 16, 2003.

³⁸ The action plans can be found at http://www.europa.eu.int/comm/external_relations/north_dim/ndap/06_00_en.pdf and http://www.europa.eu.int/comm/external_relations/north_dim/ndap/com03_343.pdf.

³⁹ See Northern Dimension Policy Framework Document, http://ec.europa.eu/comm/external_relations/north_dim/doc/frame_pol_1106.pdf, accessed 10 April 2007.

document listing Russian concerns, and insisting that ‘the issue of extending the PCA is not merely a technical procedure that can be implemented automatically’. Most of the points in the Russian list concerned trade and tariff issues (for example, the consequences for Russian agricultural exports once the Central and East European countries adopted the EU’s tougher hygiene standards) but access to Kaliningrad and concerns about the status of ethnic Russians in Latvia and Estonia were also included. The EU’s response was brusque: to avoid a serious impact on EU-Russia relations ‘the PCA has to be applied to the EU-25 without pre-condition or distinction by 1 May 2004’⁴⁰. There was a furious reaction in Russia. Moreover, since the Council meeting which issued the EU’s response was attended by representatives of the accession states, Russians were convinced that their fears that the former socialist states of CEE would turn the EU against Russia had been realised⁴¹.

Despite the harsh rhetoric, both sides seemed to recognise, if rather belatedly, that compromise was essential. On 27th April 2004, virtually on the eve of enlargement, Russia signed a protocol extending the PCA to the new members. Attached to it was a joint statement listing ‘outstanding issues’ which both sides undertook to address⁴². In effect, the joint statement dealt with some of Russia’s concerns (including the transit of goods between Kaliningrad and Russia) and gave a transitional period during which the terms of some existing bilateral agreements would continue to operate.

The fear that the EU’s new members would turn the EU against Russia was exacerbated by events in Ukraine at the end of 2004 and beginning of 2005.

In the 2004 presidential elections in Ukraine, President Putin explicitly supported Yanukovich, the pro-Russian candidate, and after the election, he congratulated him on winning even before the official result was announced. The Russian government was convinced that the Orange Revolution which prevented Yanukovich from taking office was instigated by the West, part of a pattern of Western-backed revolutions which were intended to extend to all the former Soviet states⁴³. There were mutual recriminations, with Russia and the EU accusing one another of interfering in Ukraine’s domestic affairs. Since the deal that led to a rerun of the elections was brokered by Polish President Alexander Kwasniewski, Lithuanian President Valdas Adamkus, and the EU’s High Representative for the Common Foreign and Security Policy Javier Solana, this seemed to Russians to confirm the EU’s involvement in the Orange Revolution and the influence that the new member states would have on EU policy.

Unexpectedly, a new problem arose in Russian-EU relations in 2006: energy security. The EU imports 57 per cent of the natural gas it consumes and 82 per cent of the oil, a large proportion of it from Russia. As a result both of EU enlargement and of increasing consumption, by 2030, over 60 per cent of EU gas imports are expected to come from Russia and overall external dependency is expected to reach 80 per cent⁴⁴. Russia is as dependent on the European market as the EU is on Russian supplies since its existing pipelines primarily traverse Russia from east to west. In recognition of the EU-Russian mutual energy dependency, a Russian-EU Energy Dialogue was established in 2000 which was intended to provide an opportunity to raise questions of common interest relating to energy, including rationalisation of production and transport infrastructures, European investment possibilities, and relations between producer and consumer countries⁴⁵. This

⁴⁰ Chizhov’s statement can be found in Press release 161-30-01-2004, Ministry of Foreign Affairs of the Russian Federation, and the EU response is in 2563rd External Relations Council meeting - Brussels 23.02.2004, Press:49 Nr: 6294/04.

⁴¹ *Izvestiya*, 26 February 2004 and *Moscow Times*, 25 February 2004.

⁴² Protocol to the Partnership & Cooperation Agreement, Brussels, 27 April 2004, http://www.europa.eu.int/comm/external_relations/russia/russia_docs/protocol_0404.htm and Joint Statement on EU Enlargement and EU-Russia Relations, 27 April 2004, http://www.europa.eu.int/comm/external_relations/russia/russia_docs/js_elarg_270404.htm, accessed 10 October 2005.

⁴³ See, for a representative example, Vitaliy Tretyakov, “Coin on the edge,” *Rossiyskaya Gazeta*, 2 December 2004.

⁴⁴ See Communication from the Commission to the European Council and the European Parliament, An Energy Policy for Europe, Brussels, 10. I. 2007 COM(2007), and *EU-Russia trade relations*, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_111720.xls, accessed 20 April 2007; see also Gubaidullin and Kampaner (2006).

⁴⁵ European Union – Russia Energy Dialogue, http://ec.europa.eu/energy/russia/overview/index_en.htm; accessed 17 May 2006.

cooperation at inter-governmental level was supplemented in October 2005 by the establishment of a Russia-EU Energy Forum designed to serve as ‘an industry-wide platform for the business community to discuss the future of energy cooperation between Russia and EU, its challenges and prospects’⁴⁶. There has, therefore, long been recognition on both sides that energy security is an important issue and a number of ways exist in which problems that might arise could be resolved.

The prelude to the dispute which arose in 2006 was the increase in state ownership of Russia’s energy resources following the arrest of Mikhail Khodorkovsky, head of Yukos, in 2003 and the subsequent acquisition by Rosneft of Yuganskneftegaz, the largest Yukos asset, in 2004 and of Sibneft by Gazprom in 2005. This turned Gazprom into a global energy giant and provoked anxiety in Europe that the Russian government would use energy as a political lever. These fears appeared justified when Gazprom attempted to raise the highly subsidised price at which it sold gas to Ukraine to \$230 per 1,000 cubic meters without a transition period, thus effectively quadrupling Ukraine’s costs. Although there were sound market reasons for the price increase, the timing (mid-winter and at the start of the Ukrainian parliamentary election campaign) and the politicization of the dispute (Putin himself became involved) suggest that the more pro-Western foreign policy pursued by President Yushchenko after the ‘Orange Revolution’ played an important role. When the negotiations with Ukraine broke down, Gazprom cut off Ukraine’s gas supply⁴⁷. The pipelines through Ukraine carry 80 per cent of Russian exports to Europe and during the dispute the supply was briefly disrupted, according to Gazprom because Ukraine was siphoning off gas⁴⁸. The EU Gas Coordination Group held an emergency meeting to discuss security of supplies and to discuss diversification of energy carriers, and the EU called on Russia and Ukraine to resolve the dispute. The European media, by and large, accused Russia of launching a gas war, while remaining silent about Ukraine’s role in the dispute (Gubaidullin and Kampaner, 2006). At the end of 2006, a similar dispute with Belarus was resolved at the eleventh hour, averting a threat to the gas supplies via the Yamal network which transmits about a fifth of the gas exported by Russia to Western Europe. In the course of 2005 and 2006 Russia had also raised the price its other NIS customers paid for gas, again citing commercial reasons and again raising EU anxiety about the political leverage its energy resources gave Russia.

Paradoxically, the Russia-Ukraine gas dispute occurred immediately after a major new project had been agreed between Russia and Germany to build a 1,200 km-long North European Gas Pipeline linking Vyborg in Russia and Greifswald in Germany via the Baltic Sea. Although the pipeline will significantly reduce Russia’s dependency for gas transit on Belarus, Poland and Ukraine, it will increase the EU’s dependence on Russian gas, despite the EU policy debate about the need for the diversification of the EU’s energy supplies. On 16 March 2007 an agreement was reached by the Russian, Greek and Bulgarian governments to build an oil pipeline from Burgas in Bulgaria to Alexandroupoli in Greece which will further decrease the Russian need to transport its energy exports via Belarus, Poland and Ukraine.

The 2006 Russian-Ukrainian gas dispute highlighted what had already become clear when the North European Gas Pipeline deal was announced: on questions of energy, EU member states retain national control and they tend to follow their national interests, even when their national interests conflict with the interests of the EU as a whole or with the interests of other member states. It also demonstrated the fragility of the Russian-EU strategic partnership and the rapidity with which the relationship can deteriorate.

⁴⁶ Russia – EU Energy Forum, <http://www.energyforum.co.uk/index.php?lang=en>; accessed 17 May 2006.

⁴⁷ After tense negotiations, a deal was struck whereby Ukraine was paying \$95 per 1,000 cubic meters in 2006. This was further increased to \$130 in 2007.

⁴⁸ *Itar-Tass Weekly News*, 2 January 2006.

3. Conclusion

There are a vast number of agreements between the EU and the NIS. Moreover, the frequency, regularity, and intensity of the interactions between the NIS and the EU are greater than the contacts the NIS countries have with any other multilateral organisation. Yet both sides frequently express disappointment or dissatisfaction with the relationship; on the part of the NIS, either because integration has not gone further and faster, or because the EU wishes to impose its values on its partners. On the part of the EU, some sense of this disappointment is reflected in the ENP country reports which were composed before the ENP Action Plans were drafted. In the case of Russia, the European Council requested the Commission to draw up a report on Russia in 2004 because 'relations have...come under increasing strain with divergence between EU and Russian positions on a number of issues'⁴⁹. Some Russian analysts go so far as to suggest that the EU-Russian relationship is experiencing 'a systemic crisis' (Karaganov, 2005). The issues that have been discussed in the previous section provide part of the explanation for the deterioration in the Russian-EU relationship since 2000, but there are other, broader factors which undermine the relationship of the EU with all the NIS.

The complexity and inflexibility of the Brussels bureaucracy, on the one hand, combine with the absence in many NIS countries of suitably qualified administrative support or coordinating mechanisms to deal with the EU, on the other, to complicate relations. Officials in the NIS find it difficult to comprehend the EU's decision-making procedures and nor can they understand the EU's inflexibility and its reluctance to compromise. The EU Commission, in turn, finds it difficult to deal with the inadequacies of the NIS bureaucracies and the lack of coordination within the governments. The consequence of this lack of capacity is that the NIS governments usually find themselves responding to policy proposals emanating from Brussels and they rarely put forward their own initiatives. This detracts from their sense of shared ownership of the agreements with the EU and the projects funded by TACIS.

Quite apart from not really understanding how the EU works and the shortage of qualified personnel, the marked preference in the NIS for bilateral rather than multilateral relations also hampers their relationships with the EU, particularly given the emphasis the EU has put on regional cooperation. In the case of Russia, the preference for bilateral relations is compounded by the personal relationships President Putin has established with individual European leaders (for example, Chancellor Gerhard Schröder, President Jacques Chirac and Prime Ministers Tony Blair and Silvio Berlusconi) and by attempts to use these relationships to exploit differences of opinion between member states. Russian experts admit that these relationships have been useful in the past, but warn that they are becoming less and less effective (Karaganov, 2005; p. 8). In fact, Schröder and Berlusconi have already lost power and both Chirac and Blair are at the end of their tenure, so Putin has already lost key allies in his bilateral diplomacy. But the blame is not entirely on the Russian side. European leaders themselves cultivate these personal relationships 'to take up with Russia bilaterally issues that the union as a whole could or should address', and in the process they sometimes undermine EU policy (Shuette, 2004; pp. 1-2). The 1999 Common Strategy was intended to ensure a harmony between EU and member-state policy towards Russia; recognition that it had not achieved this goal was one reason for undertaking a review of EU policy in 2004. The problem, according to one Western analyst, is that several member states consider Russia to be too important a global player to let the EU lead in relations with it (Smith, 2005; p. 286). But the statement in the European Neighbourhood Policy Strategy paper that 'it is of the utmost importance that the Institutions and Member States act in a consistent and coherent way' suggests that the problem extends to the rest of the NIS⁵⁰.

⁴⁹ Communication from the Commission to the Council and the European Parliament on relations with Russia, COM(2004) 106, p. 2. http://europa.eu.int/comm/external_relations/russia/russia_docs/com04_106_en.pdf, accessed 30 June 2005.

⁵⁰ Communication from the Commission, European Neighbourhood Policy Strategy Paper, COM(2004) 373, Brussels, 12.5.2004 p. 6.

A further impediment to deepening relations between the EU and the NIS is the growing hostility on the part of some leaders in the NIS to the intrusive nature of EU policy and to the imposition of Western values and norms. This has been most evident in the response of some leaders to the role they perceived that western powers played in the 'colour revolutions'. In Russia, Belarus and Uzbekistan there have been resolute attempts to prevent the spread of colour revolutions, with a concomitant clamp down on civil society. This has coincided with a more active interest in the EU in political developments and conflicts in the NIS and a renewed EU normative agenda. But even in those NIS where the EU's normative agenda is more welcome, it is not always clear that the effort to adopt EU standards and norms is worthwhile, since the reward is likely to be less than full membership in the Union.

Finally, the EU's relations with Russia and the NIS have also been affected by the fact that, in Putin's second term in particular, there has been a considerable 'securitisation' of Russia's foreign policy agenda. As a result, Russian decision makers tend to see Russia's interactions with the EU in their shared neighbourhood in geopolitical and security terms and this has led to a competitive rather than a cooperative relationship. This zero-sum thinking about the shared neighbourhood has coincided with a rise in Russian power since energy prices began to increase and an increasingly self-confident and assertive foreign policy. The international clout that Russia has acquired through its energy resources seems to have undermined both Russia's commitment to moving closer to the EU and the EU's ability to design a coordinated strategy that harmonizes EU and member-state policy. Since the EU and its European neighbours are equally dependent on Russian energy resources, this gives Russia significant leverage over both. This situation seems set to continue to affect EU policy in the NIS.

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