

Making the Most of the Partnership for Modernisation

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Introduction

As the global economic crisis hit the world in 2008, imbalances in the structure of Russia's economy were felt ever more acutely. In March, the Russian government put forward for discussion a draft programme of anti crisis measures, which was subsequently adopted in April 2009. Institutional framework for the process of modernisation in Russia was launched in May, 2009 when an Executive Order establishing a Presidential Commission on Modernisation and Technological Development of Russia's Economy was signed. In June, 2010 the EU-Russia Partnership for Modernisation (PfM) was launched at the 25th Russia-EU Summit. The PfM was expected to have a catalytic effect on the EU-Russia cooperation within the Common Spaces (CS) launched in 2005 in the framework of the Partnership and Cooperation Agreement which have not been very productive so far. Finally, in September, 2010 the European Council initiated the EU – third countries strategic partnerships review aimed at evaluating the prospects of the EU relations with all strategic partners, and setting out the EU interests and possible leverage to achieve them. With these three processes underway it is time to reflect on several key questions concerning the role of the EU-Russia relations and particularly PfM in the process of Russia's modernisation:

- What progress has been made within the PfM?
- What is the relationship between the CS and the PfM instruments?
- Has the PfM had the promised catalytic effect on the CS dialogues? Which policy spheres benefited and what are the opportunities lost?
- Can PfM promote cooperation in the foreign policy field?
- What is the effect of the PfM on the quality and output of the EU-RF strategic partnership, if any?

Methodology and Key Findings

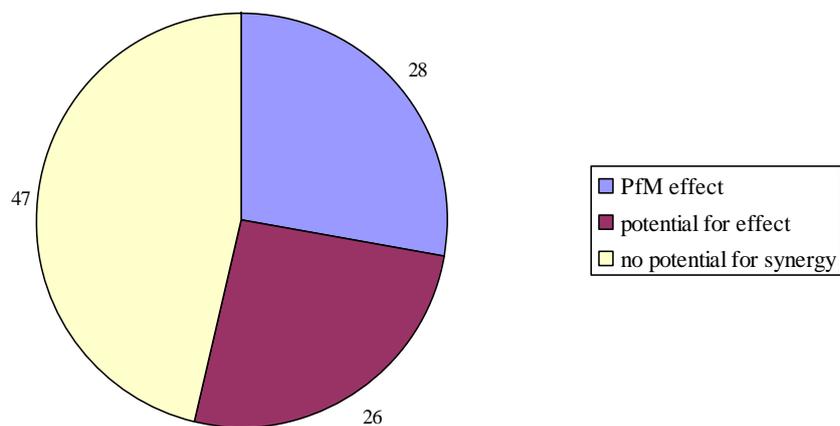
Methodology used to answer these questions includes making the analysis of the facts and documents registering progress made on the CS and the PfM; identifying cases where PfM has advanced the dialogue (+), cases with potential for effect (+/-) and with the opportunities lost (-);

quantifying the results; and comparative assessment by CS and by policy dialogues in the framework of the Common Economic Space. Table 1 presents examples of such cases.

Table 1. PfM and Common Spaces: a Synergetic/Catalytic Effect

Dialogues, Subgroups and Working Groups	Common Spaces instruments and actions (43)	PfM plans and actions	Effect
Investment Dialogue	The Dialogue did not meet in 2010.	Trade and investment dialog will meet for the first time in the second half of 2011; 2 MoU between the Russian Bank for Development and Foreign Economic Affairs and the EBRD and European Investment Bank aimed at PfM projects financing (each EUR1 billion).	+
Pharmaceuticals	A limited progress and a negative impact on the credibility of the subgroup in 2010.	Exploratory work on data exchange and cooperation in the field of pharmaceuticals, including Good Manufacturing Practices and clinical trials is underway. The dialogue on public health held its first meeting in February 2011 and a work programme was agreed, focusing on clinical trials for pharmaceuticals, on the fight against counterfeited medicines, and on communicable diseases.	+
Sanitary and Phytosanitary issues	Numerous meetings on new Customs Union regulations; Harmonisation of Russian norms with international and EU standards in the field of pesticides residues for 20 combinations of substances and commodities, based on EU requests in 2010.	PfM WP 2.5. Approximation of phytosanitary and veterinary compulsory requirements, standards, and practices of control/implementation with international or EU regulations and standards, in particular residues of veterinary residual products, pesticides and contaminants in food. Support through TAIEX.	+/-
Working Group on Transport Security	An aviation summit will be held in October 2011; EU designation and Siberian overflight charges are key outstanding issues.		-

Analysis of the PfM impact on the CS dialogues' progress shows that 28% of the total 43 CS instruments and actions have experienced the synergetic effect of the PfM, and there is a potential for effect in 26% of the cases, while 47% of the instruments and actions provide no potential for synergy (picture 1).



Picture 1. PfM Effect on the Three Common Spaces Dialogues

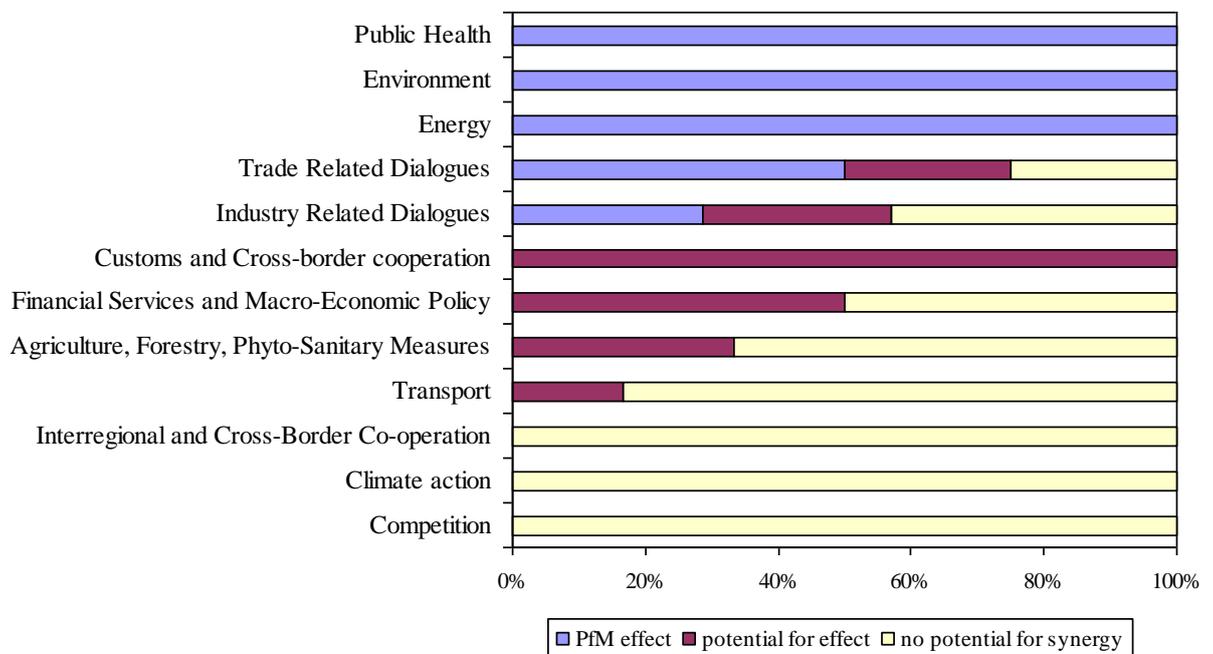
In terms of individual results for each of the three examined CS, PfM effect and potential for effect were registered in 25% of the cases, while there is no potential for synergy in half of the cases in the framework of Common Economic Space (CES). Within the Common Space for Freedom, Security and Justice, PfM effect was registered in 50% of the cases, while another half provides potential for positive effect. PfM has advanced the dialogue in 33% of the cases within the Common Space of Research and Education, including cultural aspects, with the rest of the cases providing no potential for synergy (table 2).

Table 2. PfM Effect on the Three Common Spaces Dialogues

	Economic Space		Freedom, Security and Justice		Research and Education, Including Cultural Aspects	
	Number	%	Number	%	Number	%
PfM effect	9	25	2	50	1	33

potential for effect	9	25	2	50	0	0
no potential for synergy	18	50	0	0	2	67
total	36	100	4	100	3	100

Within the CES, PfM catalytic effect is strongest on the Dialogues on Public Health, Environment and Energy, whereas no potential for catalytic effect was registered in the Dialogues on Interregional and Cross-Border Co-operation, Climate action and Competition (picture 2).



Picture 2. PfM Effect on the Economic Space Dialogues

Within the EU-Russia strategic partnership, if it is a strategic partnership, the EU-Russia cooperation on modernization can not be limited to bilateral relations, and should include coordination in multilateral international institutions. As the EU and Russia are members of important international institutions, including the G8 and G20, both parties can and should coordinate their approaches to the reform of global governance system. However, of the 43 CS instruments and actions only 5 include aspects of coordination in international institutions. And

only three of the five can potentially benefit from the PfM agenda as it stands now. Table 3 lists all the cases identified in the analysis.

Table 3. EU-RF Cooperation in International Institutions in the PfM and CS

Dialogues, Subgroups and Working Groups	Common Spaces instruments and actions	PfM plans and actions	
Automotive industry	Lack of automatic recognition of EC vehicle certification results; Cooperation on international rules and standards of international whole vehicle type approval (IWVTA) in the UN Economic Commission for Europe.		-
Trade Facilitation and Early Warning Mechanism	Three meetings in 2009-2010 and informal meetings in 2010.	Russia-EU bilateral talks on Russia's accession to the WTO were concluded in December 2010. Both sides underlined their desire for Russia's WTO accession in 2011, and Russia's accession to the OECD within the established multilateral accession processes.	+/-
Financial Services and Macro-Economic Policy Dialogue	Implementation of all G20, FSB and Basel recommendations; 4 working groups established in 2010.	European bankers participate in the international advisory board on the creation and development of the International Financial Centre in Moscow.	+/-
Working Group on Maritime and Inland Waterway Transport	Regarding the reduction of GHG emissions from ships, the parties agreed to support the adoption of the Energy Efficiency Design Index (EEDI) at the next Marine Environment Protection Committee and to coordinate their effort in		-

	<p>promoting such an outcome. They also agreed to work constructively towards the adoption by the International Maritime Organization of relevant market-based measures.</p>		
Security	<p>Regarding the fight against money laundering and terrorist financing co-operation with Russia also takes place in international bodies, in particular in the Financial Action Task Force to which the European Commission and Russia are both members.</p>	<p>Conclusion of an operational agreement between Russia and Europol and a cooperation agreement between Russia and Eurojust is underway.</p>	+/-

Conclusions

The results of the research make it possible to make up several conclusions. First of all, it is important for the Partners to provide fewer priorities, greater coherence and more results. Secondly, focus and clear sense of prioritization is needed from the Partners. Thirdly, both sides should streamline the institutional framework and stop prioritizing process over substance. Fourth, it is sensible to expand cooperation both with and within the epistemic community and make it a substantial component of the partnership in order to provide for the dialogues “problem solving capacity”. Finally, the international cooperation dimension should be brought into the dialogue, as evidence base suggests that the EU-RF engagement in international settings is very limited.

Depending on the implementation of these recommendations, there are three possible scenarios of the future PfM development. Under the first one, the status quo is maintained causing stagnation in the relationship unless there is a crisis which can either move it forward or downgrade. In the lowest common denominator scenario the partners get frustrated with engagement results, and resort to bilateral PfMs, of which 17 have been signed by September 2011. The third scenario is upgrading the engagement to a strategic partnership through agreement on a joint review of the existing institutional architecture.