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Vsevolod Samokhvalov

Relations in the Russia-Ukraine-EU triangle: 'zero-sum game' or not?

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Summary

By introducing the Wider Europe concept and the European Neighborhood Policy, the European Union has actually entered a region which Russia has long considered the sphere of its national interests. Despite the fact that both Moscow and Brussels have repeatedly stated that their respective regional projects in the Post-Soviet Space are not competitors, the steady Euro-Atlantic integration of Ukraine since the Orange Revolution of 2004 has been accompanied by increasing tension in Russian-Ukrainian relations. The present Occasional Paper*, which analyses the geoeconomic, geopolitical and socio-cultural dimensions of relations in the Russia-EU-Ukraine triangle, suggests that these relations represent a kind of 'zero-sum game'. Regardless of the fact that Russia and the EU would like to avoid any clash in the Wider Europe, both sides have been pursuing their own strategies with the same goal in mind – shaping the Post-Soviet Space (PSS) according to their vision. Guided by these diverging visions for the PSS, it seems likely that Moscow and Brussels will seek to achieve different objectives, eventually reaching the point where their strategies and methods will generate tensions or even serious problems in their bilateral relations. Ukraine's European project as it is currently evolving with the support of Brussels tends to undermine the main components of Moscow's regional project for the PSS. As Kyiv tries to speed up its European trajectory without becoming overtly hostile to Moscow, it is weakening or even directly jeopardising the Russia-led political, social and economic structures based on the bonds that linked the states of the former Soviet Union – the common industrial complex, intertwined political developments and the single cultural space. Therefore, as a matter of urgency the EU needs to think over its foreign policies in the Eastern Neighbourhood with great care, bearing in mind their impact on relations with Russia, as well as Moscow's possible response.*

Introduction

The process of European enlargement has brought the European Union to the border of the Commonwealth of Independent States (CIS). Furthermore, by introducing the concept of Wider Europe and the European Neighbourhood Policy (ENP), the EU has effectively penetrated the region which Russia considers to be the sphere of its vital national interests.

In the absence of talks about Ukraine's membership in the EU, there was an understanding that close cooperation between Ukraine and Euro-Atlantic institutions would not provoke a negative response from Moscow. It is now clear, however, that this was only partially true.

Relations between Ukraine and Russia have deteriorated considerably over the last two years, resulting in security threats to and internal tensions within the European Union. All of this has been reflected in the ongoing controversy concerning Ukraine's political crisis and its resolution in 2004, the Russia-Ukraine gas dispute and speculation regarding the possibility of a showdown between Russia and Poland, in the light of rising tensions between the two countries.

Kyiv's desire to integrate as soon as possible into the Euro-Atlantic structures and align Ukraine with the EU's policies in the Post-Soviet Space (PSS), and Moscow's concern about this trend, has created a situation where the EU, whether it likes it or not, has become inextricably involved in the strained Russia-Ukraine relationship. Therefore, as a matter of urgency the EU needs to think over its foreign policies in the Eastern Neighbourhood with great care, bearing in mind their impact on relations with Russia, as well as Moscow's possible response.

The present paper argues that both the EU and Russia have been pursuing their own strategies with the same goal in mind – shaping the Post-Soviet Space according to their vision. Both parties have declared that they were not competitors but partners. However, the very fact that both the EU and Russia have chosen to act in the PSS with different objectives in mind will inevitably bring them to the point where their strategies and methods will generate certain tensions or even serious problems in their bilateral relations.

Some initiatives taken by the Ukrainian leadership regarding the Euro-Atlantic integration of Ukraine, backed up by EU encouragement, are raising serious concerns in Moscow. The Russian Federation considers this situation to be a 'zero-sum game' which would undermine Russia's vision of the PSS.

This paper focuses on the question of whether the European trajectory of Ukraine, seen through the prism of democratisation, strengthening economic relations with the EU, and Kyiv's alignment with the EU's Common Foreign and Security Policy (CFSP), poses any threat to Russia. It examines the key concerns that lead one actor of the Russia-Ukraine-EU triangle to view interactions between the other two in terms of a 'zero-sum' logic. The paper seeks to identify which of these concerns are reasonable. In what dimensions of these interactions are they situated and how can these concerns be tackled?

The first section focuses on the state of play in relations along the three axes of the triangle – Russia-EU, Russia-Ukraine, and Ukraine-EU – describing the three main dimensions (geoeco-

nomic, geopolitical and socio-cultural) of this triangular relationship.

The second section is devoted to the analysis of specific geoeconomic and energy interests, the third to the issue of geopolitical and security interests, and the fourth to the socio-cultural and normative aspects of the Russia-Ukraine-EU interaction.

In the conclusion, the paper tries to give some answers to the question of whether Ukraine's pro-European orientation and, in the light of this, the rather strained relations of both Ukraine and the EU with Russia, present a 'zero-sum' situation, and under which conditions such a 'win-lose' logic can be removed from the agenda of trilateral relations. Likewise, consideration is given to the question of how the EU and Ukraine can be brought closer while maintaining the constructive engagement of Russia in the Wider Europe region.

The nature of the Russia-EU-Ukraine triangle

2.1 Relations between the EU and Russia: the integrationist paradigm versus power politics in the PSS

Relations between the EU and Russia in the past fifteen years have been to a considerable extent driven by the interaction of the *integrationist* versus *power politics* paradigms in the foreign policy of Brussels and Moscow respectively.[1] Despite the evolution of and changes in EU-Russia relations, the geopolitical dimension – in the form of discussion about the Post-Soviet Space and, in particular, about the role of Ukraine – has been present in the bilateral agenda from the very beginning.

The issue of the Post-Soviet Space already featured on the agenda of EU-Russia relations in the 1994 Partnership and Cooperation Agreement (PCA). In this document parties did not define any specific cooperation formula to apply to the region. Russia and the EU only agreed on the commitment to develop 'close relations and regional cooperation between the former USSR countries' and 'promote order and prosperity in the region.'[2] Considerable delay in the ratification of the PCA by the EU was caused by events in Chechnya, which represented another 'troubled dimension' in EU-Russian bilateral relations – that of norms and standards.[3]

The Common Strategy of the EU on Russia (1999), in addition to traditional commitment to the consolidation of democracy, also set the goal of integrating Russia into a common economic space and improving cooperation to strengthen stability and security.[4] The Russian Federation in its 1999 Mid-Term Strategy (MTS), which paid scant attention to EU values and norms, emphasised that 'the development of partnership with the EU should contribute to consolidating Russia's role as a leading power in shaping up a new system of interstate political and economic relations in the CIS area.'[5] This statement demonstrated a growing discrepancy between the normative approach of the EU and the Russian power politics approach.

The MTS also revealed the economic dimension of the EU-Russia interaction in Eastern Europe. Russia raised the issue of specific concerns about 'the ambivalent impact of the EU

[1] For the purposes of the present research, the *integrationist* paradigm is defined as the post-modernist approach to bilateral relations aimed at the gradual approximation of the legal, economic and political systems of the partners. The *power politics* notion developed in classical foreign policy theories is based on modernist terms of national interests, balance of power, etc. For an analysis of the integrationist paradigm, see Michael Emerson, *The Elephant and the Bear: The EU, Russia and their Near Abroad* (Brussels: CEPS, October 2001). The issue of the modern and post-modern world has been developed by Robert Cooper in *The Breaking of the Nations: Order and Chaos in the Twenty-First Century* (London: Atlantic Books, 2003).

[2] See for example paragraph 8 of the Preamble, art. 5, paragraph 1, art. 39 paragraph 2, subparagraph b, art. 50, paragraph 4-6, Annex 1 of the Partnership and Cooperation Agreement with the Russian Federation. Available at: www.europa.eu.

[3] The Russia-EU Cooperation Council, Luxembourg, 10 April 2000 and the Moscow EU-Russia Summit underlined the need to give impetus and use the full potential of the PCA, in particular its economic cooperation provisions. Available at: www.consilium.europa.eu and www.delrus.cec.eu.int. For other references to the PCA implementation, see for example Konstantin Khudoley, 'Otnoshenia Rossii I Evropeyskogo Soyuza: novye vozmozhnosti i novye perspektivy', in Arkady Moshes (ed.), *Rossia i Evropeyskiy Soyuz: Pereosmyslivaya Strategiyu Otnosheniy* (Moscow: Gendalf, 2003), p.19; available at: www.carnegie.ru; see also Rodric Braithwaite, *Russia in Europe* (London: Centre for European Reform, 1999), p.33.

[4] *Official Journal of the European Union*, 24 June 1999, L157/1, available at: www.europa.eu.

[5] Ibid.

expansion',[6] which consisted of 'the extension of the EU agricultural and antidumping policies, its visa and border regimes, or preferences to the developing countries, which are competing with Russian exports to the countries of Central and Eastern Europe and the Baltic states.'[7]

The idea of the EU-Russia strategic partnership was designed as a tool for engaging Russia in cooperation on the basis of shared values. Although by adopting this approach the EU succeeded in avoiding the isolation of Russia, which had happened after the start of the first Chechen war, the approach could not produce significant convergence in terms of the political visions of the Post-Soviet Space held by the EU and Russia. The tensions between the visions of Brussels and Moscow regarding the form and shape of PSS security were succinctly expressed in Chris Patten's speech at the Diplomatic Academy in Moscow in January 2001 where he said: 'If Russia is to take on the international role we all feel it should be playing, then I am sure you would agree that it must be on the basis of the rules and criteria to which we have all subscribed.'[8]

The next attempt to involve Russia in cooperation was when the Four Common Spaces concept was launched in 2005. Despite high rhetoric about the Road Maps,[9] analysts of Russian-EU relations on both sides considered that the extensive documents declaring 'cooperation and partnership' lacked a common vision of how EU-Russia relations should develop.[10]

Something similar to an *ad-hoc* EU-Russia compromise regarding the geopolitics of the PSS was reflected in the Road Map for the Common Space of External Security of May 2005, where both parties committed to 'strengthen the EU-Russia dialogue (...) on matters of the settlement of regional conflicts in regions adjacent to the EU and Russian borders.'[11]

However, this mainly rhetorical compromise could not possibly be used as a formula for EU-Russia relations in the region because the argument for the right to shape regions adjacent to the EU and Russian borders was simply postponed, not settled. Soon this state of affairs was altered by developments arising within the PSS itself.

2.2 EU-Ukraine relations: the 'pro-independence' versus 'pragmatist' pendulum

Two major state-building programmes have shaped the Ukrainian political process and its relations with the EU. The first, that of the 'pro-independence' movement, was designed to bring to an end Ukraine's excessive economic dependence on the Russian Federation and to ensure national security by anchoring Ukraine to the Euro-Atlantic institutions. The second was formulated on the 'pragmatist' approach, advocating that the economic growth and prosperity of Ukraine should be its foundation for independence, while a vital element of this strategy was to be cooperation with Russia. This 'pragmatist' political rhetoric has traditionally enjoyed significant popular support in Eastern and Southern Ukraine.[12]

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6 'Russia's Middle Term Strategy towards the EU (2000-2010)', paragraph 5.1; available at: http://www.delrus.cec.eu.int.

7 Ibid.; Interview with experts of the Russian Ministry of Foreign Affairs, August 2006.

8 Chris Patten, 'The EU and Russia – The Way Ahead', speech given at the Diplomatic Academy in Moscow, 18 January 2001, quoted in Michael Emerson, op. cit. in note 1, p.23.

9 See e.g. 'Press Statement and Responses to Questions following Russia-EU Summit', 10 May 2005, available at: www.kremlin.ru.

10 Michael Emerson, 'EU-Russia: Four Common Spaces and the Proliferation of the Fuzzy', CEPS Policy Brief, no. 71, May 2005; Sergey Karaganov, Timofei Bordachev et al, 'Russia-EU Relations: The Present Situation and Prospects', CEPS Working Document, no. 225, July 2005; Dmitry Suslov, 'Road Maps to Europe? The Difficult Relationship with Russia as an Outsider,' June 2005, reported in *Johnson's Russia List*, no. 27, 9 June 2005, available at: http://www.cdi.org/russia/johnson/9174-27.cfm; Interview with Nadezhda Arbatova, Moscow, August 2006.

11 *Road Map for the Common Space of External Security*, Preamble, pp.35, 37, 42; available at: www.delrus.cec.eu.int.

12 For a detailed analysis of the Ukrainian and Belarussian 'security-economy dilemma', see Robert Legvold (ed.), *Mechi i Orala: Ekonomika national'noi bezopasnosti Belarusi I Ukraine* (Cambridge, MA: MIT Press, 2004).

From 1991 up until the present day the political process in Ukraine has been characterised by a constant swinging between these two paradigms: 'pro-independence' versus 'pragmatist'. Whenever the Ukrainian nationalist elite tried to implement the pro-independence programme, pragmatists pointed to its negative consequences, such as disrupted production chains, lost markets in Russia etc. Ukrainian society, and indeed sometimes the elite themselves, were not prepared to pay the economic and political costs of the 'pro-independence' choice.

Brussels neither interfered in the debate, nor took the position of dispassionate observer. Since Ukraine had for the first time declared its European geopolitical choice,[13] Brussels had a tendency not to pay much attention to the PSS apart from encouraging the post-Soviet states 'to maintain and develop co-operation among themselves in compliance with the principles of (...) international law and in the spirit of good neighbourly relations.'[14] The EU kept acknowledging Ukraine's Euro-Atlantic aspiration and expressed support for 'Ukraine's efforts to promote cooperation and stability in its region, including in the context of the Black Sea Economic Cooperation Organisation, the Council of Baltic Sea States and Georgia, Ukraine, Uzbekistan, Azerbaijan and Moldova (GUUAM)'.[15]

Despite the lack of progress in the economic domain and Brussels' strong criticism about the delayed reforms,[16] the ENP Action Plan also ascribed Ukraine the role of a regional security actor and foresaw regional cooperation in the framework of the Neighborhood Policy mainly with the EU, EU Member or Candidate States, OSCE, Council of Europe, and many others except Russia and the CIS.[17]

However, after the process of enlargement and introduction of the Wider Europe and ENP concepts Kyiv was not offered any prospect of membership or even a status of associated partner. As a result, the Ukrainian political leadership felt it was justified in turning towards deeper cooperation with Russia in the framework of the 'pragmatist' paradigm, which was explicitly present during President Leonid Kuchma's second term in office. At that juncture, the EU started to show an interest in the geoeconomic position of Ukraine, and, after Ukraine declared its intention to join the Russian-led Common Economic Space (CES), the EU responded with quite strong criticism, questioning 'the sincerity of Ukraine's desire to integrate further into the EU.'[18] Kyiv's decision to operate the Odessa-Brody pipeline 'in reverse mode' also met with a clearly negative response.[19]

The Orange Revolution in December 2004 caused a wave of Euro-enthusiasm within the Ukrainian political elite. There were strong expectations that the EU would 'upgrade' its relations with Ukraine. In early 2005, the European Parliament adopted a resolution calling

13 The consensus about the European choice of Ukraine had been formulated in the Declaration about State Sovereignty of Ukraine adopted by the Parliament on 16 July 1990 and the resolution of the Verkhovna Rada (Ukrainian parliament), 'On Implementation of the Declaration of State Sovereignty of Ukraine in Foreign Relations', of 15 December 1990; available at the website of the Verkhovna Rada of Ukraine, www.rada.gov.ua.

14 Partnership and Cooperation Agreement between the European Communities and Their Member-States, and Ukraine, 1994, Article 3; available at: www.delukr.ec.europa.eu.

15 European Council Common Strategy of 11 December 1999 on Ukraine, (1999/877/CFSP), *Official Journal of the European Communities*, 23 December 1999, L 331/1.

16 See e.g. Joint Report on the Implementation of Partnership and Cooperation Agreement between Ukraine and European Communities, paragraph 18, p. 5.; Report of the Council of the EU to the European Council (Laeken), 2001, pp.3-4; Report of the Council of the EU to the European Council (Nice), 2002, pp. 2-4.

17 EU/Ukraine ENP Action Plan, 2005, pp.2, 6, 25, 27-28; available at: www.delukr.ec.europa.eu.

18 Interview by spokesman of the European Commission Michael Mann to the RFE/RL Ukrainian Service, 18 August 2003; available at: www.rferl.org.

19 The Odessa-Brody pipeline (with a further extension to Poland) was to become one of the first energy transportation routes from the Caspian and Central Asia region to Europe as an alternative to those controlled by Russia. As a result of pressure from the Russian Federation, in 2004 the Kuchma government agreed to operate the pipeline in the reverse direction from Brody to Odessa.

for the Council to consider deeper cooperation between the EU and Ukraine with a view to Ukraine's accession to the EU.[20]

But the lack of clear signals regarding EU membership from the European Commission or the Council caused disappointment in Ukrainian society and within the political elite. Some symbolic changes were introduced into the EU/Ukraine Action Plan (in February 2005). The top officials, EU High Representative for the CFSP Javier Solana and the Commissioner Benita Ferrero-Waldner, came up with the 'ten-point' letter, which praised Ukraine for commitment to democratic values and promised visa facilitation measures, market economy status, and assistance in Ukraine's bid for membership of the World Trade Organisation.[21]

Various political and economic failures of the pro-independence elite in 2005-2006 led to the pragmatists regaining some power. The coalition, led by the Donetsk-based Party of Regions of Ukraine, whose leader is former incumbent candidate Viktor Yanukovich, ushered in the policy of 'europragmatism.' Following the pragmatist rhetoric, Yanukovich has emphasised that Ukraine will carry out the necessary reforms that will enable it to move closer to the EU.[22]

Prime Minister Yanukovich points out that this 'pragmatist' approach has provided Ukraine with comparatively low Russian gas prices. However, as a result, Ukraine has had to curtail its Euro-Atlantic prospects and coordinate its foreign policies with Moscow. This has led many observers to believe that Ukraine has a pro-Russian leader and that the country has returned to Russia's embrace.

This conclusion has to be further analysed in the wider framework of Russian-Ukrainian relations. At this point, though, there are serious doubts whether people who under the presidency of Leonid Kuchma were instruments and symbols of corruption, known to have been involved in the selective application of the law, and to have exerted pressure on business and the press, can implement European norms and standards in Ukraine. The Yanukovich-led government has delayed Ukraine's accession to the WTO, blocked several laws on corruption and increased state interference in corporate governance. All these signs indicate a return to Kuchma-style practices in Ukrainian politics.

2.3 Dimensions of Russian-Ukrainian relations

In the 1990s, Ukrainian President Leonid Kravchuk implemented the pro-independence programme. However, the geopolitical dimension of the Russia-Ukraine-EU triangle was not manifest for three reasons:

1. The Russian Federation was trying to play a more significant role regarding the issues of European and global security;[23]
2. Ukraine had made little progress in implementing its declarations for Euro-Atlantic integration, and the Russian political elite did not believe that the former Ukrainian political leadership could implement them at all;
3. The Euro-Atlantic structures were focusing on cooperation with the Russian Federation and did not demonstrate much eagerness to see Ukraine integrated with the West.

With the new millennium, all three of the above-mentioned factors changed. NATO's intervention in Kosovo forced the Russian Federation to view its adjacent regions as the last battlefield for the preservation of Russia's sta-

20 European Parliament resolution on the results of the Ukraine elections, P6_TA(2005)0009, paragraphs 14,16; available at: www.europarl.europa.eu.

21 EU-Ukraine Cooperation Council, 8th Meeting, 21 February 2005, available at: www.consilium.europa.eu.

22 Press release about the visit of the Prime Minister of Ukraine Viktor Yanukovich to the EU; available at: http://www.kmu.gov.ua.

23 Despite the fact that in the year 2000 57% of Russian experts and politicians considered Ukraine's CIS-scepticism to be one of the factors negatively influencing Russian-Ukrainian relations, the Russian Federation rarely exerted pressure on Ukraine in order to make Kyiv more active in post-Soviet cooperation. Until 2003 Russian diplomacy applied such logic and methods mostly in economic and Black Sea Fleet negotiations issues. See Anatoly Zlenko, *Diplomatiya I Polityka* (Kharkiv: Folio, 2003).

tus in European affairs. Vladimir Putin's foreign policy towards Kyiv was focused on an as quick an involvement as possible of Ukraine in the integration structures of the PSS. President Kuchma had to make certain concessions when joining the Russia-led Common Economic Space and promising to give Russia control over Ukraine's energy infrastructure. Therefore, the Russian Federation welcomed neither NATO expansion nor the introduction of the Wider Europe concept and the ENP.

One of the reasons behind Russia's refusal to participate in the ENP was the fact that the latter has been elaborated and introduced without any involvement on Russia's part. Another reason was that the post-Soviet states were regarded in the ENP as a legitimate object of EU policies. One Russian expert emphasised: 'While introducing the ENP, the EU seems to have been guided by the principle "take it or leave it"'.[24] This explains why the introduction of the ENP was considered to be the realisation of a rival and officious geopolitical project.[25] Moscow felt that it had the urgent task of preserving Russia's influence in the PSS.[26]

One of the 'battles for the Post-Soviet Space' took place during the Ukrainian elections in 2004 and the ensuing Orange Revolution. Moscow provided support to advocates of the 'pragmatist' political programme, such as Leonid Kuchma and Viktor Yanukovich, who could ensure that Ukraine would support Russia-led integration initiatives in the CIS. To increase the attractiveness of the 'pragmatist' programme, Russia adopted a range of measures which were favourable to Ukrainian migrant workers and Ukrainian wholesale energy traders.

The same did not go for the 'alienated from Moscow nationalists gathered around the Yushchenko-led coalition "Our Ukraine", whose patriotism and revolution was based on irrational hatred towards Russia.'[27] However, the fact that Yushchenko's 'Our Ukraine' movement was supported by a considerable number of traditionally pro-Russian Ukrainians protesting against Kuchma's regime somehow did not find its way into political debates about Ukraine.

The EU criticised the non-democratic procedures and electoral fraud that occurred during the elections, and, by doing this, implicitly supported the Orange Revolution. In turn, the CFSP mediation efforts facilitated by Aleksandr Kwasnewski and Valdas Adamkus, presidents of Poland and Lithuania respectively – countries traditionally associated with strong criticism of Russia – only strengthened Moscow's geopolitical interpretation of the developments in Ukraine. The Russian President and the Minister of Foreign Affairs repeatedly criticised the West for the support given to the Orange Revolution and stressed that it took place against the law and constitution in the geopolitical interests of the West.[28] Even moderate Russian experts agreed that EU interference in CIS affairs, either in the form of mediation or peacemaking, would be an irritant in EU-Russia relations.[29]

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24 Interview with experts in the Russian Ministry of Foreign Affairs, August 2006.

25 Report of the Council on Foreign and Defence Policy of the Russian Federation on Situational Analysis, *Otnosheniya Rossii i Evropeyskogo Soyuza: Sovremennaya Situatsiya i Perspektivy*, Annex 1, p.27, 'Podrobnoe Izlozhenie Khoda Situatsionnogo Analiza', Moscow, 2005. Available at: http://svop.ru, accessed on 6 September 2006; Interviews with Russian diplomats abroad and officials of the Russian Ministry of Foreign Affairs.

26 See for example *Natsionalnaya Povestka Dnia I Natsionalnaya Strategiya* of the Council for National Strategy, June, 2004; available at: http://www.strategeia.ru/articleprint_426.html; the 'Russia as liberal empire in the post-Soviet space' concept by the Russian veteran-liberal Chubays at: www.chuybays.ru; Sergei Karaganov, 'Russia and the international order' in 'What Russia sees', *Chaillot Paper* no. 74 (Paris: EUISS, January 2005), p.38.

27 Interview with experts in the Russian Ministry of Foreign Affairs, interview with Nadezhda Arbatova, Moscow, August 2006.

28 See for example, Transcript of Meeting with Participants in the Third Meeing of the Valdai Discussion Club, 9 September 2006, available at: www.kremlin.ru/eng/speeches/2006/09/09/1209_type84779_111165.shtml. Sergey Lavrov, *Demokratya, mezhdunarodnoe upravlenie I buduschee miroustroystvo, Rossiya v Globalnoy Politike*, no. 6, November-December 2004; available at www.globalaffairs.ru.

29 Report of the Council on Foreign and Defence Policy of the Russian Federation on Situational Analysis, op. cit. in note 25, Annex 1, p.15, 'Podrobnoe Izlozhenie Khoda Situatsionnogo Analiza'.

Basically therefore, taking into account all of the factors explored above, we can identify at least three interrelated layers in the Russia-Ukraine-EU triangle: economic, political and socio-cultural. Analysis of the win-lose logic and the various reasons for the existence of such a logic within each layer will be given in the next section.

Geoeconomics and the energy dimension in the triangle

In order to analyse the economic dimension of the Russia-Ukraine-EU triangle, it is necessary to take into account the nature of all three actors and their strategies for economic development.

Owing to the painful experience of liberal economic reforms in Russia in the 1990s, together with the EU insisting on opening Russian markets up to European companies, the idea of integrating Russia into the world economy had met with great distrust in Moscow. Some Russian analysts emphasised that the EU had succeeded in dragging Russia-EU negotiations into the integrationist paradigm while imposing its own rules, demanding further concessions from Russia and acting to the detriment of Russia's economic interests.[30]

The interaction of the European Union with Russia was driven by two sets of principles. The first set was based on European economic values: the market economy, open competition, free trade, etc. The second was promoted by some EU Member States, who tried to protect or lobby for the interests of their national industries *vis-à-vis* emerging competitors from Russia.

The fact that until recently Russia perceived the EU as a coherent international actor, made the Russian political elite opt for a more mercantilist mode of interaction with the international economy, which has been seen in Russia as an arena of fierce competition between nations where markets are monopolised by multinational corporations resulting in the ensuing loss of national independence. Moscow believes that Ukraine could either become Russia's ally or its rival in this struggle. In the latter scenario, Ukraine's continuing *rapprochement* with the West would imply a rejection of Russia's model of mercantilist modernisation, and Ukraine would thus become a battleground between Russia's expanding capital and Western companies.

Ukraine did not go through such a painful experience of economic reform as Russia, but still, it has not moved towards opening up to the international economy. The dubious economic practices that were previously so commonplace in Ukraine were considered a natural process in the formation of the national economic elite. As a result, Kyiv's European trajectory, accompanied by the opening up of markets to international business players, would mean that Ukraine had left Russia's track of development and joined the other camp. That would inevitably lead to a change in the economic relations between Russia and Ukraine.

3.1 Economic interests and geoeconomic concerns of the Russian Federation

From the time of the foundation of the CIS, the Russian Federation tried to launch economic integration projects in the Near Abroad. For Moscow these projects were not only mechanisms for restoring trade relations and production chains but also presented a possible basis for future integration processes in the PSS.

While showing interest in the restoration of the old trade and production bonds, Kyiv preferred not to proceed with deeper forms of cooperation. Ukraine joined the CIS Economic

[30] Report of the Council on Foreign and Defence Policy of the Russian Federation on Situational Analysis, op. cit. in note 25, Annex 1, p.3, 'Podrobnoe Izlozhenie Khoda Situatsionnogo Analiza'.

Union only as an associate member and insisted that economic integration in the PSS should be based on a free trade area model.

The Russian Federation, however, did not want to restrict economic relations within the CIS only to the free trade area. Moscow insisted that economic integration between the former Soviet states develop into deeper cooperation. When Kyiv insisted on the free trade area Moscow refused to ratify the free trade agreement with Ukraine. That allowed Moscow to impose certain quotas and restrictions on Ukrainian exports. Simultaneously, Russia proceeded with establishing more promising integration structures and initiatives such as a Russia-Belarus State Union, the Common Economic Space and the EurAsian Economic Community (EvrAzEs) with other post-Soviet states.

At that stage bilateral economic relations between Russia and Ukraine were quite complicated. From time to time trade wars took place during which both sides imposed restrictions and quotas on each other for products such as steel, alcohol and sugar. These politically motivated incidents usually ended after several semi-official visits by politicians, and did not lead to any significant changes in the nature of the economic relations between the two states.[31]

Following the logic of power politics, Russia was trying to preserve the geoeconomic unity of the PSS. During talks with Europe, Moscow reiterated its desire to continue integration processes in the Near Abroad and proposed considering the Russian Federation as a mediator for the interaction between Europe and the PSS. President Putin stressed that 'the formation of a common economic space in Europe should not restrict the abilities of parties to take part in different regional integration processes. Furthermore, European business may receive new significant advantages if Russia's capabilities are used as an integration bridge in both Central Asia and the Asian Pacific region. And Russia, as you know, has these geopolitical abilities.'[32]

However, lack of confidence in Russia illustrated that even when the realisation of the 'pragmatist' programme under President Kuchma's regime was at its peak, the Ukrainian elite did not see the Common Economic Space project eagerly promoted by Russia as a desirable perspective. Some Ukrainian analysts concluded that Ukraine had traded the vague promise to participate in the Russia-led Common Economic Space in exchange for Moscow's massive support during the presidential elections in 2004.[33]

Ukraine's lack of progress in the Euro-Atlantic direction justified this approach. While advocating the CES, President Putin stressed: 'Since we were aware of the EU's position that Ukraine's accession would be unlikely (...) we began taking steps in two directions. On the one hand, we are creating the Common Economic Space in a large part of the former Soviet Union (...). On the other hand, we are building a common economic space with the EU (...). But these projects are not in contradiction with the possibility of any country joining the EU, including Ukraine.'[34]

Anticipating that the pro-Orange elite of Ukraine would try to distance their country from integration projects, the Russian President sent out a strong signal regarding the importance of the Common Economic Space for Russia.[35] Apparently, Kyiv's response that the CES should be aimed at creating a free trade zone without exceptions and restrictions in the PSS[36] has pro-

31 Interviews with experts in the Ministry of the Economy of Ukraine, August, 2006.

32 Speech by President Putin at the meeting with representatives of the European Round Table of Industrialists and the Round Table of Industrialists of Russia, 2 December 2003, available at: www.kremlin.ru.

33 Some experts from President Kuchma's entourage stressed that even having signed the declaration on the establishment of the Common Economic Space, Ukraine could still at that point drag on the negotiations following Lukashenko's tactics: as one interviewee put it, 'declarative integration to ensure economic benefits from Russia without giving in to Moscow's demands'. Interviews with experts, Kyiv, 2006.

34 'Statement for the Press after the Completion of Talks with Spanish Prime Minister Jose Luis Rodriguez Zapatero'; available at: www.kremlin.ru.

35 'Congratulations of the Russian President V. Putin extended to V.Yushchenko on the occasion of his election to the President of Ukraine', 20 January 2005, available at: www.kremlin.ru.

36 Decree of the President of Ukraine No. 925/2005 on the Decision of the Council of National Security and Defence 'About Establishment of the Common Economic Space', 20 May 2005. Available at: www.president.gov.ua.

voked a new series of Russia-Ukraine trade wars.

Russia's negative response was technically not in violation of the legal norms because Russia applied the same European criteria to Ukrainian producers.[37] Kyiv has also recognised that some Ukrainian officials facilitated the smuggling of agricultural produce into Russia.[38] However, the fact that Russia introduced sanctions without negotiations and did not follow relevant arbitration procedures indicates that Moscow did not want a smooth transition to new pragmatic and fair trade relations with Ukraine.

The Russian Federation does not possess sufficient positive attractiveness to compete with the attractive power of the EU, but it has sufficient means to make the EU look less attractive to Kyiv. This fact can hardly contribute to building confidence in bilateral economic relations. Even Russian analysts recognise that integration processes in the PSS are quite restricted due to the lack of trust in the Russian Federation in many NIS capitals.[39]

Russia's mercantilist approach to the CIS is focused on Ukraine mainly because Ukraine represents a considerable part of the former Soviet production complex and market. Russia wants to integrate this market into the world economy on equal terms. Russian experts consider that since a predominant component of the Russian Federation's economy and exports is raw materials, the integration of Russia into the European common market and production chains is a complicated task. Moreover, these Russian enterprises, which act in the production domain, cannot compete with European producers for different reasons.

The mercantilism framework is where the Russian political elite sees the penetration of the major national business players into the international markets as a precondition for successful development of the country. Therefore, giving support to these players should be a task of foreign policy. This logic was reinforced by some negative experiences of the Russian energy and metallurgy companies trying to enter the European markets (partly due to the protectionist policies of the EU Member States, e.g. in the case of France blocking the export of Russian nuclear energy materials; partly corporate strategies, as in the case of the Arcelor metallurgy plant). Regardless of the source of protectionism, however, such events strengthen Russia's geoeconomic perception.[40] Russia believes that the EU 'from an economic perspective is engineering a redistribution of the market by bureaucratic means'[41] and is preparing to fight for control of the CIS markets.

Following everything said above, the decision made by Ukraine to opt for quickest integration into the world market through itsaccession to the WTO and deeper free trade area with the EU actually undermines Russia's geoeconomic programme and threatens the future of the PSS as a single economic unit.

This geoeconomic perception also has two political aspects. Kyiv's participation in the Russia-led integration initiatives could further promote the Russia-based modernisation model and legitimise Moscow's leadership in the region.

It is also an open secret that in contemporary Russia relations between state and business are of a more hierarchical character. This fact has brought the Russian political elite and indeed Russian society to the conclusion that excessive openness to international business players as well as the inevitable consequences of this – internationalisation of the internal economic space – can result in Russia losing its political

37 In the latter case with milk products, which do not satisfy not only Russian, European, but even basic Ukrainian hygiene standards. Interviews with officials in the Ministry of the Economy of Ukraine, August 2006.

38 The case with New Zealand buffalo meat, which was imported to Ukraine, labelled as Ukrainian and re-exported to Russia. Interviews with officials in the Ministry of Economy of Ukraine, Ministry of Foreign Affairs of Russia, August 2006.

39 See e.g. Alexander Libman, *Evropeyski Soyuz i obyedninenia na postsovetskom prostranstve: Chetyre lovushki Integratsii*, at the website of the Common Economic Space: http://eepnews.ru/publication/m4024.

40 Transcript of Meeting with Participants in the Third Meeting of the Valdai Discussion Club, op. cit. in note 29.

41 Report of the Council on Foreign and Defence Policy of the Russian Federation on Situational Analysis, op. cit. in note 25, Annex 1, p.13, 'Podrobnoe Izlozhenie Khoda Situatsionnogo Analiza'.

independence. A Russian expert pointed out: 'can you believe that Poland, where the whole banking sector is in the hands of foreign capital, can be fully independent as a state?'[42]

Therefore, the economic policy of the pro-Orange political elite was the key reason for the Russian Federation to see the European choice of Ukraine in 'zero-sum' terms. Hence, Moscow opted for support of the 'pragmatist' political programme in Ukraine, which gives Ukraine a chance to remain part of the CIS economic space and to support Moscow's mercantilist economic vision. In an attempt to prevent Ukraine from leaving the 'pragmatist' political programme, the Russian Federation has probably introduced its most powerful argument – energy.

3.2 The Russia-Ukraine-EU energy triangle

Energy relations within the triangle reflect the different characters of all three actors. The EU promotes open markets, transparency, competition and equal opportunities, and it requires Russia to comply with the Energy Charter and its protocols, demanding liberalisation of the access to pipelines and energy resources in Russia and Central Asia.

Moscow considers its energy resources a valuable asset that will allow Russia to regain its great power status and to conduct internal modernisation. Thus, the current *modus operandi* between the Russian political elite and energy technocrats echoes the historical period of nation-state capitalist expansion when France, Great Britain and Germany fostered the expansion of their companies to their new colonial markets: the Russian government promotes the interests of the largest gas-extracting company, Gazprom, while Gazprom endorses Russia's foreign policy actions.[43] As a result, Gazprom policies aimed at purchasing pipelines and gas storage capacities outside the country, became part of Russian foreign policy.

This attitude has become central to Russian foreign economic policies under Putin's mercantilism.[44] As a result, the EU Member States have become less willing to provide Russian state-owned companies with access to the energy infrastructure in Europe.

Moscow regards such treatment as discrimination against Russian businesses and in response has tightened its protectionist policies, for example refusing to join the Energy Charter, forcing foreign companies to leave Russian oilfields, etc. The key concern for some EU countries, however, is the fact that the state-owned energy monopolist Gazprom is trying to purchase parts of the European downstream networks, rather than the fact that it is a Russian company. Europe's reluctance to open its markets to Gazprom[45] stems from a combination of value-based security concerns and the interests of particular retail gas-distributing companies.

The energy dimension is important to the Russian Federation also because this is one of the few fields where Russia can negotiate with Europe on an equal footing. Acceptance of the EU requirements to liberalise its transit routes and energy exploration would cast Russia in the role of an 'apprentice', a role which Moscow is not willing to take on. This is why Russia is trying to shift the centre of gravity in its relations with the EU from the integrationist paradigm to the energy sphere, where Russia is not an apprentice but a major world power.

Over the past fifteen years energy relations between Russia and Ukraine have been a reflection of the post-Soviet style of international pol-

[42] Interview with experts of the Russian Ministry of Foreign Affairs, Moscow, August 2006.

[43] See for example Stanislav Zhiznin, *Enertgeticheskaya Diplomatiya* (Moscow, 1999), positively reviewed by the Deputy Minister of Foreign Affairs of Russia Ivan Ivanov, available at: www.promved.ru.

[44] On the strategy of Vladimir Putin, elaborated in the Ph.D that he completed before ascending to power, and its implementation see e.g. Martha Olcott, 'Vladimir Putin i Neftiannaya Politika Rossii', *Rabochie Materialy*, no. 1, Moscow Carnegie Centre, 2005; see www.carnegie.ru.

[45] The President of the second-largest Russian ROSNEFT Energy Company, Sergei Bogdanchikov, has stated recently: 'We feel quite comfortable in the European markets. We don't feel discriminated against. And the fact that some Russian business players do not succeed in certain projects means that they haven't thoroughly designed their business strategies.' Presentation at the 12th IFRI-MGIMO Seminar, Paris, 17 October 2006.

itics. From the dawn of Ukrainian independence, the issue of energy supply to Ukraine from Russia and Central Asia has been a subject of tough negotiations. Ukraine managed to ensure lower prices for energy supply from Russia (compared to Europe), not only by taking advantage of its position as a transit country and making some concessions, but also due to the fact that the supply of energy resources to Ukraine has been conducted by a number of intermediary offshore companies. This system initially helped Ukraine, which did not have enough hard currency to pay off its debts through barter transactions. However, later those offshore companies turned into a source of enormous personal profit for top Russian and Ukrainian political and energy management figures.[46]

Not only was the implementation of the pro-independence project economically the antithesis of Russia-led integration structures in the PSS, but it also brought an end to the Moscow-promoted idea of an international gas pipeline consortium, which foresaw the transfer of the Ukrainian national infrastructure into private assets of the Gazprom-led consorting companies. These were enough reasons for Russia to stop subsidising Ukraine's energy consumption. And again Moscow had no reasons to make this transition as smooth as possible for Ukraine.

Ukraine refused to submit the case for international arbitration because its legal position was not as strong as Kyiv claimed.[47] Instead, it attempted to negotiate transit rates in exchange for favourable energy prices, mentioning also alternative energy sources. This would enhance the popularity of the new political elite with the public and allow them to remove the gas price issue from the toolbox of Russian diplomacy.

But Moscow did not look for a simple gas price increase. Russian analysts insist that the main goal of the price increase was the humiliation of Ukraine.[48] Otherwise, it is difficult to explain why only a few days after Ukraine showed willingness to accept the price of 160 USD per 1,000 cubic metres (cm) of Russian gas, Gazprom raised the price to 230 USD per 1,000 cm, or why the Russian Federation has successfully blocked Ukraine's attempts to ensure gas supply from Turkmenistan.

The culmination of the Russian-Ukrainian gas dispute highlighted two issues. The first one was the low political and business culture of both sides. In order to prevent Kyiv from taking the initiative in shaping the energy agenda, Moscow did not hesitate to undermine Russia's business credibility by cutting the energy supply to Ukraine despite contractual obligations with the EU. It should also be added that Ukraine did not hesitate to siphon off some of the Russian gas for its own purposes and later on declare that it was actually exported to the EU.

The second issue is underestimating the role of the EU. Brussels did not play the role of a passive observer in the dispute, and as soon as members of the EU expressed their concerns about decreasing volumes and falling pressure in the gas pipelines, both sides managed to reach an agreement on 4 January 2006.

The analysis of the agreement and further developments led to the following conclusions:[49]

- The Russia-Ukraine agreement was concluded mostly on Moscow's terms and had a stabilising effect in a short-term perspective. However, it has created more questions than answers for trilateral relations in the middle- and long-term perspective. The fact that Ukraine purchases gas not directly from Gazprom and Central Asian republics but via a semi-transparent, offshore company called RosUkrEnergo – a key intermediary for

46 For a detailed account of this situation since the early 1990s, see *It's a Gas – Funny Business in the Turkmen-Ukraine Gas Trade*, Global Witness Report, April 2006; available at: www.globalwitness.org.

47 See for example Nikolai Sokov, *Alternative Interpretation of the Russian-Ukrainian Gas Crisis*, PONARS Policy Memo no. 4040, Monterrey Institute for International Studies, January 2006.

48 See for detailed analysis of the Russian-Ukrainian gas deal, Memorandum of the Russian Institute for National Strategy 'Geoekonomicheskie itogi "gazovoi voyny"', available at: www.apn.ru.

49 For the English text of the agreements, see The CEPS Neighbourhood Watch, Issue no. 12, January 2006, available at: www.ceps.be; for the Russian text with detailed analysis see the Memorandum of the Russian Institute for National Strategy 'Geoekonomicheskie itogi "gazovoi voiny"', available at: www.apn.ru.

Ukraine's gas deals under previous governments and a company closely connected to the Russian political elite – means that bilateral energy relations will remain to a considerable extent affected by the political and business culture of the Kuchma era.

- The very fact that the presidents of both Russia and Ukraine denied any involvement in nominating RosUkrEnergo to be the key energy deal mediator presents clear evidence of the doubtful character of this arrangement. Hence, the future of Russia-Ukraine relations, as well as of the energy security of Europe, depends on several quite unreliable variables: the fate of specific elite groups in Ukraine/Russia and relations between these groups, the vagaries of Gazprom's turbulent marketing policies, Russia's changing foreign policy interests, and twists of the internal political debates in Ukraine.
- The introduction of an intermediary company, to which Gazprom may either sell gas or not, leaves Ukraine in a limbo situation. The stakes in Russian-Ukrainian relations have increased. Not only does Moscow seek Kyiv's concessions on the Black Sea bases or infrastructure issues, but it aims to define Ukraine's internal political landscape, in order to keep Ukraine in the framework of the 'pragmatist' programme, and to control Ukrainian foreign policy.

At the time of writing, Moscow had offered Ukraine a new gas price of 130 USD per 1,000 cm. However, according to Russian Premier Mikhail Fradkov this price will remain the same throughout 2007 only if Ukraine considers Russian interests in developing its relations with NATO and the EU, and synchronises its WTO accession process with Russia .[50]

Pursuing such policies, the Russian Federation will find it difficult to remain within the limits of 'politically correct behaviour.' Since internal consensus in Ukrainian society regarding how much Kyiv should pay for its independence has not been reached yet, any gas price increase combined with excessive economic dependence of Ukraine on the Russian Federation raises the risks of political and economic instability, with Russia playing a crucial role in this situation.

The Russian-Ukrainian gas dispute allowed Moscow to shift the centre of gravity in the Russia-EU debate from a normative dimension, focused on human rights, democratic norms and European standards, to energy geopolitics. The issue of energy security is now a major factor in Russia-EU relations.

In this situation, European energy companies emphasise that only private enterprise, rather than EU energy security initiatives, can deal with Gazprom. As a result, governments of several EU Member States opted to negotiate separate gas deals, undermining the very idea of a common energy policy of the EU. The Executive Director of the International Energy Agency has stressed with great concern: 'I consider that the nationalistic policy of some of the Member States is not the way out for the EU.'[51]

One of the components of the new Russian energy strategy was President Putin's initiative to establish a Franco-German-Russia energy alliance for exploration of the Shtokman gas field. This was supposed to be Russia's 'good offer' in exchange for the recognition of Moscow's leading role in the energy security of Europe.

Russia was surprised that the key European countries rejected its proposal to become partners in the redistribution of the enormous gas supply from the Shtokman gas field to Europe.[52] The fact that German Chancellor Angela Merkel in a joint statement with (the then) French President Jacques Chirac refused to accept this proposal and called for the Russian Federation to obey the principles of economic liberalism and free trade, shows that at the moment Russia and the EU have different visions of how energy policy should be conducted in Europe in the future.

[50] Interview with the Prime Minister of the Russian Federation Mikhail Fradkov, available at: www.bbc.co.uk.

[51] Speech by Claude Mandil, Executive Director of the International Energy Agency, at the EUISS Annual Conference, Paris, 6 October 2006.

[52] See e.g. Dmitry Butrin, 'Economic Charter Above All', *Kommersant*, 13 October 2006; Mikhail Leontiev, *Odnako* (Political analysis TV programme), 14 October 2006, available at: www.1tv.ru/news/n95124.

Geopolitics and security interests

The state of affairs in the security dimension of the Russia-Ukraine-EU triangle reflects the distinctive security-building strategies pursued by the three actors. The Russian Federation is trying to preserve a security system of its own invention in the PSS because this is an attribute of Russia's status as a regional power. Since Kyiv's security policies today are aimed at strengthening Ukrainian independence, cooperation with the Euro-Atlantic structures is perceived as a way of achieving this goal. Aiming at the creation of a stability and prosperity zone in its neighbourhood, the EU welcomes Ukraine's alignment with the CFSP.

In order to answer the question of whether the conflict between the three strategies mentioned above is inevitable, in what follows we will analyse relations between Kyiv and Moscow including key security actors such as NATO and CFSP together with attitudes towards the main security challenges (e.g. 'frozen' conflicts and zones of interethnic tensions, in particular Transnistria and the Crimea).

4.1 Russia, Ukraine and NATO

The prospect of Ukraine's accession to NATO has become the core issue in the Russia-Ukraine-EU triangle due to the fact that the overwhelming majority of the democratic political elite in Ukraine welcomes the idea of the country joining both NATO and the EU. The Russian Federation has acknowledged this trend and believes that the EU sees Ukraine's accession to NATO as a precondition for deepening cooperation between Ukraine and the EU.[53]

Following the success of the Orange Revolution of 2004, Moscow views Ukraine's Euro-Atlantic ambitions with a certain amount of anxiety as it still perceives NATO as a Cold War era military alliance rather than a collective security community. Moscow identifies at least three reasons for regarding NATO as a rather aggressive security competitor and a cause of concern for Russia.

One of the deciding factors that forced Russia to turn to the power politics paradigm was the role that NATO played after the dissolution of the Warsaw Treaty Organisation, as demonstrated by the accession of Eastern Germany to NATO, NATO's expansion to Central Eastern Europe and the Baltic states, and the Kosovo intervention. In addition, NATO is still perceived by many in Russia as a US-inspired enterprise. Seen from this perspective, Kyiv's ambitions are threatening to transform Ukraine into a platform for projecting the Euro-Atlantic security architecture into Russia's Near Abroad.

Another reason for Moscow to consider NATO in competitive rather than cooperative terms is the fact that the alliance has never treated Russia as an equal partner in the decision-making process.[54] This despite the fact that the Kremlin indicated that alignment of NATO with the UN security system would create a certain potential for cooperation.

The Russian Minister of Foreign Affairs, Sergey Lavrov, reiterated this position once again at the UN General Assembly in September 2006, calling on NATO to undertake 'a transformation from a defence union into something

[53] Interview with officials in the Russian Ministry of Foreign Affairs, Institute of Europe of the Russian Academy of Sciences, Moscow, August 2006.

[54] Except for the short period of the peacekeeping operation in Bosnia, where the double-key command system for Russian troops participating in the peacekeeping forces was designed.

more modern, complying with principles of transparency and collective response on the basis of international law.'[55] To the annoyance of the Kremlin, during its expansion NATO did not react to Russian concerns. The Secretary General of the CIS Collective Security Treaty Organization (CSTO) pointed out that 'the increasing activity of extraregional structures, first of all NATO, the EU and other countries [in the CSTO area] doesn't facilitate stability.'[56]

Moscow suspects that the 'aggressive' foreign policy of Poland and Lithuania towards Russia, coupled with speculation about Moscow's imperial policy and conspiracies by Russian intelligence against new independent states and the politicising of history, has the aim of humiliating the country and forcing it to yield some concessions. President Putin emphasised that he was 'happy to see that the problems of the past [are] not politicised in Hungary.'[57] With this in mind, Moscow is very worried that in the near future it will face a new Ukraine – a NATO member state of Polish design.[58]

Moscow has no doubts that Warsaw has been playing its own game in the PSS on 'zero-sum terms' – fighting for Ukraine against Russia. The Russian Minister of Foreign Affairs actually voiced this concern during his visit to Slovakia by saying: 'Sometimes from European capitals, not from Bratislava of course, there are voices that call for Ukraine to decide on whose side it is on: Russia or the West. This is a provocation...'[59] Moscow's concerns are caused by the fact that some post-Soviet states 'are transferring bilateral problems into Russia-NATO relations.'[60]

Therefore, the Russian Federation has tried to reorientate Ukraine's foreign policy evolution away from the 'Polish model' towards the 'Finnish model'. However, Moscow has tried to achieve this goal by exploiting its comparative advantage in the economic dimension, in particular with regard to energy prices. The outcome of this decision was beneficial for Russian foreign policy in a short-term perspective. The declaration made by the Ukrainian Prime Minister, Viktor Yanukovich, during his visit to Brussels in September 2006 actually blocked Ukraine's efforts to join NATO.

In the medium and long-term perspective such conduct has seriously damaged bilateral relations. Moscow's negative 'imperial' image in Ukraine was strengthened by the Russian Federation, which authorised comparatively low gas prices for Ukraine in exchange for a prolongation of the Russian military presence in the Crimea and an immediate referendum on Ukraine's accession to NATO. This reinforces the view that Ukraine's quick accession to NATO as well as the withdrawal of the Russian fleet from the Crimea might lead to some sort of 'catharsis' in Russian-Ukrainian relations and would allow both countries to develop a new security relationship on equal terms.[61]

The crucial question is whether the political elites of both countries will be able to introduce conceptual changes in their security relations without sliding into extreme forms of confrontation. It is difficult to underestimate the importance of this question, particularly when major political forces in both Russia and Ukraine have repeatedly engaged in numerous foreign policy adventures, which are highly

55 Speech by the Russian Minister of Foreign Affairs Sergey Lavrov at the 61st General Assembly of the United Nations, Ministry of Foreign Affairs of the Russian Federation, Daily Bulletin, Information and Press Department, 22 September 2006; available at: www.mid.ru.

56 Interview of the Secretary General of the Collective Treaty Organization Nikolai Bordyuzha to the Interfax news agency, 18 September 2006, reported in the Russian Ministry of Foreign Affairs of the Russian Federation, Daily Bulletin, Information and Press Department, 20 September 2006. Available at: www.mid.ru; accessed 26 September 2006.

57 Joint Press Conference following talks of President Putin with Prime Minister of Hungary Ferenc Gyurcsany, 28 February 2006; available at: www.kremlin.ru.

58 Interviews with the experts in the Russian Ministry of Foreign Affairs, Moscow, August 2006.

59 Statement by Russian Minister of Foreign Affairs Sergey Lavrov during his visit to Slovakia, 5 April 2006. Available at: www.rian.ru.

60 Statement of the Ministry of Foreign Affairs of the Russian Federation 'Regarding the Decision of the Council of NATO to start "intensified dialogue" with Georgia', Daily Bulletin, Information and Press Department, 22 September 2006. Available at: www.mid.ru.

61 Interview with Ukrainian officials, Ministry of Foreign Affairs and Ministry of Defence of Ukraine, Kyiv, August 2006.

profitable in political terms, but extremely dangerous for bilateral relations.

Leaving aside national populism, both capitals have conflicting visions of security arrangements for the PSS. While the Ukrainian political elite believes that only NATO can ensure its security, from Russia's point of view this Ukrainian security strategy poses a dilemma. There are few in Moscow who really believe that Ukraine's accession to NATO is a security threat to Russia; however, security for the Kremlin means not only the safety of the country *per se* but also no competitors who might threaten Russia-led security structures in the PSS.

The fact that a considerable segment of Ukrainian society opposes the country's accession to NATO, and that the Party of the Regions opted to use 'pro-Russian and anti-NATO' slogans, could lead to a destabilisation of the situation in Ukraine. Recent developments have shown that Moscow will expect the 'pro-Russian' Prime Minister Yanukovich to provide a concrete demonstration of his declared political position. Such lack of sensitivity on the part of Russia is considered by Ukrainian nationalists as calculated to inspire 'controlled instability', while even moderate supporters of mutually beneficial cooperation with Russia are believed to be Moscow's agents. Such a radicalisation of positions, together with institutional uncertainty, may lead to unrest in Ukraine and a deterioration in bilateral relations.

The EU stakes in the situation are quite high because the wider public, which regards the term 'pro-European' as synonymous with 'pro-democratic', has extended this association further: 'pro-NATO' equals 'anti-Russian', while the term 'pro-Russian' automatically means 'anti-NATO' and 'anti-democratic'. Hence Brussels should bear in mind the lessons learnt from the Russia-Ukraine-NATO triangle while elaborating the CFSP and implementing the European Security and Defence Policy (ESDP).

4.2 Russia, Ukraine and CFSP/ESDP

Currently the security partnership of the Russian Federation and the EU is gradually moving from a utopian phase of great hopes and high rhetoric to a more hard-edged phase of competition.[62] The Russian Federation originally saw CFSP/ESDP as a specific tool which would lead to the transformation of the NATO-led security system into a more inclusive European security structure on the old continent.[63]

At the EU-Russia Moscow Summit in 2000, President Putin drew particular attention to the importance of UN multilateral instruments, stressing priority areas for Russia-EU cooperation such as strengthening international peace, security and stability, early warning, conflict prevention, crisis management and post-conflict reconstruction.[64]

However, despite establishing several mechanisms designed to underpin strategic partnership (e.g. monthly meetings of the Russian ambassador with the EU PSC, Russia-EU Troika Meetings, etc.), the partnership has been more of a disappointment than a success. Deputy Chief of the General Staff Manilov expressed Russia's frustration with the EU's dependence on NATO and stated that Moscow endorsed cooperation with the ESDP, but not with the version of ESDP formulated so far.[65]

Russia has also been unimpressed with the lack of political will from the EU to proceed with

[62] On the evolution of the Russia-EU security partnership, see Dmitriy Danilov and Stephan De Spiegeleire, 'From decoupling to recoupling: A new security relationship between Russia and Western Europe?', *Chaillot Paper* no. 31 (Paris: WEUISS, April 1998); Clelia Rontoyani, 'So far so good? Russia and the ESDP', *International Affairs*, vol. 78, no. 4, October 2002; Dov Lynch, 'Russia faces Europe', *Chaillot Paper* no.60 (Paris: EUISS, May 2003).

[63] Interviews with experts in the Institute of Europe of the Russian Academy of Sciences, August 2006.

[64] Joint Statement by the President of the European Council Antonio Guterres, the High Representative for the Common Foreign and Security Policy of the EU, Javier Solana, the President of the European Commission, Romano Prodi, the President of the Russian Federation, Vladimir Putin; available at: http://www.delrus.cec.eu.int.

[65] Andrew Monaghan, 'Does Europe Exist as an Entity for Military Cooperation? Evolving Russian Perspectives, 1991-2004', *The Quarterly Journal*, vol.III, no. 2, June 2004, p.55.

institutionalisation of security relations by establishing a joint consultative body (e.g. like the Russia-NATO Council). Moscow has been also dissatisfied with EU attempts to treat the Russian participants as subordinates of Brussels in a joint operation.[66]

All this has led to the devaluation of the Russia-EU strategic partnership, reflected in the fact that in the context of the CIS space the EU can no longer invoke declarative cooperation. The EU activities in the former Soviet republics (Georgia and Moldova), neglecting Russia-led security structures there, exacerbate Moscow's irritation and feeling of exclusion.[67] The Ukrainian crisis became another indicator that security structures proposed by the EU possess more political weight in the PSS than Russia's political efforts.

The EU has not succeeded in avoiding NATO's mistakes. It has failed to ensure Russia's inclusion in the European security system. Moscow perceives the EU as a potential political rival who has entered its Near Abroad and is trying to exclude Russia from new security arrangements.[68] Thus, Moscow's perception and lack of an adequate strategy to address Russian concerns forms the basis for the 'zero-sum' logic.

Unlike Russia, Ukraine has tried from the very beginning to ensure its integration as a fully-fledged member of the international community by active participation in peacekeeping actions regardless of whether they were taking place in the framework of the UN, NATO or CFSP. Ukraine has not made any attempt to challenge the Russia-led security system in the PSS. However, it supports the CFSP as an emerging security actor, which creates an alternative security system in the Russian Near Abroad without paying due attention to Moscow's security strategy. This attitude mirrors the general climate prevailing in the Russia-Ukraine relationship.

It is necessary to mention that any conflict situation in Russian-Ukrainian relations carries much higher risks because the commonly adopted international institutions and practices in the post-Soviet international system are at a much lower level of development than in Europe, and the level of interests, 'passions' and interdependence is much higher.[69] It is also important to take into account Ukraine's proximity to Russia and their close economic ties.

For these reasons Kyiv expects that if the EU is eager to acquire a higher profile and see Ukraine firmly committed to the CFSP, it should demonstrate a better understanding of Ukraine's complicated position. The EU has already provided Ukraine with its security support by mediating the political crisis in 2004. The EU's response to the gas dispute of 2005 has contributed to the diversificiation of Ukraine's energy supply.

However, some in Kyiv believe that the situation in EU-Ukraine security relations has features of 'asymmetric commitment.' The EU is taking advantage of the availability of Ukrainian troops and aircraft to fulfil peacekeeping missions, while encouraging Ukraine's contribution to the resolution of the Transnistrian conflict. At the same time Brussels shows little understanding of the Ukrainians' eagerness to obtain clear answers to a number of urgent questions concerning military and high-tech cooperation between the EU and Ukraine. What interoperability capacities should Ukraine elaborate and what standards should it comply with in order to fit into the European defence complex? Should they be compatible with European standards for the ESDP or with NATO capabilities, since the interoperability of ESDP and NATO is questionable?[70] Unfortunately, the EU seems to have no clear answers to these questions.

66 Interview with officials in the Russian Ministry of Foreign Affairs, August 2006.

67 Interview of Secretary General of Collective Treaty Organization Nikolay Bordyuzha to the Interfax news agency, 18 September 2006, reported in the Russian Ministry of Foreign Affairs, Information and Press Department Daily Bulletin, 20 September 2006; available at: www.mid.ru.

68 See e.g. more detailed analysis by Alexander Nikitin, *Analysis: Russian Perceptions of the CFSP/ESDP*, EUISS, 29 May 2006. Available at: www.iss.europa.eu.

69 Robert O. Keohane and Joseph S. Nye, *Power and Interdependence* (Boston & Toronto: Little Brown and Company, 1977).

70 Presentation and discussions at the Conferences in the Centre for European and Transatlantic Studies of Ukraine and the Centre for Conversion and Disarmament, Kyiv, July 2006.

In addition to everything said above, Kyiv is also disappointed by the fact that the European defence market is not entirely governed by the norms of openness and equal competition. The failure of the Ukrainian AN-70 aircraft project on the European market aggravated the feeling of exclusion, while at the same time this feeling has been worsened by the fact that Russia has started gradual unilateral withdrawal from close high-tech military cooperation with Ukraine – a fact that is frequently, but nevertheless wrongly, interpreted as retaliation for Ukraine's Euro-Atlantic ambitions.[71]

It is an open secret that Moscow adopted a strategy aimed at the creation of a closed circle of military production in the 1990s, long before Ukraine's firm declaration of its Euro-Atlantic ambitions. However, even if based on wrong assumptions, such a situation enhances the feeling of exclusion and abandonment in Ukraine, heightening political risks because the Ukrainian and Russian military industries are so strongly intertwined.

Any ambiguity in the EU-Ukraine relationship generates a political vacuum, which leads Russia to believe that the EU is treating Kyiv as a 'second-class client.' In its turn, Ukraine may question whether the commitment to the European security system is worth pursuing. Despite the fact that none of the current Ukrainian political elite is questioning Ukraine's European trajectory, the cost/benefit of Ukraine's alignment with the CFSP will remain negative in terms of Ukraine's economic and political situation. Ukraine is trying to combine its alignment with CFSP decisions with the national interests (e.g. partial alignment with measures taken by the EU on Belarus); however, Ukraine's room for manoeuvre will be quite limited if Russia-EU relations deteriorate further.

4.3 Transnistria and the Crimea

The issues of the Moldovan breakaway republic of Transnistria and Ukraine's autonomous republic of the Crimea are closely related for a variety of reasons: there is a considerable Russian military presence in the two regions; both regions are closely connected to Russia in various ways; Russian-speaking people with a strong nostalgia for the Soviet era represent a sizeable part of the population in both areas; the local political elite consists of the former Communist party *nomenklatura*, i.e., ex-military personnel and/or 'Red Directors'; and both regions have resisted the implementation of the nationalist projects of the Georgian and Moldovan elites.

Russia ensured a certain stability and imposed its influence in Transnistria and the Crimea in the early 1990s. The Russian intervention in the Transnistrian conflict brought hostilities to a halt and guaranteed Russia a leading role in the conflict-resolution process, while at the same time President Yeltsin prevented Russian nationalists from involving Moscow in any serious conflict in the Crimea.

Having played a stabilising role since the initial stages of the Transnistrian conflict, Moscow is pursuing a conflict-resolution strategy that would allow the pro-Russian or Russian-speaking minorities to have as much control as possible in this region. Due to the strong pro-Russian sentiment of the population of the Crimea, in addition to its military presence, the Russian Federation has established a substantial political presence there. The Crimea is a stronghold of the extreme left, pro-Soviet and pro-Russian parties. All that provides Moscow with a leverage of influence over the peninsula and a pretext for taking an interest in Ukraine.

Russia insists on its unconditional support to Tiraspol because the EU-led conflict-resolu-

[71] Most Ukrainian experts argue that Russia has withdrawn from high-tech military-industrial cooperation with Ukraine, e.g. in the shipbuilding and motor building industries, including the AN-70, the Kliper Shuttle project, the Beriev airplane plant and many others. However, this reflects Moscow's strategy, launched back in the mid-1990s and aimed at creating its own closed military production chains in Russia, rather than a response to Orange Revolution and Ukraine's Euro-Atlantic ambitions *per se*. Nevertheless, the majority of Ukrainian society supports the latter interpretation of Russian policy. Interviews with experts of the Ministry of Foreign Affairs of Russia, Ministry of Defence of Russia, Ministry of Economy of Ukraine, August 2006.

tion efforts in the Balkans – in particular the case of Kosovo's independence – led to the EU losing legitimacy in the eyes of Moscow. Moreover, Moscow points to the fact that the EU did not consider the Ohrid agreement in FYROM as a model for the solution of the language issue in the Baltic states, nor did Brussels apply its major conditionality instrument to deal with the problem of the Russian minority in Latvia. Hence, the Kremlin sees the EU as a geopolitical actor, who is exploiting nationalism – whenever this happens to be in the EU's interests – rather than as a community of values.

Such a negative perception of the EU highlights the following concerns:

- Why should Moscow facilitate the EU policies of 'test[ing] its CFSP tools on Russia'[72] and the EU strategy in Russia's Near Abroad? This is not only detrimental for Russia's leading role in the region, but also dangerous for Russia's future.
- Why should Moscow sacrifice its influence among the pro-Russian political elite in its Near Abroad for the sake of the territorial integrity of these states, given that the EU has not bothered to take into account Russian suggestions that the provision of the territorial integrity of each country should be the guiding principle of international peacekeeping efforts,[73] and given the fact that these countries have not hesitated to involve external actors in conflict resolution, thus jeopardising Russia-led security institutions?[74]

Ukraine's alignment with the CFSP means that Kyiv has become a promoter of the EU-led security system. The critical issue, however, is that Kyiv's commitment to the CFSP involves some risks for its bilateral relations with Russia, for the internal political trajectory of Ukraine, and considerable economic losses for the country.

President Yushchenko promoted a settlement plan for Transnistria, the key element of which was the process of democratisation of the region through elections conducted under international observation, and through substitution of the Russian peacekeeping forces with international troops under the aegis of the OSCE. However, at the top political level the Russian president never publicly supported the Yushchenko plan, and there was no official reaction apart from certain comments by the Russian Ministry of Foreign Affairs, which stressed the need to further clarify and develop the Yushchenko plan,

Kyiv's initiative to host the EU Border Assistance Mission (BAM), which opened in November 2005, was also not greeted with much enthusiasm by Moscow. Commenting on the idea that BAM could become a model for the Russia-EU border, the Russian ambassador to the EU, Vladimir Chizhov, stressed: 'Border agreements are not a Russia-EU issue. They are bilateral matters between Russia and its neighbours.'[75] In March 2006, Ukraine adopted a decision to allow the import and transit of goods only from those Transnistrian enterprises that have been registered by the Moldavian authorities. The official response of the Russian Federation came in the form of criticism about the 'economic blockade.' Later on, however, the Russian Federation demonstrated a tolerant attitude towards the results of the referendum in Transnistria regarding the region's independence .[76]

A large number of ethnic Ukrainians, holding Ukrainian citizenship, live in Transnistria. The current situation, in the absence of a proper communication strategy on the part of the Ukrainian political elite, may lead to their radicalisation: they could be persuaded to support

72 Report of the Council on Foreign and Defence Policy of the Russian Federation on Situational Analysis, op. cit. in note 25, Annex 1, p.3, 'Podrobnoe Izlozhenie Khoda Situatsionnogo Analiza'.

73 Transcript of Meeting with Participants in the Third Meeting of the Valdai Discussion Club, op. cit. in note 29.

74 Interview with experts in the Russian Ministry of Foreign Affairs, August 2006.

75 'EU talks up Ukraine-Moldova mission', 31 October 2005, available at: www.euro-reporters.com.

76 Statements by the Russian President Vladimir Putin before the beginning of the official meeting with the President of France Jacques Chirac, 22 September 2006, available at: www.kremlin.ru; Transcript of the Press Conference by the Russian Minister of Foreign Affairs Sergei Lavrov and the Minister of Foreign Affairs of Portugal, 17 September 2006, available at: www.portugal.mid.ru.

radical pro-Russian parties in Ukrainian elections. There is still a significant voice in the Ukrainian expert community on international relations claiming that Ukraine is losing interest in Transnistria at the expense of Russian economic expansion in the region and the strong business ties between German and Transnistrian companies.

Another serious concern is that following Ukraine's decision to commit itself to finding a solution for the Transnistrian conflict, the political situation in the Crimea has become destabilised. In May 2006 a group of Crimean protestors blockaded the port of Theodosia and prevented the American military vessel *Advantage* from unloading its cargo. The fact that some representatives of several Russian political parties took part in this anti-NATO incident, together with the Tiraspol-based youth organisation 'Breakthrough', led many analysts to believe that instability in the Crimea is the indirect response of the Russian Federation to Ukrainian foreign policy.[77] According to some accounts, the instability in the Crimea in the spring and autumn of 2006 had all the appearance of orchestrated efforts rather than isolated political acts.[78]

The situation in the peninsula is made even more complicated by the increasing activity of the Crimean Tatars. It is necessary to note that the Crimean Tatars, unlike the Russian population, have demonstrated their loyalty to Ukraine's 'nationalist state' project. Leaders of the Crimean Tatars have established close relations with the 'Our Ukraine' and 'People's Rukh' parties of Ukraine. They have their own representatives in the parties and insist on greater inclusion at local and national levels.

The Ukrainian leadership could not demonstrate equal distance from the conflicting sides. Neither Kyiv, nor Simferopol, the administrative capital of the Crimean Autonomy, were able to control the continuing takeovers of Crimean lands by the Tatars. This led to a heightening of interethnic tensions between the Russian and Tatar populations in 2006. The Crimean Tatars clashed with the local Russian population in the town of Partenit in the spring of 2006. Later on there was a clash between the Tatars and pro-Russian conservative activists in the Crimean city of Bakhchisaray.

Political forces both in Russia and Ukraine have taken advantage of the sporadic economic conflicts over land and building sites in the Crimean peninsula. Hence, it is likely that if Kyiv continues to promote an EU or NATO-based security system, these political forces will further exploit the interethnic tensions in the Crimea. The crucial issue remains whether these political forces, which apply such tactics, will be able to keep the situation under control or if it will become dangerously unstable.

It should be kept in mind that some top-level Russian bureaucrats take advantage of Transnistria, using it in effect as a huge 'offshore company' for money laundering and accumulating financial resources.[79] The Russian Fleet Command has also used lands and buildings at their disposal for commercial purposes. Ukraine needs to thoroughly prepare and develop a strategy for tackling this grey economy sector, because by trying to clamp down on the illicit business activities of some top Transnistrian business managers or members of the Russian Fleet elite, it could face a destabilisation of the situation in both regions.

Therefore, it is important to emphasise the fact that while developing policy in the PSS, the European Union should carefully consider how its policies might affect the bilateral relationships between countries, some of which do not readily welcome the EU vision of this region. In order to avoid costly mistakes, the discrepancies in values of all three actors in the triangle need to be analysed.

77 Interviews in the Ministry of Foreign Affairs of Ukraine, October 2006; Nicu Popescu, 'Russia's Soft Power Ambitions', CEPS Policy Brief, 27 October 2006; available at: www.ceps.be.

78 Confidential interviews with police officers in Crimea, August 2006.

79 Interview with an expert in Transnistria, Tiraspol, July 2005.

The socio-cultural dimension

The issue of adherence to a specific set of norms and values and of whether the countries concerned belong to the same or to a different civilisation, has loomed large in the discussion regarding the Russia-Ukraine-EU triangle. The question of to what extent Russia and Ukraine can be considered to be European countries received significant attention in the wake of the Orange Revolution. The socio-cultural dimension of the triangle is illustrated in two interrelated problems: the shared history and common culture, including the issue of the Russian language, and the problem of adherence to European norms and values.

5.1 Common history, culture and language

The strategy of the Russian Federation aimed at ensuring its leading role in the Near Abroad presupposed the preservation of that region as a single cultural entity. This required the maintenance of the Russian cultural presence in public and social life, its omnipresence in the media markets of the NIS, close cooperation with Russophone populations in the various countries, and the introduction of Russian as the official language in each country in Russia's Near Abroad. By supporting Viktor Yanukovich, a politician from the Russian-speaking region of Donetsk, Moscow was trying to ensure that Ukraine would remain in the same cultural space as Russia. Otherwise, the success of Yushchenko-led forces would see Ukraine follow the aforementioned 'Baltic' or 'Polish' path. Moscow's concern regarding Ukrainian alienation from Russia was expressed by the Russian CIS-expert Konstantin Zatulin: 'If independent Ukraine lacks a special union with Russia, its independence will unavoidably be placed on an anti-Russian foundation. Ukraine may then turn into a second Poland – an alien cultural and historical project that Russia will have to learn to deal with, or else Ukraine set about Russia itself.'[80]

This is why the Russian spin-doctors, who were working for Yanukovich during the electoral campaign, portrayed their candidate as a true son of the hard-working, industrial East of Ukraine, a stalwart defender of Russia who would ensure that Ukraine would partake of the brilliant Soviet past, pitting him against Yushchenko who they represented as embodying an aggressively nationalist, anti-Russian, pro-US and pro-NATO Western Ukraine. This clearly indicates that advocates of Russian and Ukrainian cultural similarity have not addressed the issue of common culture, but rather that of shared Soviet identity. An experienced Russian observer pointed out: 'the Russian political elite is exploiting a time gap in Ukraine but not cultural, geopolitical or ideological differences. We are not taking advantage of the difference between the east and the west of Ukraine, we are trying to call Ukrainians back to the 1970s, back to the last century...We are saying to the Ukrainian East and the Crimea: "Do you remember how young we were, how we loved each other, how we visited each other?" So it is obvious that people would answer: "yes, we want to go back to the bright Soviet times".'[81] In pursuing such policies Moscow is avoiding addressing the painful issues of Soviet history. Russian

[80] Konstantin Zatulin, 'Fighting for Ukraine: What's Next?', *Russia in Global Affairs*, vol. 3, no. 2, p.85.

[81] Sergei Dorenko, 'Rinat Akhmetov ne liazhet pod polkovnika FSB', available at: http://www.pravda.dn.ua/details/22140/.

refusal to recognise the Famine of 1932-33 in Ukraine, when several million Ukrainians starved to death, as a genocide against the Ukrainian people, raises serious doubts whether Moscow is willing to face up to the dark side of its imperial past – and not only in Kyiv.

It is important to mention that no real unity exists within the Russian-speaking population of the country, a considerable segment of which have started to engage with the 'nationalist state' project by actively learning the Ukrainian language and identifying themselves as Ukrainians in civic terms. Therefore, it seems that some Ukrainians have been capable of reconciling the 'pragmatist' and the 'pro-independence' paradigms, thus acknowledging the fact that the Ukrainian state project was more successful compared to the Russian one in terms of economic and political stability, civil liberties, personal security, etc. Even the traditionally pro-Russian eastern and southern regions of Ukraine voted for Yanukovich not so much because of his pro-Russian attitude, but because they saw in him the tough political figure that will represent their regions in Kyiv.

The 'zero-sum' logic has been based on the fact that pro-European forces implementing the nationalist project have not avoided the politicisation of history. Therefore, they inevitably reject all the attributes of the past which are associated with the Russian Empire or the Soviet Union. This is reflected in a number of insensitive statements made by some top-level representatives of the democratic political elite to the Russian-speaking population. Moreover, similarities between the Russian and Ukrainian languages make advocates of the Ukrainian 'nation state' project believe that the development of the Ukrainian language as a cultural attribute of the nation state will never be accomplished if Russian language and culture enjoy the same rights as Ukrainian. As a result, pro-European forces have failed to develop an inclusive, or at least a neutral, communication strategy targeting the Russian-speaking regions and democratically-oriented forces in the East and South of the country, taking only some tactical steps. This has made the Party of the Regions a major political actor that has positioned itself as a protector of the Russian language. Therefore, any argument aimed at the inclusion of the Russian-speaking population into the 'state-building' strategy is interpreted as an attempt to justify 'creeping authoritarianism'.

Having exploited the Russian language issue in their 2006 pre-election rhetoric, Yanukovich's team tried to downplay this issue after the March 2006 elections and promote a more 'pro-European' image of the newly appointed prime minister Yanukovich. However, the politicisation of the Russian language issue could not be prevented. Moscow, also, has been trying to keep this issue high on the agenda in Ukraine. On the eve of the parliamentary elections in Ukraine, the Russian Ministry for Foreign Affairs published a commentary concerning the decision of Kharkov City Council to promote Russian as a regional language by allowing its use in public services, correspondence and communication. This decision heightened tensions and strained relations between the centre and periphery of the country.[82]

The politicisation of the issue of the status of the Russian language was backed up by Moscow, encouraging other Ukrainian regional councils to adopt similar decisions.

The fact that the representatives of the Ukrainian nationalist programme could not accept the compromise offered by the Party of Regions in the form of the regional status granted to the Russian language, has led to further politicisation of the issue. During Viktor Yanukovich's visit to the Crimea he tried to promote the new idea of upgrading the status of Russian to a regional-level language. Soon after this the critical statement of the Russian Ministry for Foreign Affairs[83] demonstrated that Russia would expect pro-Russian political forces to be more consistent

82 Commentary, Information and Press Department, Ministry of Foreign Affairs of Russia, 'Concerning the decision of Kharkov City Council to grant the status of the regional language to Russian', 21 March 2006, available (in Russian version) at: www.mid.ru.

83 Commentary, Information and Press Department, Ministry of Foreign Affairs of Russia, concerning 'Continuing Discrimination against the Russian Language in Ukraine', 27 September 2006, available at: www.mid.ru.

with their declarations. Ukrainian nationalist political forces noticed the link between those two events and responded with their own political measures and statements.

It is likely that if Russian foreign policy regarding the language issue in Ukraine remains unchanged, the conflict potential in the interaction of the pro-Russian forces and Ukraine's nationalist project will increase. The possibility of the situation evolving in a 'zero-sum' framework, with no rational debates about the compatibility of the Russian language with the Ukrainian state project, is very high.

This situation opposing the political projects of the Russian and Ukrainian political elites generates the 'win-lose logic.' In order to design specific measures to separate the political and cultural dimensions of the Russia-Ukraine-EU triangle, it is necessary to focus on the question of whether Russian internal and foreign policy represent something completely alien to European civilisation, and also analyse whether Moscow's leading role in the PSS represents a threat for the European trajectory of Ukraine and indeed for European values in general.

5.2. European values or Eurasian norms?

The question of European values has been one of the most problematic aspects of the relationship between the EU and both Russia and Ukraine. The core problem seems to concern the values of democracy, tolerance, human rights and civil liberties. A detailed study of European values has demonstrated that the attitudes of Russians and Ukrainians towards the key European values coincide, with some minor deviations, with those of the average European citizen.[84]

The key difference lies not in the adherence to the European values *per se*, but in the reluctance to protect these values or to take over certain functions which are not sufficiently fulfilled by public institutions and the private sector. Despite the fact that both Russians and Ukrainians are, in general, more interested in politics than the average European, the level of political party membership is considerably lower than in Europe.[85] Little confidence in the state institutions does not help to increase the participation of citizens. On the contrary, indeed, as both Russians and Ukrainians demonstrate a higher level of civic passivity than in Europe.[86] While attaching importance to religion in a formal sense,[87] they seldom observe religious practices and do not believe that church leaders or the religious affiliation of politicians should play a serious role in politics.

This situation can be explained by the totalitarian mindset, which has been described as the *homo sovieticus* complex, i.e. widespread public inability to believe that their own participation can substantially change things in politics or even in their own lives.[88] This is how we can explain why economic transition in the 1990s had a negative impact on political developments in Russia. Russian society, which had a strong paternalistic tradition and no heritage of participatory democracy and civil society activity, underwent the traumatic experience of the widespread appropriation of state assets, political turmoil, institutional uncertainties, frequent violent practices in business and politics, high public debts, etc.

The early twentieth-century Russian reformer, Piotr Stolypin, used to say that before granting civil liberties to its people Russia should have mature citizenry. In the late twentieth century Russia, which still had neither a mature citizenry nor a civil society, and no responsible elite, was exposed to a dramatic economic and social transition in its most painful and anarchic form. As a result, the idea of

84 Loek Halman (ed.), *The European Values Study: A Third Wave,* Source Book of the 1999/2000 European Values Study Survey (Tilburg: EVS, WORC, Tilburg University, 2001).

85 Ibid., p. 266.

86 Ibid., pp. 21-32, 36.

87 Ibid., pp. 35, 74-85, 106.

88 Ibid., p. 45.

democracy has been compromised in the minds of the Russian public. The EU is partially responsible for the failed transition in Russia. Brussels focused more on economic cooperation and technical assistance in this crucial period.[89] It did not contribute to the establishment of viable civil society institutions and consolidation of the weak Russian democracy.

As a result, at the beginning of the twenty-first century, the predominant features of Russian society are isolationism, a strong sense of disappointment in and disenchantment with democracy and increased attraction to dictatorial power.[90] This is why Russian society has already twice (in 2000 and 2004) consciously opted for authoritarianism in the first decade of the twenty-first century.

Despite all the similarities between Russians and Ukrainians, nowadays Ukrainians are a little bit closer in terms of identity and outlook to Central Europeans. They are slightly more moderate, conservative and individualistic[91] than Russians. Apart from this fine distinction, Ukrainians were lucky enough to have two extremely skilful politicians as presidents. Leonid Kravchuk and Leonid Kuchma implemented the state-building project without dragging the country into an interethnic conflict. Despite large-scale selling-off and redistribution of public assets carried out in the same anarchic way, they managed to avoid economic and political anarchy in the country. The formation of the new political and economic elite in Ukraine proceeded with illegal practices similar to those prevailing in Russia. However Ukraine has never gone beyond the line of authoritarianism, which Russia crossed.

The subtle distinction between the two societies is also reflected in the answers both have given to the 'order versus freedom' dilemma. Russian society opted for order with a relative majority (52% versus 48%), while by a tiny majority (50.4% versus 49.6%), Ukrainian public opinion set more store by the freedom of the individual.[92] Russian society's advocacy of a more centralised power had been supported by the comparatively good performance of the Russian economy under President Putin, who won 70% of the votes in the presidential elections of 2004.

The idea of 'Eurasianism', referring to Russia's specific history and geographical location and suggesting that Russia's choice of economic and other developments should be its own 'third way', became the intellectual disguise of authoritarianism. This goes back to the philosophical assumption that national and societal development is shaped by distinctive cultural traditions, as opposed to the Western universalist idea of development. This Eurasian debate is to some extent a reaction to Russia's failure to make a painless transition to a Western-style modern democratic system and to the absence of European involvement in the Russian transition. The Russian political elite and expert community, which still believe that Russia should ensure its Great Power status, can hardly accept being regarded as relics of the past and the object of a civilising mission conducted by the West, especially after the painful experience of the 1990s.

The idea of Russian Eurasianism has to a great extent remained an intellectual construct, which has been frequently ignored by certain Russian officials. It has repeatedly been stressed that despite its location Russia is a European country, which has a European political culture and values, but is going through a different stage of historical development.[93]

Interestingly enough, both countries have one of the lowest levels of euroscepticism in Europe.[94] However, Russia has left no room for

89 Interview with experts of the Institute of Europe, Russia Academy of Sciences, August 2006.

90 *The European Values Study Survey*, op. cit. in note 84, pp. 204-206, 209-210, 212-213.

91 Ibid., pp.149, 159, 165.

92 Ibid. p. 215.

93 Press-conference of President Putin to the Ukrainian TV channels, October 2004, available at: www.kremlin.ru; interviews with officials of the Russian Duma, August 2006.

94 *The European Values Study Survey*, op. cit. in note 84, p. 254.

doubt that it will attempt to realise this political transition by itself. It has actually launched its own project of economic and political modernisation without heeding EU advice.

This is another reason why the Russian Federation supported Yanukovich. His victory would guarantee that the elite, which appreciated strong informal relations with Moscow and shared the same political culture, would remain in their Ukrainian offices. From Russia's point of view, Yanukovich's ascent to power would have ensured that Ukrainian politics would follow in the path of the Russian authoritarian modernisation model, thereby providing the 'Putin phenomenon' with additional legitimisation. This would then strengthen the argument that Russia and Ukraine are 'normal' European states, who are just undergoing their own distinctive historic experience at this particular point in time.

The Kuchma regime in Ukraine believed that the background of intensive economic growth would allow the government to implement certain authoritarian measures under a quasi-democratic facade and that this would be tolerated for the sake of prosperity. This fallacious approach, which ignored President Kuchma's declining popularity and the growth of civil society, led the country to the Orange Revolution.

Neither the Russian political elite nor the expert community expected such political developments in Ukraine.[95] That would mean that even Ukraine, a country traditionally regarded by Russian intellectuals as a provincial backwater lagging behind Russia, was in effect experiencing the kind of political developments that Russia had undergone a mere 2-3 years previously, and that it was therefore in a sense in advance of Russia. The idea of exported revolutions – a well-known Russian analyst suggested – became a smokescreen for the intellectual inability of the Russian expert community to forecast and prevent developments in Ukraine.[96] These speculations aside, Russia's project of 'authoritarian modernisation through competition with the West' and Ukraine's project of 'democratic modernisation through integration with the West' have become competitors. The success of either of the two would tempt the other country to turn to the more successful model with the inevitable political and economic instability that would ensue.

For the sake of fairness, it should be noted that Western NGOs have largely contributed to the maturing of Ukrainian civil society, which marched through the streets of Kyiv in late 2004-early 2005. It is also true that the democratic political elite in Ukraine firmly opted for closer integration with the Euro-Atlantic structures, which was to the geopolitical advantage of the West.

The active policies of democratisation of the PSS pursued by Ukraine and Georgia and the support by Poland and the Baltic states contributed to Moscow's vision of 'competitive geopolitics'. The fact that the mostly Russiaphobic grouping GUAM, together with non-democratic Azerbaijan, was transformed into the Organisation for Democracy and Economic Development, compromised the idea of democratisation. This is another reason for the Russian political elite to consider that democratisation is the strategy 'of penetration and strengthening of the US political and military presence in the region of Caucasus and Central Asia. In practice, this is about attempts to create regional security and antiterrorism structures, competing with the C[ollective] S[ecurity] T[reaty].'[97] Thus, the Ukrainian political leadership seems to bear a certain responsibility in the 'geo-politisation' of the democracy cause.

[95] Arkady Moshes, 'Dvoynoe rasshirenie I rossiysko-ukrainskie otnoshenia' in *Mezhdu Vostokom I Zapadom: Ukraina I Belarussiia na Evropeyskom Prostranstve* (Moscow: Carnegie Endowment for International Peace, 2003). p. 16.

[96] These statements by a senior Russian TV-journalist Vladimir Pozner and former Minister of Foreign Affairs Andrey Kozyrev were barely the only public statements aired for the national audience, which recognised the failure of the Russian expert community to comprehend the significance of the developments in Ukraine. Available at: www.1tv.ru.

[97] Interview with Secretary General of Collective Treaty Organization Nikolai Bordyuzha, 18 September 2006, reported in the Russian Ministry of Foreign Affairs Information and Press Department, Daily Bulletin, 20 September 2006. Available at: www.mid.ru; Interview with officials in the Russian Ministry of Foreign Affairs, August 2006.

5.3 Forward to the past?

The issue of European values, namely of democracy and human rights, is still perceived as a 'zero-sum' game by all actors of the triangle. Democracy is quite frequently the lowest common denominator in the CFSP positions. The EU can hardly accept Russian state-building policies and dilution of democracy either within Russia or in the European Neighbourhood. For Moscow democracy and human rights, as prescribed by the West, will remain 'burdened' with a political subtext devised by the West for the foreseeable future. Following this logic, Moscow tends to believe that Ukraine's Orange Revolution was a nationalist *coup* supported by the West, rather than a genuine democratic movement.

This will remain an issue of the triangular interaction not only because of 'competitive geopolitics', but because of Ukraine's uncertain democratisation. Unlike Central European and Baltic states, Ukraine has not accumulated a sufficient 'critical mass' to make a jump-transition to democracy. It will move towards democratisation slowly, 'squeezing the slave out of itself, drop by drop', to cite Dostoyevsky.

No one can guarantee though that an 'authoritarian restoration' is impossible. Certainly there are several competing major business groups, which will create the necessary system of checks and balances.[98] However, the fact that President Yushchenko found allies among Eastern Ukraine industrialists can hardly remedy the situation.[99] Democratic forces are dispersed, and the government is dominated by the old-fashioned political elite which has no hesitation in exerting pressure on business. Nepotism, favoritism and other forms of corruption remain deeply rooted in the politics, economy, state governance and public assets management.[100]

The democratic elite has failed to form a viable government coalition in the past two years, having been involved in numerous corruption scandals and old-style political bargains and deals. From a leading democratic force in the Orange Revolution, 'Our Ukraine' is degenerating into an oligarch-dominated party. There is only one national-level political party, the Bloc of Yulia Timoshenko (BYuT), which has managed to preserve its democratic political profile. However, it still remains a leader-based party, whose leader is not immune to the shadows of the past.

The incomplete political system will become another major problem for Ukrainian transition to democracy. Ukraine has not completed the transition from a presidential to a parliamentary republic, and that mirrors the institutional uncertainty and struggle for power between the government and the president. Even a clear political programme in this situation could hardly be implemented, not to mention the compromise document the 'Universal of National Unity', agreed upon by the main political forces.

In the light of such institutional uncertainty and political tensions, further measures designed to further the democratisation of the country seem to be quite risky. The process of decentralisation has not been completed; disagreements between the president and the prime minister over who wields authority have led Yushchenko to propound the idea of conducting a referendum, which would allow a return to a purely presidential form of governance. This limbo situation in which Ukraine finds itself will increase Russia's temptation to shape the country's political landscape.

The EU has not produced an adequate response to the fact that both Russia and

98 Anders Aslund, Speech at Kennan Institute, Woodrow Wilson Center for International Scholars, 13 November 2006, quoted by www.rferl.org.

99 The second largest Donetsk group, Industrial Union of Donbass (IUD), has recently allied with President Yushchenko. The leading figures in the IUD have been assigned to the key positions in the National Security and Defence Council of Ukraine and Secretariat of the President of Ukraine.

100 See e.g. Alexander Bogomolov, 'Ukraine's Strategic Security – On a Crossroads Between Democracy and Neutrality' in Alexander Bogomolov, James Sherr, Arkady Moshes, F. Stephen Larrabee, *Quid Ukraine's Strategic Security?*, CEPS Working Paper, 27 January 2007, available at: www.ceps.be.

Belarus opted for authoritarianism. Needless to say the processes of curtailing democracy in Russia inevitably raise alarm among the NGO activists and human rights advocates. The EU can choose to follow this idealistic approach; however, applying 'democratic fundamentalism' in states where a considerable majority of the population have repeatedly supported authoritarian leaders will hardly bring results.

There is an obvious need for the EU to go beyond the rhetoric about Russia's commitment to democracy and to propose a new, more pragmatic and goal-oriented strategy aimed at the internal transformation of Russia as well as transformation of Russian foreign policy.

The following negative consequences will remain on the agenda unless a new strategy is devised:

(1) When the EU was trying to apply its lowest common denominator – European values – to relations with Russia and Ukraine, it took little note of the situation on the ground. Was the Russian elite ready to listen to such advice? No answer has been given to the question of whether society and business are ready to play a more active role in politics. For the Russian political elite, trying to implement its own state project, such a value-oriented approach will often be interpreted as pressure and rejected even without proper consideration.[101]
(2) The conceptual gap between the EU 'value-guided' approach and the foreign policies of individual EU Member States will raise doubts about the coherence of the CFSP. It will also call the validity of the whole notion of European values into question.
(3) Due to the complicated nature of Russian-Ukrainian bilateral relations, even the quite formal 'European values' rhetoric, – without accompanying measures carried out by the EU aimed at strengthening development and 'state-society' partnership – might in future produce a 'butterfly effect',[102] which would be detrimental to bilateral relations and stability in the Post-Soviet Space.

Therefore, a strategy needs to be developed in order to strengthen the EU's reputation as a solid international actor and to ensure stability and prosperity in the European Neighbourhood. The urgent need for such a strategy becomes apparent in the light of rising tensions in bilateral relations and general instability within the PSS.

[101] Interview with the deputy of the Russian Duma, October 2006.

[102] i.e. an asymmetrically major consequence of a minor action or event.

Conclusions and recommendations

In the light of everything that has been discussed in this paper, we could say that the answer to the question of whether relations in the Russia-EU-Ukraine triangle can be characterised as a 'zero-sum game' is yes. What measures should be taken to avoid the zero-sum logic? To answer this question we need to look at the main generator of this logic.

It seems indisputable that Moscow's reluctance to accept Ukraine's departure from the Russian sphere of influence is the key reason for the 'zero-sum' logic. This reluctance comes as a result of Moscow's concern that the EU's penetration into the Post-Soviet Space will undermine Russia's leading role in the region. Conscious of the extent to which the EU's vision diverges from its own, Moscow fears that it might find itself excluded from the international process in the region, as happened before in Central Europe and the Balkans.

The way out of this stalemate would be to consider that the 'win-lose' logic still remains a subjective supposition of the actors involved more than it actually reflects an objective state of play in trilateral relations.

Therefore, the EU should separate perceived problems from real ones and try to change what it can, and leave to time and negotiation what it cannot change, to use Robert Cooper's formula. In Russian-Ukrainian relations the EU should act to remove potential for conflict.

Keeping in mind the economic dimension, a debate about the possibility of establishing a triple free trade area between the EU, Russia and Ukraine can be launched. Apparently, there are a number of issues of contention in this field. However, even by simply launching a discussion Brussels could avoid the exclusion of Russia from the cooperative international process. In any case, one of the main objectives of Russian foreign policy is to demonstrate Russia's credibility as a business partner. Therefore, a deal offered to the Russian Federation will be simultaneously a litmus test and an incentive for such credibility.

In the energy field, on the one hand, it is important to reach an understanding that Brussels should not push the liberalisation of the Russian energy and transit market until the EU is ready to proceed with the opening up of the European energy markets. An asymmetric approach will only elicit a negative response from Moscow and will intensify a 'zero-sum' mentality in the field. On the other hand, the EU should also encourage Ukraine to apply a transparent format of energy deal, and proceed with the adjustment of the economy to world energy prices and introduction of energy-efficient technologies. Diversified energy supply to Europe and Ukraine, as well as multiple transit routes for Russia and other energy-producing states, will ensure that the energy issue will not spark off future political crises. Ukraine's accession to the European Energy Community and the launch of the Nabucco gas pipeline are urgent steps that need to be taken to ensure that this happens sooner rather than later.

If estimates regarding Russia running out of gas resources are accurate,[103] Brussels should keep raising the issue of stable energy supply in discussions with Russia. Since Russia's credibility as a business partner is highly important to Moscow, the EU should also demonstrate its goodwill and offer Russia a technical assistance package targeted to reduce gas leakages from the obsolete infrastructure and make better use of the gas which is burnt during oil extraction in oilfields.

[103] See e.g. Alan Riley, *The Coming of the Russian Gas Deficit: Consequences and Solutions*, CEPS Policy Brief , 27 October 2006.

Security remains the most sensitive domain for all three actors of the triangle. Currently there is little chance of the Russian Federation participating in EU-led security efforts and structures. However, in order to avoid exclusion the EU should establish good working relations with the CIS structures and Collective Security Treaty Organization. Possible EU-Russia joint peacekeeping initiatives in the PSS should be brought up in discussions. Joint decision-making and command procedures could be an intrinsic feature of such peace-keeping initiatives.

Undoubtedly Russia exercises considerable influence on the leadership of secessionist states in the PSS. Because of this it would be worth initiating a wider EU-Russia debate about the resolution of all the frozen conflicts in the region, including an agreement on genuine international standards regarding the mandate and composition of the peacekeeping forces and the stability-enhancing operations.[104] Then an understanding could be reached that conflict resolution in the different areas of the PSS can be achieved on the basis of different principles.

Regarding the geopolitical aspects, application of non-competitive geographical formats should be encouraged, where cooperative regional structures such as the Black Sea Economic Cooperation Organisation (BSEC) and the Northern Dimension can become a good instrument for learning and socialisation. Ukraine should be encouraged to participate more actively in these structures. It may be worth considering the idea of launching cross-border cooperation at micro level. Also it is important to emphasise that any pressure on Kyiv, in terms of its decision to side with the West or with the East, should be avoided.

The 'zero-sum' logic is also present in the socio-cultural dimension of the Russia-Ukraine-EU triangle. This is an objective reality in terms of the normative dimension (i.e. the dimension of norms and standards) of the triangular relationship. Brussels sees democratic revolutions as a sort of natural development in the process of democratisation; Moscow tends to consider them as part of the machinery of Western geopolitical expansion, which brings the states to the brink of anarchy.

While the issue of democracy and human rights remains high on the agenda of Russia-EU and Ukraine-EU relations, actual relations with both Russia and Ukraine remain low on the EU's agenda.[105] As a result, no proper priority considerations have been formulated, and little effort has been made to elaborate a comprehensive strategy towards Russia and Ukraine, which would take into account the current situation in both countries and the complicated relations between the two states.

At the same time, the 'win-lose' situation in the domain of culture *per se* seems to be more a perception than a reality. To a certain extent the situation is complicated by the ethnic nationalism component of the democratic forces in Ukraine. Also the Russian language will remain an issue which will be exploited in the political campaigns by both sides, unless the Ukrainian government develops a neutral communication strategy to include the Russian-speaking population of the country in the state-building process. It would be more productive to create some 'positive incentives' for learning the Ukrainian language rather than making it compulsory.

It is important to ensure that the democratic transition of Ukraine becomes irreversible. Ideally the EU could provide Ukraine with a concrete prospect of membership. In this case the EU could use its conditionality leverage to ensure Ukraine's steady transition to a market economy and democracy. Unlike new EU Member States, which are firmly anchored to the democratic transition path, Ukraine runs the risk of swinging between democracy and autocracy, thus jeopardising stability and security in

[104] The author is grateful to Ambassador Sergiu Celac, Alternate Director General of the International Centre for Black Sea Studies, for this idea.

[105] Interview with an official in the Council of the EU, Brussels, November 2006. This is also reflected at the level of the rhetoric of the European institutions. Russia and Ukraine are referred to in various contexts by the websites of the EU half as often as the USA and Switzerland, and 2.5 – 3 times less often than Romania and Bulgaria. Both countries receive about the same 'rhetoric coverage' as Serbia and Croatia or slightly less than that of China.

the PSS. The EU membership prospect would therefore do away with Ukraine's 'grey zone image', which makes many Russian politicians view Ukraine as a geopolitical battleground.

In the event that the EU is not able to provide Ukraine with a prospect of membership, it should definitely make its presence in the Ukrainian transition process more visible and explicit. The transition to fair practices and norms and implementation of viable institutions should be carefully monitored and extensively benchmarked. Another much-needed measure is synchronisation of the efforts made by the EU, its Member States, and other developed European countries.[106]

The Ukrainian leadership should be encouraged to facilitate familiarity with European values and standards by simplifying procedures for recognition of diplomas issued by European and North American educational institutions, as well as simplifying procedures for opening private local western educational establishments. The EU should come up with wider education programmes focused on Ukraine. Positive experience, gained by the EU in post-conflict reconciliation in the Balkans, as well as a deep expertise of international education programmes (e.g. Central European University of Soros Foundation, Edmund S. Maskie Freedom Support Act, etc.) can be used in this process. Hopefully, the recently launched Erasmus Mundus External Cooperation Window will have a positive impact on Ukraine.

It can also be argued that all of the abovementioned measures are more urgently needed in Russia than in Ukraine. Nowadays Russia is experiencing painful institutional rearrangements as its leadership implements its grand idea of the country's modernisation. Regardless of the future of Russia-EU relations, the EU has a historic opportunity to contribute not only to the economic but to the social modernisation of Russia as well. The EU should heavily invest in Russia's future before the authoritarian modernisation phenomenon either exhausts its potential or completes its task. While cooperating with Russia on the basis of development programmes, the EU could create a channel for transferring its own values. Educational and summer work programmes, study visits and European language courses should be expanded. The EU should focus on building up a pedagogical and research infrastructure in the social sciences which, unlike the applied sciences and fundamental research, currently still acts mostly as a purveyor of Soviet norms and practices in education, society and politics.

The EU will be able to position itself as a 'soft' security superpower, unite Europe and avoid an international system based on the balance of power only by committing all available resources to involve Russian society in the process of state building and country governance. It is difficult to deny the importance of educating the new Russian 'socially responsible' elite, and this effort should be made not only in the prestigious Moscow universities, as is currently the case, but in Russia's provincial universities as well.

In order to make Russia understand that 'Great Power' status is more about GDP per capita and real income than the number of battleships it has in its fleet, the EU has to act through development strategy and appeal to the humanistic foundations of Russian culture. The democratic institutions that have existed in Russian history could become an effective component of such a strategy.

106 The author would like to thank the Senior Policy Analyst from the Netherlands Organisation for Applied Scientific Research, Stephan De Spiegeleire, for these ideas.

Annex

Abbreviations

BAM	Border Assistance Mission
BSEC	Black Sea Economic Cooperation Organisation
BYuT	Bloc Yulia Tymoshenko
CES	Common Economic Space
CFSP	Common Foreign and Security Policy
CIS	Commonwealth of Independent States
cm	cubic metres
CSTO	Collective Security Treaty Organisation
ENP	European Neighbourhood Policy
ESDP	European Security and Defence Policy
EvrAzEs	Eurasian Economic Community
FYROM	Former Yugoslav Republic of Macedonia
GDP	Gross Domestic Product
GUAM	Georgia, Ukraine, Azerbaijan and Moldova
GUUAM	Georgia, Ukraine, Uzbekistan, Azerbaijan and Moldova
MTS	(Russian) Mid-Term Strategy
NATO	North Atlantic Treaty Organisation
NGO	Non-governmental Organisation
NIS	Newly Independent States
OSCE	Organisation for Security and Co-operation in Europe
PCA	Partnership and Cooperation Agreement
PSC	Political and Security Committee
PSS	Post-Soviet Space
USD	United States Dollars
USSR	Union of Soviet Socialist Republics
WTO	World Trade Organisation

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