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**Article**

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## THE RELATIONS BETWEEN THE EUROPEAN UNION AND THE RUSSIAN FEDERATION PRIOR AND AFTER THE CREATION OF THE COMMON ECONOMIC SPACE

Razvan-Alexandru GENTIMIR\*

**Abstract:** *Due to its geographical position and its cultural links, Russia has always had a special relation with Europe. In its attempt to shape its own place on the global stage, the Russian Federation has sometimes seen itself as an authentic European state, while in other cases and circumstances, it strongly supported and claimed its “Eurasian” features. Due to the enlargement of the European Union and its rise as a heavy international player, the European Union has turned into a geographical neighbor of the Russian Federation. From this perspective, it is not a surprising fact that the Russian Federation is to develop specific relations and shape a foreign policy with strategic features regarding the European Union. The institutional cooperation between the European Union and the Russian Federation aims at shaping a series of common objectives regarding the relations between the two sides and defining the actions needed in order to reach the proposed objectives, the implementation of the common projects considering the agreed order of priorities.*

**Keywords:** Russian Federation; European Union; international stage; international player; cooperation; objectives

**JEL Classification:** F00; F15; F36; F42; F50

### Introduction

The institutional cooperation between the European Union and the Russian Federation has a unique feature provided by the institutional cooperation activities, which represent the results of the continuous dialogue between the Russian Federation and the European Union, which ensures a feeling of partnership and deep involvement from both sides. The bilateral relations between the European Union and the Russian Federation went through a continuous evolution of the common activities, which also reflect the internal development of the European Union from an economic community towards a politic union, founded on three pillars of economic cooperation, a foreign policy and common security and the cooperation regarding the internal security and business. It evolved gradually and is now seen and organized on “four economic spaces”:

- A Common economic space
- A Common Space on Freedom, Security and Justice
- A Common Space of External Security

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- A Common Space on Research and Development, Education and Culture

The conceptual history of the four economic spaces describes the way the relations between the European Union and the Russian Federation developed and evolved. Germany and France came with the idea. They proposed it to the European Commission and to the other member states of the European Union and to the Russian Federation as well. It was then formally adopted at the European Union – Russian Federation Summit in Sankt Petersburg, in the month of May 2003, in order to be operationally implemented since 2005, with the cooperation activities stipulated within the common spaces having to be carried out by the member states of the European Union in a unitary manner.

**The relations between the European Union and the Russian Federation prior and after the creation of the Common Economic Space**

The cooperation approaches from the perspective of the Common Spaces represent an evolution of the carried out activities and of the common objectives that have been reached until now, as well as the basis of the activities that will be done in the future period. Thus, the structure of the four common spaces provides a perspective on the way the relations between the two entities evolved and on the way the future cooperation between the two ones is foreseen.

The initial cooperation between the European Union and the Russian Federation, even before the signing of the Partnership and Cooperation Agreement in 1994, has mainly focused on trading and economic issues. The European Union has always stated that one of the main objectives is to eliminate all the obstacles that stood in the way of trading and bilateral investments and to support the development of the market economy of the Russian Federation by harmonizing the legislation, through a stable regulatory framework and through the harmonization of the technical standards. For the future, one desires the development of the relations between the European Union and the Russian Federation towards an economic integration through the diversification and the growth of the trading volumes, through the development of new investment opportunities and through a collaboration in the fields of transportation, telecommunications and the transfer networks of energy resources.

In the beginning of the 2000s, the Russian Federation was at the outskirts of European integration; at the moment, there was a significant concern that the Russian Federation would be more and more excluded. Due to numerous economic, historical and political arguments, it was highly probable that the new member states to favor a more drastic approach of the European Union regarding the Russian Federation. Moreover, the representatives of the European Union had already

started relinking the economic problems of the European Union-Russian Federation dialogue to the political issues regarding democracy, human rights and the conflict in Chechnya.

Additionally, the attempts of the Russian Federation to maintain its influence on the member states of the Commonwealth of Independent States and the shaping of an economic and political integration level of the member states of the Commonwealth of Independent States could have led to a possible conflict with the European Union regarding the compatibility issue between the EU integrated Russian Federation and the integration of the member states of the Commonwealth of Independent States.

In spite of this issues, the Common Economic Space represents a significant part of the official conceptual framework, whose objectives is to deepen, as much as possible, the economic relations between the European Union and the Russian Federation, with different links towards other cooperation fields. The analysis of the conceptual framework and of the way it evolved could represent an understanding method of the nature and the perspectives of the relations between the European Union and the Russian Federation. The Definition of the Common Economic Space is provided by the Conceptual Document. Thus, the Common Economic Space is seen as a free and integrated market between the European Union and the Russian Federation, based on the implementation of common or compatible rules and regulations, including administrative compatible practice as foundation for the synergies and scale economies that are associated with a higher level of competitiveness on larger markets.

Ever since its emergence, the Common Economic Space has proven to be a sort of political campaign of slogans and it also displays the risk of facing technical problems regarding the trading policy. These are also to be approached, but a deeper detailing of them will destroy the idea, which is seen as a political concept. To avoid these risks, the representatives of the European Union will have to significantly improve their abilities of development and implementation of authentic common strategies from the perspective of foreign relations. All of the thinking and implementation methods of the idea must originate in a honest understanding of the fundamental differences that exist and which have the biggest chances to continue their existence between the European Union, the Russian Federation and the remaining European states and their members.

The main objective of the Russian Federation has always been the one of receiving support from the European Union in order to modernize their economy and to improve the global economic integration level, inclusively through its adherence to the World Trade Organization, as well as to reach free access on the market for its products. President Vladimir Putin sees the modernization of the Russian economy as a fundamental issue for the regaining of the Russian Federation's position as

a worldwide known international power. From this perspective, following the reach of this objective has proven more important than the development or maintenance of the nuclear weapons of the veto right within the Security Council of the United Nations Organization. Nevertheless, President Valdimir Putin is aware that the rapid modernization of the Russian Federation is impossible given the lack of collaboration with the western state, economically and technologically advanced and especially with the European Union, which represents an important trading and investment partner. The intensity of the dialogue between the two parts emphasizes the high economic interdependence degree between the European Union and the Russian Federation, the economic complementarity being based on issues that cover a wide range, from trading and investments to energy.

Also, the Russian Federation represents an important market for the European Union, as well as for its member states, with a significant growth potential of certain key economic sectors of the European Union, such as the auto industry, being, at the same time a destination for the investments of the energy and retail companies. In spite of the actual complementarity and interdependence, one desires to extend the cooperation by diversifying the Russian exports towards the European Union, which are nowadays significantly represented by the energy resources.

**Table 1 - Total imports of the European Union from the Russian Federation on product categories, 2002-2014, Euro mil.**

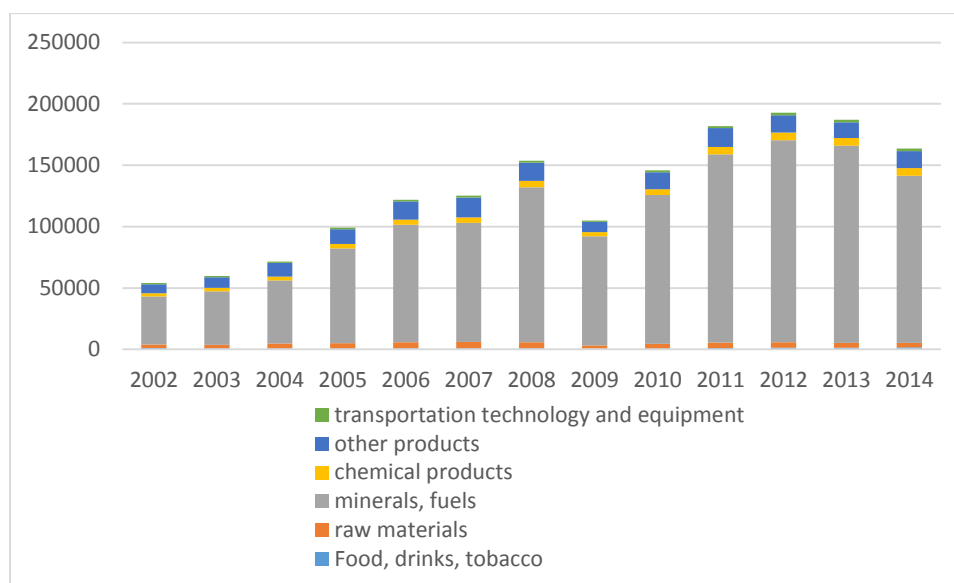
Product category/year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Food, drinks, tobacco	1140	851	619	663	801	895	855	647	607	1000	1443	1258	1532
Raw materials	2791	2985	4271	4365	4913	5045	5075	2515	3944	4467	4488	4112	3716
minerals, fuels	39267	43531	51260	77103	95888	97078	126064	89002	121298	153495	164369	160606	136183
chemical products	2406	2695	3152	3657	3981	4432	5271	3325	4715	5780	6330	6296	6202
other products	7518	8616	11101	12108	15027	16202	14829	8361	13805	15383	14110	12782	13950
transportation technology and equipment	996	1168	1237	1256	1194	1490	1469	1158	1368	1699	1977	1973	1994

Source: Eurostat database

From the above table, we can notice that in spite of the fact that the trading cooperation level between the European Union and the Russian Federation has been significant even from the reach of an agreement regarding the Common Economic Space and namely at the end of 2003. Thus, alongside with the shaping of the Common Economic Space and the more and more frequent discussions and forums of the representatives of the two geopolitical and geostrategic entities, the volume of the trading transactions with different product categories has significantly risen, from approximately 150% in the case of food product, transportation equipment and technologies and other products, to nearly 400\$ in the case of minerals and fuels, values which once again come to confirm the supremacy

of the Russian Federation in the energy field. There is no doubt that lower values compared to the previous evolution can be especially noticed between 2007 and 2009, as a result of the effects of the global financial and economic crisis.

**Figure 1 - Imports of the European Union from the Russian Federation, mil. Euro, 2002-2014**



Source: Own processing on Eurostat data in Microsoft Excel

In the field of energy, the bilateral relation reached the highest interdependence degree. The European Union is by far the most important importer of Russian natural resources, the Russian energy exports reaching nearly 55% of the incomes of the national budget. In the case of old member states in the European Union, like Germany, the level of Russian energy imports is higher than 20%, higher volumes of the imports being registered in the case of new member states. The importance of the Russian Federation from the perspective of energy provider for the European Union will remain high; with energy resources that disappear in time, the European Union could face the situation of competing with China, Japan, the United States of America or other states competing for the Russian energy exports.

**Table 2 - Exports of the European Union to the Russian Federation, 2002-2014, mil. Euro**

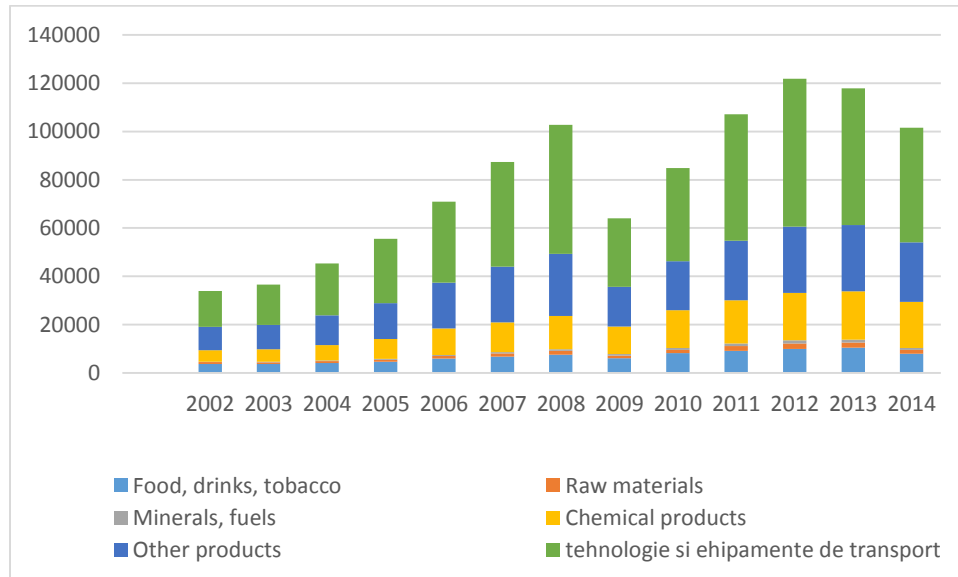
Product category/year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Food, drinks, tobacco	3629	3679	4046	4628	5927	6769	7567	6082	8180	9107	9898	10436	7953
Raw materials	824	727	844	853	1070	1253	1555	1115	1414	1981	2266	2185	1616
Minerals, fuels	184	198	249	319	425	536	615	612	716	1070	1398	1105	789
Chemical products	4720	5186	6426	8251	10968	12439	13831	11412	15656	17976	19603	20115	19125

alte produse finite	9694	10120	12257	14792	18952	23052	25799	16379	20326	24662	27398	27435	24671
Transportation equipment and technology	14826	16685	21550	26746	33653	43394	53400	28448	38534	52322	61233	56567	47454

Source: Eurostat database

As for the exports of the European Union towards the Russian Federation, the sides' agreement regarding the development of the Common Economic Space has deepened the cooperation between the two global actors, thus emphasizing, if necessary, the dependence of the Russian Federation on technology originating in the member states of the European Union, clearly superior from the qualitative, productivity and efficiency perspectives. Thus, the statistics reveal values of some product categories whose export volumes has increased up to four times after the development of the Common Economic Space; within this categories, the table above includes chemicals, raw materials and technology and transportation equipment, thus presenting a positive evolution of the technologic development level of the Russian Federation, a fundamental issue of maintenance and advance on the global stage of power.

**Figure 2 - Exports of the European Union towards the Russian Federation, 2002-2014, mil Eur.**



Source: own processing on Eurostat data

Given the conditions, the construction of new oil pipelines or the modernization of the existing ones and the transportation infrastructure should lead to the growth of the exports volume towards the European Union and a deepening of the interdependence, with the potential risk that the Russian Federation interests as energy provider to be different of the ones of the European

Union as energy importer. The way in which these interests will be balanced alongside to the cooperation level and interdependence might become a fundamental issue within the bilateral dialogue.

### **Conclusions**

As a result of the enlargement of the European Union and of the fact that it became an important international actor, the European Union has practically turned into a neighbor of the Russian Federation. Through this perspective, we should all not be surprised that the representatives of the Russian Federation got to shape specific relations and a strategic foreign policy, having the European Union in its center. The bilateral and multiple-leveled cooperation between the European Union and the Russian Federation considers the creation of common objectives and the shaping of a series of activities needed in order to reach the proposed objectives.

The cooperation between the European Union and the Russian Federation, dating back from the 1980's has mainly considered the economic and trading aspects of the partnership, with a common objective of overpassing all the regulations or phenomena that could have stood in front of the bilateral trade and investments, and also of supporting the technological and economic development of the Russian Federation.

The Common Economic Space is seen as an important part of the official relationships framework, which is meant to deepen the economic relations and further more cooperation fields of the European Union and the Russian Federation, as the second one is seen as an important market for both the European Union as a whole and for the member states of it, with a significant growth potential noticed in the case of key economic fields of the European Union, such as the automotive and transportation industries, being also regarded to as an attractive destination for the energy and retail companies' investments.

The shaping of common economic objectives and of the Common Economic Space, together with the meetings, dialogues and more and more frequent forums uniting the representatives of the European Union and of the Russian Federation, have led to a significant growth of the bilateral trade from 150% in the case of certain product categories, to approximately 400% in the case of other companies.

The common agreement of the parts regarding the shaping of the Common Economic Space has deepened the cooperation level between the two sides, showing that the level of the technology is the European Union still represents a significant benchmark for the Russian Federation.



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