

Summary of Discussions

"The Triangular Relationship: USA, Europe, and Russia"

1st Colloquium, Washington, D.C. September 24, 2004
at The Carnegie Endowment for International Peace

This is the summary of the discussions that took place at the first of two meetings. The first meeting was held in Washington, D.C. and the second will be held in Berlin in May 2005.

The meeting was co-organized by SWP and the Carnegie Endowment for International Peace and attended by representatives from the United States, Germany, and the EU. These included officials of the U.S. Department of State, staff members from the House of Representatives and the Senate, and academic specialists, including research analysts from Carnegie's Moscow Center.

The discussion dealt with the role of current developments in Russian politics, economic factors, and selected foreign policy and international security issues in the evolution of the triangular relationship USA, Europe, and Russia.

Russian Domestic Policy and Its Foreign Policy Implications

Does Russian domestic politics matter for the conduct of Russian foreign policy? The "end of democracy"? Is there a "values gap" – if so, why care? Failure of military reform, rise of the siloviki, pervasiveness of the state bureaucracy, impact of Chechnya. Can and should the US and Europe get involved in Russian internal change?

In Russia, foreign policy has been used to satisfy the needs of the domestic agenda. There are still pre-modernist symbols that dominate domestic and foreign policy: territory and sovereignty and military might. These symbols are used to mollify a large sector of the population which still longs for the days of Soviet rule. As a result, Putin often engages in anti-Western rhetoric and implements authoritarian policies, and at the same time he courts the Western community.

Although this process of opening to the West continues, there is a simultaneous erosion of democratic, pluralist, and federalist principles and practices. These include the use of the courts for political purposes (the Khodorkovsky trial), curtailment of the freedom of the press, the emergence of state television, the emasculation of the legislative organs, and, most recently, legislation for the abolition of direct mandates for the Duma and the de facto appointment of regional governors by the president.

This trend is both exemplified and carried out as a result of the growth in the representation and influence of the FSB in government and business. Its structure and influence is now being restored to what it once was in Soviet times. The problem is that the FSB is interested in the creation of a strong, centralized state incompatible with democracy and a civil society. Moreover, the growing influence of the FSB contrasts with its own inability to accomplish its tasks: to get information and maintain security.

Putin's popularity, the participants agreed, is based to a large extent on his perceived ability to get things done (in contrast to Yeltsin), on the use of state resources to portray his policies in a favorable light, and on improved economic performance (see below). Differing views were expressed as to whether he will, following Lukashenko's example, aim at changing the constitution to permit him to run for another term in 2008. If that were not to be the case, the problem may well be that the structural features put in

place – the “Putin system” – will then still be amenable to change in a liberal, democratic, and pluralist direction. The danger inherent in the present course may well be that his successor and the power elite on which he will depend, that is, the FSB and other internal security services and law enforcement agencies, will be less open than Putin to cooperation with the West and turn Russian foreign policy into directions that are contrary to Western interests.

To that extent “values,” including the principles on which the domestic political and social system is built, do matter a great deal, and it is short-sighted to conceive of values and interests as a dichotomy.

Economic Dimensions and the “Energy Dialogue”

“Wider Europe,” a bone of contention or an opportunity for cooperation? The Luxembourg Protocol (April 2004) and the Moscow EU-Russia summit (May 2004) agreements: sensible compromises or unwise EU concessions? Russia’s accession to the WTO? Russian oil and gas exports – a motor of Russia’s integration in the European and world economies or the creation of dangerous Western dependencies?

Economic growth in Russia has been strong, although it lags behind the CIS average of 8%. This lag can perhaps be attributed to the fact that Russia does not seem to fully benefit from its natural resource advantages and the failure to pursue economic reform more vigorously. Modernization of industry is exceedingly slow, and even investment in Russian oil and gas will increase only if the government can deliver a sustainable bargain.

In detail, in the past four years several reforms were made but Russia still needs: (1) more reform of the state and law enforcement and (2) of the large state enterprises (Gazprom, railways, pipelines, etc.); (3) privatization of the banking sector (80% is state owned); and (4) social reforms (health/education).

The West should be most concerned with the current trend of political and economic re-centralization for if the State maintains or builds on its monopolistic position, prospects for the integration of the Russian economy into the world economy will be constrained. In addition, increasing corruption at all levels continues to be a drag on the economy and a hindrance to doing business. For example, in spite of Russian growth, the EU-15 in 2003 still accounted for only 35% of Russia’ exports—almost exclusively oil and gas—, the same as in 1989; and as the share of the EU in Russian trade after enlargement has risen to about 50%, given the large dependencies of the new members on Russian oil and gas, the share of these commodities in Russian exports has increased even further.

Russia today is a regional oil supplier, its primary customers are in the CIS and the EU. The EU currently depends on Russian oil and gas, just as Russia is dependent on hard currency earnings from its exports. However, contrary to conventional wisdom, EU dependence will diminish over time as resources from the Middle East and Northern Africa become more accessible and available.

Development of the US market is an obvious alternative to the European one, but the US-Russia Energy Dialogue has not produced much in the way of results because of Russian reluctance to open the oil and gas sector to foreign investors. For example, the

construction of a pipeline from oil fields in West Siberia (and high-potential fields elsewhere) to the arctic port of Murmansk, as planned by four major Russian private oil companies, for the export of crude oil (and perhaps one day oil products and liquefied natural gas) would be an obvious way to provide better and cheaper access to the United States but the Russian government is apparently ever more reluctant to allow state owned enterprises and/or private domestic assets to be sold to foreign investors; it prefers to see the benefits of its natural resources accrue to the state.

Russia's joining the WTO would be good for both the US and Russia. There is some competition between US and EU in the respective negotiations, but there has generally been adequate cooperation to get Russia's membership approved. The key issues for the US concern market access for goods and services, whether and how Russia is going to follow and enforce WTO rules (especially for intellectual property rights), and how the state enterprises are going to work and in what sorts of commercial activities they will engage. In addition, the US is trying hard to push banking issues forward but it is not a priority for Russians, and the Europeans have not seemed especially concerned.

European Security: NATO and ESDP

The new NATO-Russia Council two years after: substance or symbolism? The role of the new NATO members. Russian pressure on the Baltic States. The nexus CFE/NATO membership of the Baltic States/Russian bases in Georgia/Russian military presence and equipment in Moldova. Extension of Russian domestic recentralization to the CIS area?

Russian Policy towards NATO has principally consisted of opposition to NATO's geographic and political expansion and out of area operations. However, in spite of Russia's previous hostility to NATO, the new NATO-Russia Council has provided a workable consultative mechanism, and there have been some solid indicators of Russia's eagerness to cooperate. This is most evident in the areas of nuclear and biological incident management, and counter-terrorism. Cooperation in these areas needs to be built upon and extended, particularly with regard to intelligence sharing, non-proliferation, and WMD.

This limited cooperation does not extend to the former Soviet space because Russia believes that it should be the predominant, if not exclusive, power in the region. For example, the EU approached Russia to discuss providing a military presence in Transnistria but Moscow rejected the initiative. Russia needs to recognize that it, the EU and the US have a common interest in resolving some of these issues in former Soviet space, but this is unlikely to happen given that it perceives almost all overtures from the West as unwelcome interference.

It would be useful if there were a straightforward way to engage with the Russians on these issues but Russia argues that the West applies a double standard, notably on Chechnya and the Baltic states, on the one hand proclaiming the struggle against international terrorism to be central in international affairs, but failing to apply this to Chechnya (as witnessed, so the Russian perspective, in the failure to extradite members of the Maskhadov government living in the West), and emphasizing the need to observe human rights (but not putting any pressure on the Baltic states to observe the respective norms). However, the argument went in the conference, Russia has, in fact, *benefited* from Western double standards. This was especially because of the relative lack of criticism regarding (1) the behavior of Russia's own forces and those allied with it locally in Chechnya, (2) its inept handling of Beslan, (3) the security lapses that enabled suicide bombers to board planes, and (4) Russia's support of separatism in Abkhazia, South Ossetia, and Transnistria. If these violations and deficiencies involved any country other than Russia, the public criticism would be overwhelming.

The question is, conference participants asked, to what extent the West has to take into account the psychological blow of the Soviet collapse when dealing with Russia. The West has treated Russia as if it were a developed industrialized country with a democratic political structure and an emerging civil society, when in fact it is not. The US and EU are bumping into the limits of playing to Russian pride to help Russians feel good and have been too slow to invoke international standards of responsibility.

Recent events in Russia oblige the international community to take a new look at expectations of Russia. American and EU policy should promote Russian integration into Western clubs, such as the WTO, but should insist on real performance by Russia in

order for her to obtain such membership. It is important to ask which combination of “sticks and carrots” are needed to induce the Russians to implement policies supported by the EU and the US, without risking alienating them altogether.

Cooperation with Russia beyond Europe: Nonproliferation, WMD, and International Terrorism

Is there a common US, European, and Russian understanding of “international terrorism”? The “Greater Middle East”: What role for Europe and Russia? European and Russian contributions to the stabilization of Iraq (and accommodation of Russian oil interests there)? Coordination of US, European, and Russian policies vis-à-vis Iran (nuclear issues and gas pipelines to/through Iran)?

Russian ambitions are aimed at the common economic space in post-Soviet Eurasia in order to create a loyal belt of neighboring countries that respect what Russia considers to be its national interests. This could compete with EU integration of countries such as Ukraine. In fact, there is competition between concepts of Wider Europe and Wider Russia. Furthermore, Moscow is uneasy about what it considers to be US geo-political expansion into the Caucasus and Central Asia and, in response, Russia has either maintained or, in central Asia, expanded its military influence as a counterweight.

It would seem, however, that Russia’s policy in the CIS does not serve Russia’s interests well given the problems created by that very policy, particularly in countering the threat of terrorism. The way Russia treats threats within Central Asian states will only serve to increase the threats themselves. And the danger is not just to Russia, but to all countries threatened by terrorism. Russia is still a weak link in international efforts to combat Islamic terror and a soft target when it comes to acquiring dangerous weapons sought after by terrorists.

Putin is not an ideal partner for the US or the EU, but they must help him address the threat he faces because it is in their own security interests. One major problem is that Putin is ambivalent at best about getting outside help. The US and the EU must continue moving along joint efforts and opening channels for cooperation, especially on terrorism, in order to make sure that Russia does not gradually become a lawless state. The US, and to a lesser extent the EU, also must find ways to encourage Russia to leverage its comparatively strong relationship with Iran in order to persuade Iran to fully cooperate with the IAEA.

Defining Priorities in Relations with Russia

The United States and the EU have common concerns about what is happening in Russia and its periphery. This is reflected by the planned joint US/EU mission to Belarus prior to the parliamentary elections and the referendum as well as the coordination of policies on Transnistria. In addition, both agree that a trilateral energy dialogue would be useful for all concerned. Russia, however, needs to make a better effort to engage the West on these issues.

The area where cooperation with Russia could be most useful is Iran, where the US believes that Russia could do more to put pressure on Iran to avoid an escalation of tensions which could lead to conflict. Beyond Iran, there is still ample room to work with the EU to influence Russia with regard to its Chechnya policy. This would be a chance for the EU to take the lead because Russia does not feel as threatened by the power of the EU. The same rationale would apply to joint EU/US policies in wider Europe, in places such as Georgia, Belarus, and Ukraine.

For the EU, the most practical problem in dealing with Russia, in the absence of a common foreign and security policy, is the fact that the member states are not always in harmony. The member states closer to Russia, especially the Baltic States and Poland, often have a very different, more critical and demanding approach. Nonetheless, there is common ground on important issues such as WMD, terrorism, and organized crime.

The key to any successful policy will require the United States and the EU to increase their expectations of Russia and demand that it start behaving like a responsible democracy.