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Special Report

Damage Assessment:
EU-Russia relations in crisis

Edited by:
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Special Report: EU-Russia Damage Assessment
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Introduction

Łukasz Kulasa, Ivan Timofeev & Joseph Dobbs

The spring and summer of 2014 brought profound change in the character of the relationship between the European Union and Russia. The sequence of decisions which altered the pre-2014 status quo were taken in the context of the fast-developing crisis in and around Ukraine, and were meant to affect the policy calculus of the “other side”. Yet the choices made in 2014 set EU-Russia relations on a new course, one that is much more difficult to navigate than anyone could have anticipated.

Contrary to what many predicted, hoped or feared, EU solidarity over Russian sanctions has not collapsed, and Russia has not changed its policy on Crimea and Eastern Ukraine. What started as a series of tactical responses has since then been consolidated in the EU and Russia’s strategic documents and deeply impacted the views of both sides towards the other.

Important questions still remain: will tensions pass and will we see resumption of work on building a cooperative EU-Russia relationship? Or will the 2014-17 period be remembered rather for the emergence of a new model of bilateral relations, significantly different in character and intensity?

To help answer these questions, this special report brings together contributions from a group of distinguished Western and Russian experts.¹ The authors focus on specific aspects of the new reality of EU-Russia relations, as it has emerged during the last three years of ongoing tensions and bitter confrontation. As editors, we have identified three areas in which the changes seem most profound: the economy, the politics and “the people” (the attitude of the publics towards each other, people-to-people contacts, etc). For each of these areas, Russian experts present and assess developments inside their own country, while Western authors describe the situation at the EU level and in selected European Union countries. We hope that such ‘pairings’ provide readers with thought-provoking material and will allow readers to not only compare how the same developments are seen on both sides of the new divide, but also to contrast different approaches taken by individual experts to the same topic.

To frame the picture, this collection includes an essay devoted to the impact of the 2014-17 tensions in EU-Russia relations on the countries in the shared

¹ The essays written in this collection were completed in the first three months of 2017 and do not necessarily take into account events thereafter.

neighbourhood area, including Ukraine. We should also note that, as the focus of the volume is on EU-Russia relations, analysis of the military aspect of the Russia-West confrontation, including changes of national military postures and developments in NATO-Russia relations, is absent from this collection.

Chapter one, written by David Cadier and Samuel Charap, opens our collection by explaining the impact of EU-Russia tensions on countries in the common neighbourhood. Cadier and Charap argue that tensions have consolidated the rigidity and lack of nuance in both sides' approaches. They also argue that countries in the region have prioritised the maintenance of power through playing both sides against each other above much needed reform.

In chapters two and three authors address the economic situation between the EU and Russia. For the EU, Erica Moret and Maria Shagina outline the unprecedented unity of the EU on sanctions towards Russia and demonstrate that their economic impact, and that of Russian countermeasures, have been largely manageable. Sergey Afontsev, offering a Russian perspective, argues that for Russia sanctions and countermeasures have had an economic impact but have neither been the primary economic concern for Moscow nor enough to force a change the in Kremlin's policy.

Chapters four and five address the political implications of EU-Russia tensions. The political implication for the EU, argues Joseph Dobbs has been a challenge to the bloc's unity, values and relevance, he writes that the response of the EU and its Member States means that President Putin has probably 'lost' Europe. From a Russian perspective, Pavel Kanevskiy argues that Russia's European vector has been challenged and that tensions have begun to be institutionalised, but no other path is viable for Moscow.

Chapters six and seven consider the impact on people-to-people relations between the EU and Russia. Hanna Smith writes that, in the EU, trust of Russia has suffered a blow unlike anything seen since the Cold War, although negative perceptions of Russia are focused primarily at the state rather than the people. Natalia Evtikhevich outlines in detail how the downturn in relations has impacted people-to-people relations from a Russian perspective, arguing that while many areas have retained good levels of cooperation, public opinion has turned significantly against the EU.

The volume has been prepared as a joint initiative of the European Leadership Network (ELN) and the Russian International Affairs Council (RIAC), two organisations which have cooperated before on a number of projects aimed at analysing and offering recommendations on the state of relations between Russia, the EU and NATO. The views presented by individual authors do not necessarily reflect the positions

of either of the organizations or its members. We acknowledge that a variety of opinions and divisive views exist about the causes of the current crisis in EU-Russia relations, especially about the responsibility for developments in Ukraine. The aim of this volume is not to focus on this particular crisis, assign blame or to agree on its interpretation, but rather to evaluate the consequences of the processes set in motion in Ukraine in late 2013 and early 2014 (or, as many would claim, much earlier) for the future of Russia and the EU.

This special report, coming some three years since EU-Russia relations began to decline significantly, is offered as a resource for readers to evaluate the implications of the crisis in relations. Importantly, we hope that readers can learn from the side-by-side analyses of authors from both sides of the growing divide. Moreover, we hope that our choice of topics shows both the severe and less severe implications. Readers may, for example, be surprised to learn that the economic impact of sanctions is not as severe as some may think, while others may be concerned to learn just how estranged the EU and Russia are becoming politically and socially. The damage done is serious, and regardless of who is to blame for it both sides have an interest in improving relations. We hope this report can help in this endeavour.

The Polarisation of Regional Politics: The impact of the EU-Russia confrontation on countries the common neighbourhood

David Cadier & Samuel Charap

The roots and principal manifestations of the current crisis in EU-Russia relations have to do, above all, with contestation in the common neighbourhood. The geo-economic competition between the two actors took a new turn in the early 2010s, as Brussels and Moscow launched rival trade integration platforms for countries in Eastern Europe, the South Caucasus and, for Russia, Central Asia (the Eastern Partnership or EaP, and the Eurasian Economic Union or EEU, respectively). More than simply securing trade positions or gaining new markets, the objective for the EU and Russia was to attempt to shape these countries' economic, administrative and political structures to favour their own commercial and security interests. This approach to region-building competition put strains on those countries in the region which are, for the most part, ill-governed, internally divided, and structurally dependent on both the EU and Russia.

The events in Ukraine cast a dramatic light on this contest and, at the same time, escalated it radically. Tensions around the signing of an Association Agreement (AA) between Brussels and Kyiv were the initial spark for the protests that led to the Maidan Revolution. It is important to note, however, that the AA episode was just the spark; it was the weakness of Ukraine's state that transformed a small protest movement into a revolution. Specifically, it was the unjust, corrupt and oligarchic nature of the Yanukovich government which was the main cause of popular support for the Maidan. By the same token, it was not the AA but the fall of Yanukovich that prompted Russia to intervene militarily in Crimea and support armed groups in the east with the intention of blocking Ukraine's Euro-Atlantic integration. In other words, while the geo-economic competition was an important trigger, it was Ukraine's domestic political situation coupled with Moscow's determination to prevent it from decisively moving towards Euro-Atlantic institutions, together with the Maidan Revolution's ousting of Yanukovich which were more central to transforming the situation into a diplomatic crisis and the on-going armed conflict.

The Ukraine crisis seems to have reinforced the tendency to approach the region through a binary geopolitical lens, which is detrimental to political and economic reform. Both Russia and the EU tend to paint black and white pictures of the region. Not only does the reality on the ground not correspond with these pictures, but the actors' respective policies do not have the potential to transform the region along those lines. Worse, this binarization of regional politics exacerbates internal divides

in the countries of the common neighbourhood and allows elites to instrumentalise competition among external actors to their benefit.

Structural impact on regional politics: not a clash between two blocs

The EU and Russia, by adopting their incompatible geo-economic offers and divergent geopolitical orientations, present the countries of the common neighbourhood with a dilemma.² Neither, however, has the means to fully deliver on what they promise. The EU's bureaucratic logic runs aground on geopolitical realities, while Russia's geopolitical fixation undermines the credibility of its economic initiatives.

The European Neighbourhood Policy (ENP) is an internally driven, bureaucratic, and non-strategic construct.³ Its overarching aim is to stabilize the EU's periphery by exporting the EU's internal model, rather than risk seeing the periphery destabilize the EU. It was conceived more as an alternative to membership than as a steppingstone to it. The EaP, launched in 2009, mainly regionalised the ENP's instruments. Yet, in spite of its modest policy framework and largely defensive rationale, the EaP has often been accompanied by disproportionately ambitious rhetoric of two different sorts: a transformational one from representatives of the EU institutions and a geopolitical one from some member states' officials.

The EU has been hoping to reproduce the transformative power it once wielded over Central Europe with the enlargement process but without offering membership. To be accepted by all member states, the EaP had to be limited to an incremental and highly procedural program of approximation with EU norms and standards. It is important to underscore here the difference between the AA and membership; if the EU truly wanted to 'expand', it would offer Ukraine and the other EaP countries a membership perspective.

2 There is, for instance, an incompatibility between the Russia-led EEU and the Deep and Comprehensive Free Trade Agreements (DCFTA) offered by the EU on the issue of tariffs. As a customs union, the EEU requires its members to have common tariffs towards all external actors (including the EU) while the point of signing a DCFTA is precisely to establish privileged bilateral tariffs with the EU. Had both actors' regional offers remained at the level of free trade agreements (eg DCFTA and CIS free trade agreement), countries of the common neighbourhood could have engaged in both – Serbia currently has free-trade agreements with both the EU and Russia.

3 David Cadier, "Eastern Partnership vs Eurasian Union? The EU–Russia Competition in the Shared Neighbourhood and the Ukraine Crisis ", *Global Policy*, Vol. 5, Issue s1, October 2014

This harsh reality can be contrasted with the narrative claiming that the EaP is an instrument in a geopolitical battle as a means to contain Russia's influence.⁴ Although representatives of EU institutions have never used this rhetoric, the behaviour of EU leaders at certain junctures suggested that they also engaged in geopolitical thinking; for instance, they relaxed previously set conditions for Ukraine to sign the Association Agreement in order to incentivize Yanukovich. In addition, some advocates of the EaP portrayed it as a means to push Russia's influence away from their own borders and thus reinforce their own security.⁵

Framing EU policy in these terms does not correspond with the reality of the EU's actual capabilities and sends the wrong signal to countries of the neighbourhood about European determination to "prevail" over Russia. The EU's transformative power is real but diffuse and, therefore, difficult to use instrumentally.⁶ Through the EaP, the EU offers economic benefits but cannot pretend to be able to protect the countries of the neighbourhood from Russian influence. The call from a prominent Ukrainian expert in April 2013 for the EU to, "stop with the unnecessary rhetoric about competition over Ukraine with Russia", "pause the enlargement debate" and "deliver a clear message to Ukraine", remains valid.⁷

4 For instance, the Lithuanian Foreign Minister, whose country was holding the EU Council Presidency at the time, characterized the AA with Ukraine as a "geopolitical process". Judy Dempsey, 'The Kremlin Tries Charm to Counter the EU', *The New York Times*, 5 August 2013. Most recently, in mainstream Western media, the same Agreement was described as a "a bulwark against Russian aggression" and the visa-free regime as a way "to help [countries of the post-soviet space] as they try to move away from Moscow's orbit". 'Dutch threaten to sink EU-Ukraine trade and security deal', *The Financial Times*, 8 December 2016; 'EU unblocks visa-free travel for Ukraine, Georgia', *Reuters*, 8 December 2016.

5 'Never again do we want to have a common border with Russia,' the Polish president Bronisaw Komorowski reportedly said to Chancellor Merkel in October 2013 when the tensions around the Association Agreement were mounting. Christiane Hoffmann et al., 'Summit of Failure: How the EU Lost Russia over Ukraine, Part 2: Four Thousand Deaths and an Eastern Ukraine Gripped by War', *Spiegel Online*, 24 November 2014, <http://www.spiegel.de/international/europe/war-in-ukraine-a-result-of-misunderstandings-between-europe-and-russia-a-1004706-2.html>.

6 Academic field research show that policy change induced by the EU is uncontrolled, sector-specific and independent of the degree of interdependence with the EU. See for instance: Tanja Börzel and Julia Langbein (eds), *Convergence without Accession? Explaining Policy Change in the EU's Eastern Neighbourhood*, London: Routledge, 2014.

7 Olga Shumylo-Tapiola, 'Why does Ukraine matter to the EU?', *Carnegie Europe*, 16 April 2013.

Russia, too, seems to continue to nurture illusions about its ability to score a lasting geopolitical win in the common neighbourhood and to integrate it economically. Yet, contrary to the opinions of both its champions and its critics, the EEU is neither a new version of the EU nor of the USSR. It is a modern, ambitious trade integration platform but one that faces significant imbalances and has obvious shortcomings in its implementation. Most importantly, by attempting to turn the EEU into a foreign policy instrument, Moscow has been undermining its own creation. Armenia was pressured into joining but has been an unenthusiastic member, while Kyrgyzstan was allowed to join in spite of its weak economy and porous border with China. Russia's attempt to politicize the EEU triggered the resistance of Belarus and Kazakhstan: they rejected, for instance, its demand to impose common trade sanctions on the West and Ukraine. More crucially, Russia's intervention in Ukraine increased Belarus' sensitivity about its political sovereignty, and thus decreased its disposition towards economic integration.⁸

The objective of preventing countries of the neighbourhood from adhering more closely to the EU seems to have been a central driver of Russian policy. While Russia was content with Azerbaijan's decision to stay out of both of the AA and the EEU, Moscow did use economic coercion to deter Ukraine, Moldova and Georgia from signing AAs. By resorting to coercive means in this endeavour (including the use of military force as well as economic measures), Russia not only alienated those countries' elites and jeopardized the prospect of seeing them join its own regional framework but also greatly exacerbated the zero-sum character of regional politics.

Neither the EU nor Russia will be able to constitute cohesive, unitary and impermeable blocs at their borders. The region simply does not fit their binary categorisations.

Georgia, Moldova, and Ukraine have signed free-trade agreements with the EU while Belarus and Armenia are members of Russia's EEU. Yet, this does not mean that their governments definitively fall under the 'sphere of influence' of one or the other power. Countries of the *entre-deux* have diverse and complex linkages with both external actors. Structural dependencies, internal political divides, separatism and the potential benefits of playing the EU and Russia against one another mean that they cannot or will not totally and definitively swing in one direction or the other.

8 As witnessed by the current tensions between the two countries, which led to the re-establishing of the border controls that the EEU had suppressed. See: 'Belarus's Lukashenko slams Russia over border controls', Financial Times, 3 February 2017.

Belarus sees in its EEU membership both a means to extract subsidies from Moscow and an opportunity to turn itself into a hub for trade with the West.⁹ Armenia is cautiously negotiating with Brussels a separate framework agreement and, quite interestingly, its EEU membership has not prevented it from undertaking greater convergence with EU norms.¹⁰ Kyiv, despite the antagonism generated by the annexation of Crimea and the war in the east, will need to find a *modus vivendi* with Moscow to re-establish commercial and energy relations, as their rupture has dramatically worsened Ukraine's economic woes. In Georgia, the current government has adopted a much less confrontational position towards Russia than its predecessor. Moldova has recently elected a President who has vowed to scrap the AA with the EU, but he came to power in an election that was much less about geopolitical association than it was about corruption.¹¹

Throughout the region, data shows that there has been little correlation between foreign policy orientation, quality of governance and democratic reforms.¹² Approaching the common neighbourhood through a binary geopolitical lens has led to suboptimal policies that provide incentives for regional elites to instrumentalise this rivalry.

Domestic Impact: how the EU-Russia competition undermines reform¹³

States of the region all suffer, to varying degrees, from a similar set of post-Soviet pathologies: dysfunctional institutions of modern governance; partially reformed economies that lack functioning markets; weak or absent rule of law; 'patronal' politics based on personal connections and dependence rather than ideology or coherent programmes¹⁴; pervasive corruption and a close link between political

9 Balázs Jarábik and Anaïs Marin, 'Belarus', in David Cadier (ed.) *The Geopolitics of Eurasian Economic Integration*, LSE IDEAS Special Report 19, London School of Economics, June 2014.

10 Laure Delcour and Kataryna Wolczuk, "The EU's Unexpected 'Ideal Neighbour'? The Perplexing Case of Armenia's Europeanisation," *Journal of European Integration* 37, no. 4 (June 7, 2015): 491-507.

11 Dan Peleschuk, 'Blame Corruption and Misrule, Not Geopolitical Rivalry, for Moldova's Problems', *World Politics Review*, 8 November 2016.

12 Florence Gaub and Nicu Popescu, 'The EU neighbours 1995-2015: shades of grey', Chailot Paper 136, European Union Institute for Security Studies, 17 December 2015, pp. 41-61.

13 This section is draws on Samuel Charap and Timothy Colton, *Everyone Loses: The Ukraine Crisis and the Ruinous Contest for Post-Soviet Eurasia* (London: Routledge for the IISS, 2017), chapter 4.

14 See Henry E. Hale, *Patronal Politics: Eurasian Regime Dynamics in Comparative Perspective* (Cambridge: Cambridge University Press, 2014).

power and control of major financial and industrial assets. Many factors contribute to the endurance of these pathologies. The contest between Russia and the West, while by no means the only one, did feed regional dysfunction in important ways.

Principally, it has helped sustain, in many of these countries, what Joel Hellman termed a 'partial reform equilibrium', that is, a situation in which economic gains are concentrated among a small group of "winners" who use their power to "block further advances in reform that would correct the very distortions on which their initial gains were based".¹⁵

Russian and Western willingness to subsidise political loyalty has fed the partial reform equilibrium. For fear of "losing" its neighbour to Western influence, Russia pours money into Belarus through waivers of oil-export tariffs and below-market gas prices; it was willing to do the same for Ukraine under Yanukovich. The West, for its part, despite its stated policy of linking assistance to meaningful reform, has supported new IMF programmes for Ukraine ten times since independence; all previous ones had been suspended because Kyiv did not implement the required reforms. The IMF, within 18 months of signing the current one, had to amend its by-laws, at Western governments' insistence, to be able to continue dispensing funds. Similarly, corruption-ridden Moldova would surely have gone bankrupt more than once without its EU lifeline.¹⁶ These financial infusions, spurred on by the regional contest, gave governing elites the "no-strings-attached" cash necessary to put off implementing structural reforms.

Geopolitically binary policies also exacerbated pre-existing political and ethnic divides in several of the EaP states. In Ukraine, although Russia's intervention changed the dynamic somewhat, important regional schisms remain.¹⁷ In Moldova, the EU-Russia contestation has fuelled separatism among the Gagauz, a self-governing Turkic minority that organized a (disputed) plebiscite in favour of joining the EEU.¹⁸ The Transnistrian authorities have expressed the same desire, while Russian officials,

15 Joel Hellman, 'Winners Take All: The Politics of Partial Reform in Postcommunist Transitions', *World Politics*, vol. 50, no. 2, 1998. p. 233

16 See: Andrew Higgins, 'Moldova, Hunting for Missing Millions, Finds Only Ash', *New York Times*, 4 June 2015,

17 See polling in Steven Kull and Clay Ramsay, 'The Ukrainian People on the Current Crisis', Public Consultation Program at the Center for International and Security Studies at the University of Maryland Report, March 2015,. <http://www.cissm.umd.edu/publications/ukrainian-people-current-crisis>

18 See 'TsilK Gagauzii obnarodoval okonchatel'nye itogi referendumu o budushchei sud'be avtonomii', TASS, 5 February 2014, <http://tass.ru/mezhdunarodnaya-panorama/940951>.

who often use the breakaway province as leverage, have implicitly threatened Moldova that signing the AA could jeopardize any future reunification.¹⁹

In Georgia, there have been similar differences in opinion between the separatist regions and the rest of the country.²⁰ Even before the 2008 war, these rifts bedevilled activities to reconcile grievances stemming from the conflicts of the early 1990s. Today, Russia's determination to prevent Tbilisi from restoring control over the breakaway regions prevents any such activities from even getting off the ground.

The tussle between the outside powers has also warped party politics and supplanted democratic discourse with demagoguery. In Moldova and Ukraine, parties and leaders have declared themselves pro-European to capitalise on popular desire for good government, which many of their citizens associate with the EU. When in power, however, many have proven to be as corrupt and incompetent as their so-called pro-Russian opponents. More generally, elites of the region have often sought to take advantage of the EU-Russia contest to divert attention away from reforms. When geopolitical and geo-economic conflict is at the top of the agenda, other problems fall by the wayside.

When the contest is particularly intense, Western policymakers seem ready to deliberately downplay human rights and democracy-related problems for fear of pushing countries into Russia's embrace. Since the Ukraine crisis, the states of the region have had more leverage with the West in this regard. The EU has accelerated its offer to these countries, even though "their compliance with the rules and norms promoted by the West [has] not meaningfully changed or [has] in some cases even decreased".²¹ Belarus was a case in point. In February 2016, the EU rolled back sanctions on President Lukashenko and his coterie, as well as on several state-controlled firms. EU officials have admitted that, in doing so, they ignored Minsk's non-compliance with Brussels' stated requirements regarding human rights, by reason that Belarus had become a 'battleground of powers'.²²

19 'Rogozin Warns Moldova on Relations', The Moscow Times, 4 September 2013. <https://themoscowtimes.com/articles/rogozin-warns-moldova-on-relations-27369>

20 Compare for instance: International Republican Institute, 'Public Opinion Survey Residents of Georgia, March–April 2016'; and Toal and O'Loughlin, 'How People in South Ossetia, Abkhazia and Transnistria Feel about Annexation by Russia'. http://www.iri.org/sites/default/files/wysiwyg/georgia_2016.pdf.

21 Nelli Babayan, 'The In-Betweeners: The Eastern Partnership Countries and the Russia–West Conflict', 2015–16 Paper Series, Transatlantic Academy, April 2016, p. 1, <http://www.gmfus.org/file/8150/download>.

22 EU officials cited in *Ibid.*, p. 13.

Geopolitical thinking weakens the EU's ability to push the region's governments to reform, while Russia, with its own severe political and economic reform challenges at home and its prioritization of geopolitics in its dealings with these states, cannot be counted on to support or encourage reforms in its neighbourhood. Soft-peddalling criticism of rulers who pledge fealty also feeds a widespread belief that public censure regarding human rights, democracy or reform is merely an instrument to punish disloyalty. Inconsistencies in the airing of such critiques across countries or, over time, in particular countries, undercuts those officials who do speak out about abuses or push their interlocutors to reform. It is easier for the latter to brush off such concerns if they receive mixed messages or can point to double standards. By treating the EaP countries as spoils to be won, the EU also gives all the region's leaders a trump card against almost any expression of disapproval: the threat of turning towards Moscow. In the case of Ukraine post-2014, where such a threat is no longer credible, on the logic that Ukraine cannot be allowed to fail, Western states have been reluctant to withhold public statements of support and financial assistance. The elite in Kyiv knows it and, in the words of a European diplomat, tends to "abuse that knowledge".²³

Conclusion

While the regional contest between the EU and Russia is doing damage to the neighbouring countries themselves, neither the EU nor Russia can hope to prevail over the other. . Rather than leading to a genuine reconsideration, the Ukraine crisis has consolidated the rigidity and lack of nuance of their approaches. If we are to move past the current deadlock, it is high time for protagonists on both sides to stop seeing their policies for what they are not, and start seeing the region in all its complexity.

23 Quoted in Joshua Yaffa, 'Reforming Ukraine after the Revolution', *New Yorker*, 5 September 2016, <http://www.newyorker.com/magazine/2016/09/05/reforming-ukraine-after-maidan>.

The impact of EU-Russia tensions on the economy of the EU

Erica Moret & Maria Shagina

Since March 2014, the EU has shown unprecedented unanimity in the imposition and maintenance of its sanctions vis-à-vis Moscow's involvement in the crisis in eastern Ukraine, and its role in the annexation of Crimea, deemed illegal under international law. This united approach has been maintained despite divergent national interests and commercial relations with Russia and notwithstanding Russia's high integration with the global economy and ability to retaliate with countersanctions. The measures, imposed with the stated aims of ceasing hostilities, negotiating and implementing a peace agreement and upholding Ukraine's territorial integrity, have included restrictions on individuals (including asset freezes and visa bans) and sectoral sanctions (including finance, energy and defence).²⁴

Costs

Before sanctions were imposed, Russia ranked as the EU's third largest trade partner, providing a third of its energy needs.²⁵ In turn, the EU was Russia's main trading partner, supplying, for example, just under a tenth of Russian agricultural imports.²⁶ In 2014, exports from the EU to Russia declined by 12.1% and from Russia to the EU by 13.5%, alongside a decline in the total trade value from EUR 326 billion to EUR 285 billion.²⁷

It is challenging, if not almost impossible, to pinpoint direct impacts of sanctions on the economies of the target or the sender, because of the difficulty of establishing causality. Sanctions do not operate in a vacuum; other political and economic

24 Moret, Erica, Biersteker, Thomas, Giumelli, Francesco, Portela, Clara, Veber, Maruša, Bastiat-Jarosz, Dawid and Bobocea, Cristian (2016). The new deterrent? International sanctions against Russia over the Ukraine crisis: Impacts, costs and further action. Programme for the Study of International Governance, Graduate Institute, Geneva. 12 October. Retrieved from: <http://graduateinstitute.ch/files/live/sites/iheid/files/sites/internationalgovernance/shared/The%20New%20Deterrent%20International%20Sanctions%20Against%20Russia%20Over%20the%20Ukraine%20Crisis%20-%20Impacts,%20Costs%20and%20Further%20Action.pdf>

25 Ibid.

26 See data on EU Agri-Food exports in http://ec.europa.eu/agriculture/russian-import-ban/pdf/exports-data-by-ms_en.pdf.

27 Ibid.

drivers can be equally, if not more, important.²⁸ Although some parts of the EU have been impacted more than others, the overall EU economy appears to have resisted the negative impacts of reduced commercial ties with Russia since 2014.²⁹ This is probably due to EU subsidies being paid to the worst affected sectors, trade redirection to new markets, and increased purchasing power linked to lower global oil prices.³⁰ The European Commission estimated costs to the EU at EUR 40 billion (or -0.3% of the EU's GDP) in 2014, and EUR 50 billion (-0.4% of EU GDP) in 2015.³¹

A number of potentially lucrative European deals were put on hold or cancelled due to the sanctions. However, new markets were found, for many products; for example, France cancelled the sale of two Mistral helicopter carriers to Russia but later sold them to Egypt.³² There have also been claims by Moscow that European products have been re-packaged and exported to Russia via Belarus, Kazakhstan and the Balkans, leading, among other measures, to a temporary ban of food imports from Belarus from November 2014.³³ Some European financial institutions have faced the risk of the possible default of Russian banks or companies in receipt of European loans; France is the most exposed, followed by Italy, Germany and the UK.³⁴

Research by Moret et al. shows that Western Europe has lost the least in terms of a decline in trade with Russia since, but not necessarily in relation to, the imposition of sanctions, with Finland, the Baltic States and Eastern Europe enduring the greatest costs.³⁵ Latvia, Lithuania, Estonia, Slovakia and Finland shared the most significant weight of exports to Russia between 2013-2015, whereas countries such as Ireland,

28 See World Bank (2015) "Russia Economic Report" No 33. April. Retrieved from: <https://www.worldbank.org/content/dam/Worldbank/document/eca/russia/rer33-eng.pdf>.; Austrian Institute of Economic Research (WIFO) (2015). "Disrupted Trade Relations between the EU and Russia: The Potential Economic Consequences for the EU and Switzerland". Retrieved from http://www.ots.at/presseaussendung/OTS_20150703_OTS0085/disrupted-trade-relations-between-the-eu-and-russia-the-potential-economic-consequences-for-the-eu-and-switzerland; Gros, Daniel and Mustilli, Federica (2015). "The Economic Impact of Sanctions Against Russia: Much Ado About Very Little." Centre for European Policy Studies Commentary. 23 October.

29 Ibid.

30 Christie, Edward Hunter (2016). "The Design and Impact of Western Economic Sanctions against Russia." *The RUSI Journal*. 161:3:52-64, June/ July 2016.

31 Ibid.

32 Szczepański, Marcin (2015). "Economic Impact on the EU of Sanctions over Ukraine Conflict." European Parliamentary Research Service, October 2015

33 Moret et al., The new deterrent?

34 Ibid.

35 Moret et al., The new deterrent?

Malta, Portugal, the UK and Cyprus had limited trade links with the target.³⁶ In absolute terms, in 2015, compared to 2013, the largest decline in exports to Russia was felt by the largest exporters: Germany (EUR 14 billion); Italy (EUR 3.6 billion) and France (c. EUR 3 billion).³⁷ Greece, like Sweden and Luxembourg, has increased exports to Russia in some sectors since sanctions have been in place.³⁸ EU member states have suffered greater costs than the US, the other principal power imposing sanctions against Russian targets.³⁹

Similarly, the impact of sanctions on employment levels is difficult to prove.⁴⁰ In the EU, lobbying companies have often described the risk of job losses caused by sanctions and countersanctions, but typically fail to compare the approximations to the EU's total employment figures.⁴¹ One study has estimated that the decrease in exports and tourism expenditure (EUR 44 billion) could result in the loss of up to 2.2 million jobs (around 1% of total EU employment).⁴² An ING report from 2014 suggests that Russian countermeasures could put at risk up to 130,000 jobs in the agricultural sector.⁴³

Countermeasures

In 2014, Russia responded with retaliatory measures against the EU and its allies, intended to continue until late 2017; these include a visa ban against EU officials and an agricultural ban covering fruit, vegetables, dairy products, meat, agricultural equipment and agricultural products. Russia also ordered the destruction of Western-produced foodstuffs and flowers allegedly illegally smuggled into the country.⁴⁴ As

36 Ibid.

37 Ibid.

38 Giumelli, Francesco (forthcoming, 2017). "The Redistributive Impact of Restrictive Measures on EU Members: Winners and Losers from Imposing Sanctions on Russia", *Journal of Common Market Studies*.

39 Moret, Erica, Giumelli, Francesco, Bastiat-Jarosz, Dawid (2017) "Sanctions on Russia: Impacts and Economic Costs on the United States". Programme for the Study of International Governance, Graduate Institute, Geneva. March 2017. Retrieved from: <http://graduateinstitute.ch/files/live/sites/iheid/files/sites/internationalgovernance/shared/Russian-Sanctions-Report.pdf>

40 Christie, "The Design and Impact of Western Economic Sanctions against Russia".

41 Ibid.

42 Austrian Institute of Economic Research (WIFO) (2015).

43 ING International Special, Retrieved from https://www.ingwb.com/media/1033340/russian-sanctions-130000-european-jobs-at-stake_august-2014.pdf

44 Rainsford, Sarah (2015). "Russians shocked as banned Western food destroyed", BBC News, 7 August 2015. Retrieved from <http://www.bbc.co.uk/news/world-europe-33818186>

another form of retaliation, Russia appears to have leveraged its supplies of gas to European countries.⁴⁵ In September 2014, Russian energy giant, Gazprom, reduced its gas supplies to Poland and Slovakia,⁴⁶ seemingly in relation to their governments' support of EU sanctions.

Moscow describes its sanctions against the EU and others by the legal term "countermeasures" by "a state directly affected by the wrongful act under the law of responsibility".⁴⁷ Nevertheless, even if one assumes that the EU's autonomous sanctions against Russia are warranted under international law (another legal grey area), the measures still cannot be justified as countermeasures on a legal basis. The EU has contested Russian sanctions against the EU on this basis and criticised Moscow's failure to communicate the legal underpinnings of the measures.⁴⁸ The EU also claims that Russia's countermeasures are not compatible with WTO rules.⁴⁹

Opposition to sanctions within the EU and economic costs

Despite the EU's 28 members attaining unanimity on the renewal of sanctions every six months, some EU states have opposed the measures more informally, either privately or in public, whereas others have strongly favoured their prolongation in terms of the fulfilment of the Minsk Accords.

Support for the EU's sanctions on Russia does not typically correlate with greater relative economic costs in export losses to Russia during the time measures were in place.⁵⁰ For example, Greece, Cyprus and Italy, whose exports to Russia represent a fraction of their total world trade, are among those suffering the lowest decline on some levels. Yet, they are among the EU states most vocal in calling for the lifting of sanctions, together with the likes of Hungary and Austria. On the other hand,

45 See Ghaleb, Alexander (2011). *Natural gas as an instrument of Russian state power*. Strategic Studies Institute, Army War College (US); Goldman, Marshall (2008). *Petrostate: Putin, power, and the new Russia*. Oxford University Press, 2008.

46 Rettman, Andrew (2014). "Russia reduces gas supplies, as EU imposes sanctions." *EU Observer*, 11 September. Retrieved from <https://euobserver.com/foreign/125582>.

47 *Ibid.*

48 Statement by the EAEU Spokesperson on Russian "stop list", EAEU, Brussels (30 June 2015). Retrieved from: http://collections.internetmemory.org/haeu/content/20160313172652/http://eeas.europa.eu/statements-eeas/2015/150530_01_en.htm.

49 Foreign Affairs Council meeting, Council conclusions on Ukraine, Brussels, 15 August 2014. Retrieved from http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/foraff/144314.pdf.

50 Moret et al. *The new deterrent?*

Central and Eastern European member states that have suffered the most, and share greater trade interconnectedness with Russia, including Poland, Lithuania, Latvia and Estonia, are among the strongest supporters of sanctions.⁵¹

The core of EU states most active in lobbying for the sanctions comprises Germany, the UK, Sweden, Denmark, Poland, the Baltic States, Finland and Romania. Whereas those in closest geographical proximity to Russia are driven by geopolitical considerations caused by negative historical experiences with Russia, the motivations of Germany and the UK appear to differ. The UK, together with Sweden and Denmark, traditionally shares a tougher (and shared transatlantic) stance and low economic dependence on Russia.⁵² In contrast, Germany's "strategic relationship" with Russia is marked by close economic cooperation and a heavy dependence on Russian gas (at 43% of Germany's total gas imports).⁵³ The German government hardened its stance only after the downing of the Malaysian MH17 flight,⁵⁴ as did the Netherlands, having lost 196 Dutch citizens in the crash.

Countries such as Spain, Portugal, Slovenia and Croatia (and, earlier, Netherlands),⁵⁵ have shown more lukewarm support, probably because of geographical distance and considerable economic ties with Russia. Their reliance on Russia's investment in real estate and tourism could explain Spain and Portugal's reluctant support for the measures, for example. Despite France's active participation in the diplomatic arena on the Russia-Ukraine conflict, particularly in the Normandy Format, she has tended to follow Germany's lead and faces internal divisions on how best to tackle Russia.⁵⁶ Central European countries, including Slovakia, Czech Republic, and Bulgaria, are marked by greater internal pro- and anti-sanctions polarisation of their domestic elites and their commercial relationships with Russia exert significant

51 Ibid.

52 "The Battle of Londongrad? How vulnerable is the City to sanctions on Russia?", Open Europe, 21 March 2014. Retrieved from <http://openeurope.org.uk/intelligence/foreign-policy/uk-russia-sanctions/>

53 BP Statistical Review of World Energy. Natural gas. June 2016.

54 Adomeit, Hannes (2012). "German-Russian Relations. Balance Sheet since 2000 and Perspectives until 2025", Etude Prospective & Stratégique.

55 Gressel, Gustav (2016). Keeping Up Appearances. How Europe Is Supporting Ukraine's Transformation. London: European Council on Foreign Relations, October 2016; de Pedro, Nicolás (2014). How should Europe respond to Russia? The Spanish view. Commentary. European Council on Foreign Relations, 14 November 2014. Retrieved from http://www.ecfr.eu/article/commentary_how_should_europe_respond_to_russia_the_spanish_view354

56 Gressel, Keeping Up Appearances.

pressure on them to take a more conciliatory approach.⁵⁷ Such countries as Ireland, Luxemburg, Belgium and Malta have played a more passive role in the sanctions to date, which could be explained by geographical distance, weak historical ties and lower economic dependency on Russian energy resources.⁵⁸

Economic Alternatives to Russia

Aiming to balance market pressure, stabilise pricing and find alternative customers for affected products, the European Commission implemented a range of emergency measures in response to Russia's countersanctions. These included a grant for €500 million in September 2015,⁵⁹ with a new €500 million aid package renewed in July 2016.⁶⁰ Safety net measures for fruit and vegetable producers comprised market withdrawals for free distribution to charitable organisations, and compensation for reduced harvesting rates.⁶¹ The Commission introduced measures to allow the EU to buy a certain quantity of dairy products and meat from the market. In addition, the Commission approved additional funding to promote agricultural products, both within and outside the EU. To create new market opportunities, bilateral and regional trade negotiations were intensified, in particular with the US, China, Japan, South Korea, Hong Kong, and Switzerland.⁶²

Coupled with weakening demand for dairy imports from China, the oversupply was met by a series of protests by French, Belgian and British farmers.⁶³ On the domestic level, the French government responded to the protests by approving

57 Kucharczyk, Jacek and Grigorij Mesežnikov (2015). *Diverging Voices, Converging Policies: The Visegrad States' Reactions to the Russia-Ukraine Conflict*. Warsaw: Heinrich-Böll Stiftung, 2015.

58 Gressel, *Keeping Up Appearances*.

59 Hunt, Nigel (2015). "EU to give 500 million euros to farmers hit by Russia sanctions." Reuters, 7 September. Retrieved from <http://www.reuters.com/article/us-eu-farming-idUSKCN0R710Q20150907>.

60 Michalopoulos, Sarantis (2016). "EU throws fresh cash at struggling dairy farmers". EurActiv, 19 July. Retrieved from <https://www.euractiv.com/section/agriculture-food/news/eu-throws-fresh-cash-at-struggling-farmers/>

61 Fruit and vegetables: Crisis prevention and management. Agriculture and development. European Commission. Retrieved from <https://ec.europa.eu/agriculture/fruit-and-vegetables/crisis-prevention#green-harvesting/>

62 European Commission (2015). EU responses on the Russian import ban on the agricultural products. Retrieved from http://ec.europa.eu/agriculture/russian-import-ban_en/

63 Polet, Yvan (2015). "A Perfect Storm for EU Dairy Prices." United States Department of Agriculture, Foreign Agricultural Service, 14 August 2015.

€600 million in state aid to maintain prices.⁶⁴ Finland took an alternative approach, exporting industrial butter and milk powder which were not on the Russian list of countersanctions.⁶⁵ In Poland, the Ministry of Economy launched a campaign to promote Polish agricultural produce in India, Indonesia and the Balkans as well as on the domestic market.⁶⁶ Similarly, a decline in exports to Russia of Spanish peaches and plums was, reportedly, alleviated through a deal with China.⁶⁷ Belarus and Kazakhstan, reportedly, became the main alternative routes for sanctioned goods to be delivered to the Russian market.⁶⁸

Responding to Russia's actions in Ukraine, the European Energy Security Strategy has also aimed to diversify supplier countries and routes, increase energy efficiency, build missing infrastructure links and strengthen emergency and solidarity mechanisms.⁶⁹ The shock of costs incurred through lost trade with Russia appears to have been absorbed: global EU exports increased to €1,791 trillion in 2015, from €1,736 trillion in 2013, which suggests that losses in exports to Russia have only partly impacted on the EU as a whole.⁷⁰

Conclusion

The EU has demonstrated unprecedented unity on its stance towards imposing sanctions on Russia, despite divergent levels of support among and within member states. Opposition to the measures appears to be influenced by a panoply of historical, cultural, geographical, and economic and security drivers.⁷¹ The economic costs to the EU of its sanctions on Russia appear to be manageable, in part due to EU subsidies, trade redirection and increased purchasing power. Loss of trade with

64 Polet, A Perfect Storm for EU Dairy Prices.

65 Ibid.

66 Kucharczyk and Mesežnikov, Diverging Voices, Converging Policies.

67 Torres, Diego (2016). "Spain gets Chinese relief to Russian trade woes." Politico, 26 July 2016. Retrieved from <http://www.politico.eu/article/spain-strikes-plum-deal-with-china-to-recover-from-russian-embargo-fruit-peaches-food-ban/>

68 Bourdillon, Yves (2014): "L'embargo russe contre l'Europe aisé à contourner." Les Echos.fr, 13 August 2014. Retrieved from: https://www.lesechos.fr/13/08/2014/lesechos.fr/0203702602413_l-embargo-russe-contre-l-europe-aise-a-contourner.htm#

69 European Commission, Communication from the Commission to the European Parliament and the Council. European Energy Security Strategy. Brussels, May 2014.

70 Moret et al. The new deterrent?

71 Lehmkuhl, Dirk & Shagina, Maria (2016). "The Sanction Policy of the Enlarged European Union. The Case of Russia." Euxeinos 21/2016, University of St. Gallen.

Russia since the imposition of sanctions is most marked in the countries in Russia's immediate vicinity, which remain among the most supportive of ongoing measures.

Factors such as UK's departure from the EU, the US presidential election of Donald Trump, and 2017 leadership elections around Europe, most notably in France and Germany, have introduced uncertainty over the future of the package of measures aimed at Russia. The future trajectory of cumulative international sanctions on Russia could have far-reaching implications for Russia-West relations, the EU's position in the world, and its ability to continue using such measures as a favoured policy instrument in tackling a range of security and foreign policy challenges in the years to come.

Three Years of Tension: Russia-EU Economic Cooperation Challenged

Sergey Afontsev

For Russia, economic cooperation with the European Union was the key trade and investment priority in the first years following the collapse of the Soviet Union. The undisputable benefits of cooperation in these areas for both parties drove mutual efforts to bring Russia and the EU closer to each other, culminating in the 'Partnership for Modernisation' project launched in 2010.⁷² By the beginning of 2014, the EU accounted for over half of total Russian exports and almost three-quarters of inward direct investment. With harmonization of technical regulations a free trade area 'from Lisbon to Vladivostok' and even a visa-free regime between Russia and the EU became widely considered as attainable, realistic mid-term goals. Much of this changed abruptly with the development of Russia-EU political tensions as a result of political developments in Ukraine.

Economic Sanctions and Counter-sanctions

The economic sanctions first imposed by the EU against Russia in March 2014 and Russia's retaliatory measures in August of the same year are by far the most important, but not the only, factors contributing to the formation of the 'new normality' in economic relations between Russia and the EU. After a brief period of 'targeted' sanctions between March and July 2014, directed against particular persons and legal entities in Russia, whose actions could be interpreted as threatening Ukraine's territorial integrity and political stability, the EU has followed the US in adopting sectoral sanctions, principally targeting Russian financial institutions and energy companies. Restrictions on the transfer of technologies for oil exploration and extraction as well as dual use technologies were also introduced. These restrictions, together with even tighter sanctions imposed by the US and declining oil prices from July 2014 created some pressure in the Russian economy. Financial sanctions appeared to be especially painful. After attempts to find alternative sources of external financing in Asia-Pacific generally failed, Russian business appeared to be deprived of the credit resources it had heavily relied on between 2010 and 2013.

Besides their direct impact, sanctions created general uncertainty and distrust. As a result, cooperation suffered even in fields that were not subject to direct

72 The EU and Russia agreed at the Rostov-on-Don Summit in 2010 to enhance their relationship with the Partnership for Modernisation, an agreement that would increase bilateral economic cooperation and cooperation on common regional and global challenges.

sectoral sanctions, with many European companies postponing their projects in Russia or leaving the Russian market completely. In particular, the number of German companies working in Russia declined by 763 (12.7%) in 2015–2016. While large European companies often preferred to weather hard times in Russia, and sometimes even argued that economic sanctions were a ‘protective shield’ against potential newcomers to the Russian market, their business opportunities shrank substantially. Thus far, Brussels officials have been immune to any objection against their sanctions policy from European businesses. As one of them put it in conversation with business representatives arguing for lifting sanctions, ‘You have creamed the Russian market for years working with the Kremlin regime, and now you should pay for that’. They are still paying, with thousands of job losses for both Russia and the EU.

Russia’s retaliatory sanctions have costs too. In August 2014 the importing of a wide range of agricultural products and food products from countries that introduced economic sanctions against Russia was banned. In 2013 the value of the banned goods imported to Russia was 4.5 billion euros, meaning the loss of the Russian market was painful for some European producers. However, Russia has had to pay its own price for the food embargo. Most importantly, Russian consumers faced remarkable price increases. In the few weeks after the embargo was introduced, the price of meat and fish jumped as much 60% in some Russian regions. Great hope was placed on import substitution policies but their impact on prices was inconsistent. In particular, prices for meat and poultry rose by 4.3% year-on-year in December 2015 and by 1.6% year-on-year in December 2016, while for dairy products the respective growth rates were 11.5% and 9.5% and for fish and seafood – 20.9% and 8.6% respectively. To make the situation worse, import substitution was often associated with a deterioration in quality; the most notorious example of this was identified after the import of EU cheese was banned, when official surveys found that up to 80% of Russian made cheeses did not comply with quality standards. Some embargoed goods still make it into the Russian market, having been smuggled from, or re-labelled in, third countries like Belarus, Kazakhstan, Serbia, Macedonia and Montenegro. Russia’s attempts to fight these practices contributed to increased tensions in relations with these countries and especially with Belarus, which was considered the principal supplier of embargoed foodstuffs from the EU to Russia.

Effects on Russian trade and economy

The impact of all these developments, however, should not be overestimated. Firstly, despite all their costs for the Russian economy, sanctions were not the dominant factor responsible for its troubles. With oil prices declining from over \$112 per barrel in July 2014 to just \$27 in January 2016, Russian exports, budget revenues, and

real income experienced much more serious pressure. In 2015, when Russian GDP dropped by 2.8%, the contribution of economic sanctions to this decline was some 0.9–1.1 percentage points, i.e., from one-third to two-fifths of the actual decline in GDP. In 2016, a resumption of growth in oil prices and a consequent rise in export revenues and capital inflows to the Russian economy reduced the impact of financial sanctions. From 2014 to 2016, the cumulative costs of sanctions, in terms of GDP decline and GDP growth foregone, ranged from 2.4 to 2.8 percentage points, which was low but by no means disastrous.

Secondly, in reality the decline of Russia-EU trade has not been much worse than that of total Russian trade, given all the challenges Russia faced with lessening demand for its traditional exports, particularly fossil fuels and metals, because of declining global prices. The value of Russian trade with the EU dropped in 2013–2016 by a factor of 2.1 from \$417.7 bn to just \$235.8 bn, while for total Russian trade this factor was as high as 1.8. In fact, the commodity structure of Russian trade with specific countries is a better predictor for trade dynamics than economic sanctions. For example, Russian exports to the US declined by just 16.0% in 2013–2016 (compared with a 54.0% drop in Russian exports to the EU during the same period) because, simply, Russian exports to the US are much less dependent on energy-price fluctuations. At the same time, one of the major losers in terms of its exports to Russia was the Republic of Korea, one of the few OECD countries which has not introduced any economic sanctions against Russia. Korean exports to Russia dropped by 50.4% in 2013–2016, compared to a 49.7% decline in Russian imports from the EU. Although the share of the EU in total Russian trade declined from 49.6% in 2013 to 42.8% in 2016, it retained its position as the leading trading partner of Russia. The EU's closest rival, China, accounted for 14.1% of Russian trade in 2016. Although this share was 3.6 percentage points higher than in 2013, it will be some time before Russia's 'Pivot to the East' produces more visible changes in the structure of Russian trade.

The picture for investment is not much different. In October 2016, accumulated foreign direct investment (FDI) by residents of the EU countries totalled \$226.3bn, compared with \$343.6 bn in January 2014. Despite its remarkable decline by 34.1%, partly attributable to the recalculation due to the depreciation of the rouble, FDI from the EU still accounted for 70.7% of total FDI stock in the Russian economy. In fact, its share was almost the same as its January 2014 pre-Ukrainian crisis level of 72.9% and the EU was maintaining its position as the leading investor in the Russian economy. The dynamics of portfolio investment from the EU were much more volatile, although there are strong reasons to believe that European investors, despite all the financial sanctions, contributed to impressive capital inflows in the fourth quarter of 2016 and the first quarter of 2017. Indeed, these inflows were

associated mostly with high interest rates in Russia (up to 6 percentage points) rather than with longer-term investment interest in the Russian economy and their impact on exchange rate dynamics can bring substantial risks in the medium-term. Still, soaring demand for private and sovereign Russian bonds has made the burden of financial sanctions much less pressing than it was in 2015 and the first half of 2016.

The future

The most important lesson learned during the three years of Russia-EU political tensions is that economic sanctions did not succeed in changing either the policies of the Russian government towards the Ukrainian crisis or the attitude of Russian citizens towards these policies. According to the traditional 'pain-gain' logic of economic sanctions, more 'pain' to the economy of the affected country leads to higher political 'gains' in terms of altering that country's behaviour. In the Russian case, however, this logic has failed dramatically. Hopes that economic 'pain' caused by sectoral sanctions would deprive the Russian government of economic resources, thereby inviting popular protest followed by a sort of 'coloured revolution' in Russia, appeared to be groundless.

On the one hand, despite heavy pressure on domestic and international reserves, they are still substantial. Indeed, the resources of the Reserve Fund, a Russian sovereign wealth fund, dropped to 1.1% of GDP in March 2017, compared with 4.0% in January 2014. On the other hand, those of the Fund of Future Generations rose from 4.1% to 4.8% of GDP during the same period. As for international reserves, there was a 25.9% decline during 2014–2016, but they have started to grow again, approaching \$400 bn by March 2017.

Meanwhile the Russian political system has shown remarkable stability, with recent 'anti-corruption' protests proving unable to change the general status quo. This was not so much a result of the Russian government's effective control over domestic political processes as it was of the experience of neighbouring countries, especially Ukraine, which showed clearly what kind of consequences political destabilization is likely to generate. According to the latest polls by the VCIOM Public Opinion Research Center, 59% of Russians (the highest number ever) are ready to bear the costs associated with political decisions taken in the context of the Ukrainian crisis, while support for retaliatory measures introduced by the Russian government approaches 72%. In March 2017, only 17% of poll participants mentioned that economic sanctions affected their own economic situation negatively, compared with 45% two years ago. At the same time, however, the proposition that food embargoes are detrimental to the Russian economy was agreed with by 25% of respondents compared to 9% in

2014. The idea that Russia should unilaterally lift countersanctions is increasingly unpopular; in March 2017, it was rejected by 76% of poll participants, an increase of 19 percentage points from 2015. All this suggests that most Russians accept the costs of the 'sanctions war' as the legitimate price for their country's foreign policy but will be glad to see the war finished by the mutual, simultaneous abolition of sanctions.

The question, however, remains as to whether such a scenario is feasible. As demonstrated by the crisis which arose between Russia and Turkey in November 2015, after a Russian SU-24 jet was shot down, Russia can quickly end an international crisis if it feels there is the same willingness from the other side. The notorious 'Russian propaganda' so feared by the EU can operate effectively in this kind of scenario. The rhetoric of state media can turn quickly from negative to positive towards the EU just as it did towards Turkey. The problem here is that the crisis in Russia–EU relations is much longer-lasting and the ability of the EU decision makers, both in Brussels and in national capitals, to withstand 'pro-sanction' pressures from Washington is viewed by Russian leaders much more sceptically. European political elites and media, on their part, are not likely to change their position and their rhetoric towards Russia as easily as Russia can towards them. The most promising approach to stopping the lose-lose spiral of the 'sanctions war' seems to be the start of a comprehensive Minsk–3 process, which would address the complex economic and political consequences of the Ukrainian crisis. As was the situation three years ago, what Russians and Europeans need is not 'pain without gain' but serious dialogue, addressing both the prospects of resuming EU–Russia economic cooperation and the legitimate interests of the citizens of Ukraine.

The impact of EU-Russia tensions on the politics of the EU and its Member States: insecurity and resolve

Joseph Dobbs

On the eruption of pro-European protests in Kyiv on the 21st of November 2013, few imagined how serious the consequences would be over the following three and a half years. The European Union's (EU) relationship with the Russian Federation remains in crisis, and what in the first months could have been characterised as a very fluid situation has gradually become entrenched and institutionalised by both sides. The emerging ideological nature of the tensions, fraught with disinformation, and arguably two proxy wars, point worryingly towards the dawn of a new Cold War.

The Euromaidan protests were neither the first nor the final event to push EU-Russia relations into a dangerous decline. The Russian war against Georgia in 2008 awoke some to the realisation that Western hopes of Russian integration into the liberal Euro-Atlantic order were no longer realistic. On-going Russian backed war in Ukraine's Donbas region, the illegal annexation of Crimea in March 2014, the shooting down of a Malaysian passenger jet over Ukraine in July 2014, the role of Russia in the Syrian civil war and Russia's alleged interference in Western democratic processes have all further pushed relations between Russia and the EU into the depressing state they are in today. As a result, Russia is firmly identified as a threatening 'other' rather than a member of the European family.

The implications of this crisis are multifaceted and serious. First and foremost people have lost their lives and homes, and Ukraine continues to suffer. For the EU and its Member States, the political ramifications of the on-going crisis are particularly important. Russia's actions have hit at the nerve of several of the EU's key insecurities and at the heart of what some believe to be the existential struggle between liberal democracies and illiberal forces.

At the EU-wide level, the Russia crisis has challenged the bloc's unity, values and relevance. The initial success of uniting the EU behind sanctions proved the severity of situation as seen by the EU Member States, but disunity as to how to proceed with regard to Russia and the Ukraine crisis has been a permanent headache in Brussels.

At a national level within the EU, many Member States fear that Russian interference has been fuelling the rise of radical and largely far-right and anti-EU parties that have aligned themselves with President Putin and his government. This paper does

not have the space to address every EU Member State but will focus on some of the most interesting and significant cases of national approaches to EU-Russia relations.

The EU Dimension: Unity, Values and Relevance

The imposition of sanctions against Russia is demonstrative of the scale of Moscow's transgressions in the eyes of the EU. First and foremost, the illegal changing of an international border is perceived as a fundamental challenge to European and global security, which made sanctions over Crimea and Sevastopol comprehensive and probably long-lasting. Moscow's role in destabilising eastern Ukraine through active and passive support for the rebels prompted broader further sectoral and targeted sanctions against Russia itself.⁷³

While the EU has been careful to link its response to Russian actions to the defence of Ukraine, it must also be considered as a defence of EU values and foreign policy. A long-held belief amongst most EU leaders has been that European countries of the shared neighbourhood can develop closer relations with the EU while remaining partners of Russia, and that their choice should be respected. Moscow's brutal demonstration of its willingness to use force to prevent what it deems to be Russia's sphere of influence further integrating with European institutions and its violation of basic principles of European security not only came as a shock, but also helped rally the EU countries around the idea of sanctions against Russia and support for Ukraine.

True, the EU has worked hard to maintain unity on sanctions against Russia. First imposed in March 2014, they have since been expanded to include Crimea-specific sanctions and a raft of sanctions now linked to implementation of the Minsk Protocol. The key challenge for Brussels comes every six months when sanctions need to be renewed by unanimity. Thus far no EU Member State has wanted to be the first to break cover, but the regular renewal of sanctions against Russia masks some disquiet about the longevity of this policy. From Southern Europe in Italy, Greece, Cyprus and Central and Eastern Europe in Hungary, Slovenia and Slovakia there is a sizeable contingent of sanctions sceptics waiting for political cover to make a move. Russia understands this, and has made efforts to lobby relevant capitals.⁷⁴ The election of a fellow sanctions sceptic in any major European capital or a unilateral action by the Trump administration could provide the necessary cover, or at the very least cause further anxiety in Brussels.

73 See the European Commission's detailing of Russia focused sanctions - http://europa.eu/newsroom/highlights/special-coverage/eu-sanctions-against-russia-over-ukraine-crisis_en

74 Examples of which include Slovenia, Slovakia, Bulgaria and Greece.

Beyond sanctions policy, there has been a wider EU debate as to how to respond to Russian actions. The varying economic and security concerns of Member States drive most countries' policies at the EU level. For the Baltic States and Poland, for example, understandably acutely aware of the proximity of Russian troops to their borders, a stronger policy is demanded. A more significant implication of Russian actions has however been the way in which this debate is in part connected to broader questions concerning the link between socially regressive far-right anti-EU politicians and Russia.

The crisis with Russia was also a litmus test of the EU's relevance in regional and global affairs, which has long been a priority for the EU - with the bloc establishing the European External Action Service (EEAS), a High Representative, and a President of the European Council as part of the Treaty of Lisbon to help achieve this. This has not, however, translated into a strong diplomatic role for the EU as the West deals with Russia over its aggression towards Ukraine. NATO, the Normandy grouping of countries⁷⁵ and the Organisation for Security and Cooperation in Europe (OSCE) have all arguably had more prominent roles than the EU in handling this crisis, despite the fact that it was an EU Association Agreement with Ukraine that sparked Russian aggression.

Some of Moscow's actions have, however, increased the relevance of the EU. Russia's use of hybrid warfare has forced many involved in European security to further recognise the role of the EU's political, social and economic power in tackling Russian tactics in Ukraine and beyond. This is demonstrated by the EU's leading role in providing support for Ukraine's economy, increased efforts by the EU to develop its energy policy,⁷⁶ or by the EU's establishment of the East StratCom Task Force in 2015 to tackle Russian disinformation.⁷⁷ The Russian threat has also reinvigorated calls for closer EU cooperation with NATO, with the latter having a greater appreciation of the EU's relevance in European security.

The crisis in relations with Russia, along with other failures in EU foreign policy over the last decade, has pushed forward a new more pragmatic foreign policy with potentially long-lasting implications for the EU and the region. While it would be

75 The Normandy group includes Russia, Ukraine, France and Germany.

76 Europe's New Challenge: The Battle to Save Ukraine's Economy, Joseph Dobbs and Ian Kearns, May 2015, http://www.europeanleadershipnetwork.org/europes-new-challenge-the-battle-to-save-ukraines-economy_2755.html

77 See EEAS East Stratcom - https://eeas.europa.eu/headquarters/headquarters-homepage_en/2116/%20Questions%20and%20Answers%20about%20the%20East%20StratCom%20Task%20Force

wrong to say that the EU's 2016 Global Strategy, its latest foreign policy doctrine, was solely a response to the Ukraine crisis, it is clear that Russian aggression was a big influence. Perhaps the most notable change in the EU's foreign policy has been to quietly drop the European Neighbourhood Project (ENP) with a new emphasis on tailored approaches to countries in the region, and a toning down of language on democracy promotion.⁷⁸

It is difficult to single out the implications of Russian actions for EU policy from other developments that have shaken the bloc, including the vote by the United Kingdom to leave the bloc and the election of Donald Trump as President of the United States in 2016. What all three of these issues have done however, including Russian actions, is to reinvigorate a debate within the EU regarding strategic autonomy in the fields of defence, security and foreign policy. From further work on a Security Union to moves towards progress in European defence, the EU may finally be getting serious about its security.

National Level: perspectives on the Russian challenge

At the national level in EU countries, Russia has become part of the political agenda in a way it hasn't been since the Cold War, with the Kremlin's machinations becoming electoral fodder across the EU. From allegations of Russian active measures in elections in France and Germany to the use of President Putin as a bogeyman to make the case for the EU in referenda in the United Kingdom and the Netherlands, there is arguably not another foreign country that has played as prominent a role in EU political discussions as Russia in recent years. Different countries have been impacted to different degrees, with proximity to Russia geographically and economically often playing a role. Coinciding with increasing Euroscepticism – a Euroscepticism that Moscow has arguably fostered – politicians across the EU have begun arguing that to be pro-EU is to be politically anti-Russia.

There are a number of countries, such as Poland and the Baltic States, for whom a strong response to Russia is rooted in historical experience. For these countries, critical of Russia before 2013, Russian aggression towards Ukraine proved a point they had long been making; Russia is not to be trusted. Perhaps more interestingly, however, and worryingly for Moscow, is that there are likely more countries firmly in that camp in 2017 as a result of its actions than there were in 2013. Also concerning for the Kremlin should be the somewhat pro-Russian governments that have thus far been consistent in their vote to renew sanctions. Italy, for example, has been

78 For more see Sven Biscop <http://www.egmontinstitute.be/wp-content/uploads/2016/06/SPB75.pdf> and Jan Techau <http://carnegieeurope.eu/strategieurope/?fa=63994>

sceptical about a strong response to Russia, in part because of its stronger economic ties, but has thus far chosen EU unity over Moscow: a position likely becoming more firm as Russia increases its activity in Libya.

For the EU's larger foreign policy actors, Germany, France and the United Kingdom (despite Brexit, the UK is still active in EU foreign policy formulation and will remain so until at least 2019), Russia's actions have increased political scepticism towards Moscow. 'Russia has lost Germany'⁷⁹ has been a common headline since the outbreak of the crisis. While Berlin still plays its role as a key contact point for the Russian government, Germany's long held policy of engagement with Russia has come under extreme pressure as a result of Russian action and a difficult personal relationship between Chancellor Merkel and President Putin.⁸⁰ The Russian threat, coinciding with a weakening transatlantic relationship and Brexit, is contributing to a realisation amongst German leaders about their growing role in Europe.

For France, there was an initial resistance to a strong policy on Russia due to strong economic ties with Russia. This was evident with the the pending sale of two French made Mistral amphibious assault ships to Russia. After initial hesitation, the Elysée eventually backed down and sold the ships to Egypt instead. Since then the French government has been largely supportive of EU policy and active in diplomatic processes such as the Normandy format. As the 2017 presidential election began to approach, however, it became clear that there was no consensus on Russia in France. The right-wing candidate Francois Fillon suggested sanctions should be lifted, while for centrist Emmanuel Macron Russia was a threat to the European order. Most concerningly for the EU was far-right candidate Marine Le Pen who visited Moscow in March 2017 as the guest of President Putin, received €9.4m in loans from a Moscow bank, supports Russia's claims over Crimea and argues for Russia to be France's strategic partner.⁸¹ Russian support for Le Pen has reinforced the relatively recent and growing belief that to be pro-EU demands that one is politically anti-Russian, both in France and across the EU.

79 For example, Stefan Meister's "How Russia Lost Germany" - <http://eng.globalaffairs.ru/number/How-Russia-Lost-Germany-17365>

80 For more on the history of 'Ostpolitik' and its development in the post-Cold War era see Tuomas Forsberg's January 2016 International Affairs article "From Ostpolitik to 'Frostpolitik'? Merkel, Putin and German foreign policy towards Russia", <https://www.chathamhouse.org/publication/ia/ostpolitik-frostpolitik-merkel-putin-and-german-foreign-policy-towards-russia>

81 French Presidential Election: Leading Candidates' Positions on NATO, EU Defence, and Russia, Alice Billon-Galland, April 2017, http://www.europeanleadershipnetwork.org/french-presidential-election-leading-candidates-positions-on-nato-eu-defence-and-russia_4623.html

In the United Kingdom Russia featured in the 2016 referendum on EU membership, and although this should not be overstated it is again demonstrative of the new equating of pro-EU and anti-Russian positions. The spectre of an aggressive Kremlin was evoked on a number of occasions by Remain campaigners, including by then Foreign Secretary Philip Hammond who argued that “the only country ... that would like us to leave the EU is Russia. That should probably tell us all we need to know.”⁸² The counter argument for some on the Leave side was to blame the EU for the Ukraine crisis. More broadly, London’s fraught relationship with Moscow is better explained by the assassination of former Russian intelligence officer Alexander Litvinenko in London in 2006. But recent Russian actions have further strengthened the UK’s position, with the heads of the UK’s domestic and international intelligence services both making rare interventions to warn of the Russian threat.⁸³

For Sweden and Finland, the impact of Russian aggression has primarily been on their respective NATO membership debates and strengthening resilience and defence potential. Both countries are already increasing their engagement with the Alliance due to concerns regarding Moscow’s posture, particularly the threat Russia poses to the Baltic Sea region. Despite threats from the Russian government of a “military kind” of response should Sweden join NATO, all major opposition parties now support membership. While Finland is less supportive, a 2016 government panel argued that Finland and Sweden should stick together on NATO issues. If Stockholm were to push for NATO membership without Helsinki, as it did with EU membership in the 1990s, then it is unlikely the latter would not also join. With elections coming in Sweden in 2018 and Finland in 2019, the issue of NATO membership is likely to be a major debate.

Before the crisis the Netherlands had been a supporter of engagement with Russia and one of Moscow’s strongest partners in the EU. This has changed since Russian backed rebels shot down a Malaysian passenger aircraft over Ukraine with Russian equipment killing, 193 Dutch nationals. Yet the public is divided, with a referendum on the EU-Ukraine Association Agreement in April 2016 becoming a “referendum

82 “Only Russia wants Britain to leave the EU, says Philip Hammond”, The Guardian, March 2016, <https://www.theguardian.com/politics/2016/mar/02/all-alternatives-eu-brexite-come-price-tag-philip-hammond>

83 For example in November 2016 the Director of Mi5, Andrew Parker, gave the first newspaper interview by a serving spy in the UK to warn of the Russian threat - <https://www.theguardian.com/uk-news/2016/oct/31/andrew-parker-increasingly-aggressive-russia-a-growing-threat-to-uk-says-mi5-head>

on Vladimir Putin” according to some. The failure of pro-EU campaigners in that referendum has been attributed in part to a group of pro-Russian activists.⁸⁴

The impact of Russian aggression on its once strong partners can be seen in a March 2017 resolution of the European People’s Party (EPP), which includes Dutch Prime Minister Rutte’s VVD party and other parties once supportive of closer ties with Russia. The resolution begins:

*“EU Member States are facing an unprecedented threat to their democratic societies. Russian propaganda, disinformation campaigns and continuous support for anti-European political forces are undermining the European project, transatlantic cooperation and Western democracies in general: in terms of liberal values, political independence and sovereignty.”*⁸⁵

Putin has lost Europe

Russian aggression towards Ukraine and the Kremlin’s active attempts to destabilise Europe have exposed significant weaknesses in the EU. The EU’s response, however, stemming from the realisation of the severity of the situation, indicates strength going forward.

It is clear that the Ukraine crisis has been a strategic failure for both Russia and the EU, as well as a disaster for the Ukraine and the region. Long-term, however, it is likely that Russia will be the bigger loser should the EU and wider West successfully weather the storm. It is not inconceivable that Russia’s actions could contribute to an enlarged NATO, a more relevant EU with greater institutional links to NATO, and, more damagingly, to an EU political landscape in which Russia is firmly viewed as a threat to the EU and its values.

If Russia’s image as a threat to EU and its values becomes further entrenched, it is difficult to imagine a future relationship that goes beyond a transactional coexistence. Russia has lost Europe and while both sides will suffer as a result, it is Russia, with its far greater reliance on the EU economically, that will feel it most.

84 “Fake News, Fake Ukrainians: How a Group of Russians Tilted a Dutch Vote”, New York Times, February 2017, https://www.nytimes.com/2017/02/16/world/europe/russia-ukraine-fake-news-dutch-vote.html?_r=0

85 See - <http://www.epp.eu/papers/russian-disinformation-undermining-western-democracy/>

Perhaps the only note of optimism is that thus far it is President Putin's Russia that the EU is increasingly opposed to, not the Russia that is home to millions of fellow Europeans. There is perhaps still hope for a better relationship, but until Russia is governed by a leader that the EU does not believe is working to undermine it this hope will probably remain elusive.

The impact of EU-Russia tensions on Russian politics

Pavel Kanevskiy

The latest crisis in relations between Russia and the European Union can be attributed to a number of political, economic, social, cultural, structural and behavioural reasons. We are witnessing not just a deterioration of the EU-Russia relationship but also the emergence of doubts inside Russia as to whether Russia's move towards Europe in the 1990s and early 2000s was the right choice. At the same time, Russia's Western partners are alarmed by its regional ambitions, which they consider as the biggest risk to the post-communist continental order.

A break-up instead of a marriage

It is notable that the EU-Russia separation began when there was an undeniable, rational basis for more rapprochement. From Russia's side, the impetus for a stronger relationship was fuelled by its centuries-old desire to become a more modernised state, using its close relationship with Europe as a means to develop. From the European Union side, there were expectations that Russia would, at some stage, become more democratic, predictable, and peaceful, opening its market to European businesses. There were views that this process was inevitable, even during the early years of Vladimir Putin's presidency, as he continued the Europeanisation started by his predecessors Mikhail Gorbachev and Boris Yeltsin. Until the middle 2000s, many representatives of the Russian mainstream expert community were discussing what needed to be done for Russia to become an EU associated country. In 2003, levels of public support for full membership reached a peak of 73%.⁸⁶

Nonetheless, despite the public optimism and the fact that trade and economic ties were growing every year, there seemed to be no consensus, either in Moscow or in Brussels, on how to build strategic cooperation for the long term. Expectations were high when the Four Common Spaces (FCS)⁸⁷ and the Partnership for Modernisation (P4M)⁸⁸ came up in 2003 and 2010 respectively as a core of the positive interdependence agenda. They were considered the centrepiece of the

86 Rossiya I Yevrosoyuz. FOM. 11.09.2008. URL: http://bd.fom.ru/report/cat/fre_an/d083622

87 The EU and Russia agreed at the 2003 St Petersburg Summit to create four common spaces in an enhanced strategic partnership. These common spaces were "economic", "freedom, security and justice", "external security cooperation" & "research, education and culture".

88 The EU and Russia agreed at the Rostov-on-Don Summit in 2010 to enhance their relationship with the Partnership for Modernisation, an agreement that would increase bilateral economic cooperation and cooperation on common regional and global challenges.

Russian “European vector”, promising greater integration and a new reason for reforms in Russia. Nonetheless, the biggest pitfalls of the FCS and the P4M were hidden by their rhetoric. Although the Joint Commissions reported partial progress in the dedicated areas of cooperation, it was evident that they did not give birth to the necessary grand policies in Russia which would foster administrative and judicial reforms, change the investment climate, help to fight corruption, advance the structure of the economy and so on. Another problem was that, although the FCS and the P4M were facilitated by the top levels of leadership, they were lacking the broader set of agents and horizontal ties needed to advance more dialogue and structural dependence.

The Russian leadership continued to see the country’s development solely through the lens of economics and continued to count foremost on the energy market as the primary source of growth. This was a one-dimensional approach with many vulnerabilities and political risks. Competition for the post-Soviet space sowed the seeds of doubt in Moscow on the EU’s true ambitions in the East, while European Union countries started to question the efficacy of the energy dialogue and whether it could provide a basis for a stable, predictable relationship. The fragility of positive interdependence became evident with the rise of the security agenda and military escalations in the post-Soviet space. Volumes of trade and rational economic interests on both sides couldn’t hide the fact that there was no developed strategic vision for their common future.

It became apparent in the interval between the EU-Russia summit in St. Petersburg in 2012 and the 2013 Vilnius summit that the level of misunderstanding and mistrust had reached an unprecedented level among decision makers on both sides. Coinciding with the continuing stagnation of the Russian economy, social-political tensions and the fragmentation of Russian society, the overall mood in Moscow towards European integration became disillusioned. The Ukraine crisis and the war in Donbas were the final dividing factors.

At the same time there fears that Brussels, together with Washington, was planning a series of coordinated regime changes in the post-Soviet space and that a colour revolution in Russia would inevitably follow. These fears had been accumulating gradually. It took some time before they started seriously influencing policies in Russia. This process can be described as a return of more geopolitical thinking, provoked by the growing ambitions of Russia and the EU towards post-Soviet countries, which found themselves stuck between the European and the Eurasian integration projects. The combination of this geopolitical thinking and a perception of their relationship through the lenses of influence and regional competition led both sides away from constructive dialogue. In the Concept of the Foreign Policy of

the Russian Federation approved by the President in 2016, the EU, just like NATO, is considered an actor of geopolitical expansion and that expansion is the main reason for the worsening relations between the two sides. However, this same Concept describes the EU as an important partner of Russia for the building of a common economic and humanitarian space, which, together with harmonization of rules and standards through deeper integration between the EU and the EEU, is described as a strategic goal.

The politics of Europeanisation in Russia

EU-Russia relations have always been full of paradoxes and dualisms, which makes it difficult to find any simple explanation of how Russia and Europe co-exist when partnership and rivalry go hand in hand. Beyond strategic and rational economic factors, Russia's relations with Europe have long been determined by Russia's self-identification as part of the wider pan-European project. With enormous resources and vast territories, for centuries Russia has been choosing between Europeanisation and distinctiveness, and between different paradigms of state, economic and social order.

The crisis in EU-Russia relations has again posed the question about Russia's historical choice and national idea. The Russian state has started a new quest to define Russia's role in the world and for ways to describe its uniqueness; this led to the renewal and spread of big narratives such as global 'superpower', patriotism, 'Russian world' and Orthodox Christianity. These represent a mix from different epochs which are meant to show that Russia is becoming strong again. This became the new conservative consensus for all major political actors, including mainstream parties, the government-orientated part of civil society and the state-controlled media. They do not necessarily form a coherent ideology or encourage more political activity. On the contrary, there is a continuing devaluation of the whole mechanism of political representation, which has led to political apathy and low voter turnout. However, these revived ideas explain the symbolical level of the new order, constructed around the main indicator of regime legitimacy, and trust in a president regarded as a truly unifying national figure.

At the end of 2016, according to the Levada Centre, a polling organisation, 63% of Russians wanted to see Putin as a president after 2018, up from 58% in 2014 and 34% in 2012.⁸⁹ That does not mean that Russians necessarily support their government's economic policies, are satisfied with healthcare or education reforms,

89 Doverie k prezidentu byvaet raznoe. Levada Centre. 17.11.2016. URL: <http://www.levada.ru/2016/11/17/doverie-k-prezidentu-byvaet-raznoe/>

trust the parliament, regional and local authorities or that they do not notice systemic problems such as corruption and excessive administrative pressure. What it does show, however, is that Russians do agree on the new, nebulous formula of Russia, which makes them feel part of a strong nation, even though this support does not convert into coherent participation.

One explanation of the new symbolic order is that the last three years have seen Russian foreign policy become the new basis for regime legitimization. With the help of the media Crimea and Syria have been turned into symbols of Russia's self-affirmation. Another explanation is that these ideas never left the consciousness of Russian society. Various pieces of sociological monitoring over two decades have demonstrated that for many people democracy and liberalism became associated with decay, which can be overcome only through order, security and the revival of traditional values. Many comparisons can be drawn with what is happening in the West, which is witnessing an unprecedented growth of conservative and illiberal moods. Patriotism in Russia is also fuelled by anti-Russian rhetoric abroad.

European values and Russian interests

There has not been a complete denial of basic Western values amongst the Russian leadership. Putin, in his speeches and interviews, re-iterates that Russia is a democratic state and that the rule of law should be preserved and improved. He holds meetings with human rights activists and talks about the necessity of building closer ties between the state and civil society. This proves, once again, that Russian values and ideology remain a labyrinth full of contradictions. The Russian ruling elite tries to follow two paths at the same time, striving to find a balance between constitutional, democratic principles and what it considers extensive neoliberalism imposed by the West. At the same time, Russian elites support many basic neoliberal ideas on the condition that they are implemented carefully in a Russian context. Values are, however, especially in international relations, secondary to pragmatism for the Russian state. That is why it is easier for Moscow to build bilateral contacts with separate European countries, regardless of the ideology of their ruling parties, than with Brussels. Russia finds it easier to find common ground with representatives of national elites than with the more values-driven European institutions, which explains why EU-Russia relations are reduced to narrow business and academic discussions.

What is also visible is that Europe is not becoming less attractive to Russia: there remain pragmatic interests in common between both sides. Moscow understands that Europe is Russia's strongest link to global markets. This does not answer the question of whether pragmatic interests can lead to a consolidation of politics

and values, but it does show the only road Russia is prepared to follow in today's conditions. This pragmatic vision does not go unchallenged in Moscow, however, with various groups advocating for isolation or a reorientation to the east. These arguments are lacking in logic but they do gain traction in the media and with the public.

There are, then, many reasons why Russia follows its current political path. It would be an oversimplification to say that the post-Crimea crisis in relations has changed things dramatically.

Firstly, social groups that can be labelled as liberally oriented, and which should have become a basis for a strong middle class, are still a relative minority in Russia, concentrated in big cities. Those who constitute the contemporary middle class in Russia often come from the bureaucracy, state-controlled organisations or the corporate sector. Opportunities for SMEs are shrinking. The level of inequality in Russia is striking: people have limited chances to improve their economic condition independently of the state by using their entrepreneurial skills.

Secondly, since the collapse of the Soviet Union, Russia has never refuted the vertical power structure other than for a short period in 1991-1993 when there was a strong parliament. The constitution accepted in 1993 paved the way for a clear imbalance in favour of the executive branch and the dominance of the presidential power. It is this imbalance which is primarily responsible for the formulation of foreign policy, balanced only nominally by a weak parliament and fragmented civil society. Russia's split with the West is a continuation of Russia's top-down approach in which everything depends on the balance between the political centre and the elite. This makes policy much more vulnerable to behavioural attitudes, because it is facilitated by a very limited number of actors. Both in terms of its relations with the EU and implementation of its domestic policies, Russia traditionally relies heavily on the administrative hierarchy.

In the area of strategic economic development, Russia faces the same challenges as it has done for decades. Russia still wants to be a country with a constantly growing, diversified economy, less dependent on energy exports, technologically advanced and competitive on a global scale and whose citizens enjoy a high quality of life. This gives rise to the question of whether it is more likely to achieve these goals under the government's austere control or by giving more freedom to individual citizens who could start building a 'bottom-up' model.

Current developments show that Russia's own response to the 'vulnerabilities' of the Western liberal model is more bureaucratic capitalism and regime conservation,

which may be effective in the short-term but is unlikely to help in the long-term. We should not forget that the Soviet Union collapsed because it was structurally and economically inefficient. Despite having great human potential, the Soviet model never managed to transform itself into a competitive market. Today, Russia has all the necessary normative and economic frameworks to break the vicious circle of history and become the modernised, enlightened country it has always aspired to be. In fact, since the early 1990s, Russia has already changed tremendously, becoming much more open, globalised and market friendly. Meanwhile, many internal and external barriers are still in place.

Russia did not implement many necessary reforms or find a consensus on how to manage its integration into the global market. Some groups in Russian society managed to integrate themselves into the global system, some did not. It is important to recognize that selective integration was caused not only by domestic political obstacles but also by the unwillingness of many actors inside the European Union to truly engage Russia. This is something that should not be ignored when talking about the failures of Russian-European rapprochement.

Towards the return to Russia's European vector?

After its break-up with the EU, the question is whether Russia will be able to continue achieving its strategic goals. Export-led growth has its limits and, considering that the world has entered an age of lower oil prices and tightening competition in the hydrocarbons market, it will be difficult for Russia to sustain its energy-dependent industry without the inflow of European technology, capital and managerial skills. Recent developments, including the evolution of the Eurasian Economic Union and closer ties with China, do not make the picture clearer as they haven't had a significant impact on the Russian economy, state or society. If China is to become Russia's next major partner in the modernisation process, it is very likely that the same barriers that have always existed with Western partners will come into play. Russia will use the known 'energy for technologies' exchange model but it is likely that uncertainty of investment rules, lack of guarantees and declining technological potential will fail to attract Chinese capital, except for limited interest in oil and gas industries. It is an understandable path to diversify Russia's trade structure, but it may prove impossible to substitute Asia for Europe.

For Russia, divorce from the European Union and the West means that the task of modernisation is going to get harder. However, one should avoid seeing Russia as a static model. In fact, both Russia's economy and society are highly dynamic, if not volatile. Although the current trend may seem like a retreat from European integration, Russia is still inseparable from the more general processes of globalisation, which

cannot simply be reversed. In this sense, history provides many lessons which are waiting to be learned. For instance, for Peter the Great, the prime importance of Europe was in terms of achieving such pragmatic goals as military-industrial modernization, state building and economic development. However, it also brought changes to the core of Russian society and its power structure. Peter's reforms, inspired by Europe, laid the foundation for the much better developed country he left his successors. Another example is the historical struggle between republican and monarchic ideas in the late 18th and early 19th centuries, when Russia stood on the winning side of the monarchies. However, the long-term effect of this on Russian policies gave birth to ideas of constitutionalism and led the way for the liberal reforms of Alexander II.

The last quarter century has shown that consolidation and harmonisation with European norms and values, although thorny, was an understandable path towards more openness and democratisation in Russian society. That the process is incomplete is due to miscalculations, mistakes, outdated stereotypes and prematurely over-optimistic moods on the part of both the EU and Russia. This has served to weaken Russian proponents of a European trajectory.

Russia continues to face the same problems that any other developing country does. At the same time, Russia is a European country that should be considered as an equal member of the European family by its citizens, its leadership and the West. Russia needs to continue its search for societal consensus based on the ideals of human development, economic prosperity, the rule of law, individual freedoms and democracy. That consensus will be impossible to find without the re-establishment of closer contacts and trust with its European partners on systemic, symbolical and inter-personal levels. There are many mechanisms that can help facilitate a new stage of relations, from establishing deeper levels of human contacts and technological cooperation to establishing clearer investment rules and greater exchange of information on crucial issues. Any attempt to dig more trenches between Russia and Europe and to rely on the use of geopolitical logic to justify Russia's historical uniqueness and isolation will never bring about regional stability or help Russia's strategic development goals.

2014: A watershed for the image of Russia among the citizens of EU Member States

Hanna Smith

Image is an important factor in international relations. Facts matter, but perceptions matter even more; when nothing positive can be found in reality, hope, expectations and beliefs can still promote a positive image. In international relations, it is possible to promote a number of perceptions: economic relations can be presented as improving, even if this picture is contradicted by some statistics; security cooperation can be based on untested ideas about common threats and interests and an atmosphere of trust and friendly curiosity can be created through increased social interactions (for example, travel, NGO cooperation and joint cultural activities).

Cracks in Russia's image prior to 2014

At the beginning of the 1990s, the Soviet Union under Gorbachev and the Russian Federation pursued the strategy of promoting positive perceptions about its relationship with Europe and other Western countries. Many will remember "Gorbymania" in the West. Suspicion towards the Soviet Union still prevailed in the West, but the change in Gorbachev's tone and policy line promoting the idea of the "Common European Home", interdependence, universal values and all-human interests could not be ignored.⁹⁰ The predominantly positive image of Russia in the early 1990s was based on hopes and expectations of rapid democratisation and liberalisation, as well as on the expectation that the foreign policy line of Gorbachev's New Thinking would continue even after the fall of the Soviet Union. Longstanding admiration in the West for Russia's cultural achievements provided a basis, at least for many intellectuals, for hoping that Russia would now rediscover its place in Europe. After 1991, the perception that Russians had overthrown communism and were embracing democracy added to this existing goodwill.

However, keeping up an appearance just for the sake of it is not easy. The positive image of Russia based on hope, potential and beliefs had started to suffer already during the first half of the 1990s because of an ailing Russian economy, the First Chechen War, Russian internal political infighting and reports of corruption and crime. Western hopes were disappointed by the apparent turn towards a more authoritarian mode of government after President Yeltsin's 1993 confrontation with

90 Brown, Archie (1997), *The Gorbachev Factor*, Oxford University Press

Parliament, the process of privatisation and the way in which it was conducted, and so on. The shift in hopes and expectations started to cast a shadow over future potential. The change of image also had consequences for policy. Too rapid a Russian integration into European structures was not viewed positively by EU countries, while, at the same time, the transformation of former East European countries from communism to market economies and towards democracy was rewarded with EU and NATO integration. Russian initiatives to lift the OSCE to the core of a common European security architecture received a lukewarm reception at best and NATO enlargement was based, in part, on the image of Russia as a threat, rather than on the idea of enlarging a security community seeking cooperation with Russia. Russian membership in the Council of Europe is an exception but, even there, the negotiation process was overshadowed by Russian internal events that reduced the level of trust between Russia and EU member countries as well as between other members of the Council of Europe. The Russian think-tank the Council of Foreign and Defence Policy of the Russian Federation published a report in 1997 which concluded that Russia's image in the West was negative, characterised by such stereotypes as "Russia is seen a military threat of a new type" and as a "criminal and corrupt state", with negative consequences for Russian business.⁹¹

There have been conflicting interpretations by Russia and the European Union member states about why it is so difficult to change the negative image of Russia. The Russian regime's understanding of why Russia was seen in the early 2000s by its European neighbours as "an alien country, strange, unfathomable, even at times barbarous"⁹² was quite simplified. President Vladimir Putin provided his diagnosis of the situation in 2004, stating, "Perceptions of Russia are often far from the reality. There are also frequent planned campaigns to discredit this country, apparently damaging both for the state and for the national business."⁹³ Partly as a result of this analysis, in the past decade Russia has sought to actively promote its image abroad by launching the English language TV news channel Russia Today (RT), funding research at European universities, putting on a grandiose display for global consumption at the Sochi Olympics and promoting Russian culture and sporting achievement generally. However, these efforts often backfired among

91 Council on Foreign and Defence Policy of the Russian Federation (1997), 'Imidzh Rossii I rossiiskogo biznesa v zapadnykh sredstvakh massovoi informatsii', <http://www.svop.ru/files/meetings/m033313383622111.pdf>, accessed 19.02.2017

92 Lo, Bobo (2003), *Vladimir Putin and the Evolution of Russian Foreign Policy*, Oxford: Blackwell

93 Putin, V (2004), Address at the Plenary Session of the Russian Federation Ambassadors and Permanent Representatives Meeting, 12 July, <http://en.kremlin.ru/events/president/transcripts/22545>, accessed 19.02.2017

a public already suspicious of anything seen to emanate from the Russian state. The overt politicisation and biased coverage of RT, the corruption associated with the construction of the Olympic facilities at Sochi and an ever-growing tornado of revelations and accusations of Russian cheating in sport, have outweighed, in the minds of the European public, any admiration they might have had for Russian achievements.

The expert community expressed a more nuanced view than did the official Russian one as to why Russia lacked popularity in the West. Andrei Tsygankov explained in the mid-2000s that one of the reasons for a negative image of Russia in Europe and other Western countries was because Russia “no longer matters” and that the problem was more a lack of visibility than the lack of a favourable image.⁹⁴ From the perspectives of other European countries, analysts did not agree that there had been “planned campaigns” or that, in Europe, Russia mattered more than in the United States. The prevailing EU perspective was that the negative image of Russia was down to Russia itself: the way Russian society worked, how the different political groups operated, how sometimes frequent infighting occurred even inside the same political groups, how the Russian military was used in Chechnya and how freedom of expression and political opposition were treated. The expansion of the EU and NATO to include countries formerly part of the Soviet Union or of communist Eastern Europe put an additional strain on Russia’s standing in those organisations. Countries like the Baltic States and Poland were predisposed, for historical reasons, to view Russia with suspicion and hostility.

Something that also has to be kept in mind when examining the perception of Russia among EU member countries is that there are several competing images and not everything is black and white. Different images exist not only among the different countries, but also within them.^{95,96} The image of Russia depends, to a large extent, on the historical memory and relations of each country. Thus it is not only the history of the Cold War and its ideological divide which matter, but also the history of Europe and Russian imperialism before the revolution of 1917. Valentina Feklyunina has shown in her extensive study that there are also wide ranging differences within each country among public opinion, the mass media, political and business or expert/academic elites. She has shown that the predominantly negative image of Russia was stronger among political elites and the mass media and to some extent among the expert community and some business circles. Public opinion seemed to be less

94 Tsygankov 2005, ‘Vladimir Putin’s Vision of Russia as a Normal Great Power’ *Post-Soviet Affairs*, 21, 2, 132-158

95 Leonard, Mark and Popescu, Nicu (2007), *A Power Audit of EU-Russia Relations*, European Council Foreign Relations, ECFR Paper 02, November.

96 David, Maxine, Gower, Jackie and Haukkala, Hiski (2013), *National perspectives on Russia*, *European Foreign Policy in Making*, Routledge

negative and closer to neutral towards Russia.⁹⁷ However, even public opinion polls, such as the German Marshall Fund's annual surveys 'Transatlantic Trends', when looked at over the long term, became less favourable towards Russia during Putin's second term in office, turning more negative than positive.⁹⁸

The watershed of 2014

The dynamics of Russia's image among European countries before 2014 were based, to a large extent, on historical memory and views on developments in Russian internal politics. Interestingly, the war in Georgia in 2008 did not have as big an effect on European views of Russia as did the two earlier Chechen wars or the 2003 arrest of Mikhail Khodorkovsky. The biggest watershed leading towards emergence of a more negative image was the annexation of Crimea and the outbreak of war in the Donbas in 2014. The Marshall Fund's survey for 2014 showed a 68% negative opinion in 2014, compared to 62% in 2013 and 55% in 2012.

Similar findings emerge from the Pew Research Center's 2015 poll relating to the image of Russia. As in the Marshall Fund's survey, the image of Russia had sunk to an all-time low. In all the big countries in Europe, the image of Russia became 10-20 per cent less favourable compared with the previous poll (percentage negative assessments of Russia: Poland 80%, Germany 70%, France 70%, Italy 69, Spain 66%, the United Kingdom 66%). Germany was the most striking example. In 2010 the image of Russia was more positive than negative, with over half of Germans viewing Russia positively. In 2015 the figure for positive assessments dropped to 27%. It is important to bear in mind that opinion polls always have a margin of error. Nevertheless, a shift on this scale demonstrates that a real change occurred as a result of events in 2014.⁹⁹

97 Feklyunina, Valentina (2009), *National Images in International Relations: Putin's Russia and the West*, PhD, Department of Politics, Faculty of Law, Business and Social Sciences, University of Glasgow

98 German Marshall Fund's annual surveys 'Transatlantic Trends- key findings' (2014), with the Compagnia di San Paolo and supported by the Barrow Cadbury Trust, the Fundacion BBVA and the Swedish Foreign Ministry. The survey covers ten EU member countries: France, Germany, Greece, Italy, the Netherlands, Poland, Portugal, Spain, Sweden and the UK. http://trends.gmfus.org/files/2012/09/Trends_2014_complete.pdf

99 Stokes, Bruce, Wike Richard and Poushter Jacob, (2016), *Europeans Face the World Divided Many question national influence and obligations to allies, but share desire for greater EU role in global affairs*, PewResearchCentre, June, 16, <http://assets.pewresearch.org/wp-content/uploads/sites/2/2016/06/Pew-Research-Center-EPW-Report-FINAL-June-13-2016.pdf> Accessed 19.02.2017

The Pew poll also made a distinction between the image of Russia as a country and the image of President Putin's regime.. The negative attitude towards the regime was significantly higher than that towards the image of Russia. The strongest critics of Putin's regime, according to the poll, were Spain (92%), Poland (87%) and France (85%) in that order.¹⁰⁰ In the Marshall Foundation's survey the countries appeared in the same order, with the exception that Sweden (77%) held third place before France. When it came to the image of Russia as distinct from the regime, Sweden (78%) and Netherlands (73%) held the most unfavourable opinions in the EU.

Similar conclusions, although derived from a different starting point, are included in an annual Finnish survey conducted by the Advisory Board for Defence Information (ABDI). The ABDI survey mainly focuses on questions relating to security. Here, the underlying factor is an understanding that state actions and policies influence the feeling of security in neighbouring countries. In 2010 only 28 per cent saw Russian policies as having a negative effect on Finnish security. In 2016 the number was 50 per cent.¹⁰¹ This is a very significant change, taking into account that Finnish long-term policy towards Russia has always been constructive and accommodating. That policy was feasible while the belief was that the Russian state was a responsible actor, a belief that suffered a blow in 2014.

The difference between opinion on the Russian regime and President Putin, as opposed to opinion on Russia and the Russians, is noteworthy. National opinion polls back up the findings of the Marshall Foundation and Pew Research Centre. In Germany, a survey carried out by TNS Emnid on behalf of the Bertelsmann Stiftung and the Public Affairs Institute in Poland led the CEO of the Bertelsmann Stiftung to conclude that, "Russia under Putin may have lost considerable support among Germans, but this is not the case for Russians as such. Acceptance for Russians in certain social roles, such as a colleague or a neighbour, has not suffered."¹⁰²

100 Stokes, Bruce, (2015), 'Russia, Putin Held in Low Regard around the World Russia's Image Trails U.S. across All Regions', PewResearchCentre, August 5, <http://www.pewglobal.org/2015/08/05/russia-putin-held-in-low-regard-around-the-world/>, accessed 19.02.2017

101 ABDI, Advisory Board for Defence Information, (2016), Suomalaisten mielipiteitä ulko – ja turvallisuuspolitiikasta, maanpuolustuksesta ja turvallisuudesta (Finnish opinions of foreign and security policy, land defense and security), December 1, http://www.defmin.fi/files/3573/MTS_mielipidetutkimusraportti_joukuu_2016.pdf

102 BS, Bertelsmann Stiftung, (2016), Stress test for German-Russian relations, April 22, <https://www.bertelsmann-stiftung.de/en/our-projects/strengthening-and-connecting-europe/news/stress-test-for-german-russian-relations/>, accessed 19.02.2017

These changing Finnish and German views on Russia are good indicators of how significantly the war in the Donbas and the annexation of Crimea have impacted on Russia's image in Europe. There have always been countries and societies with more negative attitudes towards Russia, largely for historical reasons. Some countries, such as Bulgaria, Greece and the Czech Republic, have historically had a more positive image of Russia. Finland and Germany, however, have a mixed history of both warring and cooperating with Russia. The historical factors, even though they are present, have been pushed aside in favour of interest-based cooperation and realities. It is true that German and Finnish opinions have been influenced by internal Russian events, such as the two Chechen wars, Khodorkovsky's arrest, corruption scandals, and reports of crime, political infighting or the Pussy Riot case. It is also true, however, that nothing, not even the 2008 war in Georgia, has changed views towards the Russian state and regime as significantly as have the events of 2014. While more comprehensive research has yet to be done to explore closely this shift in European attitudes, it reflects the stance taken by the main European leaders. Whereas in 2008 there had been more understanding of Russia's actions which had been provoked, according to the official EU report on the Georgia war, by Georgia making the first openly hostile act, there was no such talk in 2014. German Chancellor Angela Merkel's apparent decision that enough was enough with Russia was in line with public attitudes.

The Pew Research Centre also conducted another survey, in summer 2016, which looked more at perceptions of Russia as a threat and the type of policies the European Union should adopt towards Russia. Considering the question of Russia as a threat to the EU, 34% of respondents saw Russia as a major threat, 48% a minor threat and 16% not a threat. More nuanced and highly divided views came through when considering the EU's Russia policy and when comparing Russia to China and the US. The Survey found that supporters of the European rightwing parties all have more confidence that Putin's Russia will do the right thing regarding world affairs: supporters of Alternative for Germany (49%), Front National in France (31%), Northern League in Italy (46%), UK Independence Party (28%), Party for Freedom in Netherlands (26%) and Sweden Democrats (21%). It is noteworthy that not even all supporters of the right wing parties, including some whose leadership express praise for Russia as a strong state, agree fully on Russia. Large numbers of those supporting such parties answered "hard to say" to the question about confidence in Putin's Russia.¹⁰³

103 Taylor, Kyle, (2017), Europeans favoring right-wing populist parties are more positive on Putin , PewResearchCentre, January 24, <http://www.pewresearch.org/fact-tank/2017/01/24/europeans-favoring-right-wing-populist-parties-are-more-positive-on-putin/>, accessed 19.02.2017

Conclusion

The question of image has been explored by international academic and expert communities for decades. Perceived threats and opportunities may provide motivation for policies and perceptions of relative power and can determine, too, the choice of policy tools. Cultural factors also influence assessments. In the 1990s and 2000s, the image of Russia among the general public in other European countries was neither that of a threat, nor of a big opportunity, but fairly neutral, although, in some cases, the tendency was to look down on Russia. Political elites, the business community and experts were more divided on the question of how much of a threat Russia was and how much an opportunity. Russian internal events mattered but tended to reinforce existing images of Russia,, which varied among countries and among different groups .

It seems that events in 2014 changed something rather fundamental in Russia's relations with different EU member countries. The trust that had existed between Russia and most EU member states suffered a blow which had not been seen in opinion polls since the fall of the Soviet Union or, indeed, since the Cold War. This trust, based on perceptions, beliefs, hopes and expectations, will take a long time to be restored. Some cause for optimism remains in the fact that the negativity from the side of the EU member states is much more focused towards the state, the state system and the current regime in Russia, than towards the population and Russia as a nation.

The impact of tensions between the EU and Russia at the people-to-people level

Natalia Evtikhevich

In discussions between experts from Russia and the EU there are often many areas of common interest discussed. Such discussions often include cooperation in science and technology, promoting regional and trans-border cooperation, and people-to-people contacts. In other words, both sides focus on the less political aspects of relations. However, in the last three years political tensions have had some negative impact on Russia-EU relations in education, culture, academic study, science and innovation, although not as bad an impact as first expected.

There is a tendency to politicise what should be non-political even when it serves as a vital bridge for maintaining contacts, especially in times of deep political crisis. This paper summarises the state of people-to-people relations between Russia and the EU, and makes recommendations as to how to improve the situation.

Student exchange and academic ties

In 2014 some experts were sure that sanctions would have negative impact on collaboration between EU and Russia in the field of education.¹⁰⁴

According to information from the Erasmus+ office in Russia, however, sanctions have not affected educational programmes. Cooperation between Russia and the EU goes on and the volume of credit mobility¹⁰⁵ has actually grown. In 2015, credit mobility among students and teachers from Russia to the EU stood at 1916 people per year and from the EU to Russia at 1238 people. In 2016, the numbers increased to 2187 and 1572 respectively. For the German Academic Exchange Service (DAAD), sanctions have not discouraged their activities in Russia. Indeed they plan

104 Sanctions against Russia hinder cooperation in higher education// Helsinki Times, November 4, 2014 <http://www.helsinkitimes.fi/finland/finland-news/domestic/12636-sanctions-against-russia-hinder-cooperation-in-higher-education.html>

105 Credit mobility can be defined as a limited period of study or traineeship abroad (in the framework of on-going studies at a home institution) for the purpose of gaining credits. After the mobility phase, students return to their home institution, where the credits are recognized and they complete their studies. Erasmus + International credit mobility, <https://www.erasmusplus.org.uk/file/838/download>

on hosting an international summer school on “Russian Studies and EU-Russia Relations” in 2017¹⁰⁶.

According to the head of the EU delegation to Russia, Vygaudas Usackas, “The European Union plans to strengthen cooperation with Russia in the spheres of science, culture, education and the arts”. In a 2016 interview, the EU envoy pointed out that the bloc spends almost 28 million euros to allow 3,500 Russian students to attend EU universities for periods ranging from three to nine months. According to Usackas, these efforts are the best example that the European Union “has always advocated respectful relations in these areas.”¹⁰⁷

It is in Russia’s interest to preserve and develop student and academic exchange with the EU, as the exchanges are a major part of the internationalisation programs of Russian universities that has been in the limelight in recent years. Granted, students from Asian countries have demonstrated a high level of interest in obtaining education in Russia and there is now a trend in Russia of inviting scholars from Asia, but such internationalisation programs should remain multipronged.

Science and innovation

The Russia-EU record in STI (Science and Technology Industries) cooperation is relatively stable, although Russia-EU tensions and sanctions imposed by the US and EU have influenced the rate of progress in this field of interaction.

Some new practical difficulties have emerged that had not existed before the crisis in mutual relations. Russian scientists and researchers have complained that it has become more difficult to publish articles in European journals. They have no access to foreign grants and scientific supports. The Institute of the Chemical Physics Problems of the Russian Academy of Science, in particular, received a number of refusals.¹⁰⁸ Some of the researchers link this to existing sanctions and an overall crisis in Russia-EU relations.

106 DAAD Summer School 2017, <http://beuc.petrso.ru/daad2017.html>

107 The European Union plans to strengthen cooperation with Russia in the sphere of science, culture, education and the arts, Vygaudas Usackas, the head of the EU delegation to Russia, said Wednesday. Sputnik, 20.04.2016 <https://sputniknews.com/europe/201604201038346324-envoy-cooperation-eu/>

108 Российским ученым отказывают в публикациях и грантах за границей//Известия, 12.09.2014 <http://izvestia.ru/news/576607>

The regime of sanctions also creates uncertainties for international investors, who are unwilling to invest in scientific R&D projects. There are examples of international companies stopping exports to Russia of scientific equipment crucial for conducting some types of research.¹⁰⁹

On the other hand, there are some positive examples. In spite of the political situation, the “EU-Russia Year of Science 2014” was launched. The goal of the project was to promote and encourage technological cooperation between Russia and the EU.

The Year of Science marked a new stage of cooperation and coincided with the start of the new EU Framework Programme for Research and Innovation, Horizon 2020, and a new Russian Federal Targeted Programme, “Research & Development in Priority Areas of Development of the Russian Scientific & Technological Complex, 2014-2020”. Both programmes share the goal of increasing economic competitiveness by supporting forward-looking exploratory science and innovative market-oriented research. The EU-Russia Agreement on Science and Technology Cooperation was renewed in February 2014 for another five-year term and serves as a solid basis for cooperation.¹¹⁰

Russia-EU STI cooperation has been effective in megaprojects.¹¹¹ Russia and the EU actively collaborate on a number of research infrastructure initiatives, including the EU X-ray Free-Electron Laser (XFEL) and the Facility for Antiproton and Ion Research (FAIR), the International Thermonuclear Experimental Reactor (ITER), and the European Organisation for Nuclear Research (CERN)¹¹².

109 Russian scientists squeezed by sanctions, Kremlin policies, Phys.org, January 20, 2015, <https://phys.org/news/2015-07-russian-scientists-sanctions-kremlin-policies.html> Russian sanctions hurt chemical industry, Chemistry World, November 13, 2014 <https://www.chemistryworld.com/news/russian-sanctions-hurt-chemical-industry-/7963.article>

110 EU-Russia Year of Science. 12 months of excellence and cooperation in science, higher education and innovation, http://www.bilat-rus.eu/_media/EU-Russia_YoS_2014_brochure_2nd_edition_15_Mar_2015.pdf

111 Kanevskiy P. A new stage of Russian-European relations through the lens of science, technology and innovation cooperation/2014-2015 Hurford next generation fellowship research papers <http://www.europeanleadershipnetwork.org/medialibrary/2016/08/01/888a5519/A%20new%20stage%20of%20Russian%20European%20relations%20through%20the%20lens%20of%20science%20technology%20and%20innovation%20cooperation%20Pavel%20Kanevskiy.pdf>

112 The Russian Federation and the European Union, Delegation of the European Union to Russia, 10.05.2016 (EU)https://eeas.europa.eu/delegations/russia/720/node/720_en

The majority of the megaprojects are in the area of physics. As discussed at a meeting on Russia-EU relations at the Russian International Affairs Council,¹¹³ there are several scientific centres in Russia which have developed wide contacts, cooperation and successful joint project working with European centres, among them the TsAGI (Central Aerohydrodynamic Institute) and the National Research Centre Kurchatov Institute. Russia and the EU cooperate on STI in the frameworks of Horizon 2020 projects, though the cooperation is limited in comparison with the previous framework programme.

One of the obstacles in the way of Russia-EU cooperation in STI is a lack of information on the activities of Russia and Russian research centres in this area. One initiative that has been launched by Rossotrudnichestvo (Federal Agency for CIS issues, expat compatriots and international humanitarian cooperation) to work out awareness-raising programs, and to try to facilitate contacts between Russian and European scientists.

Visa liberalisation

Student, academic and scientific exchanges themselves are not enough to improve the overall situation in Russia-EU relations and people-mobility in general. According to a European Parliament report, in the first nine months of 2015, Russians made 11 million trips to EU countries, 27% less than during the corresponding period a year earlier.¹¹⁴ The decline can be attributed to economic sanctions and the fact that a devalued ruble made travelling abroad too expensive for many Russians. However, as the statistics of 2015 and 2016 show, Russia is still the largest applicant for Schengen visas,¹¹⁵ with over 3 million applications per year.

One way to increase people-to-people contacts would be for the EU to liberalise its visa regime for Russian citizens. The dialogue between Russia and the EU on visa liberalisation was launched in 2006 and made some progress, but was suspended in 2014. The EU views a visa-free regime with Russia as a significant concession,

113 Negative trends in Russia-EU relations can be overcome, Russian International Affairs Council, 24.03.2016, http://russiancouncil.ru/en/inner/?id_4=7445#top-content

114 The EU's Russia policy. Five guiding principles, Briefing, October 2016 [http://www.europarl.europa.eu/RegData/etudes/BRIE/2016/589857/EPRS_BRI\(2016\)589857_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2016/589857/EPRS_BRI(2016)589857_EN.pdf).

115 Schengen visa info, <http://www.schengenvisainfo.com/schengen-visa-statistics-third-country-2015> <http://www.schengenvisainfo.com/schengen-visa-statistics-third-country-2016/>

even if the EU could also benefit from it through deepening the ties in the fields of education, academic study, science and innovation. Visa liberalisation is desirable, but is unlikely to happen in the short term due to the current political situation.

Opinion polls

Following the Ukraine crisis and the imposition of sanctions against Russia, the attitude of Russians toward the EU expressed in public opinion polls, has deteriorated. In 2014, the proportion of those with a positive view of the EU dropped dramatically and negative views shot upward. According to the Levada Center's opinion poll, published in October 2014, a majority of Russians (68%) expressed criticism and resentment against Europe. Only 16% Russians had a favourable view of the European Union.¹¹⁶ This poll also demonstrated a high increase in negative attitudes toward the EU compared with the pre-crisis period. For instance, the percentage of Russians who expressed strong negative sentiments toward Europe increased from 1% in January 2014 to 16% in September 2016.

According to another survey from the same period, conducted by the Independent Research Agency, in April 2014 EU policy towards Russia was supported by just 11% of respondents. Most Russians viewed European policy as unacceptable and the poll showed 45% of Russian respondents expressing a negative view of Europe.¹¹⁷

Finally, a survey funded by NORC at the University of Chicago and conducted in November-December 2014, showed that Russian public opinion of the European Union had declined sharply since 2012 and that nearly half of Russians had an unfavourable view of the European Union (49%). The majority of Russians saw the European Union as an adversary. However, a significant majority maintained that Russia should try to cooperate with and improve relations with specific European countries. Russian respondents are, however, divided when it comes to Western European countries. More Russians express negative attitudes about the United Kingdom (31% unfavourable vs. 18% favourable) and Germany (30% unfavourable vs. 20% favourable). Opinion was almost evenly split on France (26% favourable vs. 23% unfavourable).¹¹⁸

116 Россияне против всех, Левада центр, 03.10.2014 <http://www.levada.ru/2014/10/03/rossiyane-protiv-vsesh/>

117 Independent Research Agency, <http://www.bashkirova-partners.ru/news/results/evropejskij-soyuz-v-zerkale-rossijskogo-obshhestvennogo-mneniya.html>

118 Public Opinion in Russia: Russians' Attitudes on Foreign Affairs and Social Issues, NORC Center for Public Affairs Research <http://www.apnorc.org/projects/Pages/HTML%20Reports/public-opinion-in-russia-russians-attitudes-on-foreign-affairs-and-social-issues0401-6253.aspx>.

At the beginning of 2015, nearly 71% of respondents still demonstrated an unfavourable attitude towards the EU.¹¹⁹ However, the Levada Center found that Russians were beginning to have more flexible views about their European partners, or, at least, the percentage of negative views had stopped rising.¹²⁰ In early 2016, views of the EU had actually improved somewhat. 28% of Russians voiced a favourable opinion of the EU, whereas in 2014, as referred to above, just 16% expressed favourable sentiments¹²¹. However, negative attitudes remained predominant overall. In late 2016, 58% of respondents answered that they have, in general, 'bad' and 'very bad' attitudes towards the EU.¹²²

There has been similar concern about the possibility of a new Cold war. In particular, recent polls showed 31% of Russians concerned about increasing tensions between Russia and the West. Moreover, according to polls conducted in November 2014, nearly 25% of respondents were convinced that Russia was actually at war with Western powers.¹²³

In 2015 another Russian sociological pollster, Public Opinion Fund, conducted a survey about Russian-European relations. It demonstrated that 43% of Russians polled believed that the EU did not want to cooperate with Russia, whereas 37% held the opposite opinion.¹²⁴ In their next opinion poll conducted in 2016, 73% of respondents believed that Russia-EU relations had deteriorated. However, the majority of Russians supported the view that Russia should aim to have good relations and fruitful dialogue with Europe. The poll results suggested that Russians also believed the state should make some effort to improve its relationship with the EU.¹²⁵

The Levada Centre conducted an opinion poll from 31 March to 3 April 2017 on the issue of Russia's perception of the world. The results of this survey showed that in 2017 Russians' views of the EU had improved. In March 2017, 35% of Russians voiced a favourable opinion of the EU, while in May 2016, just 25% of participants expressed the same sentiment. However, in 2017, a majority of Russians, some

119 Международные отношения, Левада центр, 09.02.2015 <http://www.levada.ru/2015/02/09/mezhdunarodnye-otnosheniya/>

120 Мониторинг отношения россиян к другим странам: сентябрь, Левада центр, 22.09.2015 <http://www.levada.ru/2015/09/22/monitoring-otnosheniya-rossiyan-k-drugim-stranam-sentyabr/>

121 Власть меняет курс в сторону Запада, Левада центр, 07.04.2016, <http://www.levada.ru/2016/04/07/vlast-menyaet-kurs-v-storonu-zapada/>

122 Международные отношения, Левада центр, 19.10.2016, <http://www.levada.ru/2016/10/19/mezhdunarodnye-otnosheniya-3/>

123 Пресс-выпуск 2726, ВЦИОМ, 01.12.2014, <https://wciom.ru/index.php?id=236&uid=115071>

124 Россия и Европа: вектор отношений, ФОМ, 05.08.2015, <http://fom.ru/Mir/12265>

125 Россия и Европа: характер отношений, ФОМ, 15.02.2016 <http://fom.ru/Mir/12522>

53%, still demonstrated an unfavourable attitude towards the EU, albeit this is less of a majority than in May 2016.¹²⁶

Expert level

Regrettably, the Ukraine and Russia-West crises also influence expert-level dialogue. The key mission of this dialogue is to try and reach consensus and to produce recommendations to respective governments on how to improve relations. International encounters between pundits often descend into mutual accusation, and propaganda is very frequently employed rather than agreed facts established by research and deep, unbiased analysis. There is an urgent need to resume constructive dialogue and a joint search for solutions to the challenges facing the global community, or a new *modus vivendi*.

Although Russian and Western experts may differ on their interpretation of events and codes of behaviour, they need to reach consensus on basic principles and establish a common denominator in their approaches to dealing with the Russia-West controversy.

Academics and analysts often complain that decision-makers pay scant attention to their recommendations. What is needed to make research more systematic, covering broader groups of problems, are more frequent, formal contacts between research centres, institutes and think tanks in Russia and the EU, rather than informal links between individual researchers. Recommendations arising from joint working among such institutions would be more persuasive and influential in the long run. Decision makers tend to respond to current events and rarely have time to act with the relatively distant future in mind. For that reason, the focus of research must be on how to offer a longer-term perspective to the decision makers

In the recent foreign policy documents, EU Global Strategy and the Foreign Policy Concept of the Russian Federation, both Russia and the EU supported greater engagement of civil society and people-to-people contacts and called for developments in this dimension.

One example of such institutional cooperation is a network of Russia-EU think-tanks launched by the Russian International Affairs Council and the Delegation of

126 Россия и мир, Левада-центр, 10.04.2017, <http://www.levada.ru/2017/04/10/rossiya-i-mir-3/>

the European Union in 2016.¹²⁷ The objectives of the network are strengthening the basis for longer-term engagement between the EU and Russia, promoting professional exchange among experts from the EU and Russia, influencing decision-making processes and making experts better aware of opinion across the region. The network will continue its work throughout 2017-2018 and, hopefully, will make a difference in maintaining dialogue on the Track 2 level and working out recommendations for decision-makers in Russia and the EU. The creation of effective dialogue formats at all levels, starting from civil society and people-to-people levels and, from those, to the highest political levels, would contribute to a more transparent, and predictable relationship.

Conclusions and recommendations

Overall, limited results on the people-to-people level could be viewed as being a mixed bag. In the period of crisis in Russia-EU relations, sanctions, distrust and unpredictability, the people-to-people dimension has suffered less than have political and security relations and cooperation in the economic field. Nevertheless, the people-to-people dimension has been influenced by the overall atmosphere in international relations and has been increasingly politicised, although supposed to be non-political in nature. There have been some negative and disappointing examples: for instance, the 2014 bilateral Russia-UK and UK-Russia Year of Culture lacked any high level visits; the “New Wave” music festival, popular among Russians, was relocated from Jurmala in Latvia to Sochi because of Latvia’s entry restrictions on some participants.

In view of the various aspects described above, both sides should take the following steps to overcome these unhealthy trends:

- End mutually hostile rhetoric at international expert-level forums and resume dialogue in search of common solutions;
- Initiate and maintain cooperation between think tanks and scientific centres on an institutional, formal level, rather than rely on informal links among selected experts and scientists and increase the regularity and frequency of joint research and projects;
- Initiate joint studies to analyse long-term perspectives for relations between Russia and the West;

127 Евтихевич Н. Острые углы треугольника Россия-ЕС-США, Российский совет по международным делам, 10.02.2017, http://russiancouncil.ru/inner/?id_4=8687#top-content

- Focus on the education of the younger generation about and toward the idea of building a common system of Euro-Atlantic security. A positive mentality can be built by embedding tolerance of our diverse world and an understanding of the possibility of achieving global stability by diplomacy, rather than by war, aggression and ethnic conflict;
- Promote exchange programs for students and researchers, in order to counter mutual mistrust and misunderstanding;
- Establish groups of young experts to analyse the current crisis and Russia-West relations, investing thereby in the future of their relationship. One such group, the Younger Generation Leadership Network (YGLN), instituted as a result of cooperation among the Russian International Affairs Council, the Nuclear Threat Initiative and the European Leadership Network, is engaged in joint preparation of policy briefs which reflect the views of young experts and incorporate recommendations for action;
- Use social media to create a positive image of Russia in the EU and of the EU in Russia, highlighting not only negative information, but also positive news; and
- Ease visa regimes, or, at the very least, aim to do so in the longer term.

None of these steps is likely to lead to a dramatic change and rapid improvement in EU-Russia relations, but they make more sense than simply hoping for some magic, grand bargain to resolve all tensions. Russia and the EU share plenty of common interests and the same geographic space; adopting the policies and the small, but practical, steps suggested above would mark the beginning of efforts to improve the current situation.

Conclusions

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When Federica Mogherini, the EU's High Representative, visited Moscow for the first time in April 2017, she and the Russian Minister of Foreign Affairs Sergey Lavrov were able to list some positive examples of contacts and sectoral cooperation based on a "pragmatic assessment of our respective interests".¹²⁸ But, Mogherini added, it would be "quite surreal" to consider each other strategic partners while having respective sanctions regimes in place. It would be similarly surreal to draw the same conclusion from the thoughtful contributions assembled in this collection.

What began in 2013/2014 as a geopolitical dispute with an ideological aspect quickly became an ideological dispute with a number of concerning geopolitical aspects. Both sides are convinced that their approach is correct and will prevail in the end. The situation three years later does not resemble a temporary crisis between two strategic partners, but rather an emerging "new normal" between two opponents.

This new normal does, however, differ quite significantly from the old normal that defined the Cold War. Globalisation and hyper-connectivity between people, powered by new technologies, means that people-to-people contacts and economic links are sustained at a level that would be difficult to imagine for most 20th century adversaries.

Both chapters on the economic impact of strained relations, as well as Natalia Evtikhevich's perspective on people-to-people relations, demonstrate that, for some areas, the general deterioration in EU-Russia relations has been manageable. In particular it would appear that sanctions have had no decisive economic impact on either side, despite predictions. Both sides have successfully found ways to circumvent sanctions or moved to alternative markets, which for the EU in particular has arguably resulted in more efficiency for some sectors and some Member States. For Russia it has been low oil prices that have been the primary downward pressure on the economy, not EU or wider Western sanctions, although neither side's sanctions can be described as wide-ranging. The EU remains, despite sanctions and broader political problems, Russia's leading trade partner and principal foreign investor in the Russian economy.

128 See - https://eeas.europa.eu/delegations/cameroon/24982/remarks-hrvp-mogherini-joint-press-conference-foreign-minister-russian-federation-sergey_en

While relations between the EU and Russia have been sustained in some areas, there are worrying and significant areas of decline that have characterised this new normal. These developments have had and will continue to have a highly corrosive effect on relations bilaterally and in the wider European space and, most importantly, will complicate any attempts to improve the broader Russia-West relationship.

Firstly, at the political level, both Russia and the EU increasingly identify themselves ideologically in opposition to the other. In Russia, as described by Pavel Kanevskiy, the old ideas of Moscow's distinct historical path and its devotion to 'original' conservative values have been molded into a new symbolic order, distinct from the ideas embodied by the EU. From a European perspective Joseph Dobbs shows how the leaders of the European Union and most of its member states are now openly contrasting their own devotion to a set of 'European values' with Russia's model of illiberal democracy. Connection to the other side is increasingly viewed with political suspicion: 'Russian-friendly' has become a negative epithet in the Western political discourse the same way 'pro-European' is in Russia.

Secondly, with regard to public perception of the other, it seems that a fundamental change took place in 2014. Chapters by Hanna Smith and Natalia Evtikhevich document the dramatic surge in negative assessments of the other side and the sharp drop in terms of trust. It is important to note that, on the EU side, these trends are also visible in countries whose populations have been traditionally considered as more positive towards Russia, including Germany. While the poll numbers appear to have improved in recent months, the prevailing attitudes of European and Russian publics towards each other are estrangement and mistrust.

Thirdly, Ukraine and other common neighbourhood countries continue to suffer from the consequences of the crisis. Beyond the direct costs of fighting in Ukraine and the economic consequences of the introduction of sanctions, Samuel Charap and David Cadier draw attention in their chapter to the way in which the competition between the Russian and EU clashing visions for the common neighbourhood allows these countries' leaderships and elites to play one party against the other, with maintenance of power taking precedence over reducing the dysfunctionalities of the states in question.

The consequences of the developments over the 2014-17 period, and especially the three aspects described in this collection of essays, need to be fully grasped and internalised, especially by decision-makers. The authors in this special report have outlined many of the costs of the breakdown in EU-Russia relations, for both sides, but policy-makers need to also be aware of the significant opportunity costs associated with the current tensions. Both sides will look back on recent history and

note with regret the many ways in which both sides could have worked together on many pressing global issues.

Those charged with managing EU-Russia relations need also be aware that the longer tensions continue the more institutionalised this crisis will become. The contributors to this special report express their conviction that Russia and the EU still form part of the same political space and their hope that relations can be improved, this seems increasingly difficult to conceive in the present circumstances.

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