Russia’s Modernizing Alliance with the EU

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The idea of modernization is a *file rouge* in the history of Russia, as is the obsession with 'catching up' with the European/Western mainstream. Modern and contemporary political discourse in Russia has largely evolved around the diatribe between the Occidentalists and the Slavophiles. Communism itself has been a by-product of Western political philosophy and the Soviet Union was partly the outcome of the implantation of that model in an environment 'hostile' to that kind of experience (e.g. delays in the industrialization and urbanization processes, the lack of an entrepreneurial class, social cleavages, inactive civil society, the divide between towns and the countryside, deep regional differences with the better development of the areas closer to the western European border). The Cold War period was marked by continuous competition with the transatlantic community in terms of armaments, technology and economic performance, as well as ideological diversity. The race was lost by the Soviet Union, causing its own implosion and marginalization from the international landscape. The end of the Soviet Union left the Russian Federation significantly shrunken territorially (76 percent of the USSR), demographically (50 percent of the USSR's population), economically (45 percent of the USSR's output), and in terms of military personnel (33 percent of the USSR's armed forces).

The return of Russia to the poles of power of the International System (IS) has been possible thanks to an economic growth rate similar to that of the Asian tigers and well superior to that of the US and the European Union (EU). The post-Soviet economic rebirth, however, rests primarily on energy revenue. Unlike other B(R)ICs countries, Russia has not exhibited an inclination to innovation and has not beaten a path for other nations\(^1\). The Russian political elite is well aware that not only its permanent position among the 'great nations' but also its stability and survival will first and foremost depend on its capacity to change. Modernization has therefore become the top priority shaping both Russian domestic and foreign politics. So far this process appears to be elite-driven (top-down) and inspired by successful experiences developed and successfully implemented elsewhere. Russia is not emerging as a hub of modernization itself but rather as a recipient country of the know-how of others. What role can the EU play in Russia’s modernization? Might the likely dissimilarities in their understanding of modernization hinder their cooperation in this domain? How will the modernization alliance be carried out and with what instruments? What could be the wished-for and unintended implications of that process for Russia’s future and for the Brussels-Moscow partnership?

\(^1\) According to J. Cooper Ramo, China, on the other hand, has been able to change and innovate so rapidly and radically that its new ideas are having a gigantic effect outside the country. See J. COOPER RAMO, *The Beijing Consensus*, The Foreign Policy Centre, 2004, http://fpc.org.uk/fsblob/244.pdf.
1. Modernity without (or with Partial) Modernization?

The question of modernization was already raised during Vladimir Putin’s presidencies (2000-2008) but it is with President Dmitri Medvedev that it has become central to the national political agenda. In his manifesto Rossiyavpered (Go Russia!) of September 2009, Medvedev announced Russia’s overall modernization as the country’s major long-term strategic goal. According to the President’s vision, modernization should cover all spheres of the country’s life, bringing about the diversification of Russia’s economy from dependence on natural resources to an economy based on innovations. The bulk of Medvedev’s idea of modernization was later spelt out on the occasion of the World Economic Forum at Davos in January 2011. His speech – built on a destruens (emphasis on the weak points of the Russian system) and construens (proposals for deep changes) – called on external actors to contribute to the country’s mission and to renounce the paternalistic mind-set.

Russia is often criticized, sometimes deserved, sometimes not. Russia is criticized for judicial weaknesses, corruption, etc. We are the way we are today. Russia faces many difficulties in building rule of law and modernizing its economy. We are indeed developing and moving ahead, particularly in fighting corruption and enhancing the effectiveness of our judiciary. These are realistic efforts aimed at promoting the investment climate and improving quality of life in Russia. We are learning from ourselves and are open to hearing friendly advice from others but what we do not need is to be lectured. The Russian citizens believe they live in a democratic state, and honest dialogues between the government and its citizens are a strong sign of democracy. The quality of this democracy depends not only on political procedures and institutions but also on the willingness of a people to respect each others’ freedom and Russian citizens are prepared to do this. I am also convinced that democracy will contribute to economic modernisation. Democracy should also have a base in a society of independently minded people.

Although the President admitted that there is a correlation between democracy and modernization, he nevertheless did not establish any causal link between the two and reaffirmed a national path to both of them in line with the concept of suverennayademokratsiya (sovereign democracy). Medvedev’s plan for modernization contains two main contradictions. The first one regards the stress on the importance of external actors on Russia’s transformation, while at the same time stressing a ‘national’ path as Russia was about to come out with an original model of modernization. The second one is related to the divisibility of that process; is it possible to divorce economics from the political, institutional, and societal components? Although the President has recently affirmed that “Problems

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with enforcing laws, lack of respect for the courts and corruption are not just issues affecting our public life, but are macroeconomic factors holding back our national wealth growth and putting a brake on our efforts to carry out economic decisions and social initiatives⁴. modernization is not generally portrayed as an holistic process.

The Russian political elite channels a project of conservative and partial modernization limited to economics. The state structure, the institutional setting as well as the hybrid form of democracy will persist⁵. Changes will take place selectively and gradually, as is compatible with the stability of the country. Medvedev has reproached the supporters of a permanent revolution to overcome the country’s backwardness: “Hasty and ill-considered political reforms have led to tragic consequences more than once in our history. They have pushed Russia to the brink of collapse. We cannot risk our social stability and endanger the safety of our citizens for the sake of abstract theories. We are not entitled to sacrifice stable life, even for the highest goals”⁶. Alongside the gradualist approach, this idea is centered on Russia’s core values, at least at a rhetorical level, such as sovereignty and territorial integrity, patriotism and stability, all embodied in the above-mentioned concept of sovereign democracy⁷. Similarly to perestroika, the plan for modernization aims to make the system survive, not to replace it.

The country’s political stability has been built on and maintained through its leadership’s popularity and its actual capacity to provide economic benefits to people. In Russia the political legitimacy of the leadership derives from the economic performance of the country rather than from democratic electoral legitimacy. As Lo noted, “The legitimacy of Putinism is not based on relatively abstract concepts such as the rule of law, probity and transparency, but on two things: the regime’s capacity to deliver political stability and economic growth; and the ability to hold its nerve in the event of growing socioeconomic tensions”⁸. This also explains the impellent need for modernization after the 2008 financial and economic crisis. In 2009 the country’s GDP dropped almost 9 percent and income from energy sales slumped by over 25 percent. In the course of 2010 there were many – although

fragmented, circumstanced, and localized (Kaliningrad, Vladivostok, Irkutsk)\textsuperscript{9} – street rallies which highlighted the danger to the lasting of the traditional Putin-like ‘social contract’\textsuperscript{10}. In addition, the dramatic effects of the August 2010 fires were not simply caused by uncontrollable natural forces but also by government negligence, administrative bodies’ disorganization and a lack of means to extinguish them\textsuperscript{11}. These events showed once more that the country is entrapped by inefficiency.

It is, then, a good sign that the improvement of the economic scenario – the unexpected rise of the cost of energy amid the uprisings in Northern Africa and in the Middle East, and Japan’s nuclear plant accidents – is not diverting Russia’s leadership from the modernization agenda. Finance Minister Alexei Kudrin has clearly warned against the temptation to rely on an oil- and gas-based economy, while Prime Minister Putin has stated that the effect of the global economic slowdown resulting from a spike in the oil price will largely outweigh any short-term gains for the Russian budget. Russia needs fresh financial resources in new industries, technologies or infrastructure. State-controlled conglomerates and banks have been supported by the state but SMEs, essential for future growth, have been neglected.

Both domestic and foreign investors continue to see business activity in Russia as a dangerous undertaking due to a sustained spurt in corruption as well as ubiquitous disregard for the rule of law. In the World Bank’s latest survey of The Ease of Doing Business in 183 countries, Russia ranks 120th, far behind other emerging economies such as South Africa, Turkey or China, and just ahead of Nigeria\textsuperscript{12}. When Insead, the business school, looked more specifically at the components of the business environment that matter for nimble, inventive companies, Russia scored just as poorly. In Insead’s ‘innovation index’, Russia ranks in the middle of the 130-odd countries included, some 10 places behind India and 20 behind China\textsuperscript{13}.

\textsuperscript{9} According to the Levada-center only 27 percent of respondents asked in February 2010 about the possibility for mass actions in their town/district against a drop in living standards answered that they are quite probable and even fewer (20 percent) answered that in case of protest actions, they would join (http://www.levada.ru/press/2010031805.html) as occurred on August 6, 2010.

\textsuperscript{10} We refer to the tacit social contract, under which the public refrains from intervening in politics in return for rising living standards, social security and political stability. On this issue see N. PETROV, How stable is social stability in Russia?, ISPI Policy Brief, No. 189, June 2010, http://www.ispionline.it/it/documents/PB_189_2010.pdf.

\textsuperscript{11} A study of fire prevention information websites in 15 Russian regions found, for instance, that only three to four complied with the required standards. The results of this ENPI-FLEG study were presented at a round table on new approaches to forest fire protection in Russia, held at the Russian Chamber of Trade and Industry (April 27, 2011), http://www.enpi-info.eu/maineast.php?id_type=1&id=25377&lang_id=450.


The Russian infrastructure system is very poor, while there is a significant rich-poor gap, increasing differences among the regions and many mono-cities (dependent on one, usually outdated industry) are in decline. Furthermore, even if the Russian economy is modernized, this might happen at a time when the population is decreasing and the eastern regions are emptying out, while labor productivity remains low by comparison with the West. Russia’s population, which currently amounts to 141.9 million people, will drop by five to ten million by 2025, stated a report titled Migration in the Development of Russia, which was produced by the Institute of Demography at the Higher School of Economics. The country’s population has continually been in decline since 1992, with a net loss of 13 million people in the past 19 years.

2. Foreign Policy at the Service of Modernization

The Russian leadership has attempted to redesign relations and foreign policy objectives in harmony with the internal project of modernization. Putin’s two presidencies sought “to legitimize Russia’s new role and to project its power through economic, as opposed to traditional political-military means”. This sequence – strengthening the Russian state politically and economically → restoring Russia’s international status → acting assertively – still moulds the Russian concept of foreign policy. Russia aims to establish itself as a leading economic power and to integrate into global markets with the aim of improving the economic situation at home. Putin’s Russia has developed a mercantilist rather than imperialist posture towards international politics. Medvedev has moved further, affirming that the effectiveness of foreign policy is to be measured by its contribution to the improvement of living standards in the country.

In the Program for Effective Utilization of Foreign Political Factors on a Systematic Basis for Purposes of Long-Term Development of the Russian Federation published by «The Russian Newsweek Magazine» (February 10, 2010), the Russian Foreign Minister Sergey Lavrov stated that it is in the interest of Russia to strengthen “relations of interdependence with leading world powers on the basis of mutual penetration of economies and cultures”. Lavrov advocated the crea-

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14 http://www.hse.ru/org/hse/demo/about.
16 A.E. STENT, Restoration and Revolution in Putin’s Foreign Policy, in «Europe-Asia Studies», Vol. 60, No. 6, August 2008, p. 1089. Although military power has been down grounded Russia nevertheless needs to undertake a serious process of modernization of the armed forces. At the end of February 2011, Russian Finance Minister Kudrin announced that spending on defense development would triple from 0.5 percent of GDP to 1.5 percent from 2012.
tion of ‘modernizing alliances with the US and Europe’ in order to secure technology transfers and attract Western investors, and using ‘US technological potential’ to overcome Russia’s secular technological backwardness and economic isolation. This approach can be traced back to a particular vision of the IS. As Lavrov explained, “The world is becoming a polyarchy – an international system run by numerous and diverse actors with a shifting kaleidoscope of associations and dependencies”\textsuperscript{19}. Russian allies will increasingly be selected on the basis of their potential contribution to the process of modernization.

The financial crisis has made the reconfiguration of strategic partnerships and pragmatic friendships both more feasible and more urgent not only for Russia but also for the other major players in the international scenario\textsuperscript{20}. Russia has been willing to engage with them on wide-ranging issues. The turbulence of the economic global system opened new windows of opportunity for Russia to extend its traditional influence over the so-called post-Soviet space and to intensify cooperation with the former Cold War rival, the US. The paucity of financial resources pushed both of them closer to China, which has proved to be better equipped to face the 2008 financial shock.

The crisis also had some important irenic implications, helping to ‘reset’ the relations between Washington and Moscow. The need for curtailing the budget devoted to defence gave a formidable impulse to Moscow and Washington for the renegotiations and ratification of a new Strategic Arms Reduction Treaty (START II entered into force on February 5, 2011) replacing START I which expired in early December 2009. President Obama and President Medvedev put aside the tensions of recent years and declared their intention to seek even deeper cuts in nuclear weapons.

\subsection*{2.1 EUrope’s Place}

Since Mikhail Gorbachev, Russia’s external orientation has been guided by the idea that Russia would join the European mainstream and integrate into Western institutions. Under Putin’s presidency the modality of integration was revised: more convergence and less unilateral adjustment – but the basic idea remained unaffected. The diarchy (Putin as Prime Minister and Medvedev as President) is promoting an equal and strategic relationship with Brussels that excludes the long term objective of integration. Moscow does not consider the EU an intriguing


\textsuperscript{20} On the consequences of the 2008 economic and financial crisis in Russia, see S. GIUSTI, Russia in Crisis: Implications for Europe, in P. DELLA POSTA - L.S. TALANI (eds), Europe and the Financial Crisis, Palgrave Macmillan, 2011, pp. 242-253.
partner even at a time of crisis and it continues to conclude profitable agreements with some of its member states, notably France, Germany and Italy.

First of all, Europe is no longer at the centre of the IR system due to the rapid shift of global influence towards other regions such as the Asian-Pacific. Secondly, as for the EU, Russia is reluctant to deal with that crossbreed organization whose postmodern nature is not clearly understood in the Kremlin. Russia prefers dealing directly with EU member states or even companies rather than negotiating on collective positions agreed on beforehand. Thirdly, the global financial crisis has discredited the Western model of capitalism and the EU itself has failed to become the most competitive and dynamic knowledge-based economy in the world by 2010 as foreseen in the Lisbon strategy. Finally, the EU has irritated its Russian neighbour with the launch (2009) of the Eastern Partnership (EaP), which has been perceived in Moscow as an attempt to create a European zone of influence in its traditional sphere. Although the European Commission stated that the EaP will be developed parallel with the strategic partnership with Moscow, the member states (Poland and Sweden) promoting the EaP and the timing (one year after the war in Georgia) have led Russia to suspect that it is a less-than-neutral stabilization policy.

Russia’s desire to play a greater role in regional security induced Medvedev to propose a new European security architecture “from Vancouver to Vladivostok” (Berlin, June 2008). Differently from Gorbachev’s idea of a “Europe from the Atlantic to the Urals”, entailing the survival of the Soviet Union, which would have simply cooperated with both the US and the EU, Medvedev’s proposal presents a post-bipolar view in which Russia is one of the key players and shapers. ‘Resetting the button’ between the US and Russia in 2009 has further helped improve Brussels-Moscow relations.

In particular, warmer relations with Washington have detoxified relations with Poland and the Baltics: and public lecturing about human rights and democracy has largely stopped. The Russians know that they cannot have good relations with

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21 The problem with Europe is that it’s not united on many issues – including on Russia. Russia has excellent relations with quite a few European countries, such as Germany, France and Italy. But its relations with other countries, such as Poland and the Baltic states, are damaged by the experience of the Cold War and the Soviet domination that preceded it. Russians have realized that unless they improve relations with Poland – above all countries – they will not have normal relations with the EU as a whole. This idea is driving Moscow toward a better relationship with Poland.

22 The policy of the ‘reset the button’ was inaugurated by Russian Foreign Minister Lavrov and US Secretary of State Hillary Clinton in March 2009 and it consists in a new approach to dealing with Russia – achieving top political targets Iran, Afghanistan, international terrorism, energy and non-proliferation – while courting Russia’s sensitivity with compensation for previous neglect of its interests – rather than an explicit and long-term strategy.

23 The question of human rights is discussed in special rounds of human rights consultations (so far there have been thirteen). The first one after the launch of the PfM was held in Brussels on May 4, 2011, for more details see http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/EN/foraff/121874.pdf.
Europe if they have bad ones with the US. The rapprochement between Russia and Poland following the tragic plane crash at Smolensk (April 2010) – the plane was carrying the Polish President and 96 of the country’s top political and military leaders to Katyn, the site of a Soviet massacre of Polish officers in World War II – has soothed the overall political climate.

It is not a coincidence that in the wake of President Medvedev’s concept of a new European security a few days after the launch of PfM, Chancellor Angela Merkel and President Medvedev agreed on a Memorandum for the establishment of an EU-Russia Political and Security Committee. The Russian-German memorandum proposes the creation of a new body, bringing together the high representative of the Union for foreign affairs and security policy and the Russian foreign minister to exchange views on current issues in international politics and security. The committee also envisages developing guidelines for joint civil/military operations and making recommendations on the various conflicts and crisis situations, to the resolution of which Russia and EU are contributing within relevant international formats. There is also a reference to the frozen conflict in Transnistria, Moldova, and it envisages joint activities between Russia and the EU, which will ensure a seamless transition from the current situation to the final stage. Interestingly enough, Germany and Russia have not mentioned the Georgian breakaway territories of Abkhazia and South Ossetia24.

Brussels-Moscow relations are also positively affected by increasing economic interdependence. Bilateral trade and investments continue to grow rapidly. Russia is the EU’s third most important trading partner in goods (after the US and China), with 87 billion EUR in exports to Russia (6.4 percent of all EU exports, 4th place after US, China, Switzerland) and 155 billion EUR in imports in 2010 (10.4 percent of all EU imports, 3rd place after China and US, mostly natural resources). The EU is thus far the largest market for Russian goods. In 2010, both imports and exports rose by approximately 32 percent compared to 2009, after having been hit by the global economic crisis. Russia enjoyed a trade surplus of 68 billion EUR with the EU. Russia’s total account surplus rose by 47 percent compared to 2009 and reached $ 79 billion in 2010. Russia is the EU’s most important single supplier of energy products, accounting for over 25 percent of the EU consumption of oil and gas. In turn, Russia’s economy remains highly dependent on the export of energy raw materials, with the EU as its most important destination. In 2010, 63 percent of Russia’s exports consisted of crude oil, oil products and natural gas. The EU ac-

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counts for 88 percent of Russia’s total oil exports, 70 percent of its gas exports and 50 percent of its coal exports.\(^{25}\)

A survey published by the EU-Russia Centre at the beginning of 2010 showed that Russian policymakers overwhelmingly believe that Russia needs outside help with modernization. The EU, as Russia’s biggest trading partner, foreign investor and source of capital and technology, is the logical partner for this. This insight seems to be accepted at the highest level.\(^{26}\) Among the Russian students interest in management education is increasing and most of them prefer to study for an MBA outside the country especially in the US and Europe.\(^{27}\)

According to an EU-funded survey of attitudes towards the EU carried out across the Neighborhood partners in Russia, the majority of opinion leaders are very positive about Russian-EU relations, with 88 percent saying Russia has good or fairly good relations with the EU (vs. 83 percent for the ENPI East average)\(^{28}\), while 97 percent consider the EU an important partner (vs. 89 percent for ENPI East) and 91 percent say it is a good neighbor (vs. 87 percent for ENPI East).

However, only 47 percent believe the EU’s level of involvement in Russia is appropriate (vs. 57 percent for ENPI East), and only 60 percent say Russia has benefited from EU policies in the country (vs. 80 percent for ENPI East). This seems to hint at the fact that the EU-Russia relationship has produced few concrete results or tangible benefits. From this perspective the PfM appears to be an opportunity to strengthen cooperation on common actions. While relations are seen as good, Russians are far more skeptical about the EU’s involvement in the country than elsewhere in the region: they do not really believe the EU’s activities in Russia can bring peace to the country or the region, while few opinion leaders think the EU helps to promote democracy. Indeed, most think that through its cooperation with Russia, the EU is merely looking after its own prosperity.\(^{29}\)


\(^{26}\) Quoted by K. BARYSCH, *Can and Should the EU and Russia Reset their Relationship?*, GMF Policy Brief, May 7, 2010.

\(^{27}\) According to the Graduate Management Admission Council, last year 2,019 Russian citizens took the GMAT, or Graduate Management Admission Test, an increase of 64 percent compared with 2006. But many of these would-be students either sent their scores to US schools last year (53 percent) or schools in the UK and France. Only 2.4 percent of Russian examinees sent their score reports to Russian programs in 2010, see S. HOARE, *Russia’s Students Look to the West*, in «Financial Times», June 6, 2011.

\(^{28}\) ENPI East countries in the survey: Armenia, Azerbaijan, Georgia, Moldova, Russia, Ukraine.

3. EU-Russia: Partnership for Modernization

Last summer, stagnant Moscow-Brussels relations were revamped by a shared commitment to modernization. Meeting at Rostov-on-Don for their 25th summit (May 31 - June 1, 2010) the EU and Russia launched a Partnership for Modernisation (PfM). The PfM has been presented as a common modernization agenda to advance the EU and Russian economies and to bring their citizens closer while contributing to global recovery and stronger international economic governance. The PfM is primarily a flexible framework for prompting reforms, enhancing growth and raising competitiveness. It will build on results already achieved in the context of the four EU-Russia common spaces and it will complement partnerships between the EU member states and Russia.

According to the summit statement, the priority areas of the PfM include: expanding opportunities for investment in key sectors driving growth and innovation, enhancing and deepening bilateral trade and economic relations, and promoting small and medium-sized enterprises; promoting the alignment of technical regulations and standards, as well as a high level of enforcement of intellectual property rights; improving transport; promoting a sustainable low-carbon economy and energy efficiency, as well as international negotiations on fighting climate change; enhancing co-operation in innovation, research and development, and space; ensuring balanced development by addressing the regional and social consequences of economic restructuring; ensuring the effective functioning of the judiciary and strengthening the fight against corruption; promoting people-to-people contacts; and enhancing dialogue with civil society to foster the participation of individuals and business. This list of areas for cooperation is not exhaustive, as others can be added as appropriate.

The EU and Russia will encourage the implementation of specific projects within the framework of the PfM that will be the subject of continuous monitoring and exchanges at all levels of the EU-Russia dialogue. The coordinators of the partnership and the co-chairs of the EU-Russia sectoral dialogues will closely interact in the partnership’s implementation. The EU and Russia have exchanged concepts on the EU’s and Russia’s visions of the main areas for cooperation within the context of the PfM. Leaders have tasked coordinators of both sides to develop a Work Plan (WP) that was presented at the EU-Russia Summit of December 7, 2010. The key implementation instrument for the PfM will be the sectoral

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dialogues as indicated in the WP\textsuperscript{32}. Generally, the implementation of the activities entails the involvement of various actors – institutional and private – with both an economic-financial craft and a political mission (Table 1). In comparison with other programs of co-operation put forward by the EU, the PfM is more open to the involvement of informal actors and better suited to blurring the boundaries between the public and private spheres. Some of the projects have a regional vocation, following the idea that co-operation with the EU can be improved with the realization of geographical cut activities that includes EU states, neighboring countries and Russia. So, in principle the PfM is not an exclusive deal but it could exert a pull on the whole region.

Table 1 - Actors involved in the PfM

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<th>States</th>
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<th>Private/informal</th>
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<td>Governments</td>
<td>EU</td>
<td>Enterprises</td>
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<td>Other state institutions</td>
<td>Council of Europe</td>
<td>Associations (e.g. EU-Russia Industrialists’ Round Table – IRT)\textsuperscript{33}</td>
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<tr>
<td>Agencies (e.g. energy; Rospatent – to be replaced by the federal intellectual property service)</td>
<td>International financial institutions (e.g. European Investment Bank)</td>
<td>Pan-European sectoral associations (e.g. lawyers’ associations)</td>
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<td>OECD</td>
<td>Banks (e.g. Russia’s Bank for Development and Foreign Economic Affairs – Vnesheconombank)</td>
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<td>International Atomic Energy Agency</td>
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\textsuperscript{33} The EU-Russia Industrialists’ Round Table is a business-driven process, originally launched by the EU-Russia Summit in July 1997. Its main objective is to provide a permanent forum for businesspeople to present joint recommendations to the European Commission and the Russian Government with regard to business and investment conditions and promotion of industrial cooperation. The Round Table is the only business forum with Russia with a permanent involvement of the European Commission and the Russian government. The IRT is managed by a Council, which is composed of prominent representatives of the EU and Russian business communities. Since 2006, the IRT Council has presented the recommendations directly to EU and Russian leaders on the eve of the autumn EU-Russia summit. For further information see http://ec.europa.eu/enterprise/policies/international/listening-stakeholders/round-tables/.
Although the nature of the themes dealt with in the PfM is generally neutral, in the long run progressive coverage of more highly politicized issues may take place. According to a neo-functionalist approach, cooperation might produce spill-over effects within a single policy (deepening) or spread over other interrelated policies (widening), strengthening, as a result, the partnership. Furthermore, within existing agreed activities the need for a more political approach may arise, demanding the activation of political elites (bottom-up). There are some examples that can help to understand this likely dynamic. Let’s take, for instance, the energy policy: in the PfM work plan the stress is on energy efficiency and saving and renewable energy sources, while there is no explicit mention of the controversial question of the South Stream pipeline or of the EU’s third energy package – opposed by Russia because it implies restrictions for vertically-integrated companies such as Gazprom owning and operating energy and transportation networks. Once cooperation on the neutral aspects of energy is advancing, tricky energy issues might also be tackled. The dialogue on information society, comprising the governance of internet, might also affect freedom of information and democracy. The activities concerning the rule of law – strengthening the legal environment, improving the investment and social climate – are all related to improving the business climate and to good governance, which is certainly a sensitive question for Moscow.

Moreover, in general, density of interaction – the PfM is expected to intensify – stimulates the expansion of ‘policy transfer’ across different institutional contexts. Frequent interaction in a dense ‘organizational field’ can set in motion processes of ‘institutional isomorphism’, making organizations increasingly homogeneous and inclined to adopt growing similarities of regulatory practices.

34 Inaugurated in 2007 as a 50-50 joint venture between Gazprom and ENI (later France’s EDF participated with a 10 percent stake and Germany’s Wintershall with a 15 percent stake, ENI now holds a 25 percent stake) South Stream aims to transport up to 63 bln cu m of natural gas per year from the eastern shore of the Black Sea to the consuming markets of Eastern, Central and Southern Europe. By referring to the chaos in Libya Putin has portrayed Russia as a stable energy supplier to Europe and has propped up the North and South Stream systems. The South Stream project in particular would preempt the Nabucco, backed by some EU member states and the US. However, full-scale construction seems unlikely in the absence of direct access to either Iranian gas (blocked by U.S. sanctions) or Turkmen gas (blocked by a Russian monopoly).

35 According to the EU third energy package Gazprom could not be a gas supplier and gas transit operator at the same time. Putin has stressed that the package not only contradicts Russia-EU agreements, but also jeopardizes the positions of Russian companies that are suppliers of energy resources. Moreover, the package could increase energy prices and endanger the stability of supplies.


This is to say that if the PfM works there could be a progressive convergence and homogenization between EU and Russia derived from the practice of cooperating and implementing common projects, greatly overcoming the initial will of the governments and of the European institutions. Convergence is also feasible because, at least in the case of Russia, ‘European values’ have turned out to be flexible. The PfM does not contain any explicit mention the principle of conditionality\(^39\) that has largely moulded the process of the eastward enlargement and which still shapes the European Neighbourhood Policy (ENP)\(^40\).

The PfM is based on an equal partnership, as Moscow has always pressed for, previously refusing for instance, to take part in the ENP. The current pact rests, on the one hand, on Russia’s desire for external investment and partnerships in order to accomplish its modernization mission and, on the other hand, on the EU’s hope of improving economic relations and creating better opportunities for European companies and, as a ‘non-deliberate’ outcome, of upgrading the quality of democracy in the country. The EU, like other prominent actors such as the US, has found that lecturing Russia on the need to reform is not fruitful. It is therefore better to speak to Russia’s own interest by offering help with what has become a national priority\(^41\). The EU, however, has subordinated the progress of the PfM to Russia’s accession to the World Trade Organization (WTO)\(^42\) and to the Organization for Economic Co-operation and Development (OECD). During his keynote speech at Davos (2011) President Medvedev, listed admission to the WTO and OECD, the establishment of a common economic area with the EU, and the customs union with Belarus and Kazakhstan among the ten opportunities for doing business in Russia.

\(^{39}\) The EU conditionality – setting rules as conditions that the recipients have to fulfill in order to receive rewards – has for instance shaped the Central and Eastern European countries which were obliged to develop their administrative capacities in complete convergence with the acquis communautaire in order to join the Union. The ENP still conceptually relies on conditionality as to the main tool to promote legislative approximation.

\(^{40}\) At the press conference following the EU-Russia Summit that took place in Nizhny Novgorod (June 9-10, 2011) President of the European Council Van Rompuy recalled, however, the counterpart on some delicate issues: human rights, status of Transnistria, full implementation of the six-point agreement with Georgia (August 12, 2008), and its implementing measures, the unresolved conflict in Nagorno-Karabakh and the instability of the whole region. See Remarks by H. Van Rompuy, at the press conference following the EU-Russia Summit, Nizhny Novgorod, June 10, 2011, PCE 0146/11, http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/122555.pdf.

\(^{41}\) The EU is expected to supply expertise and knowledge, see K. BARYSCH, op. cit., p. 3.

\(^{42}\) Russia applied to join the WTO over 15 years ago and apart from Saudi Arabia it is the only G20 country and the only BRICs not in the WTO. The reasons for the delay are manifold but one principal problem has been splits in the Russian business community as to whether WTO accession would benefit them or not. Last year, Putin announced Moscow would drop plans to join the WTO and concentrate on the customs union with Kazakhstan and Belarus. The decision was reversed a few weeks later. At the EU-Russia summit in December 2010 both sides announced that most of the outstanding issues had been resolved and that Russia hoped to join the WTO in the course of 2011. Some hurdles remain, notably securing the assent of all other members, including Georgia. But EU officials believe this should be possible.
The hypothetical limit to engagement on Russia’s part might be the fear of losing control over the country’s transformation. Global processes such as economic co-operation and integration to import modernization might end up affecting political stability. In his speech to the State Duma (April 20, 2011) Prime Minister Putin warned lawmakers against ‘liberal experiments’ that could endanger Russia’s drive to become one of the top five economies in the world. As Russia’s modernization is being ‘externalized’ widely, some EU policy-makers have even conjectured that the so-called siloviki will be marginalized, reducing possible internal hostility to the plan. Is it plausible that refocusing EU-Russia relations on modernization is led, among others, by the wish to redesign power relations in the Kremlin, and if so, to what effect?

3.1 Areas of Common Interest

The priority areas of the PfM are in part those already included in the common EU-Russia spaces43. Energy has emerged as a pivotal area of cooperation in terms of the promotion of a low-carbon economy and of energy efficiency. As for the first target, both sides have already agreed to exchange experiences in regulating industrial activities, and the Russian component of a shared environmental information system has been launched. As for the second, pilot projects will be set up and further investment should come from cooperation with international financial institutions. Education and actions for increased awareness on the issues will be promoted, as well as a better regulatory framework according to best practices methods.

Significant effort will be put into the area of technical regulations and standards in order to identify a number of technical regulations for which alignment between Russian and EU regulations can be achieved within one year and by the end of 2012. The enforcement of intellectual property rights is to be pursued through an exchange of experiences as well as the cooperation of the European Patent Office and the Office of Harmonization in the internal market with Rospatent, including questions connected to trademark and industrial design legislation44. Cooperation on competition policy will be promoted further, as the signing (March 10, 2011) of a Memorandum of Understanding (MoU) between the European Commission and the Federal Anti Monopoly Service of the Russian Federation.

43 It can thus be useful to look at the EU-Russia common spaces progress report, outlining advancements made during 2010 on the implementation of the EU/Russia common spaces and of the road maps adopted in 2005 and look forward to the next steps expected in 2011 – to discern the main concerns of the PfM. The private sector will provide its support through the EU-Russia IRT while contacts are being developed between civil society on both sides. According to the Progress Report there is a consensus on promoting the SMEs. The practical experience of investors should help policy makers to identify concrete measures needed to create a favorable environment. See the EU-Russia common spaces progress report 2010 released on March 2011, http://eeas.europa.eu/russia/docs/commonspaces_prog_report_2010_en.pdf.

44 President Medvedev signed (May 24, 2011) a decree creating a federal intellectual property service property to which Rospatent (the Russian Agency for Patents and Trademarks) and FAPRID (the Federal Agency on Intellectual Property Protection) will transfer their competences as required by the WTO.
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proves. The MoU foresees that the parties will meet when necessary to discuss developments in competition policy, legislation and enforcement, to exchange information on economic sectors of common interest and to exchange views on competition issues. Both sides consider the development of SME sector as strategic, having in particular an important potential in the Russian economy. Russia has 1.7 million SMEs and over 4 million individual entrepreneurs, which produce 21 percent of GDP. Nearly 17 million people have been employed by SMEs. However, only 5 percent of those SMEs have international contacts while expanding them could improve their long-term competitiveness. Within the EU there is also the need to increase efforts to promote the internationalization of SMEs. Trade and investment relations with Russia remain underdeveloped; in particular SMEs with a strong innovation capacity should have an important potential on the Russian market.

In the priority area of research and development, a special role for Russia has been recognized in the EU Framework Programmes and for the EU in Russian Federal Task programmes. Cooperation on information technology and space comprises the preparation of global navigation satellite systems (Glonass and Galileo). A new long-term project that should be pursued for mutual benefit is the construction of the new space port Vostochny in the far east of Russia, which was begun in 2010 with the objective of starting spaceship launches in 2015.

An early start to EU-Russian cooperation on the establishment and work of the Skolkovo Innovation Center would allow for the analysis and use of the European Institute of Innovation and Technology’s experience and achievements of its knowledge and innovations communities’ members, as well as a model of operations and, for advancing plans for future joint research and development projects.

One area that appears profitable for both parties is green technology, since Russia lags behind the EU in environmental standards and is one of the worst polluters when it comes to CO2 emissions. Another area where Russia could draw on EU experience is regional development. There are great inequalities between the regions in Russia, a problem compounded by the many mono-cities. Russia could also benefit from EU experience and technology in the renewal of its outdated infrastructure.

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47 Some areas of cooperation have been indicated by the EU-Russia Innovation Forum project proposals for EU-Russia Innovation collaboration and partnership for modernization, http://www.eurussiainnoforum.com/page/project-proposals.
Modernization could also involve cooperation in disaster preparedness and response to emergencies and humanitarian crises. Russia is one of three countries to have a formal bilateral arrangement with the EU for cooperation in disaster responses. In recent years, Russia has assisted EU member states affected by forest fires and floods. Last August, EU countries also provided fire-fighters and fire-fighting jets to help Russia cope with the record forest fires around Moscow. This commitment was confirmed by Kristalina Georgieva, Commissioner for Humanitarian Aid and Crisis Response, and by Sergei Shoigu, Russia’s Minister of Civil Defence, Emergencies and Elimination of Consequences of Natural Disasters (May 19, 2011)49.

Regarding the rule of law and the effective functioning of the judiciary, both sides have agreed to implement a project with the Council of Europe to support the establishment of an appeal system for criminal and civil court cases in Russia. There is also agreement to strengthen contact between EU and Russian legal professionals.

In their progress report, the coordinators of the EU-Russia PfM welcome civil society’s contribution to the development of the partnership and note the importance of developing exchanges between young people. An EU-Russia Civil Society Forum was established in March 2011 when more than 60 representatives of Russian and EU civil society organizations gathered in the Czech Republic. The forum was not only attended by human rights organizations such as Memorial and the Sova Center of Russia but also by other organizations, such as Russia’s branch of Greenpeace and Baikal Wave, a group advocating the conservation of the Lake Baikal, and by new civic groups such as those defending the Khimki forest north of Moscow, community, social and development organizations from Russian regions and from all over the EU. The organizational structure of the forum is based on four working groups dealing with human rights and the rule of law; the environment group; social issues and civic participation, and the democratic structures and processes group50.

4. The ‘Soft’ Tools of the PfM

The so-called sectoral dialogues will be the main tools for the accomplishment of the PfM, which will be implemented through a broad range of pioneering tools responding to an inductive and fluid approach encompassing the traditional means applied to other European programs (Table 2, next page).

The logic of the PfM is to select platforms of collaboration within the areas of EU-Russian common spaces, meeting the interests of the actors involved, which

50 For further information about the forum refer to http://www.eu-russia-csf.org/index.php?id=4&L=0.
might generate multilevel-linkages and multi-issues cooperation\textsuperscript{51}. The actors vary in nature and preferences in terms of platforms for cooperation. So the idea is that areas of cooperation can be drafted with different amounts of flexibility for different groups of actors in the form of ‘variable geometry’. The timing for reaching the agreed objectives has not generally been established.

Table 2 - Tools implied by the PfM

<table>
<thead>
<tr>
<th>Cognitive</th>
<th>Convergence/Alignment</th>
<th>Common actions/initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Exchange of experiences</td>
<td>- Alignment of requirements, standards, regulations</td>
<td>- Sectoral dialogues</td>
</tr>
<tr>
<td>- Best experience/practice</td>
<td>- Approximation of requirements, standards, practices</td>
<td>- Work plans</td>
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<tr>
<td>- joint cycle of workshops on best practices</td>
<td>- Common understanding</td>
<td>- Development of a shared methodology for monitoring a process/policy</td>
</tr>
<tr>
<td>- Exchange of data</td>
<td>- Awareness raising</td>
<td>- Cooperation on regional level (e.g. Northern dimension)</td>
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<tr>
<td>- Information sharing</td>
<td></td>
<td>- Pilot projects</td>
</tr>
<tr>
<td>- Experts meetings</td>
<td></td>
<td>- Joint projects (e.g. EU action supporting a Russia-wide judicial appeal system)</td>
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<tr>
<td>- Sector-specific workshops</td>
<td></td>
<td>- Training</td>
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<tr>
<td>- Study visits</td>
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<td>- Road maps</td>
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<tr>
<td>- Matchmaking events</td>
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<td>- Early warning mechanisms</td>
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<tr>
<td>- comparative studies</td>
<td></td>
<td>- Dialogues (e.g. energy dialogue; migration dialogue inaugurated on May 2011)</td>
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<tr>
<td>- Issue-related meetings</td>
<td></td>
<td>- Common positions/approaches</td>
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<tr>
<td>- Seminars for experts</td>
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The tools of the PfM are not regulated by the principle of conditionality but rather inspired by the processes of learning and persuasion and co-ownership. This is inspired by a lesson-drawing model that relies on a voluntary transfer based on a cost-benefit calculation that, by definition, does not include direct rewards from the EU, but only expected benefits deriving from the adoption of a set of rules, which is considered to be more efficient and beneficial\textsuperscript{52}. This model, contrary to

\textsuperscript{51} See for instance the recent Memorandum of Understanding (June 2011) signed between the EIB and Vnesheconombank to modernize Russian economy, making available up to € 500 million each to finance projects. As stated by EIB Vice-president Eva Srejber: “This is a significant step towards developing and financing projects of mutual interest of the European Union and the Russian Federation. The new cooperation will enable to benefit from the expertise and financial resources of the EIB and Vnesheconombank. This effort will help to strengthen the economic ties between the EU and Russia in the key sectors relevant for driving the growth and innovation, improving transport, and promoting the sustainable low-carbon economy and energy efficiency and addressing climate action”. See http://www.enpi-info.eu/maineast.php?id_type=1&id=25514&lang_id=450.

the 'logic of appropriateness', is embedded in the perceived legitimacy and profitability of the proposed legislation or conduct of action *per se* rather than the organization sponsoring it. “The process of lesson-drawing starts with scanning programs in effect elsewhere, and ends with the prospective evaluation of what would happen if a program already in effect elsewhere were transferred here in future. Lesson-drawing is part of a contested political process; there is no assurance that a lesson drawn will be both desirable and practical. The conclusion considers the uncertainty and instability of judgments about the practicality and desirability of transferring programs”.

The PfM’s codes of practice vary a lot but all have the fact that they are not legally binding and are generally subject to revision and re-contracting in common. The PCA was, compared to the PfM, more constraining. Article 55 of the PCA asserts that an important condition for strengthening the economic links between the two parties is the approximation of legislation and that, to this purpose, “Russia shall endeavor to ensure that its legislation will be gradually made compatible with that of the Community”. The PCA however did not provide the basis for obligatory, but rather for voluntary harmonization; the only compulsory obligation was to ‘endeavor to ensure’ compatibility, but if an endeavor is not successful Russia cannot be accused of not having complied with the PCA.

The soft tools of the PfM have the merit of engaging Russia formally (institutional actors) and informally (non-institutional actors) so that Russia does not fear external interference in its domestic politics. The PfM’s procedures make it possible to speed up negotiations that might otherwise stall if legally binding commitments were sought at a time when it is not convenient for negotiating parties to make major commitments at a certain point in time for political and/or economic reasons, but they still wish to negotiate something in good faith in the meantime and involve a larger number of actors from a different milieu. These measures work better in a context of cooperation rather than integration, and they are particularly suited for to improving governance. As argued by Meloni, there has already been a legislative approximation in Russia in three policy areas at the core of the EU’s internal market: competition policy, company law, and consumers’ protection. These were cases of ‘unintended Europeanization’ where the rule was not

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53 The logic of appropriateness is a perspective that sees human action as driven by rules of appropriate or exemplary behavior, organized into institutions. Rules are followed because they are seen as natural, rightful, expected, and legitimate. Actors seek to fulfill the obligations encapsulated in a role, an identity, a membership in a political community or group, and the ethos, practices and expectations of its institutions. Embedded in a social collectivity, they do what they see as appropriate for themselves in a specific type of situation.


56 We understand Europeanization as it has been defined by Claudio Radaelli as a “processes of (a) construction, (b) diffusion and (c) institutionalization of formal and informal rules, procedures,
adopted in order to comply with EU provisions. Exchanges between experts, best practice and familiarity with the EU experience proved crucial in order to induce rule approximation which took place as the result of a process of deliberation in which national decision-makers were convinced of the usefulness or of the appropriateness of the norm that was to be adopted.

The PfM’s tools can be classified as soft law (‘codes of conduct’, ‘guidelines’, ‘communications’) although their nature in terms of content and level of obligation is very different. The PfM largely relies on normative governance – defined as the diffusion of shared knowledge and ideas through a cyclical peer review process. This approach is reminiscent of the Open Method of Coordination (OMC) that was originally developed within the EU in the area of employment and that is based on common guidelines, national action plans, benchmarking, peer reviews, joint evaluation reports and recommendations. These ingredients are organized in relatively structured processes that repeatedly, over time, endorse trust and cooperative orientation among participants who, at the same time, learn how to align on similar practices. As a result even in the absence of hard regulation and sanctions, the OMC creates several incentives for compliance and has strong potential to influence participants.

The fact that the PfM does not require convergence of Russia on EU legislation (the adoption of EU legislation, as in the case of enlargement, is not foreseen) not only gives the Russian partners (state, companies, enterprises, organizations) the opportunity to choose what is useful for them, but also to select the experiences of each of the EU-27 member states. It is possible that some of these EU member states are in a better position to serve as models or to profit more from closer collaboration with Russia. The EU countries that already have well-established bilateral modernization relationships with Moscow could be the favorites, enduring divisions within the organization and opening the way for Russia to play a divisive role.

It is worth mentioning that the PfM draws on existing bilateral partnerships. The German-Russian modernization partnership was launched in 2008 and it is based on five well-defined areas: health, energy efficiency, logistics, training and a horizontal program on improving the legal system (which in practice mainly tar-

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Russia’s Modernizing Alliance with the EU

In Moscow the same official of the ministry of Economy who is in charge of the German-Russian modernization partnership will presumably also look after the EU-Russian one. From the modernization alliance with Berlin, Moscow hopes to finalize the building of the Nord Stream gas pipeline that will bring Russian gas directly to Germany via a pipeline under the Baltic Sea; to strengthen cooperation in the railway field involving Siemens, the electronics company, in building high-speed trains; and investments by Volkswagen, Daimler and BMW in the Russian automobile sector.

France launched its own modernization partnership with Russia in November 2009 by signing an agreement focused on energy deals and the sale of French warships to Russia. The modernization partnership with Russia is rather based on the development and application of thermonuclear fusion. Finland too has signed a Memorandum on energy efficiency and renewable energy with Russia with the purpose of enhancing co-operation between companies by improving operational conditions in both countries and implementing of pilot and investment projects. The Russia-Finland projects also include research institutions, as well as local and regional governments, and co-operation in the development of policy measures at the federal, regional and municipal levels.

Conclusions

The PfM works as a facilitating framework where partners can meet and develop common projects under the supervision of European-Russian authorities and in line with the objectives of the modernization strategy. The list of the pilot areas is not exhaustive, while a great array of actors can take part, from governments, to companies and, civil society. The virtues of the PfM are its inclusiveness and deliberation. The PfM constitutes a step further in cementing EU-Russian relations, prompting the two actors’ economies while meeting Russia’s agenda of an ambitious and necessary transformation. Russia’s failure to modernize and innovate might sooner or later put into question the ability of the current political leadership to govern and break the pact – people only tolerate an illiberal democracy in exchange for better living conditions. Russia needs the West in order to face the modernization challenge, even more so in a period of elections (legislative in December 2011 and presidential in March 2012). The EU is willing to support Russia’s plan as a way of improving the country’s overall governance by implying innovative or recalibrated tools (without resorting to conditionality), to create fertile ground for a dynamic economic environment from which EU enterprises can profit too.

The PfM could suffer from Russia’s limited vision of the process of modernization. The EU, however, tends to believe that even partial modernization, re-

stricted to the economic sphere, might well generate unintentional ‘contamination’ effects on economics, politics, and society. The philosophy is to start doing things together without expecting to inseminate a holistic model of modernization. The bottom-up dynamics embedded in the PfM might produce good results. The soft tools at the disposal of the partners and the participation of various actors are expected to set into motion a number of pilot projects that can reinforce trust, making the ‘teamwork’ stable, durable, and fruitful.

Nevertheless, we feel that the practical application of the PfM is not yet clear. The overall EU-Russia dialogue needs to be rationalized and systematized. There is the risk that some programs and sectoral dialogues will overlap while competences are not clearly assigned to the various mechanisms available within the Brussels-Moscow dialogue (PCA, Four spaces, PfM).

As for the topic of cooperation, the EU should select a small number of areas where it has real competence, such as improving customs administration, encouraging academic exchanges and tightening energy efficiency standards – and leave more political questions to the existing EU-Russia dialogues on these issues. Narrowing the focus would allow the EU to move the modernization partnership away from the political level and to activate private actors on both sides. Although the PfM is an elite-driven process it is likely that its success will depend greatly on the participation of enterprises, companies, banks, associations, and civil society. It is not yet clear, however, how the coordinators can incentivize informal collaboration if they fail to develop spontaneously or how, on the contrary, would they react if co-operation among private agents expand beyond expectations and established frameworks (this could be actually a success for the PfM). Furthermore, some EU member states could be more cooperative and active than others, is this acceptable for the EU and what are the implications for its leverage? The possible success of the PfM could be detrimental to other regional forms of cooperation or to ENP countries or, on the contrary, third countries located between the EU and Russia are to benefit from a PfM that works well?