Actuality of research

The EU is the main source of technology, know-how and investment for Russia. As regards foreign direct investment, companies from EU Member States are the major foreign investors in Russia. The EU has a vital interest in promoting prosperity in its largest neighbor. The European and Russian markets are fundamentally complementary: both the EU and Russia each have strengths that could be shared to mutual benefit. The EU is a knowledge-based economy that, simultaneously, needs to lift its long-term growth prospects; while Russiais a high-growth emerging economy necessitating a knowledge base able to exploit its

historic strengths in advanced science and technology. Trade and investment flows between the EU and Russia are already significant but they tend to be concentrated in sectors where barriers are low and regulatory systems are compatible. For their part EU companies wanting to invest in Russia have often been held back by legislative and bureaucratic obstacles, as well as by high tariffs, for example on imported components. Such barriers reduce our shared competitiveness. Negative influence of stereotypes on economic relations can form obstacle for economic collaboration. Apparently both Russia and the European Union will benefit from the increase of trade operations, investments and travel. Private capital cannot be locked by national borders, and money tends to go to the regions that provide more favorable conditions, including protection of capital investments, and where profits are reputed to be the highest. Russia's primary attention, therefore, ought to be attached to eliminating the obstacles obstructing the development of contacts and cooperation at any level — from reducing the duration of cargoes' and vehicles' customs clearing procedures to cutting the «red tape» in the relations between Russia and the European Union. So the EU and Russia are interested in definition and destroying of stereotypes for successful business relations.

Problem of research: Stereotypes influences on economic relations between the European Union countries and Russian Federation.

Objects of research: economic relations

Subject of research: The influence of stereotypes on economic relations.

The aim of research is to identify influence of stereotypes on economic relations between the European Union countries and Russian Federation.

Steps to be followed:

1.To identify stereotypes that influence economic relations between EU and Russia.

2.To find out consequences of influence of stereotypes on economic relations between EU and Russia.

3.To find out a possible solutions for the problem of negative influence of stereotypes.

4.To investigate results of the first attempts solving problem.

5.To make general conclusion.

Research methods: Theoretical analysis and synthesis information.

Main body.

Step 1.Stereotypes that influence on economic relations between the European Union countries and Russia.

In spite of powerful impulses encouraging the development of strategic partnership relations between Russia and the European Union their future relations are largely predetermined by the success Russia will achieve in its domestic system transformation, on the one hand, and by

the final results of the EU radical transformation, on the other. The uncertainty surrounding the process of future democratic and socio-economic transformations in Russia is viewed as the main hindrance in the relations between Russia and the European Union. Since the 1990s

Europe has experienced serious apprehensions about the prospects of the democratic reform in Russia. All those apprehensions have caused many other problems in the relations between Russia and the European Union: absence of any strategic goals in the EU-Russia relations which may create a risk of the growing gap between the unifying Europe and Russia.

The uncertainty with regard to the prospects of Russian democracy seems to have been induced by the following three factors. First, by the stereotypes juxtaposing Russian and European values as incompatible. Second, by the Soviet syndrome. Third, by the mistakes made by the Russian leaders in the past decade (the use of force for resolving Russia's internal political crisis in October 1993; the warfare in Chechnya; implementation of controlled democracy) which impelled Europe to question Russia's adherence to democratic principles. The EU countries, as well as Western countries as a whole, however, were not impartial observers and they often showed neglectful and cynical attitude toward Russia's vested interests. On the one hand, they flouted the premise that Russian democracy could only succeed under the conditions of favorable external environment instilled by them; on the other, they showed distrust to the future democratic transformations in Russia giving preference to stability rather than democracy in Russian society. The absence of any long-term concept of the relations between Russia and the European Union and the strategic objectives determining their current policies is viewed as the main obstacle preventing Russia and the European Union from working out the principles of effective policy with regard to one another. The last reasons are internal political development in Russia and fears of its Western partners concerning the direction in which it is moving. One of the most widely spread Western stereotypes is that there is an unfathomable, an almost genetic, gap between the Russian and EU values. It is said that Russians have an inbred tendency for authoritarianism. Large-scale study on the image of Russian business abroad, carried out by the Center of Knowledge Management (CKM) of the Mikhailov and Partners Company bears witness to the highly skeptical relationship of the West towards all that is happening in Russia.  Undoubtedly, there is an objective premise for this.  But at the same time, the negative perceptions of many processes and occurrences in Russian business are based upon antiquated stereotypes, the tendencies of mass media and unavoidable projections of the image of the country in the reputation of its corporate citizens.  The fundamental factor currently determining the perceptions of Russian business abroad is Russia's image, which unfortunately still has a negative influence  In contrast to prominent foreign transnational companies, Russian business is still not able to distance itself from its country's image because it does not have an image of its own.  It is perceived in the West through the prism of many unfavorable stereotypes, some arising from the time of the “cold war” (the KGB, the enemy of Western Democracy, totalitarianism), some from the time of reform (criminals, corruption, the politicization of business, imperial ambitions), and others during the presidency of Boris Yeltsin and Vladimir Putin. A poll taken in 2003 at the request of the Putin government highlighted the depths of the problem.  Europeans were asked to name 10 things they associate with Russia.  Most of the audience named communism, the KGB, snow and the mafia.  A single positive association - Russian art and culture - appeared last in the list.

The majority of those who took part in the recent survey, who are journalists for both Russian and foreign publications, named corruption, the influence of state power in all socio-intellectual spheres, the ineffectiveness of the legal system, totalitarian tendencies and tight control of information as key components in the image of modern Russia.

The "YUKOS affair", the scandal surrounding the law on NGOs and the gas conflict between Russia and Ukraine have all had a negative impact on the image of Russia, with state influence and totalitarian tendencies playing some part in these events.

There is however, a small audience that views Russia and its business differently. These are Western businessmen working on the Russian market or directors of projects with Western companies. They see the high lucrative ness of investing in Russian economics and the serious economic possibilities of Russian partners.  However, this audience is limited to representatives of prominent businesses connected to the fuel-energy and metallurgic industries and the finance sector.  They are well informed in their spheres and do not add greatly to the public image of Russian companies in their own countries. Besides the stereotypes of Russia and the country's image, the negative view of Russian business in the West also stems from a lack of information about companies, their public strategies and perspectives and, in particular, the lack of outstanding persons (headliners).  Without such “ambassadors” and prominent public events Russian business is simply uninteresting for mass publications and channels. The non-Russian perceptions of Russia and the Russian culture are quite stereotype: "Russia is an unstable and in many ways backward country that needs to develop significantly before it can join the family of pluralistic, predictable Western states." The Western way of responding to this view of Russia is to take upon itself to educate the Russians, while another keep an arm’s length distance. The often highly educated Russians are naturally offended by the one-dimensional way the Westerners view them.

Step2. Consequences of influence of stereotypes on economic relations between EU and Russia.

Russian companies also underestimate the role of mass media in forming an image in the eyes of its foreign audience. Russian business therefore, until now, has remained “a cat in the bag” and because of this is feared.  Fundamentally, its shape is formed de-facto by three figures: YUKOS, Roman Abramovich and Gazprom, with the latter having the greatest influence at the current time. The effect of this is that too often Russian business is associated with the system of political power itself in Russia. The “political” functioning of Gazprom (for example, in the conflict with Ukraine) has a negative influence on its image as a business-structure. Many Russian players are actually capable of seriously competing with Western companies and because of this must build a reputation and form an image of their own in the eyes of the Western audience. Breathing upon Russian businessmen is not personal problem but a problem of Russia: that is a part of struggling the process of its entering the world economic area, that implies disruption of its prestige and the direct damaging as excluding Russian companies from the international exchange involves millions of dollars that will not find heir way into the Russian treasury, reduction of production in Russia followed by unemployment and a threat of social outbreak as a result. That is why Russia must fight the facts of discrediting its businessmen on an official level. They in the West must know - Russia understands the true reasons of the libel campaign and will not tolerate it. Moreover media projects developed by Russian organs of power and directed towards improving the image of Russia in foreign audiences are considered with skepticism.

# Step 3. Possible solutions for the problem of negative influence of stereotypes

Russian companies should not ignore the basic questions and specific demands of the foreign press, for it plays a key role in the formation of a reputation of Russian business in other countries.  One of the possible solution for the problem of negative influence of stereotypes is strengthening international credibility or establishment economic contacts .The formation of four common spaces can solve the this problem. St. Petersburg initiative, which provides for creating four common spaces - a common economic space; a common space of freedom, security and justice; a space of cooperation in the field of external security; and a space of research and education, including cultural aspects. Support for democratic transformations and gradual extension of Europe's stability and prosperity zone were laid in the foundation of the EU enlargement process. This inevitable process will involve a major reform aimed at factual abolition of national borders. The EU domestic market concomitantly envisages more pronounced external borders, unparticular, the Schengen Treaty. This process, however, is bound to have a bearing on Russia which lies outside the perimeter of the EU enlargement even though the EU has taken several steps in that direction (the program «Northern Dimension» is the only European regional program in which Russia is a full-fledged participant).

The European Union emphasizes that the legal norms regulating the process of integration of the Central and Eastern European countries into the EU common market should not obstruct the ongoing reorganization of economic relations between Russia and the Central and Eastern

European countries nor inflict any damage on Russian economy. Russia's general anxiety due to the enlargement of the European Union is predicated by the fact that this process can further augment the gap between the EU and the Central and Eastern European countries, on the one hand, and between Russia and the European Union, on the other.

The idea of the four common spaces, and mainly the common economic space, is extremely important in this respect. But the common economic space cannot be created without the development of a free trade zone, at least in a distant future, as a fundamental prerequisite for dynamic economic interaction. Thus Russia will be able to enhance their economic status on the world stage show consistency and development of the Russian economy.

Moreover Russia accession to the WTO will help solve many problems.

Cooperation in this area aims at further integration of Russia into the world economy and at preparation for Russia’s accession to the World Trade Organization (WTO). The EU recognizes the fundamental role that WTO membership plays in integrating Russia into the world economy and in anchoring and consolidating Russia’s economic reforms.

Advantages stemming from Russia’s accession to the WTO will be reciprocal. It will provide more stability and predictability, better terms of access, increased legal security for

EU investments in Russia. Russian exporters will have guaranteed channels of exports to all EU markets and to other WTO members.

The other view shared by various people both in the EU and in Russia purports that in view of widening and deepening of the European integration and with consideration of the new threats and challenges to European security the relations between Russia and the EU should be brought

to a higher new level of cooperation which the 1997 Partnership and Cooperation Agreement cannot provide. Such new level of cooperation could be attained through an Agreement on Establishing a Special Association between the Russian Federation and the European Union. This goal fully meets long-term interests of both Europe and Russia. On the one hand, such an Agreement on Association perse does not imply Russia's aspiration to join the EU as its member. On the other hand, such an agreement would provide solid legal basis for the relations evolving between the EU and Russia. It would contribute to the convergence of Russian and EU political, economic and legal systems; enhance sustainable development of their economies; promote further development of democracy in Russia, and ensure closer cooperation of its parties in all directions including security measures. The «special association» implies that the EU agreement with Russia draws a distinct line between this and other agreements on association with consideration of Russia's importance and status, its role in the termination of the «cold war,» as well as its input in the anti terrorist coalition. Undoubtedly, an Agreement on Association perse won't resolve all problems in the EU-Russia relations but together with some other measures and programs such an agreement would bridge the existing gap between the unifying Europe and Russia, which is likely to lead to the emergence of a new dividing line on the European continent. The success of future partnership between Russia and the European Union will depend on the impact which the processes of widening and deepening of European integration, first and foremost, its institutional transformations in the enlarged European Union will have on its viability and its efficiency as Europe's primary international institution.

Step 4.Results of first attempts solving problem.

Finally a major difficulty in creating a corporate image in the West is a serious lack of people representing Russian companies in the public sphere. The frequency of Russian companies and their directors being mentioned in prominent foreign press testifies to the serious scarcity of “individuals” in the public sphere. More recently the formation of an objective economic premise to improve the image of Russian companies has begun.  This is tied to the increasing number of foreign investors in Russia and the growing presence of Russian business and assets in Europe .During this process businesses not only need to deepen mutual trust and establish stable connections but Russian companies must also more actively and openly work with foreign mass media.  There needs to be newsworthy public figures, capable of eliciting an informal interest from Western audiences.

The reputation of Russian businessmen is improving and this is connected with the growing number of companies known to Western audiences, the “acclimatization” of foreign audiences to the stream of news about Russian companies and the favorable indices of Russian economics. Investors are ready to invest money in the development of Russia.  The Russian stock market last year grew 80% and, in the opinion of investors, overcame risks.  This fact is, for many, more important than the image of business and the country in which it is unfolding.  But Russia's business structure and businessmen remain, all the same, on the edge of ambiguity.

The Partnership and Co-operation Agreement (PCA) ,economic relations between the EU and Russia. It was signed in 1994 and entered into force on 1st December 1997. Under the terms of the PCA, Russia receives Most- Favored -Nation (MFN) status, whereby no quantitative limitations are applied except on exports of certain steel products (which represent only 4% of bilateral trade). On 27 April, Russia agreed to extend the PCA to the ten new EU Member States from 1 May 2004. The basis of the PCA is the shared principles and objectives of the two partners: “the promotion of international peace and security, support for democratic norms and

for political and economic freedoms.” It covers an extensive range of policy areas from trade and financial cooperation through science and technology and education to the cooperation on the prevention of illegal activities. While the PCA created a framework for political dialogue, the most important aspect for Russia was that it created a way to gain access to the EU market.

The Partnership and Co-operation Agreement established a complex institutional structure for regular consultations.

In the economic realm the significance of the PCA was that it declared Russia to be a “transit economy” which was a step beyond its earlier status of state trading economy. In this realm the long term aim is to eventually establish a free trade area between Russia and the EU.13 Pointing in this direction, it did away with most of the quantitative restrictions for Russian goods, with the exception of steel, textiles and nuclear material.

This is also part of the rationale behind the Common Economic Space, which should contribute to anchor Russia in the European and to fully benefit from the recent EU enlargement. At the EU-Russia Summit of May 2001, the EU and Russia launched discussions on the establishment of a Common Economic Space. The main objective of this initiative, which covers essentially all trade and economic issues, is the elimination of trade barriers between the EU and Russia mostly through regulatory convergence. Indeed, regulatory convergence would allow economic agents to operate subject to common rules in a number of fields throughout the enlarged EU and Russia which represent a market of around 600 Million consumers.

The EU-Russia Summit on 21 May 2004 has discussed the next steps to develop the four Spaces launched at the EU-Russia Summit in St. Petersburg in May 2003, and notably the need to agree on an action plan on the Common Economic Space in the coming months.

# Step 5.General conclusion

During our research we found that throughout the entire post-Soviet period, the European Union has been Russia’s main partner in trade and economy and will remain so at least until 2015-2020. The further expansion of trade with the EU is necessary for Russia in developing its entire complex of foreign-economic relations.

Apparently both Russia and the European Union do not have the issue of Russia's accession to the EU on their agendas because neither party is prepared to meet with such a contingency. This issue, however, is frequently debated theoretically, and it has its advocates and opponents both in Russia and in the EU countries, Russia's great dimensions being one of the principal arguments against Russia's membership in the European Union: it will «always be too large for Europe.»

The advocates of Russia's gradual integration into European structures contend, however, that based on its economic potential, its demographic trends and the evolution of its armed forces Russia may soon be rated as an average European country.

Negative perceptions of many processes and occurrences in Russian business are based upon antiquated stereotypes, the tendencies of mass media and unavoidable projections of the image of the country in the reputation of its corporate citizens.  The fundamental factor currently determining the perceptions of Russian business abroad is Russia's image, which unfortunately still has a negative influence

At the moment one of the main issues on the EU-Russia agenda is the expiration of the Partnership and Co-operation Agreement in 2007 and thus the need and the opportunity to rethink the basis of EU-Russia relations. The two sides want the new agreement to reflect the changes that have taken place in both entities and the new goals that resulted from these changes. Currently the two sides are only in the stage of preparatory work, while the formal EU position is expected by the end of 2006 or the beginning of 2007. The basic principles will remain embedded in the new agreement as well.17 At the same time, the partners want to come up with a solution that would be “capable of promoting the future evolution of relations, including the perspective of enhanced trade and economic integration once Russia has joined the World

Trade Organization (WTO).” As it is possible that coming up with a new agreement may take longer than the old PCA is valid for, the two sides agreed to allow the document to stay in force until the new agreements comes into effect.

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