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Russia and the West

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From an Awkward Partnership to a Greater Europe?

A European Perspective

With a Post-Script Written after the Russian Presidential Election of 14 March

Michael Emerson*

Russia and the EU talk in their summit communiqués about their strategic partnership, but it seems like an awkward partnership. The relationship is not that bad, certainly not life-threatening, but it is not that good either.

There is the inevitability of a complex relationship, given proximity and massive complementarity in trade, yet there are huge differences in how the two parties view Europe and the world, and how they behave internationally.

The complementarity factor in trade and lifestyle services is a bedrock that binds both parties in a stable relationship at a primary level. Russia exports oil, gas and other energy-intensive materials, which the EU buys in exchange for smart manufactured goods, holidays and secondary residences in the sun for the new Russian middle classes. Young Russians want a normal place in the modern world, both Western and European. All of this is positive, fundamental and durable. It makes a huge change for the better after the dreary decades of ideological hostilities and deadly strategic security threats.

But even this complementarity leaves Russia uneasy, since it has developed a big case of the Dutch disease. The strength of oil and gas exports brings a high exchange rate that exacerbates the non-competitiveness of Russian manufacturing sectors. Russian politicians grumble about their country becoming just a raw-materials producer, and the new business leaders lobby hard for retaining high tariff protection, along with low gas prices for industry. This leads to frictions with the EU over trade policy and continuing blockage over Russia's accession to the World Trade Organisation (WTO).

As foreign policy actors, the two entities are totally different animals. The EU is a vegetarian elephant and Russia is the bear that at times cannot resist growling out of bad humour and intimidating its smaller neighbours. Russia sees its former empire continuing to contract, seemingly relentlessly. The EU sees its quasi-empire growing, almost out of control. The EU is seen as normatively attractive in international relations, but is still more of a framework organisation than a foreign policy actor – lacking in discipline as a single force. Russia under President Vladimir Putin has become a much more coherent presence in international relations after the chaotic period of former leader Boris Yeltsin, yet it often lacks normative attractiveness for its neighbours.

These fundamentals are today reflected in recent papers being exchanged by parties on both sides. On 9 February, the European Commission published a remarkably frank document on the state of the EU-Russian relationship, containing much internal self-criticism as well as complaints directed at Russia.¹

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¹ European Commission (2004), *Communication of the Commission to the Council and European Parliament on relations with Russia*, COM(2004)106, Brussels, 9 February (retrievable from www.europa.eu.int).

For its part, Russia has transmitted an unpublished but much publicised list of 14 technical complaints in relation to EU enlargement, while Foreign Minister Igor Ivanov published an implicit reply to the Commission at a more strategic level (see Annex Box A.1).

The EU's self-criticisms. The recent Commission document comes in the aftermath of Silvio Berlusconi's EU presidency and the summit with Russia in November 2003, which was hugely embarrassing. Mr Berlusconi improvised, clowning at the press conference as President Putin's self-appointed advocate, clearing him of any criticism over either Chechnya or the Mikhail Khodorkovsky affair. Earlier, Mr Berlusconi had made speeches advocating Russia's accession to the EU. But for the rest of the EU this was no joke, either on form or substance. With regard to form, the EU was revealing its incoherence at the top political level, coming after the searing split over Iraq earlier in the year. On substance, there was an apparent erosion of the EU's priority attachment to fundamental political values.

Even setting aside the ephemeral frivolities of Mr Berlusconi's presidency, for President Putin there is apparently a problem of understanding how the EU works. A story is circulating about a fairly recent meeting between Mr Putin and the leader of a small EU state that has traditionally had a strong relationship of trust with Russia. At this bilateral meeting, Mr Putin asked why the EU institutions seemed to be so difficult to deal with, compared to his bilateral relationships with many EU leaders. The reply was that Mr Putin should not be surprised, since the member state leaders were so often inclined to make vague and friendly promises for things for which they no longer had competence at the bilateral level (e.g. visas and trade).

The Commission's document is partly about these internal issues, referring to the need to "clearly draw 'red lines' for the EU, positions beyond which the EU will not go". Various other phrases repeat the same language: "to defend EU interests vigorously" and "discussing frankly Russian practices that run counter to universal and European values" along with "the need for increased coordination and coherence across all areas of EU activity – sending clear, unambiguous messages to Russia".

The self-criticisms are all the more justified, since there is a basic commonality of interest among the EU member states over Russia. This subject is nothing like the Iraqi affair, where the divisions were real and fundamental. The chances of the EU improving the coherence of its policy over Russia are therefore quite good and the institutional improvements of the proposed constitution – including the appointment of an EU foreign minister – could be especially useful, given the latent unity of EU interests.

Moscow's policy. What is Russia's foreign policy, in particular towards Europe? The official answer is found in the recent press article by Foreign Minister Igor Ivanov, which stresses the objective of creating a genuinely strategic partnership that is not impaired by various outstanding problems (which are listed in the article and reviewed later in this paper), nor diverted from the long-term strategic objectives.

Independent analysts have the task of decoding or commenting on these official positions, which is done from a Russian standpoint by Dmitri Trenin (see extracts from his recent article in Box 1). Mr Trenin sees a form of 21st century *Realpolitik* evolving, rather than a values-driven strategy, and a foreseeable concentration of effort on the near-abroads ('Operation CIS'), which in his view will mean growing competition with the EU. For the US, the strategy will be one of "limited partnership and local rivalry".

Box 1. Moscow's Realpolitik
by Dmitri Trenin

Relations with the West are not an ideological imperative, but an external resource for economic modernization.

The elite think in terms of a 21st century *Realpolitik* as a combination of geopolitics and geo-economics with military might thrown in for good measure. Ideological preferences of governments and values of societies do not play a decisive role.

'Integration' implies promoting contacts with the international community in general, not absorption by one part of it. Membership of the European Union is out of the question. Russian-European relations are mostly restricted to trade and economic contacts and political debates over human rights and civil liberties.

The Kremlin has made up its mind with regard to the United States: limited partnership and local rivalry.

Russia accepts the need for self-restriction and concentration on vital interests. The major objective in the near future will come down to rearranging post-Soviet territory and establishing a centre of power under Russia's aegis. This new strategy may be called 'Operation CIS'.

Expansion of Russian capital into the former Soviet republics and Russia's transformation into an economic magnet is a major factor in establishing the new centre of power. Establishing a common economic zone and a regional security framework with some former Soviet republics is a strategy for the next 20-25 years.

All CIS countries will retain their sovereignty (Belarus may be the exception). Ukraine, Moldova, Belarus, and countries of the southern Caucasus are 'nearby foreign countries' for the European Union. Russia's active policy in the CIS will result in direct rivalry with the European Union over the future of these countries.

Establishing a Russian centre of power will mean some serious sorting out of issues with the United States and the European Union. It will not be easy, but Russian leaders must prevent a confrontation with the West at all costs. Russia itself should be Russia's number one concern in the 21st century. That means the modernization of Russia.

Source: Extracts from the article published in *Nezavisimaya Gazeta*, 9 February 2004 (full English translation available at www.carnegie.ru).

Russian Deputy Foreign Minister Vladimir A. Chizhov, in a speech at a conference about Wider Europe, is consistent in combining these two elements of Russian foreign policy, namely a strategic bilateral partnership with the EU and Russia's objective for the reintegration of the CIS area.² He goes on to criticise the EU's Wider Europe policy, which is seeking to deepen the EU's relationship with Ukraine and Moldova. He is therefore confirming Mr Trenin's point about competition in the overlapping near-abroads.

Former Deputy Foreign Minister Ivan D. Ivanov has provided another succinct but perhaps classic statement of Russia's view of itself as a great power and why this limits the perspectives for its relations with the EU (see Annex Box A.2).

Partnership, cooperation and common European policy spaces. Official relations between the EU and Russia are governed by the Partnership and Cooperation Agreement (PCA) signed by President Yeltsin in Corfu with EU leaders in June 1994. This provides for very wide-

² For details see the Russian Mission to the EU, Press Release No. 32/03, 11 November 2003, (retrievable from www.users.coditel.net/misruce).

ranging cooperation, especially in economic domains. An important institutional provision is the half-yearly summit meetings at the level of the president of Russia with the presidents of the EU Council and the Commission. A striking development under President Putin is that these meetings have become an occasion to set the agenda with important objectives and review work in progress, in comparison to the earlier meetings with Mr Yeltsin, which were insubstantial.

One ambitious idea in the PCA is to envisage free trade between the EU and Russia, but this is subordinated in any case to the prior accession of Russia to the WTO, which still has not been agreed, despite years of negotiations with the EU and the WTO itself in Geneva. The WTO negotiations have thrown up three major issues: the level of Russian import tariffs that would become binding upon WTO accession, compliance with the rules for some key service sectors (notably banking) and the level of domestic energy prices in Russia. These issues have not yet been resolved and touch on strategic issues of economic policy for Russia, whose new business leaders have been lobbying very hard to keep a relatively high level of tariff protection for goods or for regulatory protection for banks. Russia agrees to the principle of market alignment for domestic energy prices, but only over the long term and without precise commitments. These issues interact with the pressure of EU business lobbies to retain instruments of protection (anti-dumping provisions and some quotas) against the Russian exports that would compete with those of EU producers, including metal and chemical products. Nevertheless, serious negotiations are continuing at a high level and the mood seems to be that a workable deal may be struck this year.

The domestic energy price issue in particular touches a very raw nerve in Russian politics. The gas price for industrial use is the main issue, since the oil price is relatively close to world-market levels and the very low price of gas for household use is not contested as a matter for negotiation by the EU. Russia argues that the presence of natural gas in Russia is a natural comparative advantage, just as the sun is for tourism in the Mediterranean. The EU is believed to have moderated its position in light of the impasse and a negotiated agreement does not seem inconceivable. The argument has become very heated in Russian political circles, even to the point that the EU is accused of wanting to cause social and political chaos in Russia (since the negotiation positions of the two parties is not publicly known, the Duma parliamentarians have every temptation to be polemical). The argument of the economist is that the very low gas price keeps the Russian economy stuck in a structure of energy wastage and obsolete industrial technologies. It also contributes to global warming, which the Kyoto protocol is intended to curb, but which Russia now hesitates (or declines?) to ratify. With the Bush administration having already pulled the US out of the Kyoto agreement, Russian ratification has become a necessary condition for the Kyoto protocol to enter into legally binding force.

The EU and Russia have pursued many more issues in their energy dialogue since its inception at their Paris summit in October 2000. There has been one significant disappointment, with Russia declining in December 2003 to ratify the European Energy Charter transit protocol, on the grounds that the European Commission had been trying to transfer the issue to the WTO legal environment. The transit protocol would introduce multilateral regulation of the gas and oil pipeline business, which is especially pertinent for complex cases where major pipelines cross many frontiers. Within Russia there are manifest differences of interest between the gas company Gazprom, which has been against this multilateral legal order since it would restrict its monopolistic position, and other energy sector interests that favour it. It is possible that the Russian side stands to lose most from a

sub-optimal regime, failing to digest the fact that the economics and technology of liquefied natural gas (LNG) transport are improving fast, which means that the monopolistic position of Gazprom is eroding. For example, European companies are considering possible investments in major Iranian offshore deposits, which would be based on LNG delivery systems. More generally, the world natural gas market is becoming more competitive and fluid. The EU also seeks Russian agreement for its pipeline system to allow the transit of gas from Kazakhstan for example, with direct dealings between buyer and seller. Russia is sticking to the position of wishing to be the buyer of such gas before selling it on to European buyers, which would strengthen its monopolistic position in the short run; however, as a monopsonistic buyer, the EU will in this case seek alternatives, which seem to be increasingly available in the medium to long term (such as LNG supplies, trans-Caucasus pipelines, etc.). Overall, the negotiators do not yet seem to be converging on an optimal solution. The Russian side may be criticised for yielding to short-sighted Gazprom lobbying,³ and the EU criticised for not trying hard enough to use the potential of the multilateral Energy Charter framework.⁴

A second summit initiative in May 2001 was to launch the idea of a 'Common European Economic Space' (CEES). The purpose of this initiative seems to have been to find ways of preparing for deeper market integration, pending resolution of the WTO accession negotiations. The two parties set up a high-level group to produce a concept document, which they delivered in December 2003. But this turns out to be a very sketchy contribution as yet, without immediate operational implications. It did nothing to dissolve the mounting terminological and conceptual confusion in relation to the existing European Economic Area (EEA) or political confusion and potential contradiction with the Single Economic Space (SES), which Russia launched with Belarus, Kazakhstan and Ukraine in mid-2003 at Yalta.

Nevertheless, the two parties still seem encouraged by the idea of creating common policy spaces, and at the St Petersburg summit in May 2003 they announced their commitment to developing three more spaces. The first of these, for education, research and culture, has some substance already with Russian participation in existing EU-funded programmes and surely deserves sustained support. The second, for justice and home affairs, which certainly deserves a long-term effort as well, is already engaged on matters of visas and readmission agreements. In the fight against organised crime, the common interest of the EU and Russia to curb illegal drugs is of huge importance, given that the production of opium in Afghanistan is now booming again. Heroin addiction is surely destroying many more lives in Europe than were lost on 11 September in New York, and for these drug problems the whole of Europe is in the same boat, with little protection from any official borders.

The third common space, for external security, seems devoid of substance so far, beyond the useful procedural initiative already decided at the Brussels summit in October 2001 of having the Russian ambassador to the EU meet the Troika of the EU Political and Security Committee for briefing each month. One might expect that this common space for external security would see the EU and Russia really cooperating over conflict resolution in near-abroad cases such as Moldova and Georgia, but as illustrated below this is far from being the case. The summit commitment here seems to fall into the category of an empty political gesture.

³ See the remarks of former Russian Deputy Energy Minister, Vladimir A. Milov, as reported in the Newsletter of the Energy Charter, Winter 2004, (retrievable from www.encharter.org).

⁴ See the remarks of Russian Deputy Prime Minister Viktor Khristenko, as reported in the Newsletter of the Energy Charter, Winter 2004 (retrievable from www.encharter.org).

In 2002, President Putin used the summit process to make a big push to obtain some positive outcomes for Kaliningrad, before it became an EU enclave with Polish and Lithuanian accession. This delivered some results, with new procedures to facilitate the transit of persons between Kaliningrad and mainland Russia, compared with the usual Schengen visa procedures.⁵ A study was also launched to create a new high-speed, non-stop train link between Kaliningrad and mainland Russia. Yet more ambitious ideas from the Russian side to make Kaliningrad a ‘pilot region’ for Russia’s integration with the EU have not really advanced, either conceptually or in practice.

A continuing Russian priority is to enhance the institutionalisation of its relationship with the EU, alongside analogous developments with NATO, which has its 19+1 forum. The November 2003 summit decided to establish a Permanent Partnership Council (PPC), whose shape is still to be agreed. Russia wants a 25+1 format, whereas the EU prefers a troika format. The EU has been puzzled by the apparent Russian preference for such an unwieldy 25+1 format, which seems to be motivated by the desire to have a dialogue ‘within’ the EU rather than ‘with’ it. EU foreign ministers ‘decided’ on 23 February that the troika format will be used to represent the EU.

EU enlargement. Among Russia’s 14 complaints, the most numerous concern the trade policy consequences of enlargement. Negotiations on these issues are ongoing. Where these consist of the logical extension of various quota provisions to take account of the EU’s enlargement it seems likely that agreement will be reached. This is less likely, however, where Russia has introduced old items into its shopping list, which are largely extraneous to the enlargement process. There are a number of positive moves under way or under consideration, regarding Kaliningrad for example and the movement of persons in border regions, which can move ahead without being framed as conditions for Russia’s ‘acceptance’ of EU enlargement.

Russia has been reinforcing its arguments with the threat of not agreeing to the extension of the PCA to the enlarged EU, which the EU considers to be automatic. Indeed if the PCA was not extended there would be a legal void in the basis for EU-Russian relations. If one examines the possible consequences of this eventuality, apart from a bad political atmosphere, there could be a discontinuation of the half-yearly summit process and possibly some of the asymmetric trade preferences granted to Russia by the EU. On balance, this bargaining stance does not seem to have been well-conceived. It led EU foreign ministers on 23 February to “emphasise that the PCA has to be applied to the EU-25 without pre-condition or distinction by 1 May 2004. To do so would avoid a serious impact on EU-Russian relations in general (...) The EU is open to discuss any of Russia’s legitimate concerns over the impact of enlargement, but this shall remain entirely separate from PCA extension.”⁶

Also included in the list is the situation of the Russian-speaking communities in Latvia and Estonia, which are matters of member-state rather than EU competence and not directly affected by the enlargement process. Nevertheless, the recent revision of the education-language law in Latvia has been generating a lot of tension, most of all in Latvia itself. There

⁵ See Yevgeny Vinokurov, *Kaliningrad’s Borders and Transit to Mainland Russia – Practicalities and Remaining Bottlenecks*, CEPS Commentary, CEPS, Brussels, January 2003 (retrievable from www.ceps.be).

⁶ See the Conclusions of the Foreign Ministers’ Council, 23 February 2004, 6294/04 (Presse 49). Nevertheless, on the next day (24 February) President Jacques Chirac declared in Budapest, “*l’Union européenne devait avoir un peu plus de respect à l’égard de la Russie*”, seemingly commenting on the conclusions to which his own foreign minister had subscribed the previous day, and offering thus a more carefully phrased version of Prime Minister Berlusconi’s conclusions to the November 2003 summit (referred to above).

has been a worrying instability in the Latvian parliament's handling of this question. In its first reading, the new law was to introduce a rule that 60% Latvian language and 40% minority language (e.g. Russian) was to be used in the curriculum in schools for minorities. This is a well-trying formula for producing young people with bi-lingual competence,⁷ and therefore conducive to the full social and professional integration of minorities, including in this case the acquisition of Latvian citizenship. Yet extreme nationalist elements in the Latvian parliament succeeded in getting the second reading to change these percentages to 90%-10% (or 85%-15%), which caused an uproar and demonstrations within Latvia, as well as protests from Moscow. The government then managed to get the third and final reading to revert to the 60%-40% ratio and the law has since passed. The situation appears to be calmer now.

While the EU has no jurisdiction in the matter, it is of political concern in relation to generally understood European values. So here Russia had a point, even if Russian parliamentarians themselves do not always speak respectfully of the independence of the Baltic states. Hopefully the worst of this crisis is now over. What seems certain is that this is all a passing problem, since the Russian minorities of the Baltic states face a future full of opportunities, as long as they do their foreign language homework. They will become EU citizens and have full access to the EU for travel, residence and employment, yet they will be able to return to Russia if they wish, engage in EU-Russian business opportunities and enjoy dual nationality as well if they desire (e.g. Estonian or Latvian and Russian).

The overlapping near-abroads. As was already indicated in the Russian 'Foreign Policy Concept' adopted in June 2000, President Putin has decided to prioritise the near-abroad, after observing that Russia could not really compete with the US for global influence or with the EU in the wider European arena. Several episodes or incidents have stood out in recent months that illustrate the tone and method of Russian policy.

For Ukraine there was the affair of the Kerch straits at the mouth of the Sea of Azov, where in late 2003 a hundred or so heavy trucks suddenly started building a causeway from Russian territory to a Ukrainian island, so as to change the political geography there by unilateral action. When Ukraine protested, Moscow said at first that this was a spontaneous local initiative of some Cossacks. Ukrainian commentators are now remarking that nothing has so united them all with anti-Russian sentiment as this episode, including the Russian-speaking communities of Eastern Ukraine.

In the case of Moldova, there was the Kozak memorandum affair, in which Mr Putin's close adviser, Dmitri Kozak, tried to bulldoze through a new federal constitution to re-unify Moldova and Transnistria. This ran into a blaze of objections on the grounds that it by-passed the OSCE mediators with whom Russia was meant to be working, it was seriously defective as a federal design (too many joint competences) and it would have given hugely disproportionate power to the highly undemocratic Transnistria.

With regard to Georgia, there was the first reaction to President Mikhail Saakashvili's 'rose revolution' with mutterings in Moscow about foreign plots and interference, while the government immediately received the secessionist leaders of Abkhazia and Southern Ossetia, and the virtually separatist leader of Adjara – appearing to support them. In recent years there were also episodes when Russia switched off the gas supplies in the middle of the freezing

⁷ This is close to the system of the European schools of Brussels, where all pupils are taught in a second working language to the extent of about 30% of the curriculum, and where the average student becomes fluently bi-lingual if not poly-lingual.

winter for reasons that were a non-transparent mix of commercial debt collection and geo-political pressure. Another example of Gazprom geo-politics occurred in mid-February 2004, when Russia cut off gas supplies to Belarus for debt collection and whatever other reasons, with a collateral interruption of supplies to Poland for 20 hours without prior notice. This immediately triggered a reopening of the political debate in Poland over a recent decision not to build a new gas pipeline from Norway.

These incidents seem to indicate that the Russian foreign policy machine is not yet fitting comfortably into contemporary Europe. All the examples cited appear to have been counter-productive. Kremlin advisers do not seem to realistically assess that the effects of Russian behaviour, which threatens to dominate and pressurise, contrasted with EU behaviour, which does exactly the opposite (declining so far to grant membership prospects to Ukraine and Moldova or even inclusion in the Wider Europe concept to the South Caucasus states), makes the states in question want to run away from Russia even more and to have a deeper relationship with the EU.⁸ Russian political discourse is all about defending ‘national interests’, which is hardly objectionable as such, but there is very little analysis about how the mechanisms for doing this are supposed to fit into either the norms or even the *Realpolitik* of the modern world.

The Wider Europe. The EU receives plaintiff calls from the states of the overlapping near-abroads to support them more, requesting recognition of ‘prospects’ in the long term for EU membership. In reply, the EU is offering a sketchy Wider Europe policy, without granting such ‘prospects’. By its statutes, the EU recognises the eligibility of all European democracies to become member states. Yet it does not want to provoke more accession candidacies, since the task of digesting the move from 15 to 25 member states looks formidable and the moves by Poland to block the proposed constitution are already causing serious concern.

The strategic messages, however, are becoming highly confusing. The EU and Russia are agreeing in principle to create several common European policy spaces, notably for economics, education and research, justice and home affairs, and external security. These sound like excellent building blocks for an all-inclusive Wider Europe policy that would minimise the new divisions in Europe between the enlarging EU and its neighbours.

Yet if the EU-Russian common policy spaces are to be filled with anything beyond hot air (which is what they mainly are so far), they will necessarily have to tackle the issue of coherence in their relations with the countries that lie between them. This is patently obvious for such matters as transport and energy infrastructures, trade and market policies, any ambitious regime for the movement of persons and anything concerning common external security threats.

If one wanted to seriously pursue these common European policy spaces, it is not that difficult to design a framework for doing so. The elements are half-assembled already, but not yet properly put together.⁹ A total of seven common policy spaces are conceivable for 1) democracy and human rights, 2) education, research and culture, 3) trade and market policies, 4) macroeconomic and monetary affairs, 5) economic infrastructures and networks, 6) justice and home affairs, and 7) external security. There is a plethora of multilateral organisations concerned with this or that element, including the Council of Europe, OSCE, NATO, the European Bank for Reconstruction and Development (EBRD) and several other regional

⁸ The EU is now reconsidering its position on the exclusion of Georgia in the Wider Europe and seems likely to take a decision by mid-2004.

⁹ As is proposed in some detail in M. Emerson (2004), *The Wider Europe Matrix*, CEPS, Brussels.

initiatives of direct interest to Russia (for the Baltic, Barents and Black Seas). The essential question is whether there could be enough political will to invest more seriously in a Wider Europe of common multilateral institutions, based on common political values and ground rules. If Russia became a willing partner for such an endeavour it would mean giving some substance at last to the old ideas of Mikhail Gorbachev for a common European home or those of François Mitterrand for a European confederation.

Democracy and Chechnya. It is notable that the EU and Russia are trying to create multiple, common European policy spaces for almost everything except the most fundamental of all – democracy and human rights. It is not hard to guess at the reasons.

President Putin's regime has come to be regarded in the EU as a 'managed' or 'limited' democracy. While EU leaders recognise the huge, popular legitimacy of Mr Putin, who put order back into the house of Russia after the loose governance at the end of the Boris Yeltsin period, the Khodorkovsky affair is still viewed as a serious revelation of the nature of the regime, coming after earlier initiatives to dislodge Boris Berezovsky and Vladimir Gusinsky from their control of the main TV channels. The process leading to Mr Khodorkovsky's arrest was monumentally non-transparent. Ultimately, President Putin himself commented to the press that Khodorkovsky had stepped over an invisible red line, namely that the oligarchs should keep out of politics. Concern exists over whether the Putin regime will become increasingly authoritarian, with the Duma recently passing laws that could allow a third term for Mr Putin (which the President says he himself is against).

Council of Europe member states cannot ignore the Chechnyan tragedy. Even if various EU leaders choose diplomatic discretion in their conversations with Mr Putin, their parliamentarians and publics will not be quiet. EU leaders have entirely supported the Russian argument that Chechnya should not be granted independence, for fear of undermining the Russian federation itself. It is also remembered that in the period of former President Dzhokhor Dudaev from 1991 to 1994, Chechnya enjoyed virtual independence, but then revealed itself to be a dangerously criminalised, failed state. Yet the European Parliament's reports on EU-Russian relations also deplore the failure of Russia to stop human rights violations by its security forces and the absence of any process of dialogue that could lead to a political solution¹⁰ or even any real political debate in Moscow beyond the language 'no negotiations with terrorists'.¹¹ The European Commission's recent document makes the same points. Politicisation has been increasing recently as a member of the European Parliament went on a hunger strike for 36 days over the issue of Chechnya. The hunger strike ended when the Parliament, in plenary session, adopted recommendations asking the EU institutions to study the proposal of Ilyas Akhmadov – which advocates a temporary UN mandate for the territory¹² – and to report back to the Parliament on this and any other peace proposals.

¹⁰ See the European Parliament recommendations to the Council on EU-Russian relations, document A5-0053/2004, 26 February 2004 (retrievable from www.europarl.eu.int).

¹¹ An opinion poll among Chechnyans in August 2003 reported that 69% of Chechnyans judged that the motivation of Chechnyan suicide bombers was revenge for the brutality of Russian forces in Chechnya, whereas 8% were aiming at independence and 8% engaged in Jihad. Some 78% of Chechnyan respondents considered that Chechnya should remain part of Russia and only 19% favoured independence (see D. Trenin [2003], *The Forgotten War: Chechnya and Russia's Future*, Carnegie Endowment Policy Brief No. 28, November).

¹² See *The Russian-Chechen Tragedy: The Way to Peace and democracy – conditional independence under an international administration*, Ministry of Foreign Affairs of the Chechen Republic of Ichkeria, February 2003 (retrievable from www.chechnya-mfa.info).

The Chechnyan crisis is already spilling over into the EU physically, beyond the political debate on matters of principle. It is a terrible fact to report that in the last year Russia overtook Iraq as the biggest source of asylum-seekers arriving in EU member states.¹³ Most of these arrivals from Russia are believed to be Chechnyans, including the case of former Chechnyan minister Ahmed Zakhaev, for whom Moscow issued an extradition request that was rejected by the UK. The grounds for granting asylum are usually that the applicant is judged, by an independent judiciary, to be subject to serious risks of judicially irregular, life-threatening treatment or torture upon return. Chechnyans and al-Qaeda operatives are not generally viewed in Europe as being axiomatically in the same category, even if the implication of some of the discourses of Presidents Bush and Putin tends to put them all in the same terror basket.¹⁴ Al-Qaeda is indeed a multinational terrorist organisation. The Chechnyans are a people and nationality, some of whom are violent terrorists.

These developments are not triggering outright sanctions from the EU, but they are certainly not costless to Russia's reputation internationally or to its strategic ambitions.

Dancing partners. One of the intriguing questions thrown up in the post-11 September environment is whether the EU, Russia and the US may become a self-stabilising force in the Western world, not only as a troika, but also as a system in which the three parties can switch partners from dance to dance, without wrecking the ball.

After 11 September, the US and Russia initially made a specific allied move in the war against terror, when Mr Putin – after a pause in Sochi to reflect on how to respond – opted to cooperate with the US to the point of not opposing new US military bases in Central Asia. But as the war over Iraq approached, Russia allied itself with France and Germany to oppose the US in the UN Security Council.

More recently, at the OSCE ministerial meeting in Maastricht in December 2003, the EU and the US formed an alliance to oppose Russian policy over Moldova, for reasons already noted.

The main example so far of Russia and the US taking a common position against the EU is their non-acceptance of the Kyoto protocol, although this was sequential (the US in 2000 and Russia in 2003) rather than coordinated, leaving the EU feeling aggrieved at the global irresponsibility of both parties. The US has had occasion to form alliances against the EU in other arenas, for example in the WTO over agriculture.

Thus there could be a Western club with three main parties. Most of the time they may work cooperatively together. At times one party may take a position that the other two find idiosyncratic, unjustified and dangerous. The other two may ally diplomatically to head off the third party. The organisation of the UN Security Council and the G8 facilitates the task of making the position of the third party costly. These alliances of two parties to constrain the third could be considered an attractive system if the allies base the legitimacy of their positions on internationally accepted norms. But could the opposite happen at times, in which

¹³ UNHCR statistics show that in 2003 Russia overtook Iraq as the most important source of asylum-seekers arriving in 24 European countries. In 2002 there were 48,411 asylum-seekers from Iraq and 18,604 from Russia; in 2003 there were 24,248 from Iraq and 32,274 from Russia. A large majority of the Russian immigrants is believed to be ethnic Chechnyans (see UNHCR [2004], *Asylum levels and trends: Europe and non-European industrialised countries 2003*, UNHCR, Geneva, February, retrievable from www.unhcr.ch).

¹⁴ Robert Nurick will no doubt be covering the US angle on these issues thoroughly in his paper. It has been noticed in Europe that Senator John McCain has written to President Bush advocating the suspension of Russia from the G8, to the point that when in Moscow in early 2004 Secretary of State Colin Powell was constrained to deliver some critical remarks together with reassurances that the US was not thinking of this sanction.

two parties join together in their disrespect for international norms and override the third party's efforts to support international order (as seen for example with the Kyoto agreement)?

Conclusions. If the outlook is not that bad, but not that good either, is it conceivable that policy-makers could set a better course for a deeper and more beneficial relationship between the EU and Russia? Unfortunately the problems are fairly deep, so a marginal 'try harder' effort does not look like it will yield big improvements. Maybe the most probable scenario is the continuation of a pragmatic, inevitable but still awkward partnership. In this case the two parties would not be able to manage a profound convergence for a long time, yet they are sensible enough to avoid a serious deterioration in relations.

If *Realpolitik* is to be the name of the game, the future will depend on how the balance of strengths and weaknesses of the two parties evolve. The EU's enlargement looks like going on and on as far as the eye can see. All of non-EU European countries except Russia (and Belarus) are already candidates or expressing their long-term interests in membership, including Ukraine, Moldova, Georgia and Armenia. What if the political tendencies in favour of these conceivable candidacies for EU membership gradually strengthen, in spite of zero encouragement from Brussels?

The Moscow strategic analyst may place some probability on the EU overstretching itself and falling apart, or relapsing into a smaller core with a disorderly periphery. Or, one could speculate that the EU will become so worried over the prospect of its own ungovernability that it will come down against continuing enlargement, to the point that some of the near-abroad candidates will be deeply offended and return to Russia as the alternative partner. In the latter case Operation CIS would go ahead without serious competition.

But maybe the EU will just remain the biggest and richest entity of the European continent, from the Baltic to the Black Sea, most of the time working alongside the US. Being also deeply committed to a values-driven regime for itself and its neighbourhood, the EU remains a magnet for its neighbours. Moscow's *Realpolitik* in this situation could be a miscalculation.

A more attractive alternative may be a renewed effort to give greater substance to the Pan-European space, for which various noble names are on offer (*Bolshaya Evropa, la Grande Europe, European Confederation, Greater Europe, Pan-Europe.*)¹⁵ The possible content of the common policy spaces for this Europe, corresponding territorially to the Council of Europe's membership map, has been noted above. The use of existing multilateral organisations could be revised in this new context. But first and most importantly would be the questions of strategic choice:

- for Russia, whether beyond its declarations in favour of a Greater Europe it is able and willing to converge faster and more convincingly on Europe's basic political norms and values, with a sustained performance translating into reputation; and
- for the EU, whether it is willing to go beyond its present small Wider Europe policy to invest in a much more substantial Greater Europe concept, bringing together the enlarging EU and all the European states of the CIS.

At present, the time does not yet seem ripe on either account. Moreover, both conditions would have to be satisfied together. So a Greater Europe may have to wait another five or ten years for new political conditions, hoping in the meantime that the awkward partnership proves reasonably manageable, which is more likely than not.

¹⁵ See the remarkable book of Richard Coudenhove-Kalergi (1926), *Pan-Europe*, New York: Alfred Knopf, which deserves to be reprinted.

But politics is full of surprises. President Putin cleared away his old government to be ready for a new thrust of policy after his expected landslide re-election. But what new thrust of policy? The West has no idea what to expect by way of new developments in Russian domestic politics, beyond the summary slogans such as economic reforms and a strong state. Maybe there could be some fresh approach to resolve the Chechnyan problem at last. For the overlapping near-abroads, Russia may work out an understanding with the EU for more cooperation rather than competition. These two elements – progress over Chechnya and the near-abroads – could together conceivably open the way for development of the common European policy spaces, and so on from a Wider Europe to a Greater Europe.

* * *

POST-SCRIPT

The above was written before the presidential election of 14 March. Are there already signs that hint at new directions? Actually there are several.

First, at the level of personalities, Russia's ambassador to the EU in Brussels, Mikhail Fradkov, was appointed Prime Minister, which at least means that the level of knowledge about the EU in the Moscow leadership has been strengthened. Foreign Minister Ivanov was replaced by Russia's long-time ambassador to the UN in New York, Sergei Lavrov. Dmitri Kozak of the Kozak memorandum debacle in Moldova was shifted to a staff position in the Kremlin of less policy significance.

Second, at the level of policy substance, President Putin declared on election day, in a remark that seems not to have been noticed in the Western media, that "Russia would not allow itself to slide into confrontation or aggressive methods of pursuing its national interests. We would demonstrate flexibility and seek compromises acceptable to us and our partners". This seems to be a warning message to the *siloviki* old guard and a pointer for the policy to be followed by the new team.

Thirdly, in the economic policy domain, Mr Putin has indicated that the gas pipeline network should be liberalised to allow greater competition for its use, thus striking at the Gazprom monopoly.

Overall, while 'three swallows do not make a spring', from a European perspective these seem like positive indications for both foreign and economic policies.

Annex

*Box A.1. Russia-European Union: Moving towards each other
by Russian Foreign Minister Igor Ivanov*

The EU-Russia Summit, held in St. Petersburg on 31 May 2003, opened a new phase of our relations. The summit agreed “to reinforce co-operation with a view to creating in the long term a common economic space, a common space of freedom, security and justice, a space of co-operation in the field of external security, as well as a space of research and education, including cultural aspects”.

The objective in this regard is to create jointly a genuinely strategic partnership based on positive interdependence. Its accomplishment requires enormous effort, a capability to understand and accommodate [the] interests of others and an ability to overcome everyday problems and differences using the strategic goals as the main guidance.

As such ambitious problems are resolved, there certainly will be and already are those who display skepticism. For various reasons, they claim that the substantial progress achieved in the relations between the EU and Russia is, in fact, minor. To justify their view they bring up issues with respect to which there are differences for some reason or other, i.e. the WTO, Kyoto Protocol, human rights in Chechnya, freedom of mass media, Trans-Siberian air transit charges, safety at sea and nuclear security, etc.

Undoubtedly, these and some other issues, i.e. the situation of the Russian-speaking population in Latvia and Estonia, quota limits, anti-dumping procedures, certification of agricultural products, visa barriers, etc., are important as they are. Russia favors their examination in order to elaborate common approaches. However, one may sometimes get an impression that those who try to focus exclusively on these issues, are, deliberately or not, diverting our attention from the long-term strategic objectives, which we should strive to achieve in the first place.

As for Russia, it remains committed to the fundamental universal and European values, the main of which, as President Putin emphasized recently, being its “final and irreversible choice in favor of freedom”. Building on that basis and bearing in mind its national interests, my country will continue to pursue consistently the policy of forging a genuinely strategic partnership with the EU.

Source: Extracts from the article published in *Frankfurter Allgemeine Zeitung*, 19 February 2004; unofficial translation published by the Russian Mission to the EU, Press Release No. 12/04.

*Box A.2. Expansion of the European Union: Scenario, Problems, Consequences
by former Deputy Foreign Minister Ivan D. Ivanov*

Our country is not in need of affiliation with the EU. This would entail loss of its unique Euro-Asian specifics, the role of the center of attraction of the re-integration of the CIS, independence in foreign economic and defense policies, and complete restructuring (once more) of all Russian statehood based on the requirements of the European Union. Finally, great powers (and it is too soon to abandon calling ourselves such) do not dissolve in integration unions – they create them around themselves.

Source: Extract from the article published in *Mirovaya Ekonomika i Mezhdunarodnye Otnosheniya*, No. 9, September 1999.

Russia and the West

A Russian Perspective

Irina Kobrinskaya*

In the traditional socialist economy, 2004 would be identified as a marker that defines the development of Russian-Western relations over the next four years. This is the year of Russian and US presidential elections and of EU and NATO enlargement. ‘Smaller’ events, such as the presidential elections in Ukraine or the shaping of the new political landscape in Georgia should add to the general framework and guidelines that define Russian-Western relations.

Nevertheless, this perspective would oversimplify matters – for at least three reasons.

First, with regard to Russia, it is still not clear whether the next four years of Vladimir Putin’s presidency will bring or at least break ground on economic reforms, namely modernisation – or shift from the dominating orientation and status of Russia as a raw materials supplier of oil and gas – thus changing and strengthening Russia’s position in the global economy. No more predictable is the direction in which efforts in the economic domain will push the development of the political regime in Russia. What is likely to remain a high priority for Russia’s economic, political and security agenda is the post-Soviet region.

At the same time, some of the events of the past four years are likely to remain influential factors in Russia’s relations with the West – whether these were intentional (through President Putin’s strong pro-European, pro-Western vision, institutional policy and focus on economic modernisation) or circumstantial (such as 11 September 2001). Russia is politically stable and its position in world affairs has strengthened. Moreover, these days it is generally perceived as a partner (even if a difficult one) rather than as an antagonist.

Second, with regard to the West, the results of the US presidential elections (whether President George Bush retains his position or the democrats win) do not presuppose a change from the current US foreign policy orientation towards unilateralism and its focus on the use of power. It rather depends on developments in Iraq, the Middle East, the pace of WMD proliferation (particularly nuclear weapons in North Korea and Iran) and the activities of terrorist networks. Thus, the course of US international relations remains more *circumstantial*. Changes in US policy towards Russia (namely the focus on democratic freedoms and values and on Chechnya), while much more likely under the democrats cannot be excluded under a second-term administration of President Bush. What matters more in US relations with Russia is the development of the American vision of the post-Soviet region, especially the Caucasus and Central Asia.

Third, with the European Union digesting and adapting to new member states, the elaboration of its policies towards Russia or efforts at breakthrough initiatives are unlikely to be priorities. It is more likely that the present ‘dull’ agenda will continue at least until its key points – first and most importantly Russia’s accession to the WTO – are fulfilled. Nevertheless, the impact of the new member states and their vision (which is a separate issue for analysis) may push the EU in one of two directions. It may move towards more cohesion in its own development (of overlapping Euro-regions with a strong coordinating nucleus versus a centre-periphery

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pattern) and consequently, in the direction of defining a *real* framework for EU-Russian relations. Conversely, as many Russian analysts suggest, the EU may develop its political ideology and accelerate its enlargement further to the east (Moldova and Ukraine) without an enhanced partnership with Russia.

Fourth, the West-West transatlantic dimension – which is very important for Russian-Western relations – is not expected to acquire a more stable character either. The traditional value and institutional frameworks are degrading at an increasing pace under the pressure of complex circumstances. The ethnic, social and economic changes in EU member states are precipitating outbursts of nationalism on a significant scale, which have a serious impact on domestic politics and international repercussions, as the world witnessed during the elections in Spain after the terrorist attack in Madrid. Whether the EU will cooperate more closely with the US in its anti-terrorist struggle or consolidate its own resources and follow, as proclaimed recently by Romano Prodi, a more peaceful ‘Venus’¹ approach is an open question. In Russia the prospects for Russian-EU relations are viewed pessimistically by a number of analysts, who predict that the Madrid drama is likely to drive the EU towards making the ‘wall’ around its border with Russia less transparent and less friendly.

Finally, relations between Russia and the West are not restricted to the Atlantic. The coming developments in the Asian-Pacific region, first and most importantly in China, are likely to influence Russian-Western relations to a greater extent.

Consequently, it is probable that the existing ‘division of labour’, whether constructive or detrimental to cooperation in Russian-Western relations will see little change in the near future. Russian partnership with the US will mainly continue in the security domain, while cooperation with the EU will develop around the ‘*economic plus*’ axis (three common policy spaces embraced at the EU-Russia summit at St. Petersburg in May 2003).

Even this brief sketch reveals that in the foreseeable future, relations between Russia and the West will, on the one hand, preserve continuity along the lines worked out mostly in the beginning of this century. On the other hand, despite interdependence, relations are likely to depend more on the *internal priorities* of the key actors (Russia, the EU and the US), rather than on *external demands and pressures*. Another point that comes to the surface is the increasing focus (after the first half of the 1990s) on the post-Soviet region as a potentially controversial area in Russian-Western relations. Thus, it is this huge area that will demand renewed concentration to avoid crises and develop cooperation.

Therefore, when analysing Russian-Western relations, the pertinent questions are:

- What are the key internal priorities of the main actors? Are these of an urgent, vital and long-term nature, such as economic and security issues? Or are they more ideological (historical and politically oriented), based on the fears of the 19th and 20th centuries, such as the unstable *Zwischeneuropa* political design?
- What are the main external pressures and demands?
- What is the vision of all the parties with regard to each other?
- Are the interests of Russia and the West (the European Union and the US) in the post-Soviet region really contradictory, or, on the contrary, when stripped of all the ideological

¹ R. Kagan discusses the ‘Venus’ approach in “Power and Weakness” in M. Houben, K. Becher and M. Emerson (eds) (2003), *Readings in European Security*, Vol. 1, Centre for European Policy Studies, Brussels and the International Institute for Strategic Studies, London.

covers, can they be formulated and implemented in such a way that leads to greater political and economic stability for all of the political actors involved?

- Finally, do the existing mechanisms enhance cooperation? Or do new, more constructive patterns need to be elaborated to overcome the lack of trust and misreading of intentions in all spheres of interaction – especially the economic, political and security domains?

Russian priorities under President Putin's second term

For the most part, the priorities in Russia as these are declared and actually exist concern its *economic and social* spheres. The motto for the next four years is 'modernisation' of the Russian economy. The key levers and modes of modernisation continue to be: a) state-controlled and managed modernisation, and b) market mechanisms and the decreasing role of the state. How to reconcile these two patterns remains a dilemma, even after the presidential elections and the change of government in Russia. This situation can be explained by several factors.

First, the tendency towards state control proved rather successful during the first term of Mr Putin's presidency. The concentration of state control over big business and the regions (apart from the natural developments in the market economy after the 1998 financial crisis) helped to partly overcome the wild market situation of the 1990s. Thus, with regard to state power, it is difficult to refute the working model. Nevertheless, as predicted by many Russian analysts, an over-concentration of state power, whether effective or not, has deprived the Kremlin of the mechanisms and levers of decentralisation. In spite of its expectations and declarations, the chances of the new government changing the existing economic patterns and countering the strong inertia of state (or rather Kremlin) control over the economy are estimated as being very low. The big business sector has not yet recovered from the Khodorkovsky case; thus it is not ready to offer its leadership or assume responsibility for risks.

The renewed and enhanced responsibility of the Kremlin leaves it very little room for manoeuvre – and no room at all for mistakes. It faces not only the problem of 'modernisation at any (social, political) cost', but also the issue of choosing the branches for economic modernisation or restructuring the whole economy. In fact, if recovery from the financial crisis of the 1998 had not been accompanied by very high oil prices, Russia could have avoided this dilemma and started economic restructuring five years ago. But a subjective mood is inappropriate for history.

Second, there is the issue of 'making mistakes' and their costs. The results of parliamentary and presidential elections, regardless of the assessments of their democratic methods, show – and nobody in Russia or the West denies it – that the Russian electorate is rather indifferent to the nature of the political regime. At the very least, the majority of society is generally comfortable with President Putin's 'managed democracy' and strengthening autocratic tendencies, provided the economy grows and Russia's position in the world strengthens. These two achievements of Vladimir Putin's presidency are regarded as the most important. And in fact, results show that they are: Russia has overcome its deep humiliation and identity crisis of the 1990s and is definitely more prosperous today, even taking into account the extreme and abnormal socio-economic differentiation for a developed market economy.

President Putin has received an unquestionable mandate for his political course. Still, the continuation of the present political-economic trend entails a delayed threat of the semi-restoration of autocratic power in Russia. There is no structured or meaningful opposition party on the right. The chances of developing a credible opposition under the present political

regime are diminishing, as the evolution of democratic institutions and civil society falls below an unacceptably low level – particularly in Russia, where traditions of democracy and civil society are very weak. At the same time, the political tactics, aimed at dividing the traditional left and supporting the new nationalist left during parliamentary elections (political block ‘Rodina’) and then at suppressing the left during the presidential election campaign, did not change the general picture of electoral preferences. Indeed, the votes for the left remained significant and rather stable.

The enormous task of moving forward on economic modernisation, while avoiding the risk of restoring an autocratic regime, is driving the Kremlin to look for solutions on the road of converting the dividends from the still high oil incomes into both social improvements and modernisation. It is impossible to tackle such a difficult task without the levers of strengthened state control and an autocratic political regime, particularly in such a short timescale (2006). Thus, the chances for more democracy in Russia, at least according to Western standards and values, over the next four years are very small.

These priorities as well as those closely connected to them (i.e. providing for its internal and external security) will remain at the top of Russia’s domestic, economic and policy agenda and will further strengthen the power of the state.

Scenarios discussed in the West are mostly based on the interplay of two alternatives: a strong versus weak president (which one is Mr Putin?) and liberal versus state-controlled reforms. The short timescale to achieve its goals leaves Russia little choice but to opt for the *combination of a strong president and state control*, at least in the first two years of President Putin’s second term. Thus it is no surprise that Mr Putin has demanded that the government urgently defines ‘the points of growth’. In the economic domain, the good news is that the Kremlin rejected the widely discussed proposals to introduce natural rent and instead went along the lines of changes in taxation.

Meanwhile, the lack of realistic alternatives as frameworks for progress makes the external pressure and criticism of Russia’s deficit of democracy ineffective, irritating and somewhat hypocritical.

Russia, the EU and the US in the post-Soviet region

Russian policy towards the new independent states (NIS) in the last four years has definitely acquired new substance, which in general can be characterised as *Realpolitik*. On the one hand, Russia has overcome its identity crisis and the general basic perception of the NIS is that of sovereign states. On the other hand, particularly after the current policy of relations with the West was established, Russia has come to view its position in these states as a potential opportunity for its own economic development (predominantly using private business actors) and a lever to strengthen its security.

Russia and the Commonwealth of Independent States (CIS) are now in a period of economic growth. Russia aims at establishing new integration structures – the Eurasian Economic Community (EurAsEC) and the Common Economic Space – as well as strengthening old ones (the Collective Security Treaty Organisation). In practice, cooperation within the CIS has proceeded largely on a bilateral basis. The 1998 financial default in Russia was followed by economic growth and the expansion of Russian private business into the CIS, above all, in Ukraine. Occasional trade conflicts (e.g. the pipe exports conflict, the ‘caramel war’) were settled more or less successfully at ministerial and top level meetings. Russia’s gas company, Gazprom, and the Unified Energy Systems were effective levers in Moscow’s political and

economic disputes with Minsk, Kiev and even Tbilisi. Formally, the disputes were about integration, its format and scale, but they were actually about Russia's participation in privatisation projects in the CIS, its role and influence on the economies and, to a lesser degree, the policies of the CIS countries. Russia and Belarus, which have formally established a 'union state', have been engaged in a difficult dispute for years, which seems quite hopeless under the Alexander Lukashenko regime.²

At the same time, President Putin's fundamental orientation towards integration into Europe and the Western community and the creation of a common economic space with the EU has shaped the ideology of the post-Soviet region's integration efforts. The concept of 'together into Europe' is motivating CIS countries towards a more civilised, democratic, market-economy future. Yet few people heeded the well-grounded arguments about the low compatibility of economic integration projects between the EU and the CIS, not to mention their membership in international organisations (suffice it to mention the multispeed accession to the WTO). In the near future, any chances for the European CIS countries to join the EU are very low, while large multilateral integration projects in the CIS hardly go beyond the declarative, protocol phase.

The gap between the readiness of the West (in 2001-02) for more active Russian policies in the NIS and the time at which Russia began to implement these (in 2003) is one, but not the only reason for the tensions and new high profile of the NIS topic in Russian-Western relations.

The future of the CIS is not yet clear. Although the CIS may no longer fear such horrible scenarios as revolutions or civil wars, the West still views the post-Soviet region as a zone of uncertainty in the 21st century. Conflicts remain unsettled in the CIS (Abkhazia and South Ossetia in Georgia, Nagorno-Karabakh in Azerbaijan, Transdniestria in Moldova and Chechnya in Russia). Meanwhile, worrying trends such as the degradations of international law, international security institutions (the UN and OSCE) and the arms-control system, alongside the spread of double-standard policies, unilateral actions and the 'might is right' attitude all combine to create dangerous precedents. Such trends aggravate existing differences (e.g. the Russian-Georgian conflict concerning the withdrawal of Russian military bases) and provoke the use of pressure (e.g. the territorial dispute between Russia and Ukraine over the Kerch Strait). In all of these conflicts, the West has taken sides with Russia's opponents.

For the US, the importance of the CIS is again on the rise. Most analysts in Russia, the CIS and the West argue that Washington, driven by the difficulties of post-war Iraq, the situation in Iran, as well as economic (above all, energy) and security considerations, now seeks to increase its influence in the Caspian and Caucasian regions. Its unilateral approach to foreign policy, security and the war against terrorism requires stronger influence and positions in those unstable zones, which coincide with energy zones. These subjects will play a major role in the forthcoming presidential election in the US and are among President Bush's main trump cards. This is certainly nothing new to Russian diplomats.

As previously mentioned, the position of the EU towards the new independent states is much more uncertain. Still, the clearly articulated aims of Russia, the US and the European Union with regard to the NIS in economic and security spheres, as well as a more coherent vision of

² For more details see I. Kobrinskaya (2004), "The Multispeed Commonwealth", *Russia in Global Affairs*, Vol. 2, No. 1, January-March, pp. 51-63.

their partnership in the region makes it possible to avoid controversies over the new independent states in Russian-Western relations and even develop greater cooperation there.

Russia and the West – Vision and perceptions

Cooperation with the West remains *sine qua non* for Russia's modernisation and the return to a high profile position in global affairs, at least under President Putin. The EU has acquired an even more important role for Russian foreign trade and economic relations as a result of EU enlargement. Nevertheless, as Russia's focus gradually shifts eastward, which many analysts regard as an inevitable development, the priority of cooperation with the EU may diminish. Simultaneously, however, the EU will preserve its value as a centre for cultural, scientific and educational exchange. Meanwhile, the EU's vision of Russia depends largely on the real and symbolic steps Russia takes, its demonstration of development in the 'right' (market democracy) direction and adherence to European values. The political-ideological framework is likely to become more important in the future than in the recent past, warmed by the glow of Russia's WTO accession.

In US-Russian relations, the mutual vision and perceptions are much more realistic. These are based on vitally important aims in the security sphere, namely withstanding the threat of WMD proliferation and the struggle against terrorism.

The progress in Russian-Western relations depends a great deal on the development of cooperation mechanisms and international institutions. The 'institutionalisation' of Russia was among the key priorities of President Putin's first term, allowing Russia to restore its position in the international arena and to integrate international standards and norms into its economic and political domains.³ Conversely, the strengthening of international structures and fora will certainly depend on the policy of the next American administration, and whether the US continues to follow a unilateral course or shifts to a multilateral approach in its foreign affairs.

³ See I. Kobrinskaya (2002), "A Marathon Election Campaign", *Russia in Global Affairs*, No. 1, December, pp. 122-38.

New Challenges and Opportunities for the US and EU in the 21st Century

Which Place for Russia?

An American Perspective

Eugene B. Rumer*

The new century marked a new beginning for Russia and its relationships with the outside world. After a decade of drastic setbacks in its economic affairs, domestic political upheavals and erratic international behaviour, Russia has resumed economic growth, achieved a good measure of domestic stability and re-emerged as a rather predictable actor in the international arena. Together, these accomplishments amount to a dramatic turnaround in Russia's fortunes, unimaginable only five years ago, when the country seemed destined to proceed along the downward spiral for as far as the eye could see.

Still, Russia's resurgence, in the eyes of many students of Russian politics, economics and international behaviour, has an unfinished quality. Today's Russia does not conform to the template of a 'normal' country that was held up by its partners on both sides of the Atlantic for its people and leaders to emulate at the outset of *perestroika*. Its political system, while displaying many of the trappings of democracy, hardly qualifies as one. Its economy, although largely in private hands and operating along general market principles, still remains a breed apart from those of its European neighbours and partners. Russia's international presence also has a special quality – its power projection capabilities are limited at best, its influence in major international fora is a function largely of its Soviet legacy rather than its current might or its moral authority, and despite shared positions and interests with other major powers, it continues to occupy a special place, distinct from the ranks of other major European, Eurasian or global powers.

The task of figuring out why and in what ways Russia is different or special is time-consuming and the findings are likely to ultimately prove inconclusive. Consequently, the task of defining Russia's place in the international system and transatlantic relations cannot hinge on the outcome of this process. Far more likely – and productively – Russia's place in the international system and transatlantic relations will be determined by the emerging shape of that system itself and by the made by choices the EU and the US.

The outlines of the international system for the next 10 to 15 years are not hard to predict. The future of Russia in that time frame is not difficult to predict either. Many of the trends that will shape both Russia and the international system are already in place. The US and the EU need to make up their minds about Russia and decide whether to take advantage of the opportunity that Russia presents or to keep waiting until the moment when Russia reaches its comfort level and thus makes itself a more convenient partner and interlocutor.

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Key features of the international landscape in the next 10 to 15 Years¹⁹

While many things are uncertain about the direction of change in the international arena and its likely condition 10 to 15 years from now, one thing can, however, be taken for granted: there is nothing else in the world like Eurasia. In terms of its economic muscle, share of global commerce, population, resources, military capabilities, concentration of major powers and their interests, as well as potential for conflict, Eurasia is and will remain for the foreseeable future the geopolitical hub of the world. No other continent has the potential in the next 10 to 15 years (or even beyond that time frame) to shape the global political, military, economic and social environment to the degree that Eurasia has. Eurasia is home to the world's newest rising powers India and China, as well as Europe and Russia. Events in Eurasia dominate the list of US political, economic and security interests. The rise of China and India, the interaction between them and the established continental powers Europe and Russia and the question of whether and how the continent will be able to attain new geopolitical balance will be uniquely important and consequential for the entire international system.

Another major development is the rise of China. Its vast population, rapidly expanding economy, growing thirst for energy and dependence on energy imports, military modernisation programmes, strategic location (including common borders with Russia and India), as well as ambitions to play a major role in the affairs of Eurasia and the international system more broadly, make China a crucial factor in the future security environment of Eurasia and the world. China's partners and neighbours must find ways to accommodate and channel Beijing's growth as a regional and global power without destabilising Eurasia. The same factors that make China so important as a rising power make it even more important if its progress is interrupted and it becomes a weak or failing state. A hostile and rising China or a fragmenting and weak one would exert a range of pressures on Russia's Siberian and Far Eastern regions and Central Asia, as well as influence events on the Korean peninsula and Taiwan. The fallout from either of these two turns of events in China in Southeast and South Asia would be equally troubling and destabilising. Furthermore, given China's role in global trade, the consequences of its stumbling or turning hostile would no doubt reach Europe, making it a truly Eurasian and global event.

There is little need to elaborate on the likely persistence of terrorism as a security challenge over the longer term in Eurasia. There are active terrorist organisations throughout Eurasia, whether one looks to Saudi Arabia, Spain, Israel or Uzbekistan. These organisations are part of a global sophisticated terrorist network. They have demonstrated a wide range of operational capabilities, from the simplest suicide bomber to highly sophisticated attacks. They are interested in acquiring weapons of mass destruction and advanced conventional capabilities. Terrorist actions have sought to disrupt normal life on both sides of the Atlantic and throughout the Eurasian landmass.

Terrorism will continue to coexist side by side and take advantage of weak states dispersed throughout Eurasia, but concentrated especially along Russia's southern frontier. These weak states represent a source of future instability, despite their current efforts to collaborate with the US and Europe in the war on terror. Weak states spawn within themselves civil, ethnic and regional conflicts. They become havens for drug traffickers or terrorists. They lack the resources to shape their own security environment, by their weakness they invite other powers

¹⁹ This section of the paper draws extensively on an unpublished paper by and author's discussions with Sherman Garnett.

and potential rivals to intervene and recreate new regional competitions. Several important Eurasian states exhibit signs of weakness and fragmentation, including many of the states emerging from the former Soviet Union.

The tasks of preventing the emergence of weak states and managing the effects of those that do emerge will be a major security preoccupation in the decade ahead, especially in the region reaching from Turkey through the Caucuses and Central Asia to China. Latent conflicts in and around the former Soviet Union, unresolved ethnic tensions, weak governments, political succession and declining social conditions have threatened and will continue to threaten the stability of states like Tajikistan and Uzbekistan. The fragility of Pakistan, Saudi Arabia, Azerbaijan and Georgia, to name just a few, remains a major concern for their neighbours and beyond.

Amid these geopolitical developments, energy security will be a growing concern. There appears to be no technological breakthrough on the horizon likely to reduce the importance of fossil fuels to the world economy. In the past decade, China and India have become net energy importers. By 2025, China may require 30 million barrels of oil a day, most of it coming from the Persian Gulf. When new demands from these and other countries in Eurasia are added to those already made by advanced economies such as Japan, maintaining a stable energy network will be a crucial global security priority. Energy resources in Russia and in other nearby Central Asian and Caspian states may be a critical factor in addressing growing energy demands in the Far East, South Asia and Europe.

The proliferation of weapons of mass destruction (WMD) and advanced and highly accurate conventional weaponry promises to be a growing international concern. In the past several years, India, Pakistan and North Korea have openly declared their nuclear status. In addition, highly accurate conventional munitions and supporting command and control systems are becoming 'off-the-shelf' technologies available to small states and even insurgents or terrorists. These developments will trigger entirely new dynamics in the security perceptions of major, established nuclear powers, rendering old notions of deterrence and retaliation insufficient to meet new challenges.

Demographic change, coupled with the spread of communicable diseases as well as the rise of political extremism, aberrant ideologies and inequality of globalisation, will have a powerful destabilising effect on the international system. Those societies that cannot educate and modernise their workforce face particular challenges, especially if they simultaneously face demographic shifts and one or another forms of extremism. The forces of globalisation are undercutting traditional sources of legitimacy in places such as Saudi Arabia and deepening the divide between active participants in the global economy and those outside. India and China have responded to globalisation by greatly expanding their trade and technological capabilities; other countries in the region find themselves left behind by the demands of a global economy and seething with resentment at the economic, political and cultural impacts of a global economy and information age. Globalisation's demands are likely to put additional pressures on weak states and fuel political extremism, especially on those being left behind. Two aspects of globalisation that appear to have enormous security consequences are the lessening of the importance of geographical distance and the diffusion of serious political, economic and military power to non-state actors.

This cursory overview of major trends in the international arena in the next 10 to 15 years highlights the crucial role and place of Russia. It finds itself in that place by virtue of geography, history and economics. Russia's constructive participation in international efforts to manage change in the next 10 to 15 years is one of the necessary conditions for success.

The efforts of the EU and the US to secure Russian support and cooperation for their cause of managing change and instability in the international system will depend on their perceptions and expectations of Russia. What kind of Russia should Russia's suitors from both sides of the Atlantic expect to find in the next 10 to 15 years?

Key features of Russia in the next 10 to 15 years

The outlines of Russia's future, much like the rest of Eurasia's, appear quite predictable. It will be a smaller nation, hemmed in by its much larger and more powerful neighbours to the east and west (by China and Europe), heavily dependent on its trade in mineral wealth and other 'natural advantages', busy dealing with domestic challenges, limited in terms of its power-projection capability and focused in its external relations on its troublesome periphery. In fact that periphery is likely to become the primary arena of Russia's interplay with other major powers and the prism through which Russian foreign policy and political elites will view relations with the rest of the world.

Russian demographic trends, long a major cause for alarm among students of the former Soviet Union and Russia, are projected to leave Russia with a smaller population than today – about 130 million by 2015. The spread of HIV/AIDS, as well as other infectious diseases, along with the cumulative effects of decades-old underinvestment in the nation's health care and basic infrastructure will put an effective brake on the ability of the Russian economy to grow. A World Bank study estimates that the impact of HIV/AIDS alone will amount to an annual cut in the economy's long-term growth rate of half a percentage point by 2010 and a full percentage point by 2020.

The ill-effects of Russia's demographic crisis will be profound and widespread, ranging from the size of the military Russia will be able to field to the burden it will have to shoulder in caring for the sick and the elderly. Sustaining the labour force needed to grow the economy will be a challenge for Russian policy-makers, who are already struggling with the task of managing internal and external migration in order to satisfy current and future demands of the labour market and essential commercial activities.

The Russian economic outlook also contains relatively few surprises. According to the best possible (or most ambitious) scenario, sketched out by President Vladimir Putin in his millennial address in 2000 as well as subsequent pronouncements, Russia will double its GDP by 2015. In per capita terms that means it will catch up to Portugal (Portugal circa 2000, not 2015). An aggressive growth effort of this kind would, presumably, rule out further structural reform of the Russian economy and rely on the growth strategy employed by the Russian government so far – which involves heavy reliance on exports of raw materials.

Even if successful, however, this strategy would put Russia in the range of middle-income countries with a long list of problems inherited from the Soviet and immediate post-Soviet eras to tackle. These include an obsolete industrial base, a crumbling infrastructure as well as health care and communications systems, to name just a few that would require a commitment of funds in the tens of billions of dollars. The size of Russia's federal budget – currently approximately \$100 billion – precludes substantial investment in infrastructure, the socio-economic sphere, science, education, civilian or military research and development, or any other basic sector that would give impetus to a fundamental shift in the structure and direction of the Russian economy.

Furthermore, Russian geography, long considered as one of the country's strategic advantages, is emerging as one of the likely constraints on its ability to grow and a source of

difficult challenges for Russian policy-makers. The long-standing option of ‘going to Siberia’ that was available to Soviet planners in the conditions of a command economy if resources in European Russia ran scarce, has become in market conditions a matter of real cost-benefit calculations. From the ‘cost of cold’ to the cost of transporting Siberian mineral wealth to markets in Europe and Asia, Russia’s geographic expanse appears in a very different light in the 21st century than it did a generation ago.

Compounding the financial costs of doing business across 11 time zones is the problem of governability. The country’s regional and ethnic diversity as codified in an unwieldy federal structure of 88 constituencies poses a challenge to the central government and imposes an additional tax on its resources. Mr Putin’s efforts to revamp the federal structure have been successful to a degree, but the goal of effective governance remains elusive.

The Russian military is by all accounts in disarray. Military reform, declared in the Defence White Paper of 2003 to be officially over, by most independent accounts has not begun. The military has been reduced in size to approximately 1.2 million, but conceptually and structurally it is oriented towards major war in the European theatre. After a decade of conflict in Chechnya, peace in the province remains elusive. Russia’s ability to project power, carry out stability operations and generally play the role of regional security manager along its periphery is limited at best.

The outlook for the Russian military for the foreseeable future is more of the same. The lack of research and development (R&D) funds throughout the 1990s means that the military will continue to rely on technology that is 20 to 30 years old well into the 21st century. Despite increases in Russian defence spending on President Putin’s watch, the size of the Russian defence budget – officially pegged at roughly \$15 billion, but most likely to be considerably higher – will act as a brake on efforts to modernise and restructure the Russian military.

The outlines of the Russian domestic political landscape are emerging with the degree of clarity that suggests a fair amount of certainty about its evolution in the next 10 to 15 years. The defeat of the liberal wing of the political spectrum in the parliamentary elections of 2003 and the emergence of the statist centre appears to be one of the most likely enduring features of the political landscape for the foreseeable future.

According to a recent public opinion survey, two out of three Russians believe that the country needs to have an opposition. Nevertheless, the number of those committed to vote for any of the established liberal parties does not exceed the 5% threshold required for Duma representation. The Communist Party and the Liberal Democratic party led by Deputy State Duma speaker Vladimir Zhirinovskii each command more committed support than the two established liberal parties combined. There can be little doubt that in the minds of most Russian voters that the experiment with a market and democracy has left a sour memory. Considering the potential quality of the opposition, one cannot help but wonder whether Russia is better off without any opposition at all for the foreseeable future.

In this context, 2008 and the end of President Putin’s constitutionally mandated two-term tenure looks increasingly as a political exercise limited to one party – that of power. With the liberal wing of the Russian domestic political spectrum in disarray and no independent bases of political mobilisation in evidence, Russia appears to have returned to one-party rule.

Russia the indispensable

Yet, despite these numerous constraining factors (and paradoxically because of some of them), Russia will continue to play a crucial role in the affairs of Eurasia. Russia's oil output, expected to reach 11 million barrels a day by the end of this decade, will be essential to satisfying the global energy demand. From Beijing to Brussels, Russian oil and gas will be important ingredients of the energy security picture.

Russia's geography, historical and economic ties to its neighbours as well as its Soviet legacy make it an indispensable factor in any effort aimed at stabilising weak states around its periphery, combating drug trade, stemming the flow of people, weapons, WMD materials, etc. – in other words, securing Europe's borders against the wide range of threats previously discussed.

Moreover, despite its limited economic muscle and financial resources, Russia is bound to play a disproportionate economic stabilising role in its neighbourhood. It already acts as a magnet for excess labour from Tajikistan, Armenia, Moldova, etc. It is a market for agricultural exports from Ukraine, Georgia and Azerbaijan. It is a source of below-market priced energy for many of its neighbours. It is a source of billions of dollars' worth of remittances from migrant workers to their hometowns and villages where these remittances make survival possible. Russia thus plays an important stabilising role in its neighbourhood.

Finally, no discussion would be complete without Russia's special role in combating WMD proliferation. While its cooperation is not sufficient to stem the flow of dangerous technologies and materials, its unwillingness to cooperate can render any such effort futile.

In sum, while Russia's systemic weakness invites the idea of ignoring or marginalising it in the international arena, a more sober assessment of its place in the international system and the likely challenges to that system in the next 10 to 15 years suggests that there is no alternative to dealing with Russia, and dealing with it as a serious and credible partner.

Russia as it is, not as we would like it to be

The first step in this direction is to accept Russia for what it is, not what American or European policy-makers and publics would like it to be. Thus, the very question posed at the outset of this paper of what the US and the EU do together on Russia, appears headed in the wrong direction.

If 'doing on Russia together' implies promoting democracy and assisting economic reform 1990s-style, the best answer is 'nothing'. When asked recently by US National Security Advisor Dr Condoleezza Rice what the US could do to support Russian democracy, political reform leader Yegor Gaydar is reported to have said "nothing". In the words of one prominent Russian political analyst, the new democratic opposition is not yet visible; it will take a long time – decades – to emerge and gain strength, and will have to be homegrown.

The worst mistake that the US and the EU could make under the circumstances is to treat an undemocratic Russia as if it were another Soviet Union. It is not. It lacks the former Soviet Union's expansionist ideology, its hostility to Western ideals and its resources.

In addition to its indispensable role in Eurasian affairs, from the standpoint of American and European Union interests, Russia has a powerful stake in maintaining good relations with Europe and the US. Culturally, its elites view themselves as European. Europe is the preferred destination for key Russian exports. Further, the special relationship Russia enjoys with the US confers upon it a very special status as a nuclear superpower second to none.

Given Russia's internal outlook and key trends in Eurasia, Russia is keenly interested in forging a partnership with the US and Europe. The alternatives – a junior partnership with China or the task of managing the geopolitical balance in Eurasia alone *vis-à-vis* China and India – are a source of growing concern among Moscow's foreign policy analysts.

Russia, the US and the EU share a common interest in a stable and secure region that stretches from Turkey to China and includes most of the former Soviet states. It is an area of growing concern for the US and the EU and a region of never-ending worries for Russia. It is a region that cries out for more resources and more attention from both sides of the Atlantic, not as a replay of another 'great game', but as a joint cooperative effort to which the US, the EU and Russia do not have an alternative.

Defining a new relationship

To date, the US and Russia have maintained the most visible presence in the South Caucasus and Central Asia. Each has offered a clear set of alternatives to countries in the region – integration in the NATO-based security and political framework in the case of the US versus integration in the Commonwealth of Independent states. The two approaches have pulled countries in the region in two competing and contradictory directions. The EU, despite its substantial commitment of funds through its TACIS programme, has not offered such a commitment, articulating instead a set of ambiguous policies under the rubric of the European Wider Neighbourhood that are (at best) equally amenable to interpretation as a bridge or a barrier in relation to Europe.

This approach needs to change. The EU has more at stake in the future of the region than the US. Yet US investment measured in terms of political and intellectual capital, economic assistance, peace-making efforts, security assistance and know-how has by far exceeded that of the EU. This effort on the part of the US has, incidentally, taken a much greater toll on Russian attitudes towards the US and US-Russian bilateral relations.

American interest and tempo of activities in these former Soviet lands are unlikely to subside in the years to come. Security assistance to several countries of the South Caucasus and Central Asia (Georgia, Azerbaijan and Kazakhstan) carried out through a series of intensified Partnership for Peace (PfP) efforts, will be an important aspect of American relations with them. While some of the countries involved in this effort have expressed interest in joining NATO, membership in the alliance remains a very distant prospect for them at best. In this context, PfP is far more likely to serve as the vehicle for NATO's efforts to secure the periphery of Europe than for the countries of the South Caucasus to become part of NATO. Notwithstanding PfP's explicit link to NATO, it has the advantage of full transparency *vis-à-vis* Russia, an open door to Russian participation and the added potential benefit of the cautiously promising NATO-Russian relationship.

The EU, as a function of its own uncertain security policy, has been largely absent from the security assistance arena in the South Caucasus and Central Asian regions. The task of developing a strictly European PfP-like programme for the region appears both unrealistic and counterproductive. Nevertheless, the EU could use the vehicle of PfP to deliver much-needed security assistance to key South Caucasus and Central Asian states.

Such assistance could supplement and should be coordinated with ongoing PfP efforts aimed at security sector reforms, regional cooperation, military education and training. EU funds could further support a variety of regional efforts ranging from integration of South Caucasus

states into southeast European defence and security fora to their participation in peacekeeping operations, border security, regional training facilities and infrastructure improvements.

The EU could play a positive role in the region *vis-à-vis* Russia as well. On the one hand, a common US-EU position in support of the former Soviet states' independence and sovereignty would send a clear message to Moscow that there are no differences on the subject between Washington and Brussels for Russia to exploit. On the other hand, a stepped-up EU security assistance effort in the region could serve Russian interests as well. For example, EU financial assistance for redeploying and resettling Russian troops from Georgia and Moldova to bases in Russia could help resolve the difficult issue of the continuing Russian military presence in those countries.

Another option to explore involves internationalising the Russian military presence and bases in Georgia and Moldova under the aegis of PfP. By re-flagging Russian bases and turning them into PfP training facilities with the help of funds provided by the US and the EU, Russia would legitimise its military presence in the eyes of the international community; the US and the EU would secure international oversight over Russian military presence and activities in Georgia and Moldova; and Georgia and Moldova would gain assurances that the Russian military presence on their territory would not serve as a tool for occupation and subversion.

The 1 May 2004 expansion of the EU to include new members from Eastern and Central Europe is likely to have far-reaching consequences for its dealings with Russia and other former Soviet states. For reasons that are self-evident, the experience with and perceptions of Russia among the EU's newest members differ from those of its older members. The EU lacks the kind of single institutional mechanism for engaging Russia that NATO has sought to develop through its NATO-Russia Council. For that, as well as other historical and political reasons, national priorities often dominate the relations of EU member states with Russia. This situation could trigger a crisis in EU-Russian relations and could produce serious fissures within the EU itself. The answer to this challenge is to have a pre-emptive discussion within the newly expanded EU about its relationship with Russia, Ukraine, Moldova, etc. – in other words, a discussion about a new policy for dealing with the newest EU member states, which in turn could provide a new basis for US-EU cooperation in this area.

The course of action outlined here is based on no illusion about the prospects for a US-EU-Russian partnership. Rather, it rests on an assessment of American, European and Russian interests, the means available to all sides for achieving them and areas where such interests overlap. The US, the EU and Russia can ill afford to find themselves on the path of collision. The answer then lies in patience, consultations and transparency about interests, motives and policies, and compromise where core interests are not at stake.