RELATIONSHIP OF THE EUROPEAN UNION WITH RUSSIA IN THE CONTEXT OF NEW EVOLUTION OF THE WORLD ECONOMY

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ABSTRACT
From its beginnings, the European Union became a major international player and a regional power, and through its evolution of gradual enlargement, it became a direct neighbor of Russia. Due to the fact that the Russian Federation is an important partner for the European Union, it was self-evident that it will try to maintain a specific relationship and develop a strategic approach. The priority of the European Union has been to build a strong strategic partnership with Russia. The paper addresses a very current topic that presents the evolution of the relationship between the two, until now, being able to relate from the premises from which they started. The aim of the paper is to present the relationship between the European Union and Russia on several levels, such as economic, political and trade.

KEYWORDS: *commerce, economy, EU, management, Russia*

DOI: 10.24818/IMC/2022/05.05

1. INTRODUCTION

Within the European Council, the United Nations, as well as the Organization for Security and Cooperation in Europe, Russia and the states of the Europea principles of human rights, democracy, the market economy and the rule of law, these values being the basis of the Partnership and relations cooperation between the European Union and Russia. The development of relations between the European Union and Russia has seen many ups and downs.

European Union ambassadors in international organizations and in countries outside the Union are also known as heads of delegation or envoys. Prior to the Lisbon Treaty, the Union was represented abroad by the country's ambassador to the six-month presidency of the Union, and the European Commission was represented by a head of delegation (Krause, 2019).

Problems in the Union's relations with Russia began to be seriously aggravated in 2013. The EU-Russia summit in June 2013 revealed a rift between the two, the list of controversial issues, from Russia's anti-gay propaganda law to conflict in Syria, the first immediate response was the freezing of Russia at international meetings.

The level 2 sanctions that were applied after the annexation of Crimea were calculated to target those responsible for bad deeds and close to President Putin, while reducing the damage to European economies (Brauss & Krause, 2021).

The European Union is currently in a cooperative relationship with the Russian Federation on several levels, from the modernization of Russia's economy and integration into the world economic system to security and international business and cooperation in the common neighborhood of Eastern Europe (Baev, 2020).

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In this work, the main objective is to highlight the current situation of the relations between the EU and Russia in the current geopolitical context, emphasizing at the same time the analysis of some statistical indicators.

2. ECONOMIC RELATIONS

2.1 Trade relations

Despite its political and institutionalized character, the true foundation of the Union's relations with Russia is economic (Delcour, 2018). This has already been reflected in the Partnership Agreement, which is largely an economic agreement aimed at developing a free trade area between the European Union and Russia. The common economic space also aimed to create an integrated market between the Union and Russia, in order to remove all barriers to investment and trade, and to promote reforms and competitiveness based on the principles of transparency, non-discrimination and good governance (Gurcan, 2020). Russia is currently the fifth largest trading partner of the European Union, reaching an impressive annual turnover of 274 billion euros in 2014, which totaled 8% of the Union's foreign trade in goods (Chauhan, 2020).

According to Eurostat, in 2020, Russia accounted for about 5% of the EU's total trade in goods. Russia's largest trading partner is the Union, accounting for 37.3% of the country's total trade in goods in 2020. 36.5% of Russia's imports came from the EU and 37.9% of its exports went to it.

Total trade in goods between the EU and Russia in 2020 amounted to EUR 177.6 billion. Imports are dominated by fuels and mining products, especially oil, with a value of EUR 67.3 billion, representing 70.6% of the total, agriculture and raw materials worth EUR 4.3 billion, representing 4.5% of the total, chemicals worth EUR 4.1 billion, accounting for 4.3% of the total, and iron and steel worth EUR 4 billion, accounting for 4.1% of the total. According to Eurostat, in 2020, European Union exports were driven by transport machinery and equipment with a value of EUR 36.3 billion, representing 44.1%, chemicals of EUR 18.7 billion, being 21.1% of the total and manufactured products with a value of EUR 7.6 billion, representing 9.6%, as well as agriculture and raw materials worth EUR 6.9 billion and representing 8.7%.

In 2019, Russia accounted for 40% of EU gas imports and 27% of EU oil imports. There has been a slow recovery in bilateral trade since 2016, after declining in 2012-2016 due to falling oil prices.

Russia currently supplies Europe with raw materials and their primary processing products. Oil, gasoline, diesel and natural gas in 2019 accounted for 72.6% of Russia's exports to the Union. Europe's exports to Russia are largely an extremely competitive industrial sector and include cars, industrial equipment and consumer goods.

Retail trade, the automotive industry, insurance companies and banks in Europe have flooded Russia's unsaturated market and gained a considerable share of it (Irkhin & Moskalenko, 2019). Russian industrial companies have borrowed heavily from European financial institutions, and the volume of bilateral trade has been steadily growing (Wright, 2017).

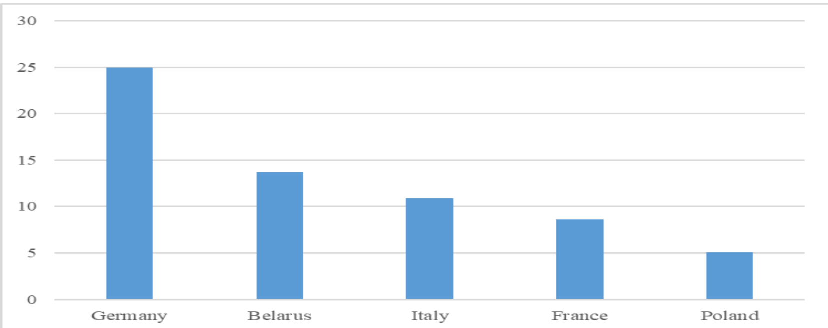

Figure 1. Russia's top trading partners (billions)
Source: World Factbook (2020)

Russia's top trading partners when it comes to imports are Germany, with a value of EUR 25 billion, Belarus, with a value of EUR 13.7 billion, Italy with a value of EUR 10.9 billion, France with a value of EUR 8.6 billion and Poland, with a value of EUR 5.09 billion.

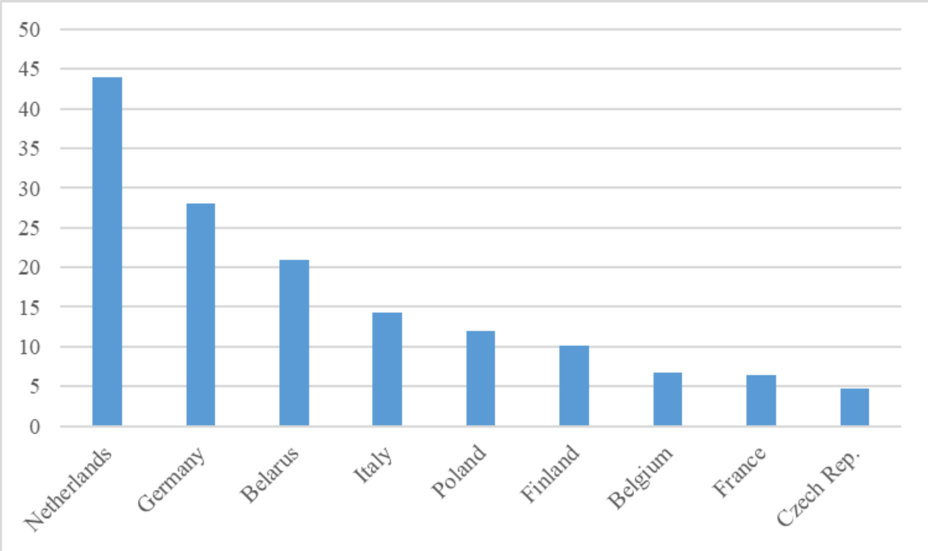

Figure 2. The most important export destinations of goods from Russia (billions)
Source: World Factbook (2020)

The most important commodity export destinations in Russia are the Netherlands with a share of 10.5% and a value of EUR 44 billion, Germany with a share of 6.57% and a value of EUR 28 billion, Belarus with a share of 5.1% and a value of EUR 21 billion, Italy with a share of 3.36% and a value of EUR 14.3 billion. They are followed by Poland, with a value of EUR 12 billion, Finland, with a value of EUR 10.07 billion, Belgium, with a value of EUR 6.78 billion, France, with a value of EUR 6.46 billion and Czech Republic, worth EUR 4.86 billion. Trade in services between the EU and Russia in 2020 amounted to EUR 27.7 billion, with EU imports of services from Russia accounting for EUR 8.9 billion and exports of services to Russia of EUR 18.8 billion.

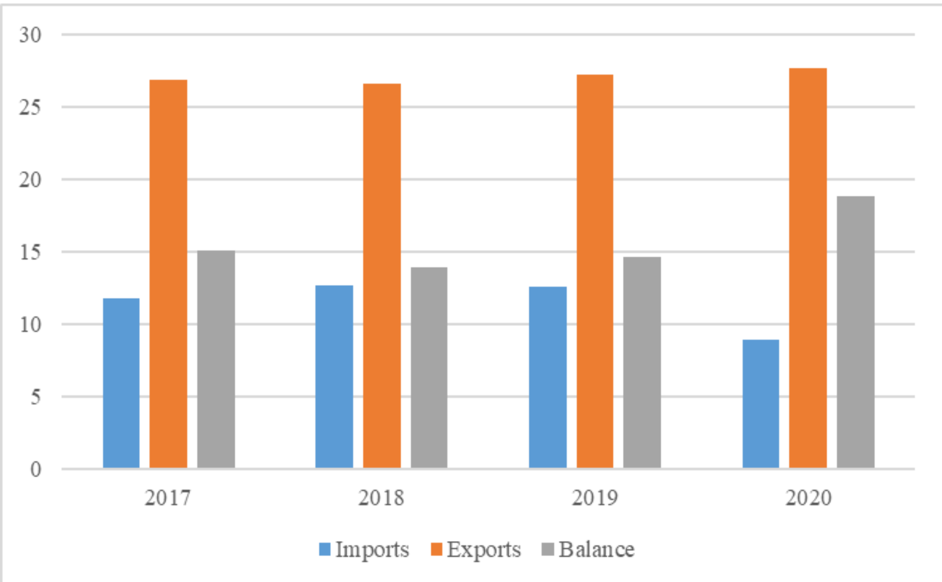

Figure 3. Trade in services between the European Union and Russia between 2017-2020 (billions)
Source: World Factbook (2020)

From the services graph we can see that the value of exports did not fluctuate much, the highest value it had in 2020, of EUR 27.7 billion and the lowest in 2018, of 26.6 billion EUR. Diametrically opposed were imports, with the lowest value in 2020, with a value of EUR 8.9 billion, and the highest in 2018, with EUR 12.7 billion.
Despite the small volumes, Russia and the EU will remain important trading partners. However, this economic dependence has not translated into improved political and defense relations. Both sides continue to emphasize political and economic relations (Litsas, 2016).

2.2 Energy trade
If the core of EU-Russia relations is economic, then its very tough center is trade and the consequence of interdependence in natural resources, especially energy (Papanikos, 2017). Cooperation between the Union and Russia has been built primarily around gigantic energy infrastructure projects, in particular the Nord Stream gas pipeline, the development of offshore gas fields in Sakhalin and the development of a consortium to explore the Shtokman gas field. This strong energy link has helped to create an environment conducive to economic cooperation.
Russia boasts one of the largest energy reserves in the world, with about 80 billion barrels of oil reserves and a quarter of the world's proven natural gas. It is the main supplier of oil, gas and solid fuels to the Union, and for some Member States, it is also a supplier of uranium and a major partner in the nuclear energy sector (Pierini, 2019). Soviet Russia began exporting fossil fuels to European countries on a large scale during the Cold War, and later the end of the war paved the way for the expansion of energy trade between EU member states and Russia (Stoner, 2021). The European Union's demand for a reliable supply of energy from abroad and Russia's desire to capitalize on its fossil fuel resources has led to a strong interdependence in the energy sector (Noutcheva, 2018).
Until the mid-2000s, this interdependence was generally seen as positive. However, within the Union, assessments of the energy relationship with Russia became more controversial after the gas crises between Russia and Ukraine in 2009. With the onset of the Ukraine Crisis in 2014 and the subsequent deterioration of the Union and Russia, some Member States, such as Poland and Lithuania, have framed energy trade as a security issue.
However, despite serious security disagreements between Brussels and Moscow, energy trade between the two has grown considerably since 2016, especially in terms of gas. Russia is the source of 26% of European Union oil imports and 40% of Union gas imports.

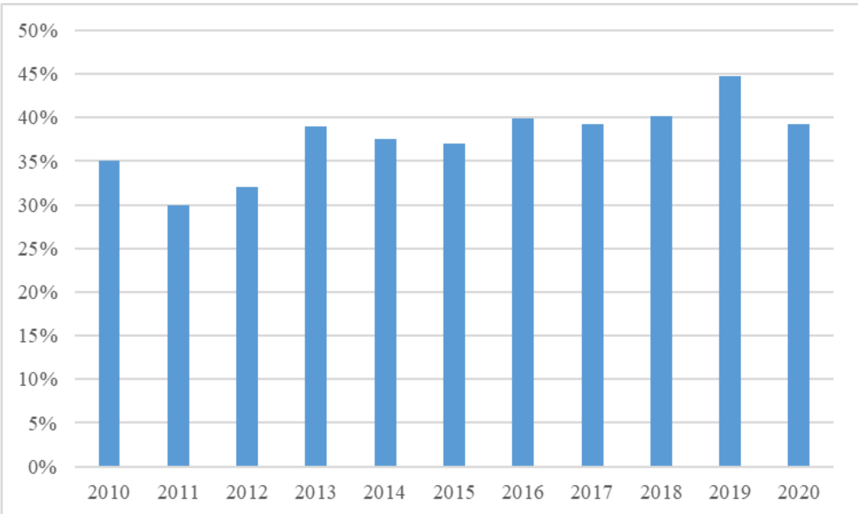

Figure 4. EU natural gas imports from Russia from 2010 to the first half of the year 2020
Source: World Factbook (2020)

The highest value reached by the European Union imports of natural gas with Russia between 2010 and 2020, was 44.7% in 2019, and the lowest value was in 2011 when it was only 30%. This shows that the Union and Russia have remained interdependent in the field of energy, which is, moreover, one of the few sectors in which a substantial level of cooperation has continued since the Ukraine Crisis. In 2018, about 40% of natural gas imports from the EU came from Russia. In the same year, Gazprom, supplied a total of 210.8 billion cubic meters of natural gas to European countries, with 82% reaching Western Europe. The European Union could choose the Middle East to supply gas, as it holds more than 43% of global gas reserves.

Importers and exporters have different conceptions of energy security. For example, energy importers give priority to security of supply, while energy exporters emphasize the demand for security as well as the continued development of their hydrocarbon potential, but diversification is a common denominator. The energy relationship between Russia and the European Union is complicated, because although they are geopolitical rivals, they are dependent on each other. Exit costs for both parties are too high. The EU relies on Russia for its energy needs, while Russia depends on the Union for revenue. Its economy is based on energy exports, which means that its social welfare is based on its ability to meet the demand for hydrocarbons, with the European market being that security. Despite continuing political tensions, together with the EU, Russian companies have felt confident enough to implement new infrastructure projects for gas exports to Europe and beyond. This included the launch of the Yamal LNG project in December 2017 and the construction of TurkStream and Nord Stream 2 pipelines.

Russia has a competitive advantage in this sector due to the low costs of uranium production and the availability of state funding for new projects, both domestically and abroad. Nuclear technology and fuel play a significant and growing role (Minkina, 2019). However, for now, the EU and Russia need to manage their dependence on fossil fuels. This trade became more sensitive from a political perspective with the beginning of the crisis in Ukraine and the tendency of wider confrontation in the relations between the two. The main remaining issue in energy relations between the two concerns the routes through which Russian gas will be exported to the EU in the future, especially the fate of Ukrainian transit pipelines.

The Union has supported Ukraine politically and financially since Russia's annexation of Crimea in 2014, and maintaining imports through Ukraine would be in line with the strategy adopted so far. There were multiple discussions between Russia, Ukraine and the European Commission in 2018 and 2019 and ensured the continuation of a substantial gas transited through Ukraine in 2020-2024. The new 5-year transit agreement corresponds to the economic aspect of the interests of all parties involved in the negotiations.

2.3 EU-Russia relations in the context of the pandemic

COVID-19 is caused by a newly discovered virus. The first case diagnosed with COVID-19 was revealed in Wuhan, China, in December 2019. The disease spread very quickly, and in the following weeks, it was diagnosed in other countries, such as South Korea, Japan, Taiwan and Thailand. The largest outbreak of COVID-19 in Europe was observed in Italy in early 2020. The emergence of the pandemic has shown that in many countries the health care system has not been prepared for such a situation. The spread of COVID-19 has led to the closure of borders, the suspension of air traffic and the increase of border controls (Rumer, E. & Sokolsky, R., 2021).

During the outbreak of the COVID-19 pandemic, it was particularly important for countries around the world to maintain their economic security to provide a sense of certainty and a guarantee that they were looking for solutions to overcome the spread of the infectious disease, but the situation slowed. of world economies, anxiety and long-term changes in markets, which have manifested themselves in falling prices for natural resources, such as oil or natural gas. In March 2020, total extra-EU trade decreased from EUR 252 billion to EUR 228 billion compared to January 2020. Exports to Russia fell by 6.8% and trade by 8.2% (Eurostat, 2020). The states of the European

Union were at the epicenter of the pandemic, while Russia had to deal simultaneously with a major threat to public health and its long-term economic model.
According to Union officials, Russian state media and pro-Kremlin institutions have launched a disinformation campaign on the Covid-19 pandemic to sow panic in the West, in order to aggravate the public health crisis in Western countries. Another goal of the Pro-Kremlin disinformation campaigns is to strengthen the legitimacy of the authoritarian Russian state, thus enhancing its position in the international arena.
Much of the misinformation pushed by the pro-Kremlin media claims that the virus was created by humans and will be used as a weapon. The European External Action Service has highlighted numerous cases of false stories about COVID-19 coming from the Russian media, for example, that the pandemic will cause the Schengen area to collapse, paralyze the EU and end globalization as a whole. The EEAS said in an internal report that since January 22 it has registered almost 80 cases of misinformation about the Covid-19 outbreak related to the pro-Kremlin media. In addition, the Russian state network RT Spanish, which is the 12th most popular source on Facebook, Twitter and Reddit when it comes to this virus.
Reluctance to vaccine efficacy dissipated somewhat last year in the Western scientific community thanks to a study by Russian scientists who suggested that the vaccine has a 91.6% efficacy rate against COVID-19. Faced with shortcomings for Western vaccines amid controversial EU developments, other European countries, such as Hungary, Serbia, Slovakia and Austria, have begun buying Sputnik, and officials in Berlin and several German regions, as well as the Czech Republic, have said. enthusiasm for the Russian vaccine.
Insufficient data on quality control, safety and efficacy were also noted, raising concerns about the effectiveness of the vaccine for people with low immunity and respiratory problems. However, EU Member States are still allowed, under European law, to approve their own vaccines without waiting for EU approval. However, some members of the Union have expressed reluctance towards Sputnik V, saying that EU approval of the vaccine would give Russia a geopolitical gain.

3. CONCLUSIONS

A general conclusion that can be drawn is that both the European Union and Russia have moved their targets during the period of building their relations. The partnership and cooperation agreement was the largest agreement, which included provisions for the development of relations in the political, legal and humanitarian spheres, in addition to the economic dimension. The arguments presented above show that economic relations and energy trade are the adhesive that binds the European Union to Russia.
The most important item on the agenda, and perhaps one of the most important general issues for Russia, was the goal of visa-free travel with the EU, but the difficulties in completing the process show that there was a certain asymmetry in this area as well. of interests. Measures taken by Europe over the 2014 conflict in Ukraine have caused economic losses for both sides, but they have been willing to bear them.

ACKNOWLEDGMENT

Thanks to the team for their help in writing this article. We would like to express our deep gratitude to our colleagues for their continued encouragement, critical analysis of this article, and guidance.

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