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**Beyond Satisfaction:
Russia's Perspectives
on European Integration**

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Beyond Satisfaction: Russia's Perspectives on European Integration

To the Reader

"Devising an EU strategy for relations with the new Russia is a challenge. It calls for a complete break with the perceptions inherited from the Cold War. At the same time it must be remembered that Russia, in spite of its current difficulties and the uncertainties of transition, remains a great power in both political and military terms. It would be a fundamental error to underestimate it.... The West in general, and the EU in particular, react to events in Russia rather than trying to anticipate them. The Western countries have always been fascinated by Russia but at the same time they do not know how to behave toward this country which is both very European and very Asian."¹

In my view, the given abstract from a European Parliament report is amazingly accurate and instructive in reflecting the state of affairs of the EU-Russia relations.

Much is said and written on this subject,² yet it is short of being exhausted. First, the bilateral relations primarily concern trade or technical assistance, thus many publications are mainly of a technical or descriptive character. Second, most of the writing concentrates on the EU perception of Russia,

¹ Report on the Commission Communication entitled 'The future of relations between the European Union and Russia' and the action plan 'The European Union and Russia: the future relationship'. Rapporteur: Mrs. Catherine Lalumière. 12 February 1998. A4-0060/98.

² See the selected references attached to the paper.

rather than *vice versa*. Last, much of the paperwork is sooner an exercise in political correctness, than a sober expertise. One could feel an apparent need for better comprehension of how the Russians themselves perceive the historic endeavour of European integration.

Sir Winston Churchill once pronounced a phrase which has been widely quoted ever since: "I cannot forecast you the action of Russia. It is a riddle wrapped in a mystery inside an enigma." Regretfully, its final part is often forgotten: "But perhaps there is a key. That key is Russian self-interest."³ This, in my view, should be a guiding sign for all pundits of the Russian policy.

Short as it is, this paper does not claim to offer an exhaustive analysis of the Russian attitudes toward the EU and the integration process. Following Churchill's advice, I will seek to emphasise a few points that, in my view, are essential for comprehension of the subject. This genuine attempt aims to make the Russian moves and intentions understandable (not necessarily acceptable) to an external observer. I view it as a decent and necessary step to bridge the gap between the European and Russian perceptions. This is my aspiration behind this paper.

The Story of Shared Affection

An instant observation would be that Russia is apparently very fond of the European Union and the process of European Integration. The Russian leaders and media present the EU exclusively in a favourable light and admit its essential role in European affairs and the world trade. According to an official Russian statement, "our country has made a strategic choice in favour of integration into the world community and, in the first instance, with the European Union".⁴ There is also some speculation about whether

³ Churchill's comment on Russian-German Pact of 1939.

⁴ Boris Yeltsin's speech delivered on the occasion of the signing of the Agreement on Partnership and Cooperation by the European Union and Russian Federation, Corfu, 24 June 1994.

the EU experience could serve as a pattern in rebuilding the former Soviet space. The political admiration of the EU policies represents a clear contrast to the Russian attitudes toward another major institution in Europe - NATO, which is still met with continuous mistrust and annoyance. Until recently Russia persistently underlined the difference between the two institutions and publicly demonstrated contrasting positions on their respective plans to enlarge eastwards. This positiveness of the attitude toward the EU manifests itself at all levels: in Russian political parlance, in the media, in the easiness with which the Lower Chamber of the Russian Parliament - the State Duma - ratified the PCA and in the grateful acknowledgement of economic assistance within Tacis. Russian politicians even went as far as to explicitly suggest an idea that at a certain stage Russia might join the European Union.⁵ Even though it looked highly unrealistic, the EU was apparently puzzled by such statements and kept wondering what the enigmatic Russians might be up to. It gave rise to many speculations about whether the Russians really understood what the EU is and about what their real attitude toward the whole process is.

Indeed, while Russia's attitude toward European integration is still rather positive, the overall picture is much more complex and needs further reflection. There are various problems lurking behind, and no sort of political change can be excluded under the horrifying crisis into which the country has now plunged itself. Russia has always lacked the vision of what it would like to get from the EU; now it is on the cross-roads.

It is virtually impossible to find an official Russian document defining the country's policy vis-à-vis European integration and its politics. As a substitute, I propose to refer to Primakov's speech at the EU-Russia Cooperation Council in Brussels on January 27th, 1998. From this document we can deduce the following guidelines in contemporary Russian policy with regard to the EU:

⁵ First it was expressed by the President Yeltsin sometime in the Autumn 1996, then it was repeated by the Prime Minister Viktor Chernomyrdin during his visit to Brussels, July 1997.

- 1) The overall aim of Russia's policy is to seek establishment of an all-European economic space without barriers between the two biggest integration projects - the CIS and the EU.
- 2) Russia strongly advocates its acknowledgement as a «market economy» as a means to minimise the EU anti-dumping measures that cause a heavy loss of profits and undermine future cooperation.
- 3) Russia shall concentrate on the implementation of the PCA, especially regarding its economic provisions. Some specific issues shall be given priority, e.g. President Yeltsin's initiative on managers' training, cooperation with the EU in the field of combatting organised crime, drug trafficking and money laundering.

The wording is as positive as ever, nevertheless, certain points require attention. First of all, Russia will become more reserved toward the EU enlargement. From now on, diplomatically speaking, Russia shall "carefully follow" the process of EU enlargement. The Cooperation Council proposed regular consultations between the two sides to relieve potential concerns about access of Russian exporters to the CEE markets. One could observe the growing Russian discontent and anxiety that EU enlargement will hurt the commercial interests of the third parties, that Russia might need "compensation" for the anticipated losses arising from the introduction of the *Euro*. Now that the Founding Act with NATO has been signed, the political necessity to juxtapose the "military" NATO and "economic" EU is substantially diminished. The recent economic and political crisis in Russia has called into question the entire strategy of the reforms. Only yesterday, Russia hailed the EU without questioning its worth, today Russia is divided in its assessments of gains and losses. The future is vague and highly questionable. At best, I could predict a much more sober attitude toward the EU and its lessons.

Politics, in my view, is always a combination of a variety of factors like pragmatics and emotions, interests and past legacies. So let us go beyond the rhetoric and face the reality of Russia's perspectives on the EU. For analytical purposes I propose to differentiate between two dimensions in

the Russia-EU relationship.

The first one reflects the obvious fact that the Russia-EU relationship primarily concerns trade and other issues of commercial importance. It is important to understand what it means for Russia to have the EU as a major trade partner and what stands beyond the impressive figures. The second dimension is primarily political and concerns Russian feelings and expectations underpinning their relations with Europe and the EU as its main institution.

The Topsy-Turvy Nature of Economic Realities

There are a number of well-known facts about Russian relations with the EU which are often cited. It became common to report that the European Union is "by far Russia's largest trading partner". Indeed, the EU receives 40% of Russian exports and provides 38% of its imports, as compared to 5% of Russian external trade turn-over with the US.⁶ As expected, the Russian imports to the EU will exceed 50% after the EU has enlarged eastwards. The EU exports to Russia are annually growing by 10%. The EU exports to Russia (ecu 23bn)⁷ are bigger than those to China (ecu 13bn) and approach those to Japan (ecu 27bn), which is the second trade partner of the EU. Two thirds of the enterprises with Russian participation are located in the EU. It is easy to continue further recording the achievements, though this might be seriously misleading.

No doubt, the EU is one of Russia's most important commercial partners, yet some Russian economists are not particularly happy about the dynamics in bilateral relations. They note that Russian trade with the EU is of an asymmetric character and this has a negative effect on the future development of Russia. Let us follow their logic and have a closer look at the bilat-

⁶ These figures could be found in all official briefings and public statements.

⁷ Russia ranks sixth in terms of EU imports and fifth as regards EU exports.

eral trade relations.⁸

1. The pattern of trade is unsatisfactory. One third of the Russian exports to the EU comprises raw materials and minerals (mostly natural gas and oil), another third is metal and wood products. On the other hand, one third of the Russian imports originating from the EU comes to the country for consumption purposes. One argues that if Russia continues to develop this way it will have no future. The country is just «eating» its natural resources while killing the economic growth and domestic manufacturers. All other problems reveal more specific symptoms of the same disease.
2. The goods nomenclature is narrowing. Even the previewed quotas are not fulfilled by Russia (for instance, the agreed steel quota has been covered only for 80%).
3. There was a 20% increase in exports in 1995 and only 8% in 1996. Import growth slowed to 12% in 1996 from 24% in 1995.⁹
4. The balance of the turn-over is still positive, but the tendency is toward a continuous decrease. The logical inference is that Russia risks having a negative balance in its foreign trade. Given the problems of collecting tax revenues, how will the government finance its currency debts and the crumbling budget?

If the premises are correct, the overall conclusion is rather pessimistic. The structure and proportions of trade between the sides are not promising and well below the expectations of the Russian side who aimed to achieve the pattern of trade between developed countries that is based on products of

⁸ Interviews at the RF Representation by the EU and DGIA of the European Commission, Brussels, July 1998. See also: Y. Borko, 'The New Intra-European Relations and Russia' in M. Maresceau (ed.), *Enlarging the European union*. London: Longman, 1997, pp. 385-6.

⁹ 'Europe, Russia and the World Trading System'. Speech given by Sir Leon Brittain, Vice-President of the European Commission to the Duma of the Russian Federation, Moscow, Tuesday 17th July 1997.

high added value. The asymmetry in trade is exacerbated by the continuous slowdown in the inflow of foreign direct investment (FDI). With the deepening of the current financial crisis this picture looks much gloomier.

The Partnership and Cooperation Agreement

Today the bilateral relations are structured in the form of the Agreement on Partnership and Cooperation (PCA)¹⁰. Concluded in Corfu in June 1994 after eight rounds of tough negotiations and duly ratified, it came into force in December 1997¹¹.

As usual, let us start by reporting the achievements. The PCA is one of the most detailed and advanced documents with a western institution ever signed. It provides the legal and political framework for the relationship between the EU and Russia. The document comprises 112 articles, ten annexes, two protocols and a number of joint declarations, unilateral declarations and correspondence¹². As stated in the Art. 1, the agreement *inter alia* aims "to promote trade and investment and harmonious economic relations between the Parties", "to support Russian efforts to consolidate its democracy and to develop its economy and to complete the transition to a market economy", "to provide an appropriate framework for the gradual integration between Russia and a wider area of cooperation in Europe", "to create the necessary conditions for the future establishment of a free trade area between the Community and Russia covering substantially all trade in goods between them, as well as conditions for bringing about freedom of establishment of companies, of cross-border trade in services and of capital movements" and many other very positive goals.¹³ In terms of liberalisation

¹⁰ For the text of the PCA see: COM (94) 257 final.

¹¹ In the meantime, the Interim Agreement signed in July 1995 which came into force in February 1996 was operational. For its text see: OJ L 247/1 (1995).

¹² For an initial EU analysis of the PCA see: What is the Partnership and Cooperation Agreement? A Short Guide to the Agreement on Partnership and Cooperation Signed in Corfu on 24th of June by the European Union and Russian Federation. DG IA. International Symposium, Moscow, Nov. 1994.

¹³ Art. 1, PCA.

of trade, the PCA confirmed the MNF (Most Favoured Nation) status for Russia that had been originally granted to the Soviet Union under the 1989 Agreement on Trade and Commercial Economic Cooperation (TCA). Furthermore, the EU opened for Russia access to the GSP (Generalised System of Preferences) regime which offers tariff reductions for certain types of goods. This enumeration is again rather impressive, yet it is useful to check its substance and relevance.

First, the basic fact that Russia primarily exports its natural resources leads us to a regretful conclusion. If this pattern of trade between the sides continues (and the current tendency unfortunately supports this assumption), then Russia shall not need any agreement at all. These types of goods are not subject for any levies under the Community legislation. For instance, even disregarding the GSP, 83% of imports from Russia to the EU are free.¹⁴

Second, there has long been a declared Russian government intent to join the WTO. Given that the PCA trade provisions are based on the GATT/WTO requirements, the realisation of this intent will make many parts of the PCA obsolete. For the sake of truth, under the current crisis and the change of government, this perspective seems extremely unlikely.

Third, the arrangements for the so-called "sensitive products" are only partially sorted out. The specific agreement on the steel regime was signed in October 1997. Yet, as mentioned earlier, Russia is not able to fill the quota. After a long controversy over carpet quotas in March 1998, an arrangement on textiles was reached¹⁵. However, it does not leave much possibility for the revival of local manufacturers. Now the textile production is five times

¹⁴ D1A paper entitled "Toward greater economic integration. The European Union's financial assistance and investments for the New Independent States" (Sept. 1996).

¹⁵ The previous agreement on trade in textile products between the European Community and Russian Federation was concluded in the form of an Exchange of Letters was concluded on 19 December 1995 and expired on 31 December 1996. The new agreement between the sides has been initialled on 28 March 1998 and provided for elimination of quantitative restrictions for an agreed list of products, see the Commission Regulation (EC) No 729/98 of 31 March 1998.

as low as that of 1990 and the country now is a net importer of textiles. There are debates over access to the Trans-Siberian air corridor where the Russian air carriers, unable to compete with European companies, are steadily losing passengers. Another classical subject is the Russian export of fusil materials. This was, along with some banking sector regulations, one of the main obstacles that had delayed the signing of the EU-RF PCA. The agreement on fusil materials was originally expected to be reached before January, 1st 1997, yet it is still pending. The official EU position is based on the provisions of the Euratom Treaty and advocates the necessity to avoid an "excessive dependency" on a given importer. The Russian side does not consider these motivations satisfactory and is trying to get access to this profitable market.

Additionally, the PCA lies rather low in the EU hierarchy of international agreements. It is less preferential than the arrangements with the ACP (African, Caribbean and Pacific) countries¹⁶, not to mention the Association agreements with CEE countries¹⁷. It clearly reflects the differentiated approach of the EU toward the former Socialist block and in some respects contradicts the honeyed words about the "strategic partners for peace, stability, freedom and prosperity in Europe" who "share a responsibility for the future of the continent and beyond"¹⁸.

Last but not least, one of the key elements of the PCA is the "FTA rendez-vous clause". It implies that by the end of 1998 the sides will have started consultations concerning the establishment of the Free Trade Area between Russia and the EU. An FTA was provided under "Europe agreements" and missing in the PCA with NIS. Initially, there was a strong Russian intention to overcome this differentiation embedded in the EU treatment. Now with the world turned upside down, the creation of an FTA with the EU seems unrealistic and not even desirable for the Russian side. The export and im-

¹⁶ Lomé Agreements.

¹⁷ Europe agreements.

¹⁸ Press Release (Pres/98/15) of the first meeting of the Cooperation Council between the EU and the Russian Federation, Brussels, 27 January 1998.

port levies give the Russian government 35% of the budget income. Given the fact that the EU share is about 40% of the Russian external trade and considering that under the WTO rules the average level of external duties may not be increased, the creation of an FTA between the EU and Russia will inevitably cause a severe cut in customs duties and, subsequently, in budget earnings. The budgetary losses estimated at 14% are not acceptable and, under the current conditions, simply not affordable. This economic reality makes one of the underlying provisions of the Agreement irrelevant.

If we assume that Russia's original objective in the negotiations with the EU was to agree on terms equal to those offered by the EU to the CEE countries under the Europe Agreements, it could be argued that the Russian Federation has clearly failed. As some of the scholars rightfully note, the current PCA does little more than extend GATT/WTO rules to Russia, which is not a member, whereas the EAs provide for full economic integration.¹⁹ The pre-accession strategies pursued in the applicant countries contribute to the widening and deepening of this differentiation in treatment. There is no consensus in Russia as to where to develop economically provided that it is viable. In this respect, the PCA's potential for further update is unclear. The establishment of an FTA between Russia and the EU, as well as Russia's accession to the WTO, looks unlikely. The tendency toward growing differentiation between Russia and the rest of Europe entails a risk of "normative divide", and heightening feelings of isolation in Russia. As a result, the conflicting images - the European one of Russia as not pushing for the reforms, and the Russian one of the EU as discriminating Russia - will serve the function of a self-fulfilling prophecy. This brings us back to the cold ages of divided Europe.

Anti-dumping

Another controversial problem about Russian relations with the EU has al-

¹⁹ B. Ardy, 'Economic Relations between the European Union and Central and Eastern Europe: The effect of trade preferences on the Russian Federation'. Paper presented at the conference 'Ten Years of Cooperation: the European Union and Russia in perspective', St. Petersburg, 5-6 June 1998.

ways been the anti-dumping measures initiated by the European Commission against key items of Russian exports, such as is well known, for example, art. 113(1) EEC provides for the exclusive powers for the Community with regard to the commercial policy (CCP). The EU rules in this field are based on the GATT Subsidies Code, which postulates that "a product shall be considered to have been dumped if its export price to the Community is less than the normal value of the product"²⁰. The concept of the normal value is a core principle for anti-dumping evaluations and understood as "the comparable price actually paid or payable in the ordinary course of trade for the like product intended for consumption in the exporting country or country of origin"²¹. In the event of a *state-trading country* (as was the case with the USSR) the "normal value" can not be objectively assessed and there arises a problem of "price-comparability"²², when an analogue country should be arbitrarily defined, the point which leads to an alleged discrimination against Soviet/Russian products.

In spite of the official references to the Russian Federation as an "economy in transition", which is also reflected in the PCA, the country has been legally treated as "a non-market economy", preserving the discriminatory import regime on Russian products²³. In April 1998 the number of anti-dumping procedures in the Russia-EU trade amounted to fourteen. The direct losses (lost profits) are estimated by the Russian side at ecu 220mn.²⁴ Anti-dumping relates only to 1% of Russian exports, but it comprises 10% of the manufactured goods. Thus it is much more important than the general figures and it has negative effects on the development of the relations (indirect risks).

²⁰ Art. 2(2) Council Regulation (EEC) 2176/84.

²¹ Art. 2(3) Council Regulation (EEC) 2176/84.

²² F. Jacobs, 'Anti-dumping procedures with regard to imports from Eastern Europe' in M. Maresceau (ed.), *The Political and Legal Framework of Trade Relations between the European Community and Eastern Europe*. Dordrecht: Kluwer, 1989, pp. 291-308.

²³ See for instance the XVIth Annual Report from the Commission to the European Parliament on the Community's anti-dumping and anti-subsidy activities.

Russia and EU assistance

There are three major types of assistance provided by the EU and aimed to facilitate the reform process in Russia. These are humanitarian and food aid, technical assistance, as well as credits and credit guarantees. The assistance that commands most of the attention is the EU Tacis initiative²⁵ which is generally presented as "an unmatched technical assistance program"²⁶ offered to Russia to support the transition process. Between 1991 and 1995, a sum of ecu 2290 mn was allocated within a series of project initiatives (human resources development, restructuring of enterprises, transport and telecommunication infrastructures, energy and environmental protection, food production and distribution)²⁷. It is much lower, however, as compared with the technical assistance provided for the CEECs. The Phare budget amounts to over ecu 1bn and that of Tacis is ecu 0,5bn. Thus, the non-repayable aid per capita received during the period of 1991-95 under Phare was ecu 54,3 in the Czech Republic, ecu 52,3 in Bulgaria, ecu 27,6 in Poland. Conversely, during the period of 1991-94, Russia received only ecu 5,4 per capita.²⁸ This makes a five- to tenfold difference in the concentration of aid between Russia and its former allies within COMECON.

In spite of its benevolent intentions, the Tacis program soon became an easy scapegoat for criticism from various perspectives. First, as inadequate to meet the challenges of the transformation process in such a huge country

²⁴ Author's interview in the Russian representation by the EU, Brussels, July 1998.

²⁵ Initially, a "technical assistance for the CIS countries and Mongolia" (TACIS), now it is the Community initiative for the New Independent States and Mongolia (Tacis).

²⁶ Ottokar Hahn, the EU Ambassador to Russia, in his speech at a conference "Ten Years of Cooperation: the European Union and Russia in perspective", St. Petersburg, 5-6 June 1998.

²⁷ Mrs. Lalumière's Report. Op.cit.

²⁸ J. Gower and B. Ardy, 'The European union and Russia. Partnership and Cooperation: A Comparison with Policy toward Central Europe.' Paper presented at the conference 'Forty Years after the Rome Treaties: European Integration and Russia', St. Petersburg 6-7 June, 1997.

as Russia. Second, for its complicated bureaucracy and shortcomings in implementation. Third, for the ineffective use of the allocated funds, whereas about 10% go as kickbacks and the bulk of the earnings feed into the pockets of foreign consultants²⁹. The European Parliament report notes that "the cooperation and aid policy geared to promote a Western market economy has recently come up against severe criticism in Russia. The reasons have to do with the general mentality: citizens of a great power which not so long ago was promoting world revolution consider it humiliating to be the recipients of aid. Moreover, practical experience in the way in which the market economy operates in Russia is perceived to be unfavourable by most of the population: goods are available, but there is no money to buy them. Now that the socialist system of controls has broken down, the ordinary citizen is faced with a precarious social and economic situation and insecurity stemming from crime. The people believe these phenomena to be the consequences of capitulation to market forces and Western control. Given, in addition, that many Western aid operations have failed, the attitude to the West has become less friendly."³⁰

Since the summer of 1998, the situation has become less promising for the improvement of the EU image and the relationship between the parties. The Russian government defaulted on internal debts which caused heavy losses for foreign investors. Further default by the country on its external debts is still anticipated. The population lost about two thirds of its income through the devaluation of the Ruble and inflation. The overwhelming crisis questions the basics of the economic strategy applied during recent years. The dilemma is whether Russia should continue its integration into the world

²⁹ 'Die unbedarfte Helfer', Spiegel 38/98 of 14.09.1998.

³⁰ Mrs. Lalumière's Report. Op.cit. Compare it with the findings of the Ogilvy's Report on Information Dissemination of Tacis (Agriculture and Food Sector in St. Petersburg Region, 1995): 'An overwhelming majority of those surveyed (nearly 80%) believe that contacts between Russia and the west should be on the basis of "mutually advantageous cooperation". Aid and assistance programmes attract very low support (about 6% each). In essence this could be taken to indicate that Russians would like to trade their way out of their current situation. Nearly 50% of the sample believe that aid is unnecessary". Ogilvy Adams. Interim Report, January 1995.

economy and further implement the Western/European principles or whether it should follow its own way, i.e., close the borders and concentrate on its own interests defined as a protectionist support for local Russian industry and Russian manufacturers. The question, although it has enormous economic consequences, is primarily political. This is the second part of my analysis.

EU the unrespected giant

When transferring our attention from economics to politics it is useful to put the given subject into a broader context. Subsequently, a basic question arises: where does the EU and its integration policy stand within Russia's policy priorities?

The profound shocks and upheavals of *Perestroika* have affected both domestic and foreign policy and the identification of priorities. The elite and the general public are divided on virtually all issues. The dominant anxieties include concerns about the ways to maintain the territorial integrity of the country and to control regional separatism, and how to overcome the deepening financial and political crises that seriously endanger the country's future. Under these conditions, any of the international issues are understandably given secondary importance. The 1998 economic and political crisis - the collapse of the major banks and the local currency, the jump in inflation, comparable only to the early 1990s - nearly deprives any other issue of genuine attention. Today, when the very survival of the political and economic system in its current form is at stake, the time is simply not right for anything else. Even from the technical point of view, the prolonged government crisis and confusing changes in its structure³¹ do not provide viable footing to formulate a state policy. Even before the recent shocks, not much attention had been given to the EU and the process of European integration. If we follow the Duma debate, the speeches of Presi-

³¹ For instance, the Ministry of External Economic Relations responsible for the economic cooperation with the EU has once been dissolved, then it was re-established again.

dent Yeltsin, statements by Minister Primakov, we can observe that the EU and the integration process in Europe is hardly mentioned.

The list of priorities is certainly arbitrary. In my view, it could be described as a limited number of issues rotating around in a carrousel. Among those one could find the relationship with Ukraine and Belorussia, the unrest in Caucasus and the Caspian Oil, the Russian communities in the Baltics, Tadjikistan, NATO's enlargement, the Yugoslav crisis and a few others. European integration does not belong to this list. I can argue that in the new Russia the political attention is primarily given to problematic and troublesome issues, whereas the EU, allegedly not a big trouble-maker, is often overlooked. There are also other considerations which contribute to a low profile of European integration issues in Russian politics.

1. Relations with the EU are regarded as primarily issues of economics and trade and, subsequently being of a technical nature, do not require political attention.
2. The Russian authorities find it difficult to grasp the complex EU machinery, its political nature, its capacities and functions. The post-Soviet mentality fed upon by the "great power" legacy is not compatible with the real meaning of the EU's structural principles such as "supranationality", "acquis communautaire", or "subsidiarity". Russia has traditionally oriented itself to bilateral relations only with those whom it viewed as equal partners like Germany, Britain and France in Europe. In this perspective, Russia does not feel enough reverence for the EU, the political beast of unknown nature.
3. It is important to recall a trite fact - Russia is not and will hardly ever be a member of the European Union. The EU is a very complicated political creature. Even the internal actors are sometimes at a loss and unable to take in the whole complexity of the phenomenon. Although European integration started as an elite business, now it has become a subject of public concern. People in the EU Member States realise that the EU is there: the standard form of passports, Brussels regulations, European elections, worries about the single currency and so forth. For the Russian

people European integration is something different and has little to do with their lives. The situation may slightly change if the *Euro* is traded as an international reserve currency and the Russians start hunting for it to safeguard their savings. Today, European integration is a very remote issue, something which is far away and of not much practical relevance. As a result, the level of public awareness about the EU issues is extremely low.

4. One of the shortcomings of Russian reform has been the lack of attention to new ideology formation. A true sense of democracy and procedures is still unfamiliar in Russia's political culture. The way the reforms proceed is rather specific and does not provide for a European-compatible political culture. Contemporary Russia has not been able to develop a political culture that might be compatible with European standards. The Russians, both the government and the public at large, have never seriously considered the European integration as an identity model to follow.

This is Russia's perspective on the sacred European question about whether the EU is a «dwarf» or a «giant» in political terms. As a summarising remark, I can note that the issues about European integration experience an apparent lack of visibility and political respect in Russia. I am convinced that this lack of political attention plays more of a negative rather than a positive role in defining Russian policy vis-à-vis the EU.

The next step is to define what factors shape Russia's attitudes toward European integration. In general, Russia's perspective on the EU is an interplay between international and domestic policy considerations. The space provided does not permit me to present a structured and theoretical analysis, so I will confine myself to an overview of these factors. On the one hand, Russian policy is a response to what it has been offered from the EU. On the other hand, it reflects the country's international priorities. Additionally, it is shaped by domestic concerns and inspirations. Some of these factors are of specific relevance to the EU, others have a broader application, yet to an essential effect for our issue.

The Background and Old Legacies

The Russian Federation declared itself the official successor state to the Soviet Union. An implicit interpretation of Russia as the political heir to the USSR reveals a queer background of the country's commitments resulting from this legal procedure. This creates the problem of continuity and discontinuity in Russia's political conduct. In other words, this means that one should neither overlook the old elements in the new Russia, nor overestimate their impact. This does not imply that Russia will automatically follow suit. It simply makes reason briefly look at the historic dynamics of the relationship between the USSR/Russia and the European Communities.

When the European integration process started in the 1950s and the first Communities, especially the EEC, were established, the Russian response was rather negative. The form chosen by Europe for its political consolidation was considered undesirable and even threatening to Soviet interests. For a few decades, with a slight difference in ideological assessment, the Russians viewed European integration as performing a function similar to that of the political-military cooperation within NATO, namely, to contain the Russian influence in Europe and to buttress hateful capitalism.³² Some academic experts viewed the Communities' experience as an attractive economic strategy to follow, yet under Soviet rule, public discussions were not feasible, let alone the dreams of making it operational.³³ Antipathy is usually reciprocal, and the European Commission had as many reservations toward the Council for Mutual Economic Assistance (SMEA or

³² Even the titles of Russian publications over that period are rather instructive. See for instance, V. Knjazhinski, *The Political Strategy of Anti-Communism. A Historical Overview of the Imperialist Politics of European Integration*. Moscow, 1969 or an earlier writing by the same author which sound today quite peculiar: V. Knjazhinski. *A Failure of the Plans to Consolidate Europe*. Moscow, 1958.

³³ See Y. Borko. 'Evolution of the views on European integration in the USSR and Russia: political and academic approaches' in I. Leshoukov et al. (eds.), *Forty Years of the Rome Treaties: European Integration and Russia*. St. Petersburg, 1998, pp.18-28.

COMECON).³⁴ Some adjustments in bilateral relations were introduced in the early 1970s when a temporary rapprochement between the two systems took place.³⁵ After that, a new heat wave in the Cold War³⁶ ruined these early hopes to normalise the relationship. It was not until the late 1980s when the USSR started to search for a new identity under Gorbachev's initiative of *Perestroika* that the sea change had come. The first agreements signed³⁷, the Russian establishment introduced a very favourable assessment of European integration and its policies. This was one of the manifestations of the general improvement of East-West relations. Mr. Gorbachev had offered the concept of a "common European home" and rather consistently pursued the bandwaggoning tactics in an attempt to incorporate³⁸ Soviet policies into the Western guidelines. For better or worse, this strategy went bankrupt and a few years later the Soviet Union and its last leader Gorbachev left the political scene. Russia under President Yeltsin soon turned to a more reserved approach toward the West.

With the benefits of hindsight, I can argue that Russia's attitude toward the phenomenon of European integration tends to mirror the country's relationship with the West. When the ideological and the political-military confrontation between the West and the East was high, no pragmatic assessment of European integration was feasible. When the first improvement

³⁴ In early 1970-s the Commission tried to establish formal links with the USSR, however this attempt resulted in failure.

³⁵ The 1972 the Treaty of Rome was signed, Leonid Brezhnev accepted the EC as "an objective reality and the first contacts between the European Commission and the USSR and SMEA were established. A few Socialist countries joined the GATT. However, it was a period of an uncompleted recognition. For more details see: P. Benavides, 'Bilateral relations between the European Community and Eastern European countries: the problems and prospects of trade relations' in M. Maresceau (ed.), *The Political and Legal Framework of Trade Relations between the European Community and Eastern Europe*. Dordrecht: Martinus Nijhoff, 1989, pp.21-25.

³⁶ Primarily, the result of the Western accusation of the USSR's involvement in Afghanistan affairs and the double decision of NATO.

³⁷ Declaration on the Mutual recognition, the TCA between the EU and the USSR.

³⁸ Some researchers perceive it as subordination. See Ph. Zelikov, 'The Masque of Institutions', *Survival*, 38:1(1996), pp.6-18.

was reached and the Helsinki process started, the first chances for normalisation emerged, but the time was not ripe. Only under Mikhail Gorbachev did the cooperation between the EU and USSR/Russia become possible. Thus, Russia's perspective of the EU has always been subordinate to the general state of the country's relations with the West, to the peculiarity and the mood of these relations.

The Story of Good and Bad Boys

The Russian Federation under President Yeltsin has chosen a more reserved position vis-à-vis the West. *Inter alia*, Russia has put forward its strong reservations against the enlargement of NATO. It has started to clearly differentiate between the Atlantic Alliance and the EU with regard to their missions in Europe. The first one was regarded as a potentially threatening institution whose extension to former East European socialist countries would lead to "new dividing lines" in Europe and the rebirth of "block thinking". The latter was presented as a benign economic conciliation pursuing exclusively commercial interests. The Russian Federation persistently denies its assent to the extension of NATO, but welcomes EU enlargement. The two points are striking. First, it is a clear break from previous Soviet assessment of the two institutions. Second, many experts agree that there is a *conceptual linkage* between the enlargement of the EU and of NATO³⁹. Both the EU and NATO have evolved into the main institutions of contemporary Europe. These were the two institutions, though different, that created a consolidated Europe in its current form. They have been acting hand in hand in solving strategic and everyday problems, sometimes not without overlap, though contributing to each other. In the post-Cold War environment they have extended out further as leading institutions in Europe to define its future architecture, naturally complementing each other in various ways.

³⁹ See, for instance, K. Voigt, 'NATO enlargement: sustaining the momentum', *NATO Review* 44:2, 1996.

How can one interpret Russia's acceptance of one while remaining suspicious of the other? Is it based on a rational calculation of political options or is it more related to psychology and past experiences? Is it a long term tendency, or is it just a temporary tactic which could be dropped at any moment? I would like to offer a few lines for analysis.

The US as Russia's reference

As demonstrated before, Russia's attitudes toward European integration can not be severed from its general approach to the West. Europe has never been a separate reference in Russian politics. Offending as it may sound for the Europeans, Russia's main reference has always been the United States. It is a result of a 'strategic interdependence' between the two main nuclear powers in political and military terms.⁴⁰ Today's Russia does not regard the US as its main adversary, nor do the Russians have the Americans for true and reliable friends. Certain antagonism and apprehensions still persist, though modified. Russia eagerly accepts American money, enjoys Hollywood films, still it steadily opposes American leadership. The bulk of political discourse about the "multi-polar world" apparently covers a clear political strategy to prevent or at least to undermine the United States' leadership. This has had a great impact on Russia's perspective of the integration process in Europe. The Russians tend to overestimate its "counter-American" nature, while overlooking the origins and future tendencies of the phenomenon. The concept of the Euro-Atlantic community is carefully omitted in political debates in Russia. Russia welcomes full-heartedly every European initiative which they interpret as a project to counter American domination. Thus, EU issues are essentially of secondary nature for Russian politics. They are viewed sooner as instrumental than as having a value of their own. As a manifestation of such an approach, the Russian expectations of the EMU are related to the creation of a more symmetric currency structure of world finance, rather than to the calculation of gains and losses resulting from the introduction of a single currency.

⁴⁰ Alexandrova, O.: 'Strategische Partnerschaft' aus russischer Sicht. Bericht des BIOst 24/1997.

Russia in Search of Itself

"Who in the world am I? Ah, that's the great puzzle!"⁴¹, Alice once wondered while in Wonderland. In a similar way, one could be puzzled while reflecting on the subject of what Russia is today and what it wishes to be. The identity crisis which Russia is experiencing today is comparable to the circumstances when previous historic decisions on the direction of the country's development were taken in the 15th, then in the early 18th and in the first quarter of the 20th centuries. The resolution of this dilemma will define the development of the country in the coming millennium. What kind of Russia do the Russians themselves want to live in? Does Russia need to regain the world ambitions of the Soviet Empire? What should prevail, the democratic and civil societal values, or the primacy of state and international respect should it ever be achieved through autocracy and military might? The answers to these questions are not clear, especially after the dramatic events of 1993 when liberalism in Russia was substantially undermined. Great uncertainties and disagreements produce a political situation aggravated by an unfavorable intellectual atmosphere.⁴² The internal confusion about the country's fate inevitably affects its relationship with the outside world, first of all with Europe.

Democratic freedom has gained a lot owing to the major shifts in USSR/Russia politics, inspired by Gorbachev's reforms. At the same time the country has been unprecedentedly marginalised in world affairs⁴³. The debate between those who advocate further opening to the West and those

⁴¹ L. Carroll. *Alice's Adventures in Wonderland*.

⁴² Y. Davydov. 'Russia: policy analysis and options' in *Russia: public attitudes and expert assessment*.p.257.

⁴³ Some authors maintain that in geopolitical terms the current situation of Russia is only comparable to that it was in the Middle Ages. "Also like in the Middle Ages, Russia finds itself now removed from Europe. Not one but two belts of states separate Russia from western Europe, the first belt consisting of Belarus, Ukraine and the Baltic states, and the second one consisting of the former WTO allies of Eastern and central Europe. The "window to Europe" opened by Peter the Great two centuries ago has been, in a sense, closed again" (Y. Davydov, op.cit., p. 255).

who support a more isolationist way of development has long roots in the political culture and mentality of the people.

There is no consensus about the Russia-Europe relationship. Is Russia an integral part of Europe, is it something different, say, Asian or Euro-Asian, or does it have a certain autonomy within the European landscape? Does Russia have the same interest as other Europeans or does it have its own mission and its own destiny? Should Russia go in concert with the main European nations or it should search the road of its own? In the view of many analysts, the divisions over the sacred "European question" cause inconsistency in Russia's European policy.⁴⁴

There is a substantial segment in Russian thinking which traditionally advocates the country's belonging to European civilization. In the 19th century, the protagonists of this idea were known as "Westerners". During the Soviet time, they were politically ousted and mockingly branded as "bezrodnyje kosmopolity"⁴⁵. With the beginning of *Perestroika* the "Westerners" regained their legacy, yet with a new name of "Democrats". For the "democrats", Russia is part of Europe and the "democratic world" in general, thus Russian interests should be identified within a common European framework. It requires certain subordination of Russia's interests to the European ones or at least the political will to reconcile its interests with those of Europe. Gorbachev had tried this approach and achieved considerable progress in this way. However, the achievements proved insufficient, and the process as such was not sustainable. The Gorbachevian policy failed and was replaced with a much more reserved approach under Yeltsin.

Primakov's doctrine advocates the principles of the "multi-polar" world and regards the Russian Federation as a self-standing entity and a power centre like "Europe" (the EU), the USA, China and Japan. This logically implies that Russia is regarded not as a part of Europe, but as a neighbouring actor

⁴⁴ A. Zagorski, 'Russian and Europe', *International Affairs (Moscow)*, 1:1993, pp. 43-51.

⁴⁵ Precise translation is difficult, it stands for "cosmopolitans of no kith or kin".

who has its own interests and mission. It surely differs from the true isolationist approach formulated by "Slavophiles", yet, it follows comparable patterns. The easiness with which Mr. Primakov was confirmed by the State Duma dominated by the Communists supports this argument. Mr. Primakov's beloved hero is the ambitious Prince Gorchakov who served the Russian Empire as its Foreign Minister after its profound defeat in the Crimean war (1853-56). According to Russia's incumbent prime-minister, Prince Gorchakov teaches us an important lesson, namely how to retrieve the international respect Russia once enjoyed. Russia should pursue an active foreign policy, not confine itself to Europe and should defend its interests following the classical advice of Lord Palmerston.⁴⁶ The principle of *rapprochement at whatever price* to the West is not acceptable.⁴⁷ It implicitly means application of the Realist logic to Russia's external policy whereas the partnership with the EU is viewed not as an end in itself, but as a means to counterbalance American dominance and regain lost influence on the international arena. In this respect, Russia's official perspective of Europe resembles its toward China. It, in effect, is also labelled as a "strategic partnership". This is one of the manifestations of how Russia turns from "geopolitics" to "geoeconomics" in its foreign policy.⁴⁸

Summing up

Reflecting over the Russia-EU relationship, I intended to demonstrate the uneasy confusion of economic and political realities which my country faces today. Presented somewhat provocatively, the dominant dilemma could be reviewed as follows. On the one hand, Russia is an important trading

⁴⁶ Lord Palmerston: ' We have no eternal allies, and we have no perpetual enemies. Our interests are eternal and perpetual, and those interests it is our duty to follow".

⁴⁷ 'Russia in the world politics' (in Russian). A speech given by E. Primakov on the occasion of the 200 anniversary of A.M. Gorchakov and given at Moscow state institute of international relations (MGIMO), Moscow, 28.04.1998.

⁴⁸ On the necessity to link the external policy to the Russia's diplomacy priorities see the President's Decree of 12 March 1996 'On the guiding role of the MFA of Russia in implementing the single external policy of the Russian Federation'.

nation⁴⁹ and it needs to be enrolled into a favourable commercial regime, represented primarily by the WTO, its external relations must be further liberalised, with the EU as its main partner in this regard. On the other hand, this approach will lead to severe shocks and disproportions in Russia's economic development which the incumbent government is unlikely to afford politically. At the same time, if the current situation persists, it will lead the country nowhere. There is a continuous slowdown in the economy and drastic social frustration in Russia. It can find nothing better than to further trade its natural resources for consumer goods. This policy only delays the dilemma's resolution, and it does not provide for sustainable development. It is tempting to assume that Russia should stop its opening to the world markets and return to protectionist practices to safeguard the internal market and creeping industry. Given the background of hurt national dignity and past legacies, this assumption finds numerous adherents while the crisis deepens and further inaction brings more trouble to the ordinary people. Obeying western advice and withdrawal from the international positions the Soviet Union once had are easy escapes in the eyes of both the public and the ruling establishment. In my view, this assumption is based on a flawed premise. Russia's real troubles - legal uncertainty, criminalization of politics and society, unmatched corruption - are not the results of economic liberalization and dismissal of costly confrontations with the West. Nevertheless, in order to recognise it, the Russian government needs to change the reference framework it has been applying since 1993. With a budget only twice as big as that of Finland, it is unrealistic to dream of the role of superpower. The remaining nuclear weapons could serve sooner as a last resort blackmail instrument than a power factor. Still, the country needs more time to accommodate itself with this cooling reality. Today, when the crisis has ruined the tiny achievements of reforms, Russia falls deeper into the waves of protectionist policy, risky endeavours of foreign policy and balancing games with the West. Under such conditions, certain deterioration in Russian relations with the European Union is not impossible. Yet, these chances are relatively small, since the Russian Federation

⁴⁹ This is the expression of Leon Brittan (L. Brittan, op.cit) which underlines the significant contribution of international commerce to Russia's GDP.

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clearly realises the risk of losing the partnership into which it had invested so much in its attempt to counterbalance the uni-polar world system dominated by the USA.

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Annex

Annex 1. Dynamics of Russia's trade with the EU (ecu bn)

	1993	1994	1995	1996	1997
Russian export	17,6	21,4	21,9	22,9	25,2
Russian import	13,2	14,4	16,1	19,0	22,9
Turn-over	30,8	35,8	38,0	41,9	48,1
Balance	4,4	7,0	5,8	3,9	2,3

Source: Russian statistics

Annex 2. Commodity structure of USSR/Russia's trade with the EU

	1990	1995	1996	1997
	Exports			
Food, beverages and tobacco	1,1	1,6	1,7	1,6
Raw materials	9,4	10,6	9,1	9,6
Energy	56,6	35,9	46,1	42,1
Chemical products	4,2	7,5	6,0	5,4
Machinery and transport equipment	3,6	2,7	2,3	1,5
Miscellaneous manufactured goods	10,9	27,9	20,7	22,1
Other	13,2	13,8	14,0	17,0
Total (ecu bn)	19,7	21,5	23,2	26,6
	Imports			
Food, beverages and tobacco	11,7	21,0	21,0	20,3
Raw materials	1,4	2,0	1,7	2,2
Energy	0,6	0,4	0,5	0,5
Chemical products	11,6	8,3	10,3	10,8
Machinery and transport equipment	43,7	37,5	34,4	35,3
Miscellaneous manufactured goods	27,5	28,9	29,7	28,3
Other	3,5	1,8	2,4	2,6
Total (ecu bn)	14,9	16,1	19,1	25,1

Source: B. Ardy (1998); Percentage shares

Annex 3. Foreign direct investment to Russia (US\$ mn)

1993	1994	1995	\$ per capita, 1995	cumulative 1989-1995	\$ per capita cumulative	Share of GDP, 1995
400	1000	1500	10	3100	21	0,40%

Source: EBRD Report, 1996

Annex 4. Anti-dumping and anti-subsidy investigations against Soviet/Russian imports initiated by the EC.

1989	1990	1991	1992	1993	1994	1995
1	2	-	3	1	3	1

Source: European Commission. General Report, 1996

Annex 5. EU Aid to Central and Eastern Europe

	Phare			Tacis		
	A	C	D	A	C	D
1990	500	495	171	0	0	0
1991	775	774	284	400	397	0
1992	1016	1013	436	420	419	32
1993	1011	1099	521	475	472	180
1994	989	973	723	470	470	300
1995	1168	43	289	507	23	130

A - Appropriations (the maximum amount available)

C - Commitments (the total of potential expenditure on approved projects)

D - Disbursements (actual expenditure)

Annex 6. St. Petersburg citizen's judgement on the necessity of western aid to Russia.

	Aid is not needed	Difficult to answer	Aid is needed	Percentage of respondents in the sample
Sample as a whole	46,3	11,9	41,8	100
Market economy supporters	42,0	11,5	46,5	73,3
Its opponents	69,0	9,7	21,2	10,5

Source: Ogylvy Adams, Interim Report, 1995

Annex 7. Public Attitudes in Russia (situation)

Level of knowledge and understanding of Tacis virtually zero
Understanding of role of the EU is low
Attitudes toward reform are mixed
Eroded belief in the role of state and its ability to initiate reforms
For those involved, Tacis means different things for different people

Source: Ogylvy Adams, Interim Report, 1995

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