



EU-Russia interaction: dense but tense

by Nicu Popescu

The EU debate on the renewal of sanctions against Russia is framed by a wider set of considerations about how to move forward with bilateral relations. A key concept in these discussions is 'selective engagement', which is one of the five principles for a new approach to Russia that was adopted by the EU in March. Such engagement is already a tangible reality mainly for non-political issues, but the prospect of a spill-over effect into the (geo)political realm appears rather slim for now.

Terms of engagement

Despite the ongoing crisis, EU-Russian connections remain strong. The EU is still Russia's biggest trading partner: in 2015, its share of Russian external trade was 48.7% (compared to 51.9% in 2014). The overall reduction in trade – mostly in value terms, due to a decrease in energy prices – has been significant but is nevertheless comparable to the drop in trade between Russia and other countries unaffected by mutual sanctions. Whereas Russia-EU trade fell by 37.5% in 2015, Russia-China trade dropped by 28% and Moscow's trade with other members of the Eurasian Economic Union (EAEU) fell by 26% on average. The trends for imports into Russia are similar: while imports from the EU fell by 41% in 2015, imports from Armenia decreased by 38% and from Kazakhstan by 34% in 2015 (despite the latter two being EAEU members).

At the same time, bilateral energy trade is actually expanding (though only in volume, not in value).

In 2015, Russian gas exports to the EU increased by 8%, despite EU competition cases against Gazprom, ongoing market liberalisation, and the development of infrastructure aimed at increasing EU resilience to energy supply threats.

Travel statistics show similar dynamics. Russia remains the single biggest recipient of Schengen visas in the world, despite a 40% drop in 2015. The number of Russians travelling to the EU is actually expected to increase in 2016, partly because many tourists who visited Egypt and Turkey in previous years are likely to turn to the EU instead. Russian tourism agencies expect holiday bookings to increase by 5-20% (depending on the country) this year.

A key lesson of the last decades, however, is that such 'functional' interaction does not necessarily translate into political cooperation. As EU-Russia relations have grown denser, they have also become tenser – without there necessarily being any direct correlation. Although the initial shock of Russia's interventions in Ukraine is starting to fade, the political scars remain prominent.

Cracks beyond the façade

EU-Russia relations before 2014 revolved around concepts such as 'strategic partnership', 'interdependence' and 'partnership for modernisation'. While the reality of EU-Russia relations was not as rosy as these terms suggested, these nevertheless

constituted the key objectives (and aspirations) for much of the EU. Since 2014, those aspirations have been replaced by concerns about Europe's 'resilience' and even outright 'defence', rather than interdependence, and 'selective engagement' rather than strategic partnership.

Russia's modernisation is also being reassessed. The war in Ukraine has partly shattered the long-held conviction that Russia's development is in the EU's long-term best interest. The EU faces a dilemma: it would welcome political and institutional modernisation in Russia but also finds the country's parallel military modernisation unsettling. Furthermore, whereas the country's economic modernisation could have several positive effects on trade and investment, and encourage the rise of a potentially liberal middle class, it can also generate the resources and know-how to accelerate military advancements.

Another important reassessment is related to how Russia views the EU. For a long time, there was a widespread belief that Russia opposes NATO but not the EU. This is no longer the case. Russian strategic communications and disinformation campaigns across Europe also aggravate this perception. Russia is certainly not alone in trying to take advantage of the EU's internal divisions and influence EU publics and decision-makers alike through lobbying and media efforts.

However, Moscow is involved in a much wider range of internal EU policy issues than most other external actors, including migration, the economic crisis and the rise of populist parties. Regardless of the effectiveness of Russian communication and disinformation campaigns (which is often exaggerated), this intrusiveness feeds a growing perception that Moscow is trying to undermine the EU across the board, and generally acts like a hostile power.

Theory vs practice

Against this background, attempts to balance confrontation with engagement wherever possible are running into the sand – despite both parties theoretically having a long list of overlapping interests.

One example is Syria. Daesh appears to be a common enemy, there is a shared interest in peace, and diplomatic cooperation does take place on the ground. However, Syria is not exactly a springboard for confidence building and mutual trust. Russia initially presented its intervention in Syria as a contribution to the global fight against terrorism, and in particular Daesh. Yet the way in which the operation was conducted, the choice of targets

and the 'mission accomplished' announcement of March 2016 suggested a different set of priorities. As a result, Syria has not even become a testing ground, let alone a success story of 'selective engagement'.

Central Asia is another area where the potential benefits of cooperation look obvious, but where little has materialised. In addition to poverty, drug trafficking, proximity to Afghanistan, radicalisation risks and a multitude of other challenges, Central Asia also has fragile political regimes that are potentially unable to peacefully manage any future leadership transitions. The (even partial) destabilisation of the region would affect Russia more than any other country. So far, the EU has trodden rather lightly in the region, but the recently published 'five guiding principles of the European Union's policy towards Russia' did include a reference to Central Asia. Yet Moscow perceives such offers as attempts to further encroach upon its alleged sphere of influence. As a result, actions in what may seem to be a potential area for engagement actually feed distrust.

Things are no more straightforward when it comes to trade liberalisation 'from Lisbon to Vladivostok'. Once again, the idea looks good on paper. It could, in theory, help resolve confrontations about trade with Ukraine and bind Russia, the EU and the states in between together as part of a concrete cooperative project. Discussions about enhanced economic interaction could still take place, but they would not amount to much without genuine willingness from Moscow to liberalise trade – which does not currently seem to be the case.

Wait and see

Part of the explanation for why these avenues of engagement are blocked lies with Russia's own reading of the current state of EU affairs. Moscow now seems to believe that there are good reasons to expect the EU's stance to soften within the next year and a half, without the need for much reciprocity. The hope of a Donald Trump presidency in the US and the expectation that voters in key EU member states may elect leaders who are more sympathetic towards Russia are encouraging a 'wait-and-see' attitude in Moscow.

Meanwhile, Putin's own plans to run for re-election in March 2018 also provide little reason to lower the tone of fiery foreign policy rhetoric or make premature concessions.

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