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### **Russia and the prospect of OECD membership: between de jure and de facto modernization**

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Magdalena Lachowicz

## Russia and the prospect of OECD membership: between de jure and de facto modernization

**Abstract:** Nearly 20 years into the process, the membership negotiations between the Russian Federation (RF) and the OECD were postponed in March 2014. Whereas, unofficially, the annexation of Crimea and the Ukrainian crisis are to be highlighted as the imminent culprits, the analysis of the negotiation process suggests that it was a matter of time for the OECD to suspend the talks. The objective of this paper is to examine that negotiation process as seen from the broader perspective of the attempted socio-economic reforms in the RF. It is argued that the OECD and the membership negotiation process proved very effective in introducing far reaching and comprehensive changes leading to the modernization in specific domains of the regulatory framework in the RF. To a large extent, nevertheless, these changes were not accompanied by corresponding adjustments with regard to the norms, values and principles that define the functioning of the RF. Overall, a case can be made of de jure modernization in RF rather than de facto.

**Keywords:** OECD, Russian Federation, international cooperation, perestroika, modernization

### Introduction

Even in the era of the USSR, the elite were aware of the need of rapprochement with the West. The elite was also aware that it was necessary to initiate the processes of institutionalization of Russia's external relations as well as of economic and social reforms. The first steps in this direction were made at the turn of the 1990s. The changes in the USSR began with perestroika. Initiated in 1987<sup>1</sup>, perestroika meant

the dismantling of the political and economic system of the USSR. Considering the fact that the Soviet elite were not prepared for deep structural economic and social reform – even if the debate on the necessity of its introduction began in the 1960s – perestroika gave rise to a new socio-economic model vulnerable to deformations<sup>2</sup>. The first half of the 1990s was a period of intensive privatization in the Russian economy, followed by ownership changes in the energy sector, an intensive development of the commercial banking system, price liberalization, and an unfolding financial crisis that peaked in 1998. For the Russian Federation (RF), the turn of the new millennium brought difficulties in the process of socio-economic reforms. The financial crisis of 1998 led to the destruction of the existing banking system and its immediate transformation, also in terms of ownership. From January 1, 2004, RF commercial banks were obliged to adopt policies in line with international accounting standards and financial reporting. The experience of other countries in this area shows that the effectiveness of economic and social reforms increases if the support both inside the country and abroad can be provided (Visvizi, 2010). It seems reasonable, therefore, that the Russian elite sought to gain such assistance for the reform process.

Indeed, along the wave of change in Central and Eastern Europe associated with the fall of communism, the possibility of providing financial assistance to the Soviet Union had been considered by the global financial and economic institutions from the early 1990s. The G7, the International Monetary Fund (IMF), the World Bank (WB), the European Bank for Reconstruction and Development (EBRD) and the Organization for Economic Co-operation and Development (OECD) were involved in these activities. The main OECD body whose purpose was to coordinate the OECD assistance for Russia in terms of transition toward a market economy, was the Centre for Cooperation with Economies in Transition (CCET), created in 1993. The CCET was commissioned with the task of developing economic analyses for the countries of the former block of people's democracies (the Czech Republic and Slovakia, Poland, Hungary, Bulgaria and Romania, and the former Soviet Union – the Russian Federation). The resulting reports diagnosed the possibility of a real potential of foreign capital investment in these countries. Subsequently, the programme Partners in Transition (PiT) was developed; the RF was included. As the OECD

concluded at that time the RF did not meet the standards of countries with advanced system reforms PiT was dedicated to.<sup>3</sup>

As a result, the RF undertook accession negotiations with the OECD in 1993, with the observer status awarded to it in 2007. However, these negotiations were postponed in 2014 (OECD, 2014b). In order to understand the nature of the accession process between the OECD and the RF, one needs to take into account not only its internal variable and dynamic nature, dependent on the mutual reciprocal interaction of RF and the Organization, but also factors external to the process. Unofficially, the main reason for the interruption of the negotiations was the annexation of Crimea by Russia and the Russian-Ukrainian conflict. In a broader context, the accession process had not been completed as a result of the departure of the Russian internal policy from the economic modernization project, a slow-down of the democratization process in the RF and the worsening of Russia's relations with the West.

The turning point for the Russian foreign policy was the rise to power of Vladimir Putin and the exacerbation of the RF policy towards the West in 2007; the RF President's speech at the 43<sup>rd</sup> Munich Security Conference serves as a good point of reference here (see Rolofs, 2007). During Putin's rule, the internal RF policy underwent changes such as an increase in the level of control over society and political domination, connected with the violation of the freedom of thought and expression, the right to property and freedom of entrepreneurship, the values which underlie the market economy. During Putin's rule, the events on the Russian politico-economic stage stood in sharp opposition to the standards of all, without exception, OECD countries. Regardless of the suspension of negotiations, both the RF and the OECD expressed a desire to continue the dialogue on future membership; however, the possibility of joining the OECD by the RF is becoming less and less realistic. The objective of this article is to examine the reasons which prompted the RF to express a desire to join the OECD and to present the progress of the accession process within a wider context, in which the suspension of the negotiations occurred.

To this end, the first part of the article discusses the factors that prompted the Russian elite to take up membership negotiations with the OECD. Then, the accession negotiation process is discussed. Finally, the broader set of developments that led to the postponement

of the accession negotiation is examined. Conclusions follow. It is argued that the OECD and the membership negotiation process proved very effective in introducing far reaching and comprehensive changes leading to the modernization of specific domains of the regulatory framework in the RF. Nevertheless, these changes were not accompanied by corresponding adjustments with regard to norms, values and principles that define the functioning of the RF. Specifically, the notions of democratization, civil rights and respect for human rights should be highlighted. Overall, a case can be made of *de jure* modernization in the RF rather than *de facto*.

## **1. The rationale behind the RF's decision to apply for the OECD membership**

Back in the 1990s the OECD was less effective than the dynamically developing European Union (EU) and the new international economic institutions, which, incidentally, duplicated its competences (Rewizorski, 2016). Discussing the course of membership negotiations between the OECD and the RF, attention needs to be paid to the fact that in the 1990s the OECD still maintained its elitist character of a closed club. In other words, since the acceptance of New Zealand as a member in 1973, the OECD member states were skeptical about the enlargement of the organization. The turning point was the session of the Ministerial Council of the OECD in June 1993 and the decision made there to begin negotiations with Mexico.

Already in March of the same year, a document defining Russia's position was prepared. It was the decision of the Council of Ministers of March 14, 1993 to prepare a draft agreement on the cooperation between the Russian Federation and the OECD. The negotiations delegation comprised eight members under the leadership of Sergei V. Lavrov, the then Deputy Minister of Foreign Affairs of the RF. The objectives of the negotiations were clearly defined: to develop official relations of the RF with the Organization, to obtain the observer status and in the long term - the status of a full OECD member (Council of Ministers, 1993: §4). Important for the Russian side was to gain the widest possible access to the Organization's analytical information and technical consulting. The RF hoped to make use of the experience of OECD countries on issues of legislation concerning the functioning

of the free market, instruments of economic policy, monetary and currency policy, budget and tax policy, privatization, development of the energy complex, and above all ways to attract foreign investors (Council of Ministers, 1993).

The experience of OECD countries and cooperation in the working groups would encourage the elaboration of effective methods of transformational change. In 1994, the Declaration of cooperation of the OECD and the RF was signed in Paris (OECD, 1994), opening the long process of Russia applying to join the OECD. In 1995, the first annual working programme was introduced, which for the subsequent years became the basis of mutual bilateral cooperation between the OECD and the RF. These documents defined the specific directions of mutual cooperation, i.e. the provision by the OECD of consultation and advice on implementing the market transformation in Russia; participation of Russian representatives in the works of the committees and working groups of the OECD as observers; participation of Russian experts in OECD research projects, as well as work on the collection and production of statistics. The documents also guaranteed the participation of Russian experts in OECD conferences and seminars and thus made available to Russia the analytical-information potential of the organization. Therefore, the negotiations ended with a first success, but the process of specifying the accession conditions lasted until 2007 when the RF was granted the observer status. RF's representatives, during the negotiation process, joined more than 20 working committees, implementing at the same time the so-called 'modernization package' in the country (OECD, 2014c). The process of entry into the different working structures of the OECD was phased and dependent on the progress in the negotiation process (OECD, 2006).

On May 16, 2007 in Paris, the OECD Council at ministerial level adopted a decision to invite Russia to official talks on joining the Organization, together with Chile, Estonia, Israel and Slovenia. Back in November, the Council approved both a detailed accession plan and a list of rules, norms and principles, which Russia was to take a stand on<sup>4</sup> (OECD, 2007). Pursuant to the provisions of the document, the procedure for the OECD accession was to be dependent on the RF's progress on the following interrelated issues: the ratification of the OECD regulatory framework, the RF's readiness to adopt other obligations stemming from the OECD membership, the functioning of the

RF in the sectors not regulated by the OECD legal norms and relevant to the current and future coordination between Russia's and OECD member states' policies. Paragraphs 4 and 5 of the document clearly defined the basic extra-normative values shared by all member states and implemented in order to achieve sustainable development. These were: commitment to pluralist democracy based on the rule of law and respect for human rights and the preservation of the principles of an open and transparent market economy (OECD, 2007: par. 4, par. 5). The document clearly marked the priority areas in the OECD's position towards Russia.

## **2. The RF: from the observer status to membership negotiations**

In response to the invitation to assume the observer status, the RF prepared a memorandum and a plan of adoption and incorporation of the OECD standards into the Russian legislation (MoED, 2009). In 2009-2012, the OECD and the RF entered into a lively dialogue. Progress in implementing the OECD standards was highly evaluated by the Organization. For instance, the OECD praised the RF's accession to the OECD Anti-Bribery Convention in 2012 (RF, 2012). As a result, the cooperation was strengthened in the area of business and the Russian Union of Industrialists and Entrepreneurs joined the Business and Industry Advisory Committee (BIAC) of the OECD as an observer in 2012. BIAC brings together the strategic business representatives from OECD countries. For Russian businesses, BIAC has therefore become an opportunity for active participation in the main market-related decision-making and advisory processes of the OECD. Notably, observers from non-member states had the opportunity to participate in the work of this important consultative committee since 2001.

The lengthy process of obtaining BIAC membership reflects the high standards and expectations set by the Organization for countries aspiring to the membership. BIAC members, as independent experts to the OECD, were involved in the work on the Market Openness Review, which was carried out by the OECD Trade Committee as part of the review by the OECD Environment Committee. BIAC assessment clearly showed the need to intensify work on legislation transparency regarding open investment and capital market mechanisms in Russia



and on an effective competition policy. Business considered the level of implementation and enforcement of the law in 2013 as unsatisfactory and requiring further work. The biannual report *Economic Survey of the Russian Federation* published in 2014 presented a detailed list of recommendations, which, in the opinion of OECD experts, could help improve the functioning of the RF economy (OECD 2014a).

In practice, accession to the OECD means that the RF is forced to adopt around two hundred broadly defined OECD standards, which form the OECD normative-legal basis. They include legally binding international agreements, as well as declarations and conventions of an open character. As a result, negotiations between Russia and the OECD were a complex process, in which Russian special interests were often referred to. The Russian side argued that the OECD standards in many areas were much higher than those practiced in Russia, which meant that the need for their implementation would create significant burdens on the budget and operational costs for businesses (Likhachev, 2014).

By 2014, out of 22 sectoral committees of the OECD only seven had consented to Russia's membership. Negotiations were completed in the committees for health, competition, social policy and taxation, fishery and shipbuilding. The talks in other committees continued; they concerned such issues as the regime of cross-border capital movement, including direct investment and services as well as trade market and export credits. The OECD Investment Committee requires changes in the restrictions introduced by the Russian Federation in the sectors of energy, extraction of mineral resources and finances. Regardless of the suspension of the process of membership negotiations, over the period 1993-2014, the OECD played an important supportive role in the process of modernizing the regulatory framework defining the functioning of Russia's economy. This issue shall be addressed in the following section.

### **3. OECD and the RF: attempts at modernizing the Russian economy**

Intensification of foreign trade in the new millennium and aspirations to reach the standards of the OECD and the WTO have led to the simplification of the Russian Customs Code (2003) and liberalization

of Russian trade. The prevalent OECD *Code of capital flow liberalization* could only be adopted with considerable reservations on the Russian side, which would be commonly practiced by many member states. The rating of Russia's readiness to change, especially in terms of openness to FDI, directly affected the dynamics of the accession process. At the export-import market, major Russian partners belong, according to the OECD standards, to the so-called third or higher risk group. During the peak of the negotiations until 2008, Russia became the eighth largest investor in the world (the dynamic growth was recorded from 2000 to 2008). In the years 2004 to 2012, the Russian capital was invested in the EU (over 50%), which accounted for 55% of the target RF export. In addition to the CIS, the level of Russian investment recorded a steady growth in America, Asia and Africa (Makowski et al., 2013: 122).

Despite the fact that in 2003, the combined power systems of Russia (RAO UES) became de-monopolized, Russia still needs to develop effective solutions for the subsidized sectors of aviation and energy, especially nuclear power. Russia was invited to participate in the International Energy Agency (IEA), affiliated with the OECD, but full OECD membership is the condition of entry into the IEA. However, common principles were developed based on the recommendations of the experts of the Agency and the OECD, which, in accordance with Russia's position are reflected in the RF energy strategies until 2010, 2020, 2030 (see also President of RF, 1995; RF Government, 2003; MoE, 2009).

The RF is also preparing to take commitments in accordance with OECD standards, among others in the areas of telecommunications, information technology and high-tech, anti-corruption activities, public and corporate governance, credit and financial relations, intellectual property rights and education. As a result, in 2001-2004, the RF Tax Code was amended. A 13% flat personal income tax (PIT) and a regressive social tax were introduced as well as a bill on the taxation of enterprise income, including a corporation tax (CIT) reduced to 24% whereas turnover taxes were abolished. In 2003, companies gained the right to choose the tax rate (6% or 15%), and at the same time small businesses taxation system, accounting system and tax reporting were simplified. The sales tax was eliminated (2004) and VAT reduced to 18%; tax audit of individuals in certain areas was eliminat-

ed. A tax on mineral extraction was introduced (NDPI<sup>5</sup>), simplifying the tax system in the energy sector and transforming the mechanism of export duties at the same time. Simultaneously, work continued on corporate governance in the OECD working group regularly from 1999, which led to the development of the so-called White Paper published in 2002 (OECD, 2002). The White Paper includes a list of the directions and priority tasks for the reform process aimed at improving the functioning of corporations, including in particular equal treatment of shareholders and an increased level of functioning transparency. The White Paper paved the way for the development and implementation of the Code of corporate governance in 2014<sup>6</sup>.

It is also anticipated that in the future the decisive factor for environmental issues will be the gap between the high standards of the Organization and the low level of the Russian legislation in the field of practical mechanisms for the protection of the environment, implementation of a funds settlement and monitoring system (Peer Review). Difficult negotiations also involve the issue of the procedure for the certification of products containing chemicals (Likhachev, 2014).

In the sphere of education, Russian experts actively participated in the development of the Indicators of Education System (INES). INES is an international mechanism for comparing data on education funding, young children education and care issues, as well as the evaluation of human capital in the field of education. Cooperation with Russia took place also within the OECD/UNESCO World Education Indicators (WEI) and the Programme for International Student Assessment (PISA) (Meshkova, 2007: 44). Effective implementation of the OECD programmes by Russia involved a number of changes in legislation, reforms in administration, creation of mechanisms for the exchange of information and improvement of practices.

One of the problems, which deserves a more detailed discussion, is the issue of systemic corruption in Russia. Although already on August 12, 2002, Putin decreed the fight against corruption, the solutions then introduced did not prove effective. The new wording of the decree came to light as late as 2009, during the presidency of Dmitry Medvedev, who quickly introduced a series of anti-corruption laws (entered into force in 2010). As a result, in addition to the Federal Law on Counteracting Corruption, criminal liability was tightened for crimes of corruption, and attempts to reform the Ministry of Internal Affairs

were made. The decree “On some measures to reform the Ministry of Internal Affairs of the Russian Federation” (President of RF, 2010) allowed for large-scale personnel changes. All deputy ministers and half of the ministry clerical body were removed. A new law on the police was passed (militia was abolished), a review of human resources was performed and on this basis about 20% of the staff were made redundant. The Criminal Code was amended, penalties for terrorism were introduced. Regardless of the scale of the changes that were made under the above decrees, there has been no fundamental change in the functioning of state institutions or the perception of corruption by Russian society. Still in 2012, according to the foundation “Indem” run by Satarov, corruption income reached 1/3 of Russia’s GDP, equivalent to 318 billion USD (Satarov, 2013). Reports from Transparency International for the years 2012-2015 show that Russia, out of 167 countries and territories, holds the infamous 119<sup>th</sup> place next to Azerbaijan, Guyana and Sierra Leone with the index of corruption amounting to 28 in 2012, 28 in 2013, 27 in 2014 and 29 in 2015 (TI, 2016).

## **4. Modernization... de jure?**

• The developments on the Russian economic and political scene following the collapse of the Soviet Union and the attempts to anchor the reform process in the RF in the broader context of international institutions, were assessed in the following way by Yegor Gaidar, Prime Minister and Minister of Finance of the Russian Federation in 1991-1992. He wrote that in the face of the disagreement between Russia and its Western partners, a sterile dialogue had begun rather than the expected assistance in the transformation process (Gaidar, 2016: 388-389). He explained that

[t]he Soviets [argued] – the money is needed urgently, otherwise a catastrophe awaits us; the west side [responded] – develop a precise action program that will lead the country out of the crisis, and then we will be able to talk about financial aid (Gaidar, 2016: 389).

Given the scope of the regulatory and legal changes concerning the functioning of the Russian economy, it is difficult to resist the impression that Gaidar’s remarks were too critical. However, taking into ac-

count current developments on Russian political and economic scenes, it is difficult to deny that Gaidar might actually have been right.

The foundational values in the socio-political and economic life of OECD member states include democracy (political pluralism), respect for human rights and civil liberties, and stable growth and openness in the market economy (OECD, 2007: par. 5). Today's actions by the Russian authorities, i.e. the internal law tightening and control of society, aiming to reduce civil liberties and, in the long term, isolationism, will have a negative impact on the process of a possible acquisition of OECD membership by the RF. In relation to the standards and values that define cooperation on the international stage, it must be recalled that it is not only the annexation of Crimea and the war in the eastern part of Ukraine which indicate a debatable RF position against them. Equally important were the events in Beslan in 2004 when Putin's second presidential term began.

In short, the changes Putin introduced at that time meant a departure from the project of modernization and a slowing down of the processes of democratization and economic liberalization. A shift towards the state centralization meant, at the socio-political level, a significant reduction of political pluralism in the country, limiting the role of the parliament (State Duma) and the introduction of new Kremlin-controlled non-constitutional institutions, e.g. the Civic Chamber to represent social interests. The rules for registration of political parties were strictly limited by requiring at least 10 thousand members gathered on the territory of at least half of the subjects of the Federation. As a result of the changes, the Duma became the representative of the bureaucratic apparatus and oligarchic groups. Presidential control over the judiciary was increased, violating the principle of the separation of powers, typical of democratic OECD member states. The president gained real control over the mode of appointment of the judiciary authorities and, in particular, gained the right to appoint more than 50% of the members of judges' qualification college and the right to appoint the director of the court department of the Supreme Court. Still in 2006 the rights of the so-called initiative groups for conducting a nationwide referendum were limited (the process is under strict control of the state authorities). Changes in the media market and limiting the autonomy of the media served as the beginning of direct

propaganda designed to convey a specific image of Russia's authorities to audiences at home and abroad.

The reform of the energy sector seems to be remote, especially if we take into account the consequences of the economic crisis of 2008, the costs incurred by Russia in order to stabilize the economy after the collapse of Lehman Brothers (the matter of the Stabilization Fund and state reserves consumption balance), engagement in costly military campaigns (Georgia, Ukraine, Syria), and the prolonged decline in oil prices. In the current model, the functioning of economic entities of strategic importance for the state (LUKoil, Rosneft, Transneft and Gazprom in particular) plays the role of so-called 'energy diplomacy' and is an essential tool to control processes in the global energy market and politico-economic situation of the so-called near abroad countries (the former post-Soviet republics). The image of the investment and the postponement of membership in the WTO and the OECD were influenced by the Yukos case, William Browder's Hermitage Capital (the detention and death of Sergei Magnitsky), which revealed both the strength of corruption in state bodies and the level of acquiescence from the authorities to violations of basic human rights.

After the 2011-2012 protests against electoral counterfeiting, Russian authorities sought to tighten control of the exchange of information, restrict the freedom of expression and the media, the activity of the third sector and grassroots civic initiatives. In the spring of 2013, over 100 non-governmental organizations underwent state control with the participation of officials of the prosecutor's office, the ministry of justice, tax force, sanitary and fire prevention officials. Acts such as the Federal Law No 114-FZ of 2002 on the prevention of extremist movements, the law of 2012 on foreign agents aimed at Russian non-governmental organizations or the law of 2015 on undesirable organizations related to foreign and international third sector organizations operating in Russia have become tools aimed at restricting civil society. These laws abound with imprecise definitions that in turn enable broad interpretation and abuse on the part of the government and power structures. In fact, the European Commission pointed it out, highlighting for instance the lack of a precise definition of extremist activity, which as a result could include also defamation of public officials (European Commission, 2013). This approach goes far beyond the recommendations of both the Committee for the Elimination

nation of Racial Discrimination of 2013 and the European Commission for Democracy through Law, i.e. The Venice Commission. Both institutions are of the opinion that law should limit the notion of an extremist act to an act of violence or calls for such an act. The committee also qualifies participation in organizations that promote racial discrimination or calling for it (European Commission, 2013).

Russian authorities, however, have not changed their position on this issue, acknowledging compliance of their actions with the Constitution, international obligations and with international practice. The repression and restrictions affected, among others: religious (Jehovah's Witnesses), nationalistic (Crimean Tatars), human rights (Memorial) and foreign (Transparency International, The National Endowment for Democracy – NED, Freedom House) organizations, as well as independent election observers (Golos association) and many others. In 2014, the *Strategy to counter extremism in the Russian Federation until 2025* was announced, which clearly pointed to telecommunications networks, especially the Internet as a space of (a) manifestations of the most dangerous types of extremism (hatred based on sex, race, nationality, native language, religion and so on), (b) provoking illegal protests, mass demonstrations, acts of terrorism, riots, (c) communicating for the extremist and terrorist organizations, (d) extremist religious organizations (Islamic) (BBN, 2015).

In this regard, the control and monitoring of citizens' activities in the virtual space was tightened (*Roskomnadzor*), and the powers of the FSB and the prosecutor's office regarding access to secret data of IT companies and telecommunications were expanded. In practice, the Russian judiciary took concrete steps, among others, in February 2016, the court in Tatarstan banned the first Russian non-governmental organization called Agora. The association assembled 35 lawyers, operating in 40 regions of Russia, providing legal assistance to the Federation citizens in accordance with human rights. In reality, the lawyers of the association stood up in defence of those detained during the protests of 2011 and 2012, which the authorities unequivocally considered political activity. Already in 2014, the organization received the status of a 'foreign agent' as a result of the presumed reception of funding from the US Department of State in 2013. In the spring of 2016, a well-known Russian blogger Anton Nosik (co-founder of *gazeta.ru*, a reporter for *Echo of Moscow*) was charged with inciting hatred



or hostility (on the basis of the Criminal Code) after the publication on his own blog of the information about the combat operations of the Russian Federation in Syria (UAWire, 2016; Moscow Times, 2016).

## **5. The RF's OECD membership negotiations, the EU and the broader international community**

The EU's position towards the RF, as in the case of the OECD, was based on the expected broad framework of modernization changes in the country. Since 2005, the EU and Russia have developed cooperation on the basis of the so-called Four Spaces, with the aim of developing effective solutions in the field of economy, internal affairs and justice, external security issues, and issues related to research and education. At the same time, political dialogue was conducted. It took a form of bilateral summits held twice a year and the forum of the Permanent Partnership Council. Russia was the only country with such a high frequency of permanent appointments. Still in 2010, as a priority on a par with the European Neighbourhood Policy, Catherine Ashton recognized the arrangement of external relations and establishment of a framework of strategic partnership agreements of the EU with third countries, including the RF. It was considered important, in addition to safety, to conclude comprehensive free trade agreements, thus providing better access to partner markets for European business (Jankowski, 2012). This postulate is compatible with OECD standards. In the bilateral dialogue with Russia, Germany dominated among the EU member states, achieving the greatest success. However, divergent positions of the EU and Russia lay at the basis of cooperation (Ćwiek-Karpowicz and Formuszewicz, 2010). Russia presented a selective position focused on the Russian understanding of modernization, that is acquiring new technologies and modernization of infrastructure. Effective negotiations on cooperation were noted only in selected areas, which was contrary to the practice and standards of the EU. After 2008, the European Commission declared its support for efforts to strengthen the rule of law, fight corruption, improve the investment climate, develop non-governmental organizations, and to adapt EU technical norms and standards in order to modernize the Russian economy and administration.



The programme “Partnership for Modernization” (P4M), which was intended to strengthen the cooperation between the EU and Russia, was presented to the RF at the EU-Russia summit in November 2009. The proposed concept was to complement the existing framework of cooperation based on the Partnership and Cooperation Agreement (PCA, developed in 1994 and regulating mainly trade issues, in force since 1997) and featured two main German demands: administrative reform and strengthening the rule of law. The P4M proposal was based on the assumption that Russia needed EU support in the implementation of internal reforms (Ćwiek-Karpowicz and Formuszewicz, 2010) and was meant as an opportunity in the face of the inefficient work on the Partnership and Cooperation Agreement between the EU and Russia (PCA2). The newspaper *Kommersant* reported on the evaluation of P4M by the Russian authorities as a positive intellectual contribution to the modernization of their country. Russia’s position is unchanged, however: European partners have to focus on economy and technology, and the issues of democracy in Russia should be left to Russians. The idea of the new programme was, on the one hand, the continuation of the existing bilateral cooperation of Germany and Russia, i.e. its enlargement by the postulates of the European Commission. On the other hand, it was a response to Russia’s idea of modernization announced in 2008, and an accommodation of Medvedev’s attempts to make budgetary revenues independent from the energy market (Koszel, 2011: 3). The continuation of the policy was the adoption of the ‘five neighbourhood projects’ on the cooperation between Poland, the Baltic states and the Kaliningrad Region of the Russian Federation as well as Finland and Sweden, with the northern regions of Russia, e.g. the Kola Peninsula, in the fields of sport, energy, culture, environment protection and economic development. Russia recognized the success of P4M after creating the agency for energy RUDEA in 2010 and the declaration of collaboration between researchers, although both initiatives were related to the Russian-German cooperation. The culmination of the work on the programme was to be the summit in Rostov-on-Don, although the effective mechanisms had not been developed. Further agreements and negotiations only led to the strengthening of Russia’s economic cooperation with Germany, which was the first concrete step towards the economic implementation of P4M (including the entry of Siemens into the Russian mar-

ket in order to modernize the railways) (Koszel, 2011). The talks were supplemented by the completion of negotiations to join the WTO by the Russian Federation, the entry into force of the third energy package and the German Meseberg initiative.

The continuation of the *Russia First!* policy was, however, influenced, among others, by aggressive actions of Russia towards Ukraine. It should be remembered that Ukraine operates within the EU programme of Eastern Partnership, established at the same time in 2009. In March 2013, in the face of the illegal annexation of Crimea and deliberate destabilization of Ukraine, the EU tightened the policy and introduced restrictive measures in the form of sanctions (individual, sector and on contacts with Crimea). At the same time, diplomatic steps were taken: the EU-Russia summit was cancelled, Russia was removed from the works of the G8 group, bilateral summits of EU member states with Russia were suspended. Consequently, the talks about the liberalization of the visa regime and the new agreement with the Russian Federation PCA2 were stopped. The OECD dialogue with the Russian Federation was interrupted on March 13, 2014, when the OECD suspended the membership negotiations with the Federation, which had lasted from the mid-1990s. At the same time, the strengthening of cooperation with Ukraine, aspiring to membership in the Organization, was declared. A clear signal was sent as to what impact on mutual relations the annexation of Crimea would have.

## Conclusions

In December 2014 Catherine Mann, the chief economist of the OECD, warned against pushing Russia towards autarky, against the process of separation of the Federation from the global economy. According to the economist, the significant decisive factors were to become, aside Western sanctions, low oil prices and cutting Russia off from the Western capital markets. Mann foresaw the need for 'painful restructuring', which, however, did not take place in Russia in 2015 (Chan, 2014). In September 2015, the head of the Ministry of Economic Development of the Russian Federation, Alexey Ulyukayev, after the meeting with Jose A. Gurría, stressed that the accession of the Russian Federation to the OECD was not possible until the sanctions of the West were lifted, putting the bilateral dialogue in the wider European con-

text of Russia's strained relations with foreign countries. Proceedings in OECD working groups, however, were still held with the Russian participation (Ulyukaev, 2015). EU states unequivocally supported the suspension of negotiations on accession to the OECD and the International Energy Agency. On June 17, 2016, the Council extended the sanctions until June 23, 2017.

In May 2016, the Council of Foreign and Defence Policy (SVOP) of the RF announced the theses specifying the effectiveness and strategy of the RF's foreign policy for the period from the end of 2010 till the beginning of the 2020s. The recreation of the military power and the protection from the destruction of the space of the historic Russian empire are successful. The priority is to be the bipolar vision of the world based on the idea of Great Eurasia and the alliances with Asian partners, including China, India, Iran (SVOP, 2016). The theses presented in the document should be approached critically, although they clearly indicate the current Russian priorities in the foreign policy. The authors of the strategy are, however, aware of the significance of the role of the level of economic development as a decisive factor in the strength of the influence on the world politics, although it is no longer the most essential factor. It is difficult to hide the fact that, after the decline of the prices of energy resources and the annexation of Crimea, the RF visibly suffers from economic stagnation. This is the main factor which has been inhibiting changes in the last 8-9 years (Barbashin, 2016). In the internal policy, the tightening of the course will also be continued. At the moment, a package of antiterrorist laws commonly referred to as 'Jarova's package' is being implemented and the technology called Find Face<sup>7</sup> is being implemented in the monitoring system of Moscow. These activities sum up many years of efforts aimed at enhancing state control over society. They also clearly limit the rights guaranteed to the citizens by the Constitution of the RF and eliminate the tools to build civil society in the future.

Aggressive foreign policy and internal removal of democratic elements in the RF have resulted in a qualitative change of Russian position on the international stage. Although the Russian authorities have ambitions to be the dominant global power and plan to enter Western economic structures, Russia is seen today rather as a regional player. There has been a clear gap between the precise stance of the Western side, demanding modernization and democratization from Russia,

and Russia's ideological and conservative position, which manifests itself in the attempts to strengthen the influence of the so-called near abroad by the use of force. The evidence for it is provided by Ukraine which is a partner for talks with the OECD and the EU. It is nevertheless treated by Russia as an area of struggle for influence with the US and Western Europe; Ukraine's independent status in this dialogue is not recognized. It remains, therefore, questionable whether a real rapprochement of the RF with the West is possible, particularly in the fields of economic modernization and democratization of standards in accordance with the position of the OECD member states.

#### Endnotes

- 1 For the first time, the word *reform* appeared in the official documents of the XXVII Congress of the Central Committee of the CPSU in 1986 (M. Gorbachev's speech). Perestroika was based on three pillars: reform of the political system, a comprehensive programme of economic restructuring and reassessment of Soviet history in connection with the 70<sup>th</sup> anniversary of the October Revolution.
- 2 The adopted model of economic modernisation allowed to build the foundations of a system susceptible to abuse and emergence of irregularities, including the grey area in the 1990s, and thus to changes preventing quick accession into the Western structures, including the OECD. The process of the private sector expansion began in May 1988 with the introduction of the law "On cooperatives in the USSR", by which cooperatives were created, mainly adjacent to state-owned enterprises. Expanding the banking system with the commercial sector without the personnel and instruments for effective banking supervision gave an enormous scope for abuse, taking the state capital out of control of the authorities, and for illegal financial operations. The wealth of many Russians – today's billionaires – comes from this period and was the ground on which later ownership-capital relations in the Russian Federation were formulated. The above mentioned changes were vital to the shape of the OECD accession process.
- 3 Among the recipients of the PiT programme were: Poland, Czechia and Slovakia, Hungary, while the Russian Federation and post-Soviet states were omitted as not meeting the standards.
- 4 When it comes to technical issues related to the future RF membership in the OECD, in the annexes A.I to A.XII, a list of OECD bodies dedicated to the conduct of accession negotiations is presented. These are: Investment Committee; Working Group on Bribery in International Business Transactions; Committee on Fiscal Affairs; Chemicals Committee; Environment Policy Committee; Steering Group on Corporate Governance; Committee on Financial Markets; Insurance and Private Pensions Committee; Competition Committee; Committee for Scientific and Technological Policy; Committee for Information, Computer and Communications Policy; Committee on Consumer Policy.
- 5 NDPI: a combination of increases in the export levy and the resource tax; in this form the tax on mineral resources was introduced in 2002.
- 6 Work on updating the Code began in 2008. Following the adoption of a series of laws in the field of company law in 2010-2012, a number of provisions of the Code were adopted as mandatory standards.
- 7 The application created by the startup Trinity Digital (Russian programmer Artem Kucharenko and marketing expert Alexander Kabakov). The data base for Find Face is delivered by the social network Vkontakte, the application serves to identify people on the basis of anonymous pictures and to establish their identities/profiles in the social network.

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