PUTIN'S RUSSIA: REALLY BACK?

Edited by Aldo Ferrari

Introduction by Giancarlo Aragona

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Contents

Introduction

In 2014, with annexation of the Crimean Peninsula and pro-Russian demonstrations in the Donbass area of Ukraine, which first escalated into an open conflict and then into *de facto* secession, Moscow's international behavior entered a new phase.

This assertiveness, more reactive to events than part of an active, well defined strategy beyond the advancement of Russia's objective to recuperate recognition as an indispensable player in world affairs, has received mixed assessments as to its effectiveness.

It resulted in sanctions against Moscow (targeting sectoral cooperation and trade as well as suspension from the Group of Eight-G8), thus aggravating the country's economic crisis (mostly due to low energy prices). It produced a rethinking of NATO's stance in Eastern Europe. As a consequence, various Western analysts did not rule out Russia's further marginalization in world affairs.

However, Russia's ability to reaffirm its role in regional contexts – particularly the Mediterranean/Middle East despite a stagnating economy at home, forced many scholars and observers to reconsider their previous positions.

The attempts made by Washington and Brussels to influence or constrain Moscow have not produced the expected results. Thanks to its crucial role in mediating the Iranian nuclear agreement, Moscow gained the reputation of an effective and, to some extent, trustworthy international partner, a circumstance that even Obama was obliged to acknowledge. The military intervention in the Syrian conflict demonstrated that Moscow was still capable of resolute and game changing initiatives. It has become clear that no settlement in Syria will be possible without taking Russian interests into account.

No doubt, Putin's recovered assertiveness takes advantage of the uncertain leadership of the West. Today Moscow's activism in international politics stands out as ambitious and able to project Russian influence, also in contexts where Western interests overlap.

Nonetheless, we should investigate for how long and to what extent Russia will be able to pursue its international objectives.

The Syrian crisis provides a perfect example of the complex challenges confronting Moscow. At a time when US strategy against ISIS was proving quite ineffective, Russia's intervention was a game changer, gaining time for Assad's regime and consolidating Moscow's foothold in the country and the region. The Kremlin was shrewdly exploited this at the global level to convey the image of a decisive Russia, amplified by the spectacular images of the Marynsky Orchestra playing amid Palmyra's ruins. Nevertheless, within a "success story", lies a series of not-so-successful results. Russian military operations in northern Syria have caused a strain in the relations with Ankara (especially after the shooting down of the Russian Sukhoi bomber aircraft), even if now apparently absorbed. Support for Assad, alongside Tehran and Hezbollah, could be a complicating factor in relations between Moscow and the wider Muslim world, without forgetting the feelings of its own Sunni population.

If, at the moment, the priority of fighting ISIS has toned down the disagreement with the US over the future of Syria, the confrontation with the West and the Sunni regional powers is likely to resume.

Furthermore, Putin's role in Syria, as well as his contribution to the nuclear deal with Iran, were unable to convince the West to soften its position on the "frozen crisis" with Kiev.

In other words, Moscow has not been able, up to now, to link the different issues in order to maximize its advantage.

The Syrian and Ukrainian cases show that Russia under Putin is ready to react forcefully to developments it considers detrimental to its interests, but they don't tell the whole story of Moscow's current international ambitions and strategy. Indeed, the Kremlin

is involved in wider geopolitical and geo-economic dynamics that may be less detectable but speak volumes about Russia's revived ambitions at the global level. The Eurasian Economic Union seems to be advancing, although the Ukrainian crisis could to undermine it. Moscow is also carefully outlining a strategy aimed at scaling-up its relations with China. Aware of its key interests in the East, Russia wishes to be a bridge between China and Europe. If anything, for its geographical position.

Building upon these assumptions, it is worth asking whether this strategy is adequately supported by the necessary means and is sustainable, given also that it carries risks and costs. And how is it going to affect relations with the US and the European Union?

This report aims at highlighting Russia's overall current foreign policy strategy and its ability to translate it into concrete results. Therefore, attention is also devoted to the resources that Moscow can tap to support its ambitions. In this context, it will focus on the controversial Russian economic and political pivot towards Asia, with particular attention to China, and its never-ending confrontation with the US. In addition, it attempts to shed light on Russian policies in the Middle East, from the attitude towards the Libyan revolution to the decision to intervene in Syria. The report will also take into account the evolution of Moscow's foreign policy towards other post-Soviet countries, in Europe (particularly *vis-à-vis* Ukraine) and in the Caucasus and Central Asia, especially with regard to the Eurasian Economic Union.

In his opening chapter, Philip Hanson addresses the economic sustainability of global Russian strategy and how the political and economic ambitions of Moscow interact. While Russia's objectives in terms of foreign policy seem to have been generally attained, the Kremlin cannot be equally satisfied with the country's economic performance over the last years. Economic constraints are forcing a pause in military spending. This might concretely limit Russia's political ambitions as well. Only economic growth in the next few years would be compatible with a growth in defence spending, without resorting to further cuts in consumption.

In chapter two, Walter Russell Mead places the spotlight on the

recent evolution of the relations between the two superpowers of the 20th century. The author investigates if and to what extent the US will be able to involve the EU in containing Russia. Besides, Mead urges both Washington and Brussels to have a more clear-eyed understanding of Russia's aims and avoid exaggerated estimates of its strenght or weakness. At the same time, they should recommit themselves to a more assertive order-building strategy by increasing defence spending and, above all, by strenghtening the old channels and institutions that keep the West united and strong.

The third chapter by Axel Berkofsky analyses the Russian-Chinese political, strategic and energy relations, focusing on the sustainability of such a partnership and its ability counter US influence at the global level. Financial sanctions imposed on Russia in 2014 have *de facto* obliged the Kremlin to increasingly rely on China, fueling the perception of Moscow as Beijing's "junior partner". China for its part will use the partnership with Russia as an instrument to counter Western – and particularly the US – political and military hegemony while at the same time pursuing its business and trade interests with both the EU and US. Indeed, China insists that Russia is not an "ally" but a partner.

Irina Zvyagelskaya examines the role Moscow has been playing in the troubled context of the Middle East. The author highlights how the Russian military campaign in Syria exemplified the country's new assertiveness. At the same time, it shows how Russia's military intervention – particularly in a context of intense international rivalry – cannot ensure either an ultimate solution to the crisis or a full-fledged recovery of the region. A peaceful solution to the Syrian conflict and prevention of a destabilizing spill-over to neighbouring countries can be achieved only through coordinated efforts by all regional and global players.

In the fifth chapter, Mykhailo Minakov rhetorically asks: "does Ukraine still matter"? The author analyses the impact on Belarus, Kazakhstan and other post-Soviet states of the annexation of Crimea and the war in Donbass. The post-Soviet system, he argues, can no longer exist the way it did before such events

occurred. In his view, Russian actions in Ukraine have caused a snowball effect. They have prompted Kiev to develop institutions that limit or prevent the effectiveness of Russian influence in the country, something that risks unleashing new tensions between the two countries. They have created difficulties for Russia's closest allies, as demonstrated by the emblematic cases of Kazakhstan and Belarus, which seem to have distanced themselves from the Eurasian Union project.

The latter is the focus of the last chapter by Aldo Ferrari. President Putin considers this project of key importance for the future of his country. It represents a fundamental test of Russia's ability to match its ambition on the international scene and to emerge with a new model for integration different from the Western. However, opposition from the United States and China, scarce enthusiasm from the post-Soviet states and the 2014 events in Ukraine have seriously hampered the Eurasian project. Today, Russia needs to promote a radical change of attitude and new political inventiveness in order to achieve the ambitions encapsulated in the Eurasian Union.

Economic stagnation and sanctions did not curtail Russia's political ambitions. So far, they have only marginally, if at all, constrained its ability and determination to play as a global actor, sometimes as a spoiler rather than as a constructive partner.

The future looks less reassuring for Moscow, should the present economic and financial problems continue or become more serious. In this case, domestic consensus and cohesion might weaken. The exploitation of historic Russian nationalism by the regime is unlikely to be a sufficient antidote.

No doubt, Russian-Western relations are at a fragile juncture.

Russia, and the Russian people, must reconcile themselves to the end of the Soviet Union and of its system of spheres of influence. Leaving aside the futile and abstract debate about whether Russia is still a superpower, it is and will remain a crucial player in international affairs. Nightmares of isolation and marginalization have an adverse influence on Moscow's behavior.

The West should on its side acknowledge that, after the painful

first phase of transition from communism, Russia's legitimate interests, and sensitivities, must be duly taken into account, not only in Europe.

Common ground and understanding are possible, without the over ambitious plans of the past, based in part on misreading reciprocal expectations and respective positions.

Giancarlo Aragona
President of ISPI

1. Russia's Global Strategy: Is It Economically Sustainable?

Philip Hanson

The world order has been "reshaped by Vladimir Putin's ambition"[1]. So far as Putin's[2] political ambitions are concerned, this judgement is rather persuasive. Russia is once more seen as a threat to Europe and as a power whose views count in the Middle East. That must go some way to satisfying the Kremlin aspiration to be seen as an indispensable power in world affairs. But Russian leaders have long entertained economic aspirations as well: above all, the aspiration to catch up with the levels of productivity and real incomes of the most advanced economies. Both the foreign-policy and the economic ambitions are part of Russia's global strategy, and both will be considered in this chapter.

The economic aspiration is not at present being achieved. Russia is stuck at a level of labour productivity about two-fifths that of Germany; its share of global output has lately been edging downwards, and its growth prospects are seen as poor by both Russian and Western economists.

The questions I shall attempt to address here are the following. What are the maximum and minimum ambitions of Putin and those around him? Can what is at present an enfeebled economy support the ambition for Russia to be a crucial player in global affairs? What are the longer-term possibilities for the Russian

[1] E. Rumer, "A world order reshaped by Vladimir Putin's ambition", *Financial Times*, 7 April 2016.

[2] To talk of 'Putin's' aims, views or wishes is to risk over-personalising things. Perhaps the present Russian social and political system would generate the same policies whoever occupied the presidency. I shall sometimes refer to "Putin" here as shorthand for "the current Russian leadership" and dodge the question of the role played by Putin the individual.

economy as the leadership strives to pursue both political and economic ambitions? By what channels, if any, could economic weakness lead to changes in Russia's political agenda?

These questions will be pursued in that order. I treat 2018 and 2020 as the relevant medium-term horizons. Looking further ahead is a purely sporting activity.

Maximum and minimum ambitions

So far as foreign policy is concerned, Russian actions support the view that the leadership wants to see Russia restored to something like the position once held by the USSR: that of a global superpower. Relative economic weakness did not prevent the Soviet Union from maintaining that status. Despite the further proliferation of nuclear weapons and the rise of China, the Kremlin seems to see Russia as destined to be more than a regional power and to be globally indispensable in the sense that Russia's interests must be taken into account in all internationally-significant disputes.

One can perhaps guess at a minimum foreign-policy ambition: for Russia to be unchallenged in its role as a regional power in the territory of the former Soviet Union. In this lesser ambition the Baltic States are probably not included, but the power to challenge them over the affairs of their ethnic Russian residents probably is[3].

In pursuit of both the maximum and minimum foreign-policy ambitions, Putin has presided over a major strengthening of Russia's armed forces. One approach to the sustainability of these ambitions, therefore, is to ask how sustainable the recent growth of military spending is.

We can posit a minimum domestic-politics ambition as well: for the existing leadership to remain in place without having to face any substantial threat to its authority from domestic sources. This probably entails preserving the system, or what Alena Ledeneva calls simply "sistema", the network of informal understandings

[3] A BBC film about a possible slide into World War Three begins with a local protest in Daugavpils, Latvia. See http://rutube.ru/play/embed/8270606

and top-down relations that allow Russia to function without a rule of law[4].

One feature of the system is that middle and lower-level officials take bribes and otherwise "feed" off their official positions, while tycoons know that their ownership is conditional on their service (when called upon) to those in power, so that the most senior officials are looked after in a material sense by big business[5]. This means that radical reform (above all, the introduction of the rule of law, protecting property rights) is probably incompatible with the present social and political system.

If it is the case – and the evidence for this will be reviewed below – that the maintenance of the present system precludes radical reform and potential growth is severely limited in the absence of reform, then it follows that the minimum political ambition of a stable domestic regime is incompatible with the achievement of the economic ambition of catching up with the West. That in turn may have implications for the pursuit of foreign-policy ambitions.

The economic basis of foreign policy success

The relationship between economic and military strength is flexible[6]. The USSR matched the West militarily for many years while lagging far behind in economic power, it also had less support from military production by other Warsaw Pact countries than the US received from other NATO countries; presumably Moscow did not trust Poland, East Germany and the others with too much military hardware capacity.

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[4] A. Ledeneva, *Can Russia Modernise? Sistema, Power Networks and Informal Governance*, Cambridge, Cambridge University Press, 2013.

[5] On the latter point see M. Galeotti, "The Panama Papers show how corruption really works in Russia", *VOX*, 4 April 2016, http://www.vox.com/2016/4/4/11360212/panama-papers-russia-putin

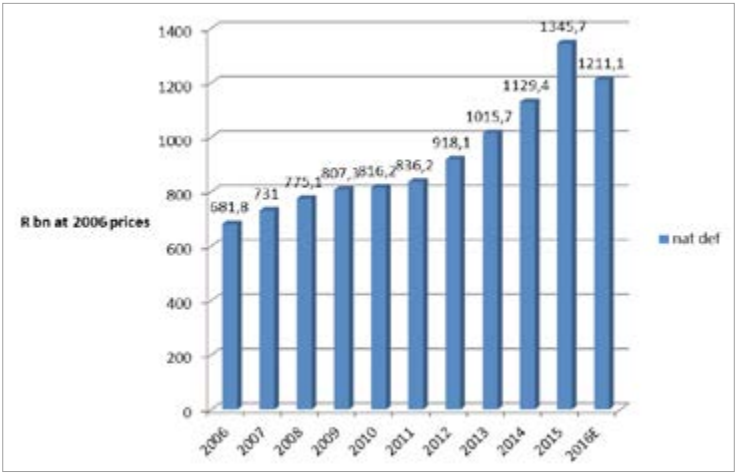
[6] For an extended discussion of this relationship, with particular reference to the USSR and Russia, see Ch.M. Davis, "The Ukraine conflict, economic-military power balances and economic sanctions", *Post-Communist Economies,* 2016, http://dx.doi.org/10.1080/14631377.2016.1139201

The Soviet Union was able to keep up in nuclear weapons and rocketry in part by allocating a relatively large share of GDP to the military and in part by an ability to prioritise military research, development and production, concentrating high-quality human and other inputs into big, centrally-managed projects. Even so, periods of slow growth created severe strains on the planning system, raising acute concerns about resource allocation[7]. Moreover the revolution in information technology, transforming both weapon systems and communications, was less amenable than nuclear weapons and ballistic missiles to development by centralised, state-run projects.

Russia today, with its partly privatised, market economy, lacks the prioritising capacity of a centrally-planned system, and it still lags in IT. It is not surprising, however, that a period of strong economic growth in 2000-08 gave policymakers the confidence to embark on a long-delayed programme of military modernisation from 2011. The result so far has been a strong growth of military spending as represented by the Russian federal budget category "national defence".

[7] See CIA, *Measures of Soviet Gross National Product in 1982 Prices*, Washington DC, 1990; Ph. Hanson, *The Rise and Fall of the Soviet Economy*, Harlow, Longman, 2003, pp. 181-182.

FIGURE 1 - RUSSIAN NATIONAL DEFENCE SPENDING IN 2006 PRICES, 2006-2016 EXPECTED (ROUBLES, BILLIONS)



Note: Author's calculation, deflating current-price spending with the Rosstat GDP deflator series. For the guesstimate of 2016 expected, see the text below.

Source: Derived from http://www.minfin.ru/ru/statistics/fedbud/index.php, accessed 3 April 2016.

The growth of military spending in real terms continues through the sharp GDP growth slowdown of 2013-14 and the 3.7 per cent drop in 2015. The figure for 2016, however, is a guesstimate of a 10 per cent year-on-year decline. This is based on the 9 per cent real-terms planned decline estimated from budget data by Julian Cooper[8] before the early-2016 reports of a further cut of 5 per cent in nominal defence spending. The outcome for 2016 could be different but at the time of writing it appears that an austerity policy of urgent budgetary restrictions has halted the growth of military spending for the time being. How long the crisis lasts and how long austerity policies are maintained are questions to be considered later. For now one can say that foreign-policy ambitions may perhaps come under pressure.

Are the current economic decline and prospective stagnation

[8] Personal communication.

compatible with a resumption of real defence-spending growth? In purely arithmetical terms they probably are. In Table 1 I set out a hypothetical set of figures for end-uses of Russian GDP from 2015 to 2020, broadly compatible with a pessimistic view of Russian economic prospects over that period.

The figures in Table 1, apart from being hypothetical, are "stylised" – a euphemism for "rough and ready". What they illustrate, however, is clear. On a conservative view of Russia's economic prospects over five years (a 2 per cent GDP decline in 2016 followed by growth at only 1 per cent a year), there is room after 2016 for a resumption of robust defence-spending growth without a sacrifice of consumption. That space is provided by the resumption of GDP growth, albeit sluggish, and the widely-expected decline of net exports, as imports recover. The latter process will probably be assisted at some point by the ending of Western sanctions.

TABLE 1 - RUSSIAN GDP BY END-USE, 2015-20,
(IN 2015 PRICES; 2015 GDP = 100, NUMBERS ROUNDED
TO THE NEAREST 0.5): CONSERVATIVE SCENARIO

	2015	2016	2017	2018	2019	2020
Consumption	73	71	73	73.5	74	75
Investment	15	15	15	15	15	15
Net exports	8	8	5	5	5	5
National defence	4	4	6	6.5	7	7
GDP	100	98	99	100	101	102

Notes: Consumption here is household consumption plus current state spending. Investment here is fixed investment ± change in inventories. Net exports are exports less imports of goods and services. National defence is, as in Figure 1, the Russian official budget category. The 2015 numbers are from Rosstat, but with the national defence figure subtracted from investment. Subtracting "national defence" from Consumption would not affect the changes over time in the totals or in national defence.

Why should consumption not be sacrificed? The political reasons for this will be discussed in the final section. For the time being let us note simply that household consumption has fallen drastically already. In Table 1 numbers, with 2015 GDP = 100 and total consumption = 73, the total-consumption figure for

2014 would be of the order of 80.

What if the economy fares even worse than in the conservative scenario? On 30 March 2016 the Development Center of Moscow's Higher School of Economics (HSE) put out a forecast of the economy to 2020 based on two alternative scenarios for the oil price: one in which that price remained at an average of $35/barrel throughout and one in which it averaged $45/b in 2016 and thereafter averaged $50/b. In both cases sanctions remain in place throughout and budgetary consolidation and the Central Bank of Russia's inflation targeting, plus an absence of reform, keep drivers of growth inactive, and output declines for part of the period beyond 2016.

In this case, as Table 2 illustrates, there is a conflict between consumption and defence spending. Increasing the latter means keeping the former depressed, even below the 2015 level.

TABLE 2 - RUSSIAN GDP BY END-USE, 2015-20,
(IN 2015 PRICES; 2015 GDP = 100,
NUMBERS ROUNDED TO THE NEAREST 0.5):
HIGHER SCHOOL OF ECONOMICS $35/BARREL OIL SCENARIO

	2015	2016	2017	2018	2019	2020
Consumption	73	71	72	70	69	70
Investment	15	15	15	15	15	15
Net exports	8	8	6	5	5	5
National defence	4	4	5	6	6	6
GDP	100	98	98	96	95	96

Notes: Definitions as for Table 1. Only the GDP number is based on the HSE source.

Source: For GDP series: https://dcenter.hse.ru/data/2016/03/30/1126653929/NEP_2016_1.pdf

There is therefore a possibility of real difficulties over policy if things turn out as badly as in this particular scenario. The other HSE scenario, of oil post-2016 at $50/b, is only slightly less negative, with output flat in 2017 and negative in the following two years. It is fair to say that most forecasters are closer to the conservative picture underlying Table 1 than to either of the HSE

projections, and some are slightly more sanguine than that. For example, the International Monetary Fund (IMF) in October 2015 was projecting Russian GDP growth at 1 per cent in 2017 and 1.5 per cent in each of the following three years[9].

To sum up: on the more conventional views of Russia's medium-term prospects a further growth of defence spending could be accommodated without obvious political difficulty. There are however some gloomier prognoses in which serious conflicts over policy could be hard to avoid. The nature of such conflicts and the possible alternatives in economic policy will be considered in the final two sections.

The other part of Russia's global aspirations is the ambition to catch up the West in productivity and living standards.

Economic modernisation: the ambitions of Putin's third presidential term

In May 2012, immediately after his return to the presidency, Putin outlined some ambitious plans for the economy. Much of this was set out in what have come to be known as his "May *ukazy*" or "May edicts". The main edict considered here is on the state's long-term economic policy[10].

In that edict Putin set a target of a 50 per cent increase in labour productivity by 2018, the year when the next presidential election was due. He also set a target of a 45 per cent growth in real wages over the same period. These targets entailed annual rates of growth of approximately 6 per cent in productivity and 5.5 per cent in real wages, incidentally reversing the relationship between real wages and productivity that had prevailed since 2000[11].

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[9] IMF, World Economic Outlook database.

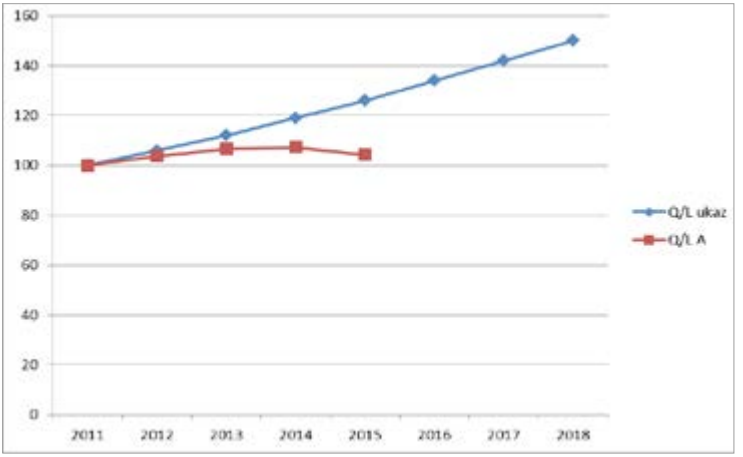
[10] http://www.kremlin.ru/acts/news/15232
Подписан Указ о долгосрочной государственной экономической политике (7 May 2012).

[11] It was feasible for real wages to grow faster than labour productivity as long as the country's terms of trade continued to improve, so that a given amount of Russian production would buy an increasing volume of imports for consumption. This was

The May edicts came in a period of recovery from Russia's 2009 downturn, which was a late consequence of the first phase of the global financial crisis. The exuberant growth of 2000-08 was still a fresh memory and it was possible, at any rate for a politician, to envisage a resumption of something like that process of rapid development.

The outcome has been far below what was hoped for, as Figure 2 illustrates for labour productivity.

FIGURE 2 - MAY EDICT (UKAZ) AND ACTUAL (A)
LABOUR PRODUCTIVITY GROWTH, 2011 = 100



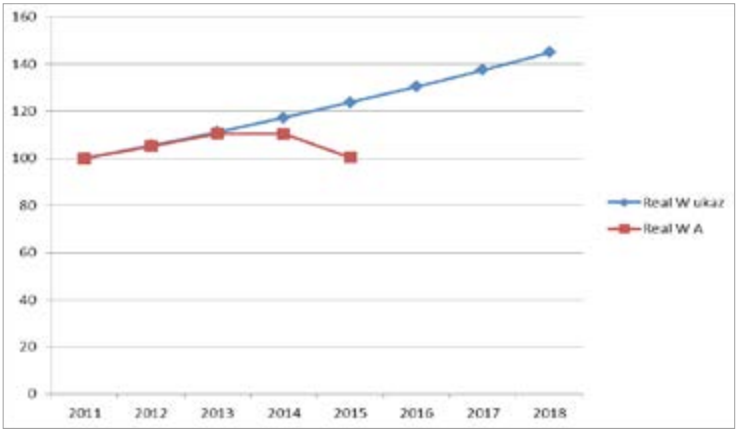
Note: Actual labour productivity is calculated by the author from Rosstat GDP and average annual employment data.

Sources: Ukaz series derived from the Kremlin source cited in footnote 10; actual series derived from Rosstat (http://www.gks.ru).

The picture for real wages is similar, as Figure 3 shows.

the case in 2000-08 and, rather more uncertainly, in 2010-12. That is to say, as long as the real price of oil on world markets increased.

FIGURE 3 - MAY EDICT (UKAZ) AND ACTUAL (A)
GROWTH OF AVERAGE REAL WAGES, 2011 = 100



Sources: As Figure 2.

The failure to come anywhere near these ambitious targets is easily explained. The economy slowed, then stagnated and then fell. In the year the *ukazy* were issued GDP growth slowed from 4.3 per cent (in 2011) to 3.4 per cent, and in the following years recorded rates of change of +1.3, +0.7 and -3.7 per cent.

Putin also set targets for the pay of teachers, doctors and other state employees (*byudzhetniki*, or budget-people). The general idea was to raise their pay, where necessary, to match that of the average employee, private-sector or state, in their region; for some senior *byudzhetniki* the target was twice the local average wage.

At first sight one might conclude that these instructions were less vulnerable to the general slowdown than the aggregate productivity and real-wage targets. Indeed they have been less vulnerable. However, they triggered a different problem. Most of the state employees in the sphere of social, educational and medical services are employed by regional and municipal governments and paid from their budgets. The pay increases ordained by Putin were an unfunded mandate: a spending obligation not matched by the provision of funds to meet it. The federal government meanwhile was trying to limit its support of regional budgets, so the regions

built up their debt to commercial banks. Numerous alarms were raised about the state of regional finances[12]. This problem added to the strain on economic policy in 2014-16.

The May edicts epitomise the excessive ambition of the Putin leadership in 2012. But even in 2013, when the economy was perceptibly slowing down, state ambitions remained too high to match the subsequent reality. The Ministry of Economic Development (MinEkon) came out with alternative scenarios to 2030[13].

Here I shall focus on two of them: the conservative or no-policy-change scenario and the so-called "innovation" scenario, in which resources are concentrated (mainly by the actions of policy-makers) more heavily into research, development and innovation. The first comparison that follows is between the conservative MinEkon projection to 2020, on the one hand, and actual outcomes through 2015 plus the HSE's $35/b scenario (see above), on the other. The second comparison that follows is between the MinEkon "innovation" scenario up to 2020, on the one hand, and actual through 2015 plus the HSE's $50/b scenario, on the other.

Figures 4 and 5 illustrate these comparisons. It is only fair to preface them with a reminder: the HSE scenarios are gloomier than most. However, even if we used the IMF's October 2015 or April 2016 projections (see above), the gap between what seemed feasible in 2013 and what seems plausible now would still be striking.

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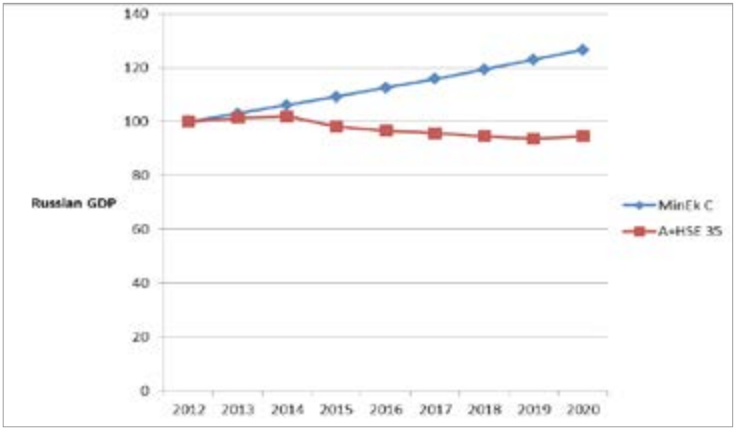
[12] E.g. E. Bazanova, "Vysshaya shkola ekonomiki: defitsit regionov mozhet sostavit' 1.8% VVP", *Vedomosti*, 5 March 2015. This alarm call by the HSE, worrying about a possible combined sub-national fiscal deficit of 1.8 per cent of GDP, was not matched by the outcome, but this was at least partly because the federal government changed course and did more to prop up regional finances.

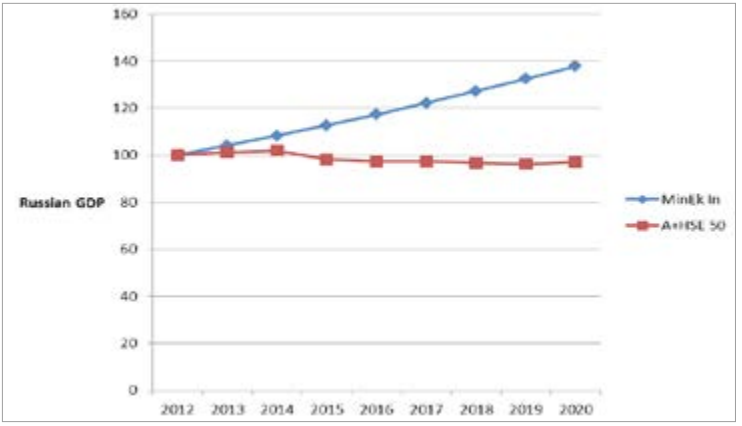
[13] http://economy.gov.ru/minec/activity/sections/macro/prognoz/doc20130325_06 Прогноз долгосрочного социально-экономического развития Российской Федерации на период до 2030 года

FIGURE 4 - RUSSIAN GDP 2012-20:
MINEKON CONSERVATIVE SCENARIO VS ACTUAL TO 2015;
HSE $35/B OIL SCENARIO, 2016-20 (2012 = 100)



Sources: http://economy.gov.ru/minec/activity/sections/macro/prognoz/doc20130325_06
Прогноз долгосрочного социально-экономического развития Российской Федерации на период до 2030 года; (2013), https://dcenter.hse.ru/data/2016/03/30/1126653929/NEP_2016_1.pdf Nash ekonomicheskii prognoz, March 2016.

FIGURE 5 - RUSSIAN GDP 2012-20: MINEKON INNOVATION SCENARIO
VS ACTUAL THROUGH 2015 AND
HSE $50/B OIL SCENARIO, 2016-20 (2012 = 100)



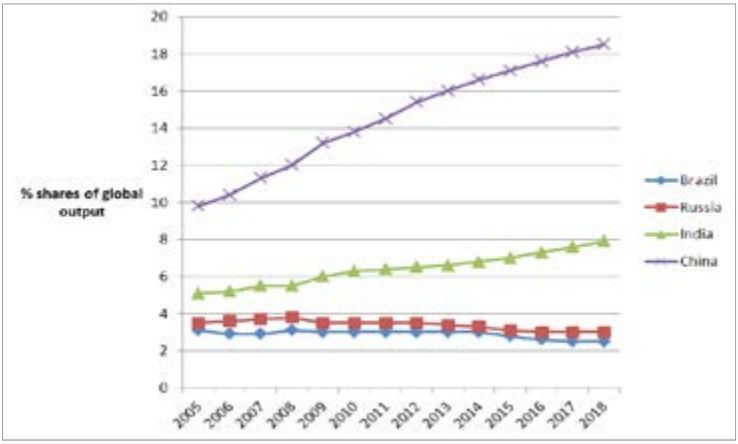
Sources: As Figure 4.

Those who drafted the text of the MinEkon scenarios noted one particular difference in outcomes between the conservative and the innovation scenarios: in the former Russia's share of global output falls slightly. In the latter it is slightly increased. It is not clear whose projections of global output they had in mind. The reason for mentioning this, however, is that it chimes with a growing leadership preoccupation with Russia's share of world production. That in turn is a measure of Russian global ambition.

For the leaders of a rising and assertive power it is encouraging if its economy is outpacing the herd. We have argued that strong economic growth may not be an absolute necessity for an aspiring global power; but it is likely to be an encouragement. Moreover, Russian aspirations to join the leading economies in productivity and material welfare have a long history: they have been proclaimed for centuries. There is a general long-run tendency for emerging economies to grow faster than those already at the technological frontier so, broadly speaking, increasing your share of global output entails some catching-up of the leaders.

Unfortunately for Russian ambitions, the Russian share of world output, after increasing in the 2000s, has more recently edged downwards, as Figure 6 illustrates.

FIGURE 6 - SOME RISE AND SOME FALL: THE ORIGINAL BRIC NATIONS AND THEIR SHARES OF WORLD OUTPUT, 2005-18 (%)



Source: IMF World Economic Outlook database, April 2016.

Two observations are in order. First, the lingering effects of the global financial crisis and the great uncertainty associated with them make the prospects for global output distinctly foggy. Therefore the basis for projecting any country's share of the total is shaky. Second, Russia and Brazil, both with higher per capita GDP levels than India and China, may have entered the so-called middle-income trap ahead of their fellow-BRICs.

Therefore one should not conclude that Russia is necessarily doomed to a long-term decline in its share of world output. But it does look as though in the medium-term, up to 2018 or 2020, it will not be outpacing the general run of countries. Its global ambitions will in that sense remain unrealised and the confidence of its leaders correspondingly weakened.

What are the alternatives open to Russian policy-makers that might change the picture? I shall look first at what the present alternatives seem to be and then, more speculatively, at how circumstances might change within the medium term.

Options in economic policy

Current Russian economic policy is up against severe difficulties. Nonetheless, there are alternatives that cannot be ruled out. The present set of policies is conducted within limits set by the social and political system (I shall set out more fully the case for this view later on in this section). Even within those limits, though, there are choices to be made. Outside those limits there are, on the fringes of the policy-making elite, more radical populist and liberal proposals being put forward. This section is a review of the main options that are available or at any rate are currently being put forward.

Russian economic policy at present is orthodox without being liberal. It is orthodox in the sense that priority is given to fiscal consolidation and inflation targeting[14]. It is illiberal in that the

[14] On the latter see http://cbr.ru/publ/ondkp/on_2016(2017-2018).pdf, the Central Bank of Russia (CBR) policy statement of 11 November 2015.

role of the state has been allowed to increase and the weak rule of law, critical for the protection of property rights and therefore the encouragement of investment, has not been remedied. Even before the present crisis fixed investment was around 20 per cent of GDP, which is low for an emerging economy. A stronger rule of law and protection of property rights may not be sufficient to raise Russia's potential rate of growth in the long-term, but it is probably necessary.

The Russian property-rights problem can be summed up in one word: *reiderstvo. Reiderstvo* can be roughly translated as asset-grabbing, and has been defined as "the illicit acquisition of a business or part of a business, usually with the assistance of corrupt actions by law-enforcement officers and courts"[15]. It is the ending, or at least substantial reduction, of asset-grabbing that Russian liberal economists have in mind when they refer to a need for "judicial reform". For example, the former finance minister, Aleksey Kudrin, said in 2013 that there would be no economic growth in Russia unless accumulated problems were addressed, "especially in law enforcement and the judicial system"[16].

The police, tax or other "authorities", usually acting in collusion with a business rival of the victim, use trumped-up charges to force an entrepreneur to surrender a company or some of its key assets. They do this typically by putting the businessperson in pre-trial detention and offering a deal. It is not surprising that relatively few Russians set up businesses in the first place. In 2012, when the Global Entrepreneurship Monitor consortium conducted adult population surveys in 69 countries, asking among other things whether respondents owned established businesses, Russia was 67th – the third lowest in the proportion of the adult population that were business owners[17].

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[15] Ph. Hanson, *Reiderstvo: Asset-Grabbing in Russia*, Russia and Eurasia Programme Paper, Chatham House, 2014/3, https://www.chathamhouse.org/publications/papers/view/198133

[16] M. Sergeev, "Kudrin napishet 'povestku dlya Rossii' bez nyneshnei vlasti", *Nezavisimaya gazeta*, 19 November 2013, cited in Ph. Hanson, op. cit., p. 8.

[17] O.R. Verkhovskaya, M.V. Dorokhina, "Natsional'niy otchet Global'niy monitoring predprinimatel'stva: Rossiya 2012", *Global Entrepreneurship Monitor* (GEM),

The problem is not confined to small and medium-sized firms. Big business is not immune. The destruction-cum-takeover of the Yukos oil company is the best-known example, but there are others, such as the state's acquisition in 2014 of the oil company, Bashneft, from Vladimir Yevtushenkov's Sistema conglomerate[18]. Even the tycoons know that they hold their business assets only conditionally: the state could take them away.

The asset-grabbing phenomenon, and more generally the weak rule of law, is part of the prevailing Russian social and political system – Sistema, in Alena Ledeneva's analysis[19]. It appears that economic policy is conducted within limits set by the system. Fundamental reform to strengthen the rule of law is simply not on the agenda. The system incorporates the top economic policy-makers, including those who have demonstrated pro-market inclinations – the head of the Central Bank of Russia (CBR) and the ministers of Finance and of Economic Development, for a start[20].

Within the policy establishment of government, CBR and Presidential Administration there are nonetheless, as in any policy establishment, tensions and conflicts on policy, within the limits set by the system. In the present crisis there is a continuing tension between advocates of austerity, most notably the finance minister, Anton Siluanov, and advocates of moderate stimulus, notably the Minister of Economic Development, Aleksei Ulyukaev. These divisions come with the territory, in each case. One of Siluanov's concerns is to protect Russia's sovereign credit rating. His ministry is in constant contact with Moody's credit rating agency, supplying information, to this end[21]. Ulyukaev, on the other hand, has

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p. 56, http://www.gemconsortium.org/docs/download/3261.

[18] See "Yevtushenkov mozhet vyekhat' iz Rossii v statuse obvinyaemogo po delu 'Bashnefti', yesli pozhelaet", *NewsRu.com*, 25 December 2014, http://newsru.com/russia/25dec2014/evt.html

[19] A. Ledeneva, op. cit.

[20] For more on this topic see Ph. Hanson, E. Teague, *Liberal Insiders and Economic Reform in Russia*, Russia and Eurasia Programme Paper, Chatham House, 2013/1, http://www.chathamhouse.org/publications/papers/view/188985

[21] D. Nikolaeva, "Antikrizisniy plan otsenili v 20 mlrd rublei", *Kommersant*, 5 March 2016.

been putting out economic forecasts in which hope clearly counts for more than experience.

Another policy issue cuts across the austerity-stimulus divide: privatization. By and large the "economic bloc" of government, seeking to hold the 2016 federal-budget deficit to 3 per cent of GDP and to finance that deficit without drawing too heavily on the Reserve Fund (4.3 per cent of GDP at 1 April 2016[22]) seeks to maximise the financing available from privatization. The statists, including the *siloviki* or representatives of the military and security establishment, are sceptical. They make the obvious point that now is not a good time for raising funds from Russian privatization sales[23]. The bosses of the state companies involved are also reluctant.

So far, the policy establishment is divided tactically but not strategically. Fiscal and monetary orthodoxy prevails, along with an acceptance of the limits set by the system to radical institutional reform.

There is another divide among policy-makers. Maxim Trudolyubov calls it a divide between economic technocrats and Kremlin heavyweights[24]. The heavyweights in the Presidential Administration ascribe Russia's economic problems, not to any domestic weakness but to hybrid warfare conducted by the US and its allies. Required responses to this hybrid warfare include unexpected military moves, which only add to uncertainty for

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[22] http://minfin.ru/ru/perfomance/reservefund/statistics/volume/index.php. This is the budgetary reserve fund, not to be confused with the CBR's gold and foreign exchange reserves.

[23] The plan is to sell non-controlling stakes in the oil companies Rosneft and Bashneft, the shipping company Sovkomflot, the diamond-miner Alrosa and the bank VTB, only to buyers registered in Russia. US-Russia Business Council, *Daily Update*, 12 February 2016.

[24] M. Trudolyubov, *Hard Work vs, Magic*, Kennan Institute, 19 April 2016, https://www.wilsoncenter.org/article/hard-work-vs-magic?mkt_tok=eyJpIjoiWWpJME9UUTFaalk0WmpCaCIsInQiOiJncGFWeDY2VjhxWDdVWVgxSTRJUG4yc1JvTEJDcjdjT1wvZlluQjFaVVYzNEdiNU51cHNKTHRkZXluM0V2UnJxdm1yVyt0VG0xNDRUaENGODVzcUxEMzJiRm9CV29KVkIrUndNK2dwbGNKcjg9In0%3D

Russian business. I think not all "Kremlin heavyweights" are quite so deluded, but some do seem to be[25].

Beyond the policy establishment are the populists and the "non-systemic" liberals. The populists want economic stimulus on a grand scale. The most articulate and probably the best-connected representatives of the ultra-stimulus tendency are the Stolypin Club. Prime Minister Dmitry Medvedev is paying then at least some token attention by forming an inter-departmental group, to include some deputy ministers, to explore their ideas[26]. Those ideas include the injection of R1.5 trillion roubles of targeted soft credits to business, a reduction in the CBR's key rate of interest and more state borrowing[27].

Two leading figures involved in drafting the Stolypin Club's economic programme are Boris Titov and Sergei Glaz'ev. Titov is a businessman, former leader of the business association Delovaya Rossiya and now the presidential ombudsman for business. Glaz'ev is an academic, political activist and now a presidential adviser on the Eurasian Economic Union. They claim that their programme will unleash rapid economic growth in Russia. Accordingly, their programme document was entitled "Economics of Growth". Titov has formed a party called the Party of Growth, which is viewed as a tame, within-system organisation.

Most economists would regard the Stolypin Club programme as a sure-fire recipe for inflation, not for sustainable real growth. It comes from the fringes of the policy-making elite. It has some support from some of the business community, who certainly would welcome a cut in interest rates. It is possible to imagine a leadership despairing of prolonged decline or stagnation, and resorting to these populist policies, but Putin's inclination seems to be towards monetary and fiscal prudence. He backs the CBR leadership

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[25] A. Bastrykin, "Pora postavit' desistvenniy zaslon informatsionnoi voine", *Kommersant*, 18 April 2016.

[26] K. Dorofeev, "Pravitel'stvo zainteresovalos' 'Ekonomikoi rosta' Stolypinskogo kluba", *Izvestiya*, 28 January 2016, http://izvestia.ru/news/602626

[27] The 1.5 trillion roubles figure should be put in perspective; it would add somewhat over 4 per cent to the broad rouble money supply at 1 March 2016, http://cbr.ru/statistics/?PrtId=ms&pid=dkfs&sid=dm

against critics calling for interest-rate reductions (the CBR key rate at the time of writing is 11 per cent and businesses face borrowing rates of 14 per cent and upwards). He backed Kudrin when the latter diverted oil-tax money into a stabilization fund. On the whole, and probably to the benefit of the country, the Stolypin Club does not appear at present to be winning on policy.

Nor do the non-systemic liberals. There is no shortage of calls for radical reform from liberal economists outside the top policy-making elite: Sergei Aleksashenko, Mikhail Dmitriev. Sergei Guriev, Yevsei Gurvich, Yevgenii Yasin, to name just a few. Some who might be seen as insiders in their relationship to the Putin court, have made similar calls, most notably Aleksei Kudrin[28]. Even the tycoon Oleg Deripaska, boss of, amongst other things, the world's largest aluminium company, has called for reform of the courts[29].

The situation is odd: a large number of knowledgeable and respected people agree that the economy is stuck with low growth prospects for what are on the face of it avoidable reasons. They broadly agree about what is needed: judicial reform, a clean-up of the law-enforcement agencies, more privatization and a reduction in regulation, yet at the same time they do not expect to see these reforms any time soon. Aleksashenko and Guriev are currently self-exiled from Russia: two distinguished experts whom the country can ill afford to lose.

One might have supposed that between these critics and the pro-market technocrats in the government something might be done. The system however is a massive obstacle. Those in power – not just Putin but all insiders, including the pro-market technocrats – have a strong material interest in preserving that system, for three reasons.

- The hordes of lower-level officials are used to accumulating wealth at the expense of those they regulate or oversee. Any

[28] See Ph. Hanson, E. Teague, op. cit., for more detail up to 2013, particularly on Kudrin.

[29] S. Okun', A. Salitova, "Uzhe nel'zya molit'sya i ozhidat', luchshe ne budet", *Kommersant,* 19 February 2016, quoting Deripaska.

threat of the loss of this source of wealth would risk serious discontent in official ranks.

- At the same time, the illicit and informal arrangements by which officials do so well provide leverage over those same officials. All involved know they are breaking the law, so they are in a state of suspended punishment. They can be disciplined as required by a selective use of the law.
- Those at the top might themselves be vulnerable if the law was systematically upheld; they may be above mere bribery but some will have a history as lower-level officials earlier in their careers and some are apparently looked after financially by an oligarch, in ways that might not survive close inspection under a rule of law[30].

Arrangements of this sort are not unique to Russia. Perhaps something of this sort is common to all limited-access societies[31] and therefore to a majority of countries. The point is that it is probably not something especially connected to Putin the individual leader. More likely it is a product of the system. It is in that sense that the possibility of Russia emerging from stagnation in the longer-term requires profound political change.

Social change and longer-term change in the economy

In the longer-term – up to, say, 2020 – it is possible that a mix of recession, stagnation and very slow growth may weaken macroeconomic discipline without promoting any reform of institutions. Mikhail Dmitriev has argued that growing prosperity favours a rise of middle-class protest about "modernising" issues: free speech, the conduct of elections, the quality of education and ultimately the case for reforming the system. Hard times drive people, both

[30] These arguments were first set out in Ph. Hanson, E. Teague, op. cit. There is more detail there.

[31] To use the term developed by D.C. North, J.J. Wallis, B.R. Weingast, in *Violence and Social Orders. A Conceptual Framework for Interpreting Recorded Human History*, Cambridge, Cambridge University Press, 2009.

middle-class and others, to a "survivalist" agenda: jobs, pay, prices. This changes the focus of discontent away from the system and is associated with pressure for a more populist agenda. The protests of 2011-2012 were modernising. Survivalist protests are apt to be more scattered and less challenging to the system[32].

One inference is that if the economy remains weak, as the Higher School of Economics Development Center projects it to be through 2020[33], the policymakers may feel obliged, à la Stolypin Club, to resort to monetary emission, with targeted soft credits offered on a large scale to business. The adherence to fiscal and monetary prudence might be broken.

In other words, just when low oil prices and extreme economic difficulties might be expected to drive policymakers to reform, they might in fact have the opposite effect of undermining macro-economic policy without contributing anything to the institutional reforms that could galvanise growth.

The extent and nature of discontent in the next few years are of course unknown. In March 2015 Dmitriev noted, from surveys and focus groups, that people's attitudes were changing from triumphalism over the annexation of Crimea to fear of external enemies. Putin's popularity remained very high, but Dmitriev suggested that a further escalation of the conflict in Ukraine could turn popular feeling against the authorities[34].

In the event, conflict in the Donbas was de-escalated, a dramatic Russian intervention in Syria became the new focus of attention, and no turn against the authorities has so far materialised. Perhaps prolonged economic disarray, leading to populist policies and in turn to further economic distress, could eventually lead to some sort of challenge to the regime from below, but that looks a long way off. At the same time, the social basis for liberal reform

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[32] E.g., M. Dmitriev, D. Treisman, "The Other Russia", *Foreign Affairs*, September-October 2012; I. Nechepurenko, "Predicting the Future With Russia's Economic Nostradamus" (interview with Dmitriev), *Moscow Times*, 18 March 2015; M. Dmitriev, "Russian Society and the Economic Turning Point", Annual Russia Lecture, Chatham House, 13 April 2016.

[33] https://dcenter.hse.ru/data/2016/03/30/1126653929/NEP_2016_1.pdf

[34] I. Nechepurenko, op. cit.

is weak and Dmitriev's view is persuasive: that social basis is probably strengthened by prosperity rather than by hardship.

Meanwhile it is worth recalling the Putin leadership's nervousness about popular protest. Upheavals in autocratic regimes, from Ukraine to the Arab Spring, lead to precautionary actions by the Kremlin. There is controversy at the time of writing about the purpose of the newly-established National Guard[35]. Its declared purpose of protecting against terrorism does not seem to be the whole story[36].

Perhaps the Putin leadership can keep one step ahead of any serious discontent and, if it fails to avoid it, suppress it.

Conclusions

Putin's, or "Russia's" ambitions are both political and economic, and the two are intertwined. It makes sense to think, in both cases, of minimum and maximum ambitions. The minimum ambition is the survival of the present system on which Russia operates and the preservation of its position as a regional power. The maximum ambition is to become once more a global power and to catch up economically with the West.

Russia is close to achieving its maximum political ambition but is failing badly economically. There is no obvious way back to catching up the West without radical reform. That, I have argued, is incompatible with the survival of the present system. The implications of this for the country's political ambitions, however, are less clear. There is currently a pause in military spending enforced by economic crisis. However, growth over the next few

[35] *Novosti*, 11 April 2016, http://www.ria.ru/defense_safety/20160411/1408191447.html

[36] See "V Podmoskov'e proshli tainiye ucheniya po razgonu antipravitel'stvennykh demonstratsii", *Ekho Moskvy*, 9 April 2016. There is some doubt about whether these "secret" exercises in breaking up anti-government demonstrations really could have involved the brand-new National Guard, but the fact of there being such exercises is a sign of the eternal vigilance and risk-aversion displayed by the regime, whatever units were involved.

years would on a cautious projection be compatible with further growth in defence spending without further cuts in consumption after this year. It is only if one takes a gloomier-than-consensus view of Russia's economic prospects that there is a real conflict between guns and butter.

The alternatives currently available in economic policy are constrained by the social and political system. If pressure for change were to build up from below, it would seem that radical liberal reform is less likely than a populist dilution of prudent macro policies.

I have not looked beyond 2020. Forecasting Russian, or any, events a week ahead is risky enough. After 2020 the possibilities are almost unlimited. Even reform might happen.

2. Washington and Brussels: Rethinking Relations with Moscow?

Walter Russell Mead

In 2012, President Barack Obama's election opponent, Mitt Romney, called Russia the United States' greatest geopolitical foe. President Obama responded with laughter: "the Cold War called. It wants its foreign policy back." Yet by the end of his second term, President Obama looked more like the man out-of-step with the times and Romney looks prescient. Over the past four years, Russia has caused more problems for the United States and its allies than any other global power.

From the conquest of Crimea to its incursion in Syria, Russia has displayed both the ability and the will to shake Western certainties and disrupt Western policy. Neither the United States nor the European Union has been able to develop a stable and businesslike relationship with Russia. Dennis Ross, a former U.S. Ambassador and advisor of several administrations including Obama's, says that many Middle Eastern leaders think Russia is a more helpful power to work with than the United States these days. In Eastern Europe, NATO member states fret about the possibility of Russian military incursions and fear that the United States and its European allies might not come to their aid. Meanwhile, President Vladimir Putin's efforts in Syria have accelerated the flow of refugees into European Union, creating both a humanitarian disaster and a political crisis of the first magnitude. Even as Putin's actions beyond the EU create difficulties for the bloc, his financial support for right wing populist parties inside the EU contributes to the political crisis that threatens the pro-EU political consensus in many countries. As the recent British referendum calling for the UK to exit the EU demonstrates, the rising tide of anti-EU sentiment in a number of countries poses a threat to Europe's political and institutional cohesion at a critical time.

It is difficult for Western analysts to see Russia clearly, and for centuries Western opinion has oscillated between extreme views

of Russia's intentions and capabilities. At times, as in 1815 and 1945, Russia has seemed to be a colossus towering over Europe and threatening to dominate it. At other times, as in 1920 and 1990, it has seemed weak and backward, and a power whose time was past. Similarly, there have been times when Russia was seen as moving rapidly toward Western values: Catherine the Great was lauded by leading Enlightenment intellectuals for bringing progress to Russia; at the time of Alexander II and again at the time of Stolypin's reforms under Nicholas II Russia seemed to be modernizing and becoming more "Western"; and of course in the 1990s hopeful Western analysts spoke of a permanent shift in Russia's political culture. At other times, Russia has been seen as irredeemably despotic and anti-Western: Alexander III, Stalin and now Putin have been seen as principled and determined enemies of liberal society in all its forms.

George Kennan, the American diplomat who both called for a strategy of containing the Soviet Union and dissented from the highly militarized and global doctrine that containment later became, offers what is still some of the wisest counsel that Westerners seeking to manage their relationship with Russia can find. Kennan argued that Washington's problems with the Kremlin after World War Two were cultural rather than ideological, that Russian history rather than Marxist dogma explained Stalin's approach to the West:

> At bottom of Kremlin's neurotic view of world affairs is traditional and instinctive Russian sense of insecurity. Originally, this was insecurity of a peaceful agricultural people trying to live on vast exposed plain in neighborhood of fierce nomadic peoples. To this was added, as Russia came into contact with economically advanced West, fear of more competent, more powerful, more highly organized societies in that area. But this latter type of insecurity was one which afflicted rather Russian rulers than Russian people; for Russian rulers have invariably sensed that their rule was relatively archaic in form fragile and artificial in its psychological foundation, unable to stand comparison or contact with political systems of Western countries. For this reason they have always feared foreign penetration, feared direct

> contact between Western world and their own, feared what would happen if Russians learned truth about world without or if foreigners learned truth about world within. And they have learned to seek security only in patient but deadly struggle for total destruction of rival power, never in compacts and compromises with it[1].

One would think that policymakers would have returned to George Kennan for insight when the Soviet Union collapsed, but the jubilation over the death of Communism and the hopes of a bright new day prevailed. Post-Soviet Russia was quickly transforming itself into a Western-style democracy, most American and European policymakers believed, and Russia in any case was far too weak and too distracted to worry about.

Western plans for the post-Soviet world treated Russia as insignificant. The key institutions of the West, NATO and the EU, would expand, in some cases right up to the new, shrunken borders of Russia, yet Russia was to be permanently excluded from both. There was little concern in the West during the halcyon years of the 1990s that Russia might object to these decisions, or that, if it did, Russian objections would have to be taken into account. Nor was much thought given to how Western decisions to exclude Russia from any substantive role in European politics would strike Russian sensibilities.

By the end of Boris Yeltsin's second term, Russia seemed on the brink of disintegration to many Russians as well as to many in the West. Vladimir Putin's program of rebuilding the authority of the Russian state by concentrating power in Moscow appealed to many in the West. Stability, even authoritarian stability, looked safer than continuing chaos and social breakdown in a country with many thousands of nuclear weapons. As Putin consolidated his power and began to rebuild the Russian state, most Western observers continued to feel that Russia was so weak following the Soviet break up that the West had little to fear from anything Putin could do.

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[1] G. Frost Kennan, "Long Telegram", 22 February 1946.

In the United States, President George W. Bush clearly underestimated Putin and the United States never developed a coherent Russia policy. On the one hand, the United States took steps (strengthening its ties with new NATO allies in Eastern and Central Europe, supporting the deployment of missile defense in countries like Poland and the Czech Republic) that inflicted what Russian nationalists saw as intolerable humiliations on their country. The US attack on Iraq was an attack on a valuable commercial and political ally of the Kremlin, but the US neither took this fact into consideration before the attack nor sought to reach an accommodation with Russia in its aftermath. At the same time, by supporting 'color revolutions' in Ukraine and Georgia, the United States demonstrated a naïve underestimation of the difficulties of building genuinely democratic states in those countries even as Putin drew the (correct) conclusion that the United States would welcome a color revolution in Moscow. Yet even as his policies provoked Russia and made Vladimir Putin look ineffective to nationalists in Moscow, Bush made no plans to deal with the consequences of Russian hostility. The August, 2008 attack on Georgia was well timed: Bush's popularity was low, the United States was absorbed by an election campaign, and the unraveling financial crisis preoccupied the American political and journalistic class. The Georgia invasion went unanswered; Putin gained power and prestige at home, and others in the region began to take Russia more seriously.

The Europeans similarly discounted Russia in their planning for the future. The European Union is a daring and imaginative political construct; essentially, it seeks to replace diplomacy and power politics among European states with judicial, political and administrative tools. It is a beautiful idea, and given the damage that great power rivalries and traditional diplomacy inflicted on Europe in the first half of the twentieth century, it strikes many Europeans as a natural and inevitable course of action.

From Russia's point of view, however, a point of view that remains deeply wedded to classic geopolitical thinking, the EU is less about eliminating diplomacy in Europe than it is about excluding

Russia from Europe. Since the time of Peter the Great, Russian rulers have sat in the highest councils of Europe. Catherine the Great, Alexander I, Nicholas I, the great Romanov rulers were consulted on questions ranging from the boundaries of Saxony to the constitutions of Naples and Spain. Every government in Europe felt the need of consulting Russia's interests and taking account of Russia's purposes.

The EU is a systematic attack on the kind of power politics that was the chief medium of Russian power in Europe for 300 years. In combination with NATO, the Western design could not be more clear: to isolate Russia and to wall it off from enjoying the influence that was its natural right through centuries of modern history. No Russian ruler in the Kremlin could see this as anything but a devastating setback for Russian interests as well as Russian pride. The EU, as well as the United States, set out along a dangerous path of alienating Russia without making provision for dealing with the consequences.

President Obama came into office seeing part of the West's Russia problem more clearly than his predecessor. He understood much better than Bush that Western policy played a role in Russia's development of a new and more confrontational foreign policy. However, like his two predecessors, Obama operated under exactly the errors that Kennan warned against. He assumed that the single source of Russia's hostile behavior was poor choices by the West, and that a shift in Western policy toward a more conciliatory posture would lead to a reciprocal Russian response. Hence the "Reset": Obama believed that a conspicuous and sincere display of goodwill and policy change would inspire Putin to change his approach to the West.

If Obama failed to anticipate the consequences of a policy of conciliation, he also continued to underestimate Russia's potential to disrupt Western plans and harm Western interests. Obama looks at the weak foundations of Putin's state - its inability to produce a modern economy, the growing factionalism and organizational chaos that the "power vertical" inevitably produces, the dangerous dependence on oil – and concludes that an edifice so

poorly constructed cannot last. In practice, this view provides an additional reason for adopting minimal responses to Russian provocations; if Russia's potential to disrupt Western order is tightly circumscribed by its limited means and weak foundations, then to risk a crisis by responding vigorously to Russian actions is a waste of effort.

Obama and others who share his analysis are not wrong to see weakness in the Russian state. And they are not wrong to see that a sense of weakness and inferiority lies behind much of the aggressive bluster in Russian policy. This is what Kennan identified almost 70 years ago: the "fear of more competent, more powerful, more highly organized societies" that haunts Russia's rulers.

But where much of the West has gone wrong, President Obama included, so that the West has consistently been surprised and discomfited by Putin's moves, is that while Western analysts are well aware of Russia's limits and constraints, the West has failed to understand the weaknesses in its own position – weaknesses that give Russia significant ability to damage Western interests at relatively low risk and cost. Sun Tzu said that if you wish to be truly successful, you must understand not just how your opponents operate, but you must also understand yourself. At the moment, Putin understands Russia and he understands the West better, in many ways, than Brussels and Washington do. Putin looks at Europe and the West with unsentimental eyes; he sees weaknesses and flaws that the West prefers to overlook; as a result, he has been able to take advantage of Western weakness and Western illusions to achieve geopolitical and propaganda gains that few could have imagined even five years ago.

The end of history and the return of geopolitics

Appropriately enough, the era of Western overconfidence was triggered by changes that took place not in the West, but in Russia. After the Cold War, people saw that the Soviet system had failed and that Russia was moving toward liberalization under Gorbachev and then under Yeltsin. Between what was happening in Moscow

and in other former Soviet states, it was easy to conclude that liberalism had won a major ideological victory. Superficial and inaccurate simplification of Francis Fukuyama's *End of History* thesis became the foundation of foreign policy in the 1990s both in Washington and in Brussels. Both Europe and the United States behaved as though the really complicated problems in the world had been solved or would quickly melt away, history had ended, and that a stable, enduring liberal order was ours for the taking. Conventional wisdom, often stated quite explicitly, was that the old rules of geopolitics no longer applied.

Even after 11 September 2001, this view of affairs prevailed. President George W. Bush's administration took the United States down a more belligerent path, but continued to accept the basic post-historical consensus. President Bush was not concerned about fundamental challenges to the post-Cold War order. Although Bush and his advisors saw plenty of dangers to the West, they did not spend much time worrying about great powers like China or Russia. (President Bush famously remarked that he looked Putin in the eyes and saw the soul of a "trustworthy" man). The Bush administration did believe that the Middle East needed a nudge towards democracy, and thought that a democratic Iraq would get the region off on the right foot. For many in the Bush Administration, the end of history was still close at hand; bringing it about just required a little push from the American military in a few strategic places.

In capitals across Europe, many foreign policy experts and average citizens disagreed with President Bush's militarism and preferred the consensus-building of President Clinton, but they shared the belief that liberalism would inevitably sweep across the globe without much or even any effort. One did not even need to think to carefully about the consequences of Europe's single currency; the problems of capitalism, economics and geopolitics had all been solved, and so it was possible to make great leaps forward without fear.

This post-historical thinking did not only affect foreign policy; it had direct consequences for intra-European affairs too.

Without the threat of the Soviets, European countries cut their military budgets and focused on expanding their social safety nets. Meanwhile, bureaucrats in Brussels worked to create a framework for integrating European countries into a stronger Union. The Eurozone and the Schengen agreement were premised on the assumption that, in this post-historical world in which the old threats (like nationalism, fascism, religious extremism, economic crisis and communism) to liberalism had been defeated, free movement among member states of both labor and capital would have few downsides.

President Obama shared this post-historical perspective. For Obama, historical forces and the evident superiority of liberal democracy will bring about a better world if the United States leads by example and lets countries manage their own affairs. The "reset" with Russia was characteristic of Obama's approach: reaching out to old adversaries like Cuba and Iran would reduce tensions, and in an atmosphere of reduced tensions, those regimes would liberalize. As in Aesop's Fables, the North Wind of bluster and threats would only cause illiberal regimes to cling more tightly to their defenses. The warm sun of soft power would cause them to let down their guard. While willing to deploy hard power where he finds it necessary (through, for example, drone strikes against perceived terrorist targets across the Middle East), Obama saw foreign policy chiefly as the art of removing artificial obstacles to the inevitable process of liberalization and democratization sweeping through most of the world.

Both Europe and the United States took the stability of liberal society for granted. After the Second World War, the West had developed a social market system that, in its different versions, offered stable jobs, full employment, rising standards of living and secure retirement to growing majorities of people. The bitter class conflicts of earlier decades gradually faded away, and a new and more consensual politics grew up around the new system. This system had worked so well and so long that Western policy makers were confident that, with the fall of the Soviet Union, the system could be expanded around the world. The widespread Western

faith that the world had reached "the end of history" wasn't just a statement about the collapse of alternative models to the liberal, democratic state; it expressed a confidence in the indefinite stability and permanence of the social market system of the West.

This confidence, of course, was misplaced. Even before the financial crisis of 2008-2009, stagnant wages and high unemployment levels pointed to problems in Western economies. The financial crisis first in the United States then in Europe exposed glaring weaknesses in the economic foundations of the West. Poorly managed and regulated banks, asset bubbles supported by central banks, a badly designed and poorly implemented monetary union in Europe: a series of horrifying and costly economic disasters dented the self-confidence of Western elites, tested the solidarity of Western states, and gave populist and illiberal political movements across both the EU and the US a new lease on life. The financial crisis was only one aspect of a deeper economic crisis in the West. A combination of low wage competition from manufacturers in the developing world and automation were dramatically reducing demand for labor in Western economies; the high wages at full employment conditions of the postwar years were becoming a thing of the past. Collapsing birth rates in much of the West led to a demand for immigrant labor that, increasingly, was responsible for social tension and populist political mobilization. At the same time, the demographic stagnation or decline meant that many of the pension systems of the West risked insolvency unless benefits were sharply reduced.

The economic and social strains of the period reduced Europe's capacity to integrate new member states and to address the gaps that opened up between northern and southern member states. Eastern states were no longer as impressed by the allegedly superior wisdom of Western EU members; Hungary and Poland launched experiments in a different kind of politics than had been the European norm. In other eastern countries, progress at implementing transparency slowed; in many countries, Russian businesses with close ties to the political structures in Moscow became entrenched and began to exert influence of their own.

The West, in other words, was much weaker and more divided in 2010 than it expected in the 1990s, and by 2016 people were beginning to ask whether, instead of exporting liberal governance and economics to the rest of the world, the West would begin to move away from these values itself.

Russia remains a troubled country with many problems. Its economy is roughly the size of Italy's but it is far less diversified. If oil prices remain low, Russia's outlook is bleak, economically speaking. But the West is also much weaker than it thought it was, and Putin's Russia sees many opportunities it can exploit.

Facing facts

As they seek to craft policy toward Russia, Western leaders today must clear their heads of the delusions and dreams of the 'end of history' era. While Russia is no irresistible juggernaut, it is stronger than most Westerners believed, and its hostility to the goals and the values of the West is more intense and longer lasting than Westerners hoped. Additionally, the West is weaker than we thought; the West is more divided, less sure of the foundations of its political economy, has fewer economic resources and less political will for external engagements than we would like, and is more preoccupied with managing its internal difficulties than most policymakers expected it would be. The arc of history may bend in the direction of justice, but we can't count on historical inevitability to solve our foreign policy problems.

The West must choose its goals wisely in dealing with Russia. Russia cannot be transformed into a democracy or won over as a genuine friend by any steps that the West can take. We must think about a Russia that is a neighbor to Europe but quite possibly for many years to come does not share the values, hopes and political system of its neighbors. We must also assume that for the foreseeable future, Russia will organize its economic life on different principles from the West, that there will be close links between its major economic entities and the structures and personnel of the state, and that the pervasive power of political influence with

shape the courts and finance. For the foreseeable future Russia will be a power that seeks to challenge the European order, undermining European institutions where it can, seeking influence over decision makers and political leaders by methods that are anything but transparent, and searching for opportunities to counter European and American influence and policy in the Middle East and beyond.

The first step towards an effective strategy for Russia is for the West to begin to repair its own weaknesses. If Europe and the United States are to bring balance back to their relations with Moscow, they must address their own failings. A weaker West presents Moscow with targets too tempting to resist. As long as the European Union is weak-politically and economically more than militarily-Brussels should expect to have a difficult time establishing durable relationships with Moscow. The United States needs to engage more deeply with its EU partners, and the EU needs to begin to develop a workable agenda to address its many crises. Here Kennan's words ring true:

> Much depends on health and vigor of our own society. World communism is like malignant parasite which feeds only on diseased tissue. This is point at which domestic and foreign policies meets Every courageous and incisive measure to solve internal problems of our own society, to improve self-confidence, discipline, morale and community spirit of our own people, is a diplomatic victory over Moscow worth a thousand diplomatic notes and joint communiqués. If we cannot abandon fatalism and indifference in face of deficiencies of our own society, Moscow will profit-Moscow cannot help profiting by them in its foreign policies[2].

This will not be the work of a day or even of a year. Both at the European and the global level, many of the decisions taken and the institutions built in the flush of the enthusiasm of the 1990s rest on flawed premises, and will need to be rethought and in some cases redesigned for the harsher and more difficult conditions that

[2] G. Frost Kennan (1942).

now face us. Vital as that work is to long term success and stability, we cannot afford to neglect Russia policy until it is finished. We shall have to start where we are, and put relations with Moscow back into some kind of equilibrium.

Where possible, the ideal approach for the West would be to develop policies that both counter Moscow and strengthen Western cohesion and solidarity. Take the question of Ukraine, for example, the sanctions against Russia, necessary as they may be, inevitably cause dissension in an EU in which many countries, struggling under the burden of the euro crisis, are desperate for export markets, or depend on Russia for energy. At the same time, it's clear that efforts to assist Ukraine have been sufficient to stave off catastrophe, but have not yet laid the foundation for proper growth and reform. A wiser policy, and a more effective one, might have been to provide Ukraine with credits to purchase goods and services from Southern Europe on a scale that would offset the cost of Russia sanctions. At the same time, release of these credits could have been made conditional on more thorough reforms, giving Ukraine greater incentive to accelerate the reform process. If the West can build cohesion even as it pursues limited and reasonable goals in its relationship with Russia, the calculus in the Kremlin will begin to change. If Kremlin provocations draw the West together, the road of provocation becomes less appealing.

We should avoid the thought that responding firmly to Russian provocations is the road to crisis and a renewed Cold War. In reality, the opposite is the case; firm but levelheaded and carefully implemented responses to Moscow are necessary if constructive businesslike relations with Moscow are to be restored, and if a new era of Cold War like conditions is to be avoided. As long as Moscow meets no resistance, it will continue to press forward. It was only after finding that the invasion of Georgia was met with a weak and divided response that Putin attacked Ukraine. It was only after he saw the limits of the allied response, and the deep divisions in Washington over Syria (the "red line" fiasco) that he decided to intervene in Syria. Unfortunately, the international consequences of the intervention in Syria have not been sufficient

to convince Putin that he has reached the limit of the possible. Until the Western response is firm enough and painful enough to persuade him that his chosen path is losing its charm will Putin reconsider a line of policy that, so far, has strengthened him both at home and abroad.

To be effective, Western responses to fresh moves on Putin's part do not have to be symmetrical and they do not have to direct. That is, if Putin introduces 20 tanks into the Donbass, the West does not need to deploy 20 tanks on the same front or, indeed, anywhere. Russia has many interests that in some way depend on Western cooperation. A Russian military move in Ukraine could lead to anything from a crackdown on banks known to be important to the regime to an increase in NATO capabilities in the Baltic states to an increase in European and American activity in Moldova or Georgia – or even the deployment of 20 tanks in Ukraine. Putin has been imaginative and free wheeling in his provocations; he has carefully considered the structure of Western interests, the vulnerabilities in the Western position, the cracks in the Western coalition, the range of options that he has for taking action, and has chosen actions that, in his view, bring him the most benefit with the least risk and cost. The West has every right and every duty to respond in the same way: measured and thoughtful, but carefully calculated to send the clearest signal with the greatest efficiency and least risk.

Kennan, facing a very much more dangerous opponent in Stalin's Soviet Union than we face today in Putin's Russia, was nevertheless clear that the goal of Western policy should not be to provoke crisis and condemnation, and this should be our approach today. The goal is not to force a series of shattering crises with Russia, nor to militarize the relationship more than necessary. Again, Kennan's analysis rings as true for Putin's Russia as it originally did for Stalin:

> Soviet power, unlike that of Hitlerite Germany, is neither schematic nor adventuristic. It does not work by fixed plans. It does not take unnecessary risks. Impervious to logic of reason, and it is highly sensitive to logic of force. For this reason it can easily

> withdraw-and usually does when strong resistance is encountered at any point. Thus, if the adversary has sufficient force and makes clear his readiness to use it, he rarely has to do so. If situations are properly handled there need be no prestige-engaging showdowns[3].

As we work to deepen our cooperation, we will be aware of a new and focused opposition. In 1946, George Kennan predicted Stalin's behavior: "Everything possible will be done to set major Western Powers against each other. Anti-British talk will be plugged among Americans, anti-American talk among British. Continentals, including Germans, will be taught to abhor both Anglo-Saxon powers". Putin may not have anywhere near the resources Stalin did, but in this respect he's following in his predecessor's footsteps. Russian propaganda and disinformation has become part of the normal background of life across most of the West.

The world through Putin's eyes

In March 2013, US Secretary of State John Kerry accused President Vladimir Putin of pursuing a "19th century" foreign policy. In one sense, this was correct; Putin's foreign policy is grounded in the concepts and at times even the strategies of 19th century European diplomacy. He rejects many of the foundational ideas of liberal internationalist diplomacy as it exists today. He does not agree, for example, that "win-win" outcomes are often possible in great power diplomacy. Perhaps wealthy powers like the United States can indulge in these illusions, Putin believes, but Russia does not have that luxury.

From a classic geopolitical perspective, Russia's situation is difficult. In the east it faces the rising power of China. To the south the forces of radical Islam, which brought the Soviet Union down in Afghanistan, can be found from Central Asia to the Caucasus. In Europe, Angela Merkel's Germany has acquired an unprecedented degree of power in Europe, and is seeking to transform the EU,

[3] G. Frost Kennan (1942).

as we've seen, into a bloc that would sideline Russia on a range of subjects vital to its interests. Worse, in its European project Germany enjoys the support of the United States, which is also committed to the program of a strong European Union.

Yet Germany, from Putin's point of view, has its vulnerabilities. It seems clear in Moscow that the German plan for Europe is flawed and may not be attainable. The aftermath of the euro crisis has done more damage to Europe than any other single event since the Second World War. Germany seems to have no solutions on hand; Italy and France are both increasingly impatient with a Germany that is too strong to resist – but which seems to lack a constructive program for economic recovery. The rise of populist and anti-European political parties around the bloc, a rise which Russia has facilitated and supported in many ways, weakens the governments of many European countries and makes the formation of policy on the European level more difficult. That the floods of refugees from Syria and North Africa further poisoned European politics and may have helped the "Leave" camp win a narrow victory in the British membership referendum can confirm the wisdom of its European strategy to the Kremlin.

The European Union is clearly a less confident, less effective organization today than it was five or ten years ago. Putin can feel reasonably confident that a strategy of opportunistically taking steps that weaken and divide the Union will continue to pay dividends.

Putin's greatest miscalculation to date was to attack Ukraine just as the price of oil was about to crash. The fall in Russia's revenue as the price of oil fell below US$50 a barrel places forces Putin to pay careful attention to resources, and re-emphasizes the importance of initiatives that yield high results at a relatively low financial cost.

Putin's geopolitical position is worse than Stalin's was, and Putin's original invasion of Ukraine was the response of a man whose back was to the wall. From both a practical and an ideological point of view, Ukraine is perhaps the single greatest concern that Russia has beyond its own frontiers. Without the integration of Ukraine into the Russian sphere, Russia remains a marginal

power on the edges of Europe. Of all the post-Soviet successor states other than Russia, Ukraine is the most populous, the most closely integrated into the Russian economy, the one with the greatest strategic significance in Europe – and the one of the greatest political and cultural importance to the Russian nationalists who form a major element in Putin's support. The loss of Ukraine to the West would have been intolerable to Putin, and the danger that a Westernizing Ukraine could infect Russians with the belief that their future, too could be brighter in a Westernizing Russia was a grave threat to his power at home. Putin attacked Ukraine to prevent the Maidan example from spreading to Russia and to demonstrate to Russian nationalists that he would not stand idly by while the EU snatched Ukraine from Russia's embrace. The annexation of Crimea both satisfied nationalist opinion and entrenched Russia's position on the Black Sea.

Putin doesn't want or need to conquer the entire Ukraine to achieve his basic objectives. He needs for Ukraine to flounder and to fail in its effort to join the West. All Putin needs is to create instability in the country and prevent Ukraine from moving into the West's orbit and from becoming anything close to a successful democracy. Putin needs just enough leverage in Ukraine to create uncertainty and chaos. At the moment, Putin's objectives are congruent with many Ukrainian oligarchs. While they do not want to see Russia conquer Ukraine, something that would put them under Putin's control, they also do not want to see a successful reform program limit their power. The status quo in Ukraine is largely acceptable to Putin and comes at a relatively low cost; it is the West at the moment that lacks an effective strategy for Kiev.

In Syria, Putin's objectives are also limited. He wants to demonstrate that Russia is a powerful actor in the Middle East, humiliate the United States, prop up an ally, strengthen ties with Iran, and make himself politically indispensible to any negotiations over Syria's future and the fate of the refugees. Once again, he has been able to accomplish his primary objectives with minimal risk and cost.

What is to be done?

George Kennan concluded his Long Telegram with five "comments" in which he laid out the principles which would become America's Cold War policy. First, he urged his Western compatriots to study Moscow and become familiar with its ways. Next, he said that the government needed to be clear with its citizens about the nature of the threat and the challenge of coping with Moscow. Third, he said it was imperative to strengthen domestic American institutions to ensure that the United States was as attractive a society as possible. Fourth, he argued that the United States should lay out a "constructive picture of [the] sort of world we would like to see". And finally, he said it was essential that Americans "cling to [their] own methods" and not end up mimicking Moscow's style.

Today, the principles for a new approach to Russia are not so different. The Russian model is no longer Marxism, but it is nonetheless one that the West must resolutely oppose. Putin's cronyism and authoritarian politics cannot be allowed to seep into Western societies, and Putin's purpose is to disrupt the structures and relationships that have kept the peace in Europe for seventy years.

If the West combines an effective set of policies to rebuild its institutions and strengthen its economies with firm and steady responses to Russian aggression, Putin will have a hard time achieving his aims and, after a period of testing, Moscow-Western relations will likely improve. If the West can show Putin that the roads he wants to go down are closed, he will be forced to pick an approach more compatible with Western interests. Given Russia's fundamental weaknesses, this task should be achievable.

The first step, however, will be to have a more clear-eyed understanding of Russia's aims and to communicate that understanding to Europeans and Americans so that they do not fall victim to exaggerated estimates of Russia's strength or weakness. Moreover, it will be necessary to persuade citizens across Europe and the United States to recommit themselves to a more assertive order-building strategy. Defense spending is part, but only a part, of this strategy;

it would be a mistake to rely too heavily on military measures without also strengthening the civil institutions that keep the West united and strong.

This strategy must be pursued intelligently and pragmatically. The West should not mimic Russia's aggression or play Moscow's version of hard-nosed geopolitics. Instead, Europeans and Americans should be thinking together about what open societies need to survive internal and external threats. That will require taking the blinders off and admitting that history is back and that the world needs tending, but it does not mean giving up on liberal hopes and dreams. It is simply a recognition that, in a world of revisionist powers like Russia, liberal order needs to be defended vigorously.

It remains to be seen if Europe's leaders are up to the task, and if the United States has the will and the wherewithal to play its proper part. But the good news is that Russia is not a huge threat, and improving relations should be an achievable goal. Rebalancing relations with Russia does not require great military force or endless economic sanctions. In fact, the objective of a firmer policy will be to avoid the need for such blunt instruments. If Putin is not checked, he will continue to go down roads that lead nowhere good for Russia or for liberal world order, but if the West can demonstrate to Russia that confrontation no longer yields benefits, we can begin to rebuild relations with Moscow that are pragmatic and sustainable.

As those relations are rebuilt, it will be necessary for the West to think harder about Russia's place in the world than we did at the end of the Cold War. Russia is a European power and has legitimate interests in the economic, political and security structures and policies of European states. While the task of incorporating a Russian presence and a Russian voice into the European system is anything but a simple one, no European order that fails to take Russia into account can be truly stable. It is necessary to check Russia today, but our ultimate goal must be to engage it.

3. The Myth and Reality of Russia's China Pivot

Axel Berkofsky

This chapter analyses the current state of Russia-China political, strategic and energy relations. Among other things, it examines whether the bilateral political and security partnership is really solid and sustainable enough to – as Russian President Putin in particular hopes – become a partnership and indeed alliance countering what in Beijing and Moscow is perceived as US-driven containment of China and Russia. After Russia's invasion and annexation of Crimea in 2014 and the imposition of Western economic and financial sanctions, Russia was *de facto* obliged to put (very) many of its political and political eggs into the China basket, turning Russia into what is argued in this paper: China's "junior partner". China for its part will continue to use the partnership with Russia as an instrument to counter Western (read US) global political and military hegemony when it suits its interests while at the same time opting for pragmatic policies towards the West in view of its business and trade interests in Europe and the US Indeed, China insists that Russia (or anybody else for that matter) is not an "ally" but a "partner" and the ongoing expansion of security and military ties with Russia will not – at least not yet – make an "ally" out of its "partner" in Russia either.

Despite political rhetoric coming out of Russia and China suggesting that Moscow and Beijing are fully aligned against alleged US "containment" policies, there remains a high level of mutual distrust and Russian-Chinese relations will continue to be burdened by geopolitical rivalry in Central Asia and Russian concerns that Beijing will become too involved in politics and security in Russia's geographical "backyard". Finally, Russian President Putin's "pivot to China", i.e. a strategy to massively expand ties with China

in trade, energy and finance, will probably be (much) less impressive and profitable than President Putin announced it to be in 2014. In fact, as will be shown below, a dramatically tumbling oil price, Western sanctions and increasing fears of Chinese economic "invasion" continue to stand in the way of the quick and problem-free realization of a number of energy and infrastructure projects announced with a lot of fanfare in 2014. To be sure, the jury on whether or not Russia's "pivot to China" has already failed as the below-cited article in *Foreign Affairs* argues, is probably still out.

Re-building a "strategic partnership"

To better understand the current state of Sino-Russian relations, a brief overview of recent post-Cold War Russian-Chinese history is useful. Russia and China have come a long way since the ideological and political so-called "Sino-Soviet Split" of the late 1950s, with military clashes along disputed borders and the Soviet Union threatening to bomb China with nuclear weapons in the late 1960s[1]. From the mid-1960s until the end of the Cold War official bilateral relations were all but non-existent and only the collapse of the Soviet Union and the end of the Cold War opened new opportunities for Russian-Chinese rapprochement. In December 1992, the then Russian President Boris Yeltsin signed a Russian-Chinese non-aggression declaration in which both Moscow and Beijing stated that neither side would aim at pursuing political and military hegemony in Asia. Through another agreement Russia at the time provided technological and financial aid to build a nuclear power plant in China, the first such provision since the above-mentioned "Sino-Soviet Split". In September 1994, the then Chinese President Jiang Zemin and the then Russian President Yeltsin adopted a border dispute agreement. The agreement stipulated the demilitarization of the two

[1] For an excellent overview of Sino-Soviet Relations during the Cold War see L. Lüthi, *The Sino-Soviet Split: Cold War in the Communist World*, Princeton - Oxford, Princeton University Press, 2008.

countries' joint borders (roughly 4, 200 kilometres long). On the same occasion, Moscow and Beijing announced the establishment of a "constructive partnership featuring good neighbourliness and mutually beneficial cooperation".

In March 1996 Russia agreed to provide China with a loan of US$2 bln for the acquisition of Russian nuclear reactors for power generation in northeast China. Furthermore, Russia offered technical and financial assistance in uranium mining and processing and fusion research in China. Then, in April 1996, China and Russia announced the establishment of a "strategic partnership" during a Sino-Russian summit in Shanghai. However, at the time it was unclear what the strategic dimension of this partnership would be beyond the dimension of Russian weapons and weapons technology exports to China. Indeed, the 1996 'strategic partnership' did not at that time translate into any joint policies and remained what the *Economist* referred to as a "paper tiger". Nonetheless, China became the main purchaser of Russian weapons and weapons technology throughout the 1990s and during that period China bought Russian equipment to boost its missile forces as well as air and naval force capabilities. Between 1996 and 2001 Russia sold weapons and weapons technology to China worth US$2 bln annually[2]. During Chinese President Jiang Zemin's visit to Moscow in 1997, he and the then Russian President Yeltsin jointly announced the promotion of a new international order based on what they referred to as a "multipolar order", i.e. an order characterized by several competing centres of power as a response to perceived us global dominance and unilateralism. However, this announcement – like the "strategic partnership" of 1996 – was not followed up by actual joint Russian-Chinese policies as evidence of the emergence of global "multipolar" power structures[3].

[2] China bought several dozen Su-27 fighter aircraft and several Kilo-class attack submarines.

[3] China tried to revive the concept of a "multipolar" world after the US invasion of Iraq in 2003, trying to convince those European countries which were opposed to the Iraq invasion (above all Germany and France) to support the concept of Chinese- style "multipolar" world. However, without any success as it turned out.

Sino-Russian determination to counter US global dominance and pressures on both countries as regards human rights, governance and the oppression of ethnic minorities was the basis for the Sino-Russian "Treaty for Good Neighbourliness, Friendship and Cooperation" adopted in July 2001. The treaty covered five main areas of cooperation: joint efforts to counter perceived US hegemony and unilateralism in international politics and security, the permanent resolution of border conflicts and the demarcation of disputed border lines, arms sales and technology transfers, the supply of energy and commodities and, finally, joint policies countering the rise of militant Islam in Central Asia. In an effort to pool resources and adopt joint economic and security policies in Central Asia, Moscow and Beijing founded the Shanghai Cooperation Organization (SCO[4]) in 2001[5]. In 2001, Russia and China also signed a Treaty of Friendship through which Moscow and Beijing resolved a longstanding territorial dispute after Russia seceded to China 337 square kilometres of disputed lands in exchange for Beijing renouncing other territorial claims. In the same year Moscow and Beijing also agreed to transform the so-called "Shanghai Five" group into the SCO. In early [date missing] Moscow and Beijing reinforced their joint opposition to US "interventionist" policies such the invasions of Afghanistan and Iraq. Furthermore, Moscow and Beijing agreed to deny Washington a military presence in Central Asia and teamed up in the UN Security Council opposing sanctions against Iran, Myanmar, Sudan and Zimbabwe. In July 2008, Russia and China signed an agreement officially ending all outstanding bilateral territorial disputes. Under the agreement, Russia agreed to cede Yinlong Island (Tarabarov Island in Russian) and half of the Heixiazi Island (Bolshoi Ussuriysky) to China. Finally, in June 2012, China and

[4] Members are: China, Russia, Kazakhstan, Uzbekistan, Tajikistan, Kyrgyzstan. In 10 July 2015, India and Pakistan were admitted as members of the SCO and will officially join the organization in June 2016.

[5] See R. Weitz, "Superpower Symbiosis: The Russia-China Axis", *World Affairs Journal*, November-December 2011, http://www.worldaffairsjournal.org/article/superpower-symbiosis-russia-china-axis

Russia confirmed the strategic dimension of their relationship on paper by announcing a "Comprehensive Strategic Partnership of Coordination".

Russia the "Junior Partner"

Back to the present. Russia's annexation of Crimea in 2014 has without a doubt facilitated the expansion of Sino-Russian relations, albeit – at least from a Russian perspective – not necessarily but probably as an attempt to compensate for the imposition of Western sanctions on Moscow, After the adoption of US and European sanctions against Russia, Putin decided to turn eastwards and signed a number of high-profile business deals with China, including the US$400 bln deal to export gas to China (in May 2014). Indeed, the Ukraine crisis and Western sanctions came as a blessing in disguise for China, which took them as an opportunity to increase its access to Russian natural resources and commodities (above all gas). Russia's dependence on exports of commodities together with China's hunger for energy arguably turned Russia into what the Russian scholar Alexander Gabuev[6] calls China's "junior partner"[7]. To be sure, given its current economic and financial difficulties (caused by the US/European sanctions and the currently low price for crude oil), Putin is obliged to focus on short-term "regime survival" and probably cannot afford the luxury of worrying about the downside of being a "junior partner" and excessive dependence on China as trade and investment partner.

While Moscow is aware that it needs Beijing more than vice versa, Beijing's increased interest in signing business deals with Russia are also part of a strategy to help Putin to stay in power as a partner for deterring and countering perceived US-driven containment of China. "Now Russia has an important stimulus

[6] From the Carnegie Moscow Centre.

[7] See A. Gabuev, "A 'Soft Alliance'? Russia-China Relations after the Ukraine Crisis", Policy Brief, *European Council on Foreign Relations*, February 2015,_http://www.ecfr.eu/page/-/ECFR126_-_A_Soft_Alliance_Russia-China_Relations_After_the_Ukraine_Crisis.pdf

to grow relations with China, because relations with the west are troubled, and China is the only large player in the world that can be considered an economic, political and to a certain extent military ally", argued Dmitry Trenin, director of the Carnegie Moscow Centre an interview with the newspaper *The Guardian* in July 2015 when explaining the motives behind what he calls Russia's "entente" with China[8].

Some Chinese policymakers and scholars suggested that the Ukraine crisis would distract Washington from deterring Chinese policies related to territorial claims in the South China Sea. Such a conclusion, however, turned out to be (very) naïve and indeed a miscalculation. Washington did not lower its guard on China's unilateral territorial expansionism in the South China Sea during or after the Ukraine crisis. In fact, the opposite has happened in 2015 and 2016: the US has intensified security and military relations with a number of Asian countries (such as the Philippines, India, Japan and Australia) and has more than once made it very clear that it will continue to invest resources and manpower into deterring Beijing from changing the Asian territorial status quo unilaterally.

Together against the US/ West

Beijing and Moscow have over the years supported non-democratic regimes around the world, were strongly opposed to a US military presence in Central Asia, held joint military exercises, and even sought to develop a joint strategy to counter the so-called "colour revolutions". Moscow and Beijing share concerns about US geo-political and military involvement in their respective geographical regions. From a Russian perspective, the NATO expansion to the east is a US-driven attempt to contain Russia while the US "pivot to Asia"[9] announced in 2011 is – a least as far as Beijing

[8] E. Graham-Harrison, A. Luhn, W. Shaun, A. Sedghi, M. Rice-Oxley, "China and Russia: the World's Mew Superpower Axis?", *The Guardian*, 17 July 2015, http://www.theguardian.com/world/2015/jul/07/china-russia-superpower-axis

[9] Later changed to "re-balancing" US policies towards Asia.

is concerned – an American strategy to militarily and economically contain China[10]. Beijing and Moscow frequently coordinate their policies in the United Nations, usually resulting in obstructing Western policies and sanctions regimes together with other governments hostile to the West (and aligned with China and/or Russia).

Furthermore, China abstained from the 2014 UN Security Council vote that rejected the Russian-sponsored referendum calling for Crimea's separation from Ukraine (and Russia's annexation of Crimea). Moscow and Beijing have on a very regular basis manifested a shared interest in opposing US policies by jointly exercising their veto power in the UN Security Council (UNSC). Beijing and Moscow have jointly used their veto, vetoing all UN resolutions on Syria since 2012. However, jointly and categorically opposing Western or other countries' policies is not the same as jointly adopting policies, which would display joint Russian-Chinese approaches towards issues and areas in international politics and security. In other words, Russian-Chinese cooperation in international politics is in essence and above all opposition to US/Western policies as opposed to pro-active policies, whether bilateral or in the framework of the United Nations. Finally, both Russia in Ukraine and China in the East and South China Seas in 2014 and 2015 displayed readiness to address territorial disputes with non-peaceful and military means[11]. In a world of alleged American dominance, Dmitry Trenin, argues, Moscow and Beijing tacitly support each others' policies to defend their own spheres of influence. Indeed, but "tacitly" is not the same as "sustainably" and hence can probably not always be taken for granted as part of a solid and sustainable Chinese-Russian approach towards international politics and security.

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[10] See L. Jingjie, "Sino-Russian Strategic Partnership Cooperative Relations and the US Factor", *The Asian Forum*, 22 November 2013, http://www.theasanforum.org/sino-russian-strategic-partnership-cooperative-relations-and-the-us-factor/

[11] See M. Clarke, A. Ricketts, "Should America Fear the China-Russia Relationship?", *The National Interest*, 1 February 2016, http://nationalinterest.org/feature/should-america-fear-the-china-russia-relationship-15075

The (failed) pivot to China?

When Russia's economy produced only a 1.3 per cent growth rate in 2013 (failing to reach the 5 per cent economic growth the government [overly] optimistically predicted at the time), Russian companies began increasingly to look toward Asia for new business and investment opportunities. Indeed, it was a time for Russian companies to follow up on Russian President Putin who during his speech at the National Assembly in 2012 announced Russia's "pivot to Asia". To be sure, in 2014 and after the West imposed sanctions on Russia, the "pivot to Asia" *de facto* became the "pivot to China". While Moscow at the time showed itself confident that it could counter Western sanctions by expanding relations with China in the areas of energy, defence, agricultural trade and investments, reality, as Thomas Eder and Mikko Huotari argue in the April 2016 edition of the journal *Foreign Affairs*, played out quite differently. Eder and Huotari argue that Russia's "pivot" to Asia has failed as Russia has not, despite the signing of many bilateral agreements over the last two years, been able to sufficiently increase trade and investment ties with China[12].

Arms sales and war games

Large-scale Russian arms sales to China began in the 1990s after the EU and US imposed respective weapons embargos on China after the events on Tiananmen Square in June 1989. Russia became China's main provider of weapons and weapon technology. After the collapse of the Soviet Union, arms sales to China contributed to supporting the crisis-prone Russian defence industry and the share of Chinese contracts in the revenues of Russia's defence industry throughout the 1990s was between 30 and 50 per cent. Since the early 2000s, however, Russian arms contractors have been confronted with increasingly strong competition

[12] See T.S. Eder, M. Huotari, "Moscow's Failed Pivot to China", *Foreign Affairs*, 17 April 2016, https://www.foreignaffairs.com/articles/china/2016-04-17/moscow-s-failed-pivot-china

from Chinese manufacturers on the domestic market and the share has decreased continuously. Indeed, over the last 10 years Russia continuously lost market share on China's weapons procurement market. Beijing has reduced its expenditures on arms imports by 50 per cent over the last decade in favour of domestically manufactured weapons. While China's military continues to acquire key military components from Russia, China today imports only between 5 to 10 per cent of its weapons and weapons technology from Russia. Russian arms sales to China amounted to $1bn in 2014, and while Moscow was until recently hesitant to sell the country's most advanced military equipment to Beijing, in April 2015 Moscow agreed to sell China the S-400 air-defence system for about US$3 bln. Among other things, this will help give China dominance of the air over Taiwan and a group of Japanese-controlled islands in the East China Sea (which China claims are part of its sovereign national territory).

In November 2014 Moscow also agreed to sell China its latest Sukhoi Su-35 combat aircraft. Initially it had refused to sell any fewer than 48, in order to make up for losses it calculated it would suffer as a result of China's copying of the aircraft's design. Eventually, 24 of the aircraft were sold to China. Recent Russian arms sales to China have been accompanied by increased Sino-Russian military cooperation such as joint military manoeuvres in the Mediterranean Sea in March 2015. This is significant as the Mediterranean is traditionally reserved for NATO military exercises – the March 2015 Sino-Russian war games there were without a doubt meant to send a message to Washington and its NATO allies that they no longer have a monopoly on conducting war games in the Mediterranean. Another joint Russian-Chinese military exercise took place In the Sea of Japan in August 2015. That exercise featured twenty-two vessels, twenty aircraft, forty armoured vehicles and five hundred marines[13].

[13] F.S. Gady, "Russia and China Kick Off Naval Exercise in Sea of Japan", *The Diplomat*, 24 August 2015, http://thediplomat.com/2015/08/russia-and-china-kick-off-naval-exercise-in-sea-of-japan/

Alignment and axis of convenience

There is a near consensus among non-Chinese and non-Russian analysts that Moscow and Beijing will maintain what is also referred to as an "axis of convenience" as opposed to anything resembling a military partnership that goes beyond joint opposition to US and Western policies. According to US-based Chinese scholar Yun Sun, Western assessments of the China-Russia relationship typically come to one of these two conclusions: either what she calls a "hyperventilation about a Beijing-Moscow alliance that aims to upend the existing international order" or what she refers to as "blithe dismissal of a temporary meeting of minds and interests"[14]. Neither the former nor the latter, she argues, describes the relationship accurately. Instead, she suggests that the relationship is best understood as a genuine convergence of national interests, maintaining that Beijing and Moscow are prepared to align themselves along shared interests without forming a formal alliance. Aligning while "keeping a safe distance from each other" is what Beijing and Moscow do, Yun Sun concludes.

Not (really) trusting each other

There remains – despite the growing economic and military ties of recent years – a good amount of mutual and persistent distrust between Moscow and Beijing. This is partially due to the experience of the rise and very steep fall of the Sino-Soviet alliance in the 1960s, but probably more importantly to the consequences of China's economic and military rise over the last 20 years. Russia is without a doubt wary of China's growing trade and energy ties with a number of Central Asian states and is also concerned about the possibility of large-scale Chinese migration to Russia's Far East. The imbalance of population density (only 8 million

[14] See Y. Sun, "China-Russia Relations: Alignment without Alliance", PacNet #67, *CSIS Center for Strategic and International Studies*, 7 October 2015, https://www.csis.org/analysis/pacnet-67-china-russia-relations-alignment-without-alliance

Russians live between Lake Baikal and the Pacific, while over 200 million Chinese live in northeast China) combined with memories of Russia's seizure of territory in 1855 that once belonged to China in today's Russia's Far East, has led to worries in Russia that an economically ever-stronger China might in the future decide it wants to regain control over parts of the Russian Far East. In 2008, when the two countries settled a long-running border dispute, Moscow and Beijing concluded that the chapter of Sino-Russian border disputes was closed for good. However, there are already a number of Chinese nationalist scholars and also policymakers who (non-publicly) argue that the stronger Chinese gets economically, the more China has the right to take back the land Russia took from China in the past. Russians living in Russia's Far East today are already worried about the growing Chinese presence in local agriculture and construction. Among other things it is feared that Beijing is planning to turn Russia (Siberia and the Far East in particular) into its "resource subsidiary". Consequently, Moscow put some informal restrictions on all Chinese investments in sensitive sectors such as energy, mining, and infrastructure in Russia's Far East.

Even if Beijing did not go public with its criticism, it was opposed to Russia's annexation of Crimea in 2014 and Moscow's support for pro-Russia separatists in eastern Ukraine. Russia's annexation of Crimea and support for pro-Russian separatists in eastern Ukraine are actions that are in contradiction to China's so-called "principle of non-interference in the internal affairs" of other countries. Indeed, from a Chinese perspective, Russian-supported separatism in eastern Ukraine is exactly the kind of separatism Beijing is fighting against in Tibet and the Chinese region of Xinjiang[15]. In South and Southeast Asia, China is suspicious of Russia's strategic-military ties with India and Vietnam. Russia is by far India's most important provider of weapons and weapons technology. In 2014, India bought military hardware from Russia

[15] See W. Courtney, D. Sedney, "How Durable is the China-Russia Friendship?", *Reuters*, 13 May 2015, http://blogs.reuters.com/great-debate/2015/05/12/how-durable-are-china-russia-relations/

worth US$4.7 bln, which accounted for almost 20 per cent of Russia's total arms exports (The Stockholm International Peace Research Institute [SIPRI] estimates that between 2009 and 2013 Russia supplied 75 per cent of the weapons imported by India)[16]. What is more, the rapidly expanding conventional imbalance of military and, more importantly, economic power in China's favour continues to be perceived as a threat by Russian policymakers. Many of Russia's tactical nuclear weapons are still pointed at China – something "real" strategic partners should arguably not be doing to each other. Finally, Russia is undoubtedly wary of China's rapidly increasing economic and financial involvement in Central Asia. In an effort to seek to contain China's leadership in Central Asian economics and finance, Russia in 2012 refused to support a Chinese initiative to establish a SCO Development Bank. Another Chinese proposal to establish an inner-SCO free trade area was also opposed by Russia. In 2015 China overtook Russia as the region's biggest trading partner and Moscow is without much doubt concerned about China using the SCO to intensify its political security ties in the region. Beijing has in the past conducted several counterterrorism exercises with SCO countries – countries which Moscow considers within its sphere of influence and geopolitical "backyard".

Trade, energy and investment ties

In 2009 China became Russia's biggest trading partner and bilateral trade volume today amounts to US$100 bln. While today China is Russia's second largest trading partner (after the EU), Russia only just makes it onto the list of China's top 10 trading partners,

[16] See D. Gorenburg, "US-Russian Arms Competition will Focus on India", *Russian Military Reform*, 22 June 2015, https://russiamil.wordpress.com/2015/06/22/us-russian-arms-competition-will-focus-on-india/ ; "An Uneasy Friendship", *The Economist*, 9 May 2015, http://www.economist.com/news/china/21650566-crisis-ukraine-drawing-russia-closer-china-relationship-far-equal; B.D. Baker, "Russian Arms Sales may be Poised for Trouble", *The Diplomat*, 10 November 2015, http://thediplomat.com/2015/11/russian-arms-sales-in-asia-may-be-poised-for-trouble/

accounting for barely 3 per cent of Beijing's total trade volume. In 2015 the volume of Chinese exports to Russia fell by more than 30 per cent. Chinese imports from Russia in turn decreased by roughly 20 per cent. In 2014 Chinese foreign direct investment in Russia doubled as compared to the previous year, but it still accounted for only 5.6 per cent of China's overall total[17]. What is more, Western sanctions have made Chinese lenders very cautious about investing in Russia, which led to a sharp fall in Chinese investments in Russia in 2015. As part of its "pivot to China" policy Russia was also planning to increase its export of agricultural products to China, supported by a US$2 bln Sino-Russian agricultural investment fund established in 2015. However, in 2015 Russia accounted for only a little more than one per cent of China's main agricultural imports (soybeans and corn).

As for the good trade and economic news, Moscow and Beijing seem to have found a consensus on respective involvement in China's "Silk Road Economic Belt" and Russia's "Eurasian Economic Union". While Moscow earlier feared that China's "Silk Road Economic Belt" was aimed at excluding Russia from a China-driven economic integration into Central Asia and rendering its "Euroasian Economic Union" (EEU) initiative (which excludes China) less important, a Chinese-Russia summit in June 2015 reportedly eliminated such a perception or indeed "misunderstanding". During that summit Xi Jinping and Putin signed a joint declaration on "Cooperation in coordinating development of the EEU and the Silk Road Economic Belt". This declaration mentioned a "common economic space in Eurasia", which would include a free trade agreement between the "EEU" and China[18]. While that sounds promising on paper, such a declaration has

[17] See M. Schuman, "Thaw in China-Russia Relations has Trickled down", *The New York Times*, 15 December 2015, http://www.nytimes.com/2015/12/16/business/international/thaw-in-china-russia-relations-hasnt-trickled-down.html?_r=0

[18] See A. Gabuev, "Eurasian Silk Road Union: Towards a Russia-China Consensus?", *The Diplomat*, 5 June 2015, http://thediplomat.com/2015/06/eurasian-silk-road-union-towards-a-russia-china-consensus/ ; A. Gabuev, "Beijing's Pivot to Asia", *Council on Foreign Relations Expert Roundup,* 5 January 2016, http://www.cfr.org/china/beijings-asia-pivot-2016/p37409

obviously yet to be translated into concrete joint policies.

Infrastructure is another sector where Chinese investments look – at least on paper and for now – profitable and indeed badly-needed for Russia's ailing economy. Until recently Moscow had placed an informal ban on Chinese participation in bids on large infrastructure projects in Russia. Moscow's concerns included increased competition for local companies and a large-scale influx of Chinese migrant workers. In May 2014 this ban, however, was lifted. Shortly after that, the Chinese Railway Construction Corporation (CRCC) expressed interest in constructing new stations for the Moscow subway system (at the time the city of Moscow signed a memorandum of understanding with CRCC). CRCC has also expressed its interest in building a high-speed railway line from Moscow to Kazan. In May 2014 Russia and China signed 46 agreements during the "Conference on Interaction and Confidence Building Measures in Asia" (CICA)[19] in Shanghai and in October of the same year, Chinese Prime Minister Li Keqiang visited Moscow and signed another 38 bilateral agreements in the areas of energy, finance, infrastructure and technology.

In 2014 and 2015 China increased its involvement in Russia's commodities and energy sector. Among other things, the China National Petroleum Corporation (CNPC) bought a stake in Russia's Vankor oilfield (a deal with Rosneft was signed in November 2014). Furthermore, Chinese companies such as Sanxia, the Yangtze power group, and State Grid Corporation are planning to build electricity-producing plants in eastern Siberia and the Far East. Then in May 2014 came the 'big bang' of Chinese-Russian cooperation in the energy sector: China and Russia signed a gas deal worth roughly US$400 bln. Under the agreement Russia's state-controlled oil and gas company Gazprom will supply the state-owned CNPC with 38 billion cubic metres of gas a year between 2018 and 2048[20]. During the APEC Summit in November in Beijing, Gazprom and CNPC signed a framework agreement on the construction of a second pipeline. The pipeline

[19] Founded in 1999 and in May 2014 and chaired Chinese President Xi Jinping.

[20] See "Best Frenemies", *The Economist*, 24 May 2014.

is envisioned to transport 30 billion cubic metres (bcm) per year from western Siberian gas fields to China. The construction of the pipelines, however, has been postponed to the 2020s. "The number one reason for such delays is the development of commodity prices – many projects may no longer make sense with oil prices so low", says Alexander Gabuev[21].

And there are limits to China's appetite for Russian gas and oil as China will continue to invest in exploiting its own shale gas reserves and will increase the share of green energy in its energy mix in the years and decades ahead. Consequently, a strategy to replace Western purchasers of Russian crude oil (and gas) with clients in China for good might not turn out to be sustainable and a case of wishful thinking. Russian oil production currently amounts to roughly 11 million barrels per day, a level of production that is forecast to peak in the next 20 years[22]. Worse, currently low oil and gas prices have put some of the above-mentioned Russian-Chinese projects' profitability in doubt and Russia's energy companies suffering from Western sanctions already have financial difficulties in exploiting oil and gas fields in eastern Siberia.

Finance and technology

The envisioned energy partnership with China, however, also depends on Russian companies' ability to have access to funding and financing. Western sanctions restricted Russia's access to Western capital markets for Russian state-owned financial institutions. This was accompanied by Western financial institutions' re-examining the country risk for Russian borrowers, which in turn led to the interruption of Western credits and loans for all Russia-registered entities.

Consequently, Russia finds itself in desperate need of new

[21] K. Hille, "Friends with Benefits", *The Financial Times*, 5 February 2016, http://www.ft.com/intl/cms/s/0/f8959924-cab6-11e5-a8ef-ea66e967dd44.html#slide0

[22] See J. Clad, R.A. Manning, "Why We Can Play the Long Game on Russia", *The National Interest*, 9 April 2014, http://nationalinterest.org/commentary/why-we-can-play-the-long-game-russia-10213

sources of finance and funding and has turned to China. During a bilateral meeting in May 2015, Beijing and Moscow discussed how to increase the role of their respective national currencies in bilateral trade in order to reduce dependency on the euro and the dollar. Furthermore, they discussed the possibilities of increased loans from Chinese state-owned banks to Russian companies, the listing of Russian debt and equity in Hong Kong, and opening the Shanghai Stock Exchange to more Russian companies. If Beijing and Russia therefore started to trade oil and gas in their national currencies, China could buy Russian oil and gas in Chinese Renminbi, which Russian oil companies in turn could use to buy Chinese drilling equipment. In 2014 Moscow and Beijing adopted their first currency swap agreement, but the exchanges in their respective national currencies are still very limited.

As regards loans from Chinese state-owned banks, it must not go unmentioned that China's state-owned banks give firstly and above all credit and loans to Chinese State-Owned Companies (SOEs), meaning that loans given to foreign companies or governments will continue to make up a very small part of overall loans from Chinese banks. Furthermore, since November 2013 and the 18th Central Committee of the Communist Party, Chinese state-owned banks and companies have been ordered to make more efficient use of their capital and investments. In sum, China is not – at least not for now – a real and sustainable alternative for Russia to replace the West as a source of capital. However, in the longer-term, especially if European and American sanctions remain in place, Russian companies will be obliged to try to increase their borrowing from Chinese banks and the Chinese state. With limitations put on technology transfers from the EU and the US (and Western companies considering Russia risky as a destination for investments and the transfer of technology), Russia may increasingly turn to China also for technology. While this does not enable Russia to substitute many critical technologies, some Chinese offshore drilling technology is available and has been bought by Russia. In 2015, Russia and China signed a bilateral cyber-security deal aimed at jointly seeking to "defend" themselves against

external attacks as well as enabling Moscow and Beijing to share technology to increase control over "enemies" of their respective authoritarian regimes. Recently, Beijing agreed to make some of its so-called "great firewall" technologies and expertise available to Russia. Finally, using Chinese laws as model, Russia's Duma has recently adopted laws allowing the authorities to control and censor the Internet and change the relationship between Internet providers and Internet users.

Conclusions

The rapid expansion of economic and energy ties since 2012 suggest that Sino-Russian relations are stable and built upon a solid basis to jointly oppose a Western-dominated international system. However, as was shown above, not all that glitters is gold and Russia and China will continue to remain regional and global geopolitical competitors and rivals as much as they are partners and allies pooling resources to counter perceived US containment policies. Russia's drastic (but not quite voluntary) turn to the east and to China in 2014 and 2015, accompanied by the above-cited expansion of energy, finance and trade relations comes at a price: a potentially "unhealthy" and excessive dependence on Chinese markets, finance and not least political good will. Russia's position as "junior partner" of an alliance which isn't really one but rather a fair-weather friendship burdened by persistent mutual distrust, geopolitical rivalry in Central Asia and enormous trade and investment imbalances could turn out to be troublesome in the years ahead. While Moscow claims that Russia and China are in full agreement as regards opposition to Western policies and perceived US containment, China's leaders have over the last two years proven to be pragmatic about China's crucial economic and trade relations with the US and Europe. In other words: China remains uninterested in getting involved in a Putin-style geopolitical confrontation with the West and will continue to join Russia only when it helps to distract the West in general and the US in particular from its own problems with Washington (currently and above

all in the South China Sea over Chinese territorial ambitions, which over last the two years have turned into Beijing's unilaterally occupying and building civil and military facilities on islands that are also claimed by a number of other Southeast countries).

Russia is arguably a declining great power desperate to at least recover some of its great- power status and increased energy and trade ties with Beijing can be helpful to achieve that. To be sure, only if relations remain stable, mutually beneficial and if Beijing continues to heavily invest in a Russian economy that is suffering badly from Western economic and finance sanctions. Russian-Chinese relations are an alliance between "a rabbit and a boa constrictor", concluded the Russian analyst Andrei Piontkovsky in an interview with the *Economist* in 2014[23].

And judging by the analysis of bilateral relations above, we also know who the rabbit is and who the rabbit-eating giant snake.

[23] See "Putin Pivots to the East", *The Economist*, 24 May 2014.

4. Russia, the New Protagonist in the Middle East

Irina Zvyagelskaya

Russian interests in the region and new challenges

Current Russian interests in the Middle East can be divided into two groups. The first one includes traditional interests dictated by the security agenda. Generally, they can be summarized as those pertinent to preventing any destabilization that is capable of approaching Russian frontiers. Military threats, the concentration of foreign armies, civil war in the states located in close proximity, conflicts and terrorist acts can trigger Russia's concern due to the fact that the passage of radical ideas and their carriers to the Caucasus, the Volga region and Central Asia make the Russian Federation particularly vulnerable.

The second group encompasses the interests of the Russian Federation that are related to maintaining the status of a powerful nation that has its own approach to global and regional issues and can pursue independent policies. It also includes the protection of interests of Russian businesses (primarily those operating in the energy sector) and the military and industrial complex engaged in delivering weapons to the states in the region.

As a legal successor to the USSR, Russia inherited the essential foreign policy priorities that used to be the cornerstone of the Middle East policies the Soviet Union pursued for decades. However, that regional vector needed to be thoroughly revised. On the one hand, the Russian Federation did not possess the same opportunities as its predecessor, and could not claim to be a great power for whom regional policies would have an instrumental character. On the other hand, the intention of the Russian

Federation to play an important role in the building of a new world order compelled it to act more actively and vigorously in the Middle East.

Russia's policies in the Middle East have been formulated as a result of global transformations and, simultaneously, in response to the swift changes affecting the region itself. The world has entered a period characterized by a high degree of uncertainty. The growing discrepancy in the interpretations of national sovereignty, territorial integrity and the role of military intervention offered by the chief actors in the global arena has been a challenge to Russia that has determined its resolve to change the rules of the game that failed to accommodate its strategies.

Russia has been confronted with the rapidly developing social and political processes underway in the Middle East and beyond that have changed political regimes within a short timeframe, that have brought to the surface forces that did not seek to represent the political mainstream earlier but have quickly gained the support of the archaized or traditional segment of society. Such rapid changes promoted by seemingly insignificant triggers have captured the attention of political scientists and natural science scholars.

As noted by Russian scholar Alexander Rubtsov,

> the world has changed drastically recently. Probabilistic schools of thought have been replaced by the logic of bifurcation processes. [...] at the turn of the century, scientists were amazed by the processes observed in the physical world and wildlife, in which minor signals at the point of entry produced totally incommensurable, and, most importantly, unpredictable effects at the outset. The system transformed into a new quality standard spasmodically, for no particular reason, through the "black box"[1].

The Middle East and North Africa witnessed a powerful "cascade of bifurcations". Ethnic, religious and social differences that have always existed in the Arab world have come to the forefront in a

[1] A. Rubtsov, "Gambling Involving Fatal Outcome", *Novaya Gazeta*, 3 March 2014.

most staggering and breathtaking way. Thus, disillusionment with the national regimes that once met public expectations and coped with the task of consolidating the state in the post-colonial era but lost their ideological appeal and were knee-deep in corruption, led to the search for an alternative through political Islam.

The crisis of secular nationalism within the context of weak state institutions and rising tensions in the Arab world smoothed the way for political Islam, which positioned itself as a force capable of administering order (the Muslim Brotherhood) and even of suggesting a sustainable alternative to statehood (ISIS), to move to the front of the political and military scene.

The special relationships with the Arab states were defined for Russia not only by a pragmatic desire to gain an advantage in the global race for greater influence. An equally important factor was that its search for identity was not complete due to Russia's unique positioning between the West and the East.

Russia and the Islamic countries have profound cultural differences but sometimes a certain affinity of values is revealed. According to the leading Russian expert, Prof. Vitaly Naumkin, "Similar to Russia, in the Islamic world, which has also been building its development models through a fierce confrontation among supporters of conflicting concepts, it is precisely the premise regarding the West's moral degradation that forms the basis of non-acceptance of its cultural expansion on behalf of those who adhere to the concept of national and religious identity"[2]. However, from the viewpoint of motivation underlying the denial of Western values, there is a huge difference between the Islamic world and the Russian Federation.

Russian anti-Western sentiment can be defined by a period of stiff competition during the "Cold War" era, opportunistic political considerations, the indifference of the greater part of the population and growing nationalism, but not by irreconcilable cultural differences. It can be regarded as a reciprocal measure, taken in response to the policies of Western nations, who are not willing

[2] V.V. Naumkin, "The Problem of Civilizational Identification and the Crisis of Nation States", *Oriens*, No. 4, 2014.

to perceive Russia as an equal player in international affairs, or as a reflection of internal political trends, *inter alia*, Russia's growing paternalist tendencies, marked by reliance on traditions, conservatism and religion. For this reason, some Russian experts even tend to believe that the Islamic world with its typical values is closer to Russian society than the Christian Europe that has gone astray.

Perceptions of the Arab Spring

Russia's attitude towards the developments in the Arab world did not evolve immediately and was not unanimous from the very outset. In various Arab states, the opposition to the government assumed varying forms and produced diverse effects. The process ranged from a relatively peaceful transformation to civil war with a varying degree of interference from regional and global players. Consequently, each specific "spring" was perceived in Russia in its own way depending on its impact on Russian interests. The grounds for such a broad range of assessment were provided by the developments themselves, which fundamentally differed one from another, notwithstanding some common aspects. Considering the diversity of the Arab states and their regimes, it would have been wrong to treat them using identical criteria.

It can be added in this connection that the level of external interference in the developments of certain Arab countries was not the same; however, the apprehension that armed force was becoming the main tool for overthrowing undesirable regimes determined Russia's reaction to the developments.

Under the influence of the "color revolutions", primarily across post-Soviet territory (Ukraine, Georgia, Kyrgyzstan) whose aim was, as asserted by many in Russia, to remove those states from the sphere of Russian influence, to limit it to the minimum even in the regions of Russia's vital interests and thus to inflict damage on the Russian security system, the predominant views were formed that any anti-government action had been sponsored with assistance from the West, directly or indirectly.

The hurricane in the Arab Middle East in 2010-2011 revitalized the phobias entertained by some Russian political analysts

with respect to the plans harbored by external forces (the US and the West, in general). Thus, many of them started to resuscitate the theory of "manageable chaos", which the US, ostensibly, had tried to apply to the Middle East.

> The real objectives of "pistachio revolutions" in the North African and Middle Eastern states lie deeper than merely seeking a change of political regime and replacement of, generally, loyal but poorly controllable (because of their continuous tenure) autocratic leaders of the Arab states by puppets, constantly depending on external political support. These revolutions should be viewed not only through the prism of ordinary civil conflicts, but within the frame of reference of global politics. Within such a frame of reference, the Maghreb region is the point of convergence for the interests of the world's largest political forces, who made North Africa a sort of a training ground and test range for the coming battle for the entire African continent, the biggest since the former colonies gained their independence. The battle, according to many analysts, will entail a new territorial and energy redistribution structure for the black continent[3].

However, analysts were puzzled to explain why the West chose to get rid of its proven allies in the Arab states, to contribute to the demise of secular regimes and to help the Islamists – with whom it is much more difficult to deal ideologically and politically – to come to power.

The development of domestic political problems in Russia provided an impulse for the theories of global conspiracy to surface. After the parliamentary election that was held in late 2011, the movement for fair elections and democratization of the political system was on the rise. It gained traction in the country over the period of the presidential campaign, when the "protectionists" began to employ all sorts of propaganda clichés, and the threat of an "orange revolution" in Russia and a "Libyan scenario" featured prominently on their agenda. Basically, these options are incompatible, yet in the invectives of those who accused external forces of intentional interference in Russia's domestic affairs, and Russian

[3] *New Eastern Outlook*, http://www.journal-neo.com/ru/node/6573

liberals of their corruptibility, blended them in a perfectly logical manner.

One could get the impression that the internal political challenges facing the Russian leadership prompted it to adopt a strategy seeking to ensure consolidation of all citizens in response to the external threat. The leading article in the *Nezavisimaya Gazeta* (Independent Newspaper) rightly said:

> The Russian government fairly regularly – sometimes more and sometimes less actively – emphasizes that all activities carried out by the opposition forces within the country, as well as the protest movement, as such, are sponsored or, in simple terms, financed by the West [...] This is simplification of the ongoing process and [an] ignoring of all factors that have exerted influence on protest sentiments, except for the external interests[4].

Although the developments in Russia took place against the background of a social context totally different from the Arab world, the Arab revolutions were used as an example of dangerous destabilization that had been instigated by the irresponsible attitude of internal players and as a result of conspiracy by external forces.

External interference: Libya

While the transformations in Tunisia or Egypt could hardly be assessed as "color revolutions", the developments regarding Libya were playing into the hands of those who were looking for a foreign conspiracy behind the Arab Spring. The conduction of a military operation in Libya and, subsequently, strong pressure exerted on Syria, have raised a direct question about to what extent the ongoing developments affect Russia's security interests. The Russian attitude towards the external armed intervention in Libya as well as its position on Syria reflected real concerns about the growth of interventionism in the Middle East. It can be noted that the

[4] "Military Operations Abroad as a Privilege of a Great Nation", Electronic Resource, http://www.ng.ru/editorial/2014-03-04/2_red.html

rehabilitation of the use of military force occurred much earlier. A particularly illustrative example was a military operation in Iraq in 2003, which was tritely reduced to the overthrow of the existing regime. Indeed, the problem can be addressed in a context broader than dealing merely with a military intervention. In case of Libya and Syria, the question involved not only a military operation (or a threat of its execution), but also support for the opposition forces furnished by regional and some global powers. The outcome was the havoc, the disintegration of a statehood, the export of violence and militants from one riot-torn Arab country to another and also the territorial and military reinforcement of the leading terrorist force – the ISIS.

The commencement of belligerent actions in Libya and the pressure brought to bear upon the Syrian regime forced the Russian government to handle new urgent problems. Russia's desire to bring the representatives of the ruling regime and opposition forces in those countries to the negotiating table was viewed by certain observers as a reflection of its special relations with their regimes, including economic, military and political ties, among other things. It was also asserted that if Gaddafi or Assad resigned, Russia would sustain losses. Moreover, some analysts voiced the opinion that Russia favored the authoritarian regimes as a matter of principle, being apprehensive that, otherwise, the Western influence would increase.

According to Israeli author Zvi Magen,

> It seems that Russia's preference, should it be required to part with the old regimes, is to support trends that are not readily identifiable as pro-Western or democratic, though the rise of radical Islamists is equally unpalatable. It seems that "moderate" authoritarian regimes in conjunction with Islamic elements, lacking a clear Western orientation, are Russia's tolerated preference. Some among the Russian elite have become increasingly convinced of America's decline on the international arena, enhancing dreams of opportunities to promote Russia's influence in the Middle East and on the international scene, at large[5].

[5] Z. Magen, "Russia in the New Middle East", *INSS Insight*, No. 252, 13 April 2011.

The regime established by Gaddafi after the 1969 coup, although subject to certain evolutions over forty years, remained unaltered in its chief aspect – the "lonely Bedouin" ruled the country with an iron fist, having destroyed practically all of the institutions or having deprived them of the opportunity to emerge. He offered the Libyans his own ideology, which fused together Arab nationalism, Islamic socialism and the cult of his own personality, lavishly flavored with tribal tradition in a most eccentric way. It seemed that, for the last years of his life, he lived in some extremely odd world, had rooted out any possibility for the opposition forces to arise and offered an opportunity for the local population to live without doing any work at all (all work was carried out by migrants from poverty-stricken Arab and African states) at the expense of oil revenues. In his efforts to fight the opposition in the army, he set up semi-military brigades under his own son's command and succeeded in achieving full degradation of the military machine. His ineffective army, rotten to the core, could not be a dependable instrument for Gaddafi at the time of suppressing the opposition protests in 2011. He also delivered a powerful blow against the Islamists – the Muslim Brotherhood in Libya and a more radical Libyan Islamic Fighting Group (LIFG) formed by the Libyan jihadists, who had fought in the war in Afghanistan[6].

It can be recalled that the first anti-government protests in Libya took place on 13-15 February 2011, in the east of Libya, in the cities of Benghazi and Al Bayda, and already on 20 February a large-scale operation was launched with deployment of the air force and tanks to suppress the popular protests. The Libyan authorities used heavy machinegun fire to shoot at a peaceful protest rally (as reported by Al Jazeera)[7]. It seemed that Gaddafi would stop short of nothing, and the opposition forces had no chance of success.

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[6] A. Al-Turk, "Libya: From Revolt to State-Building", in K.M. Pollack et al. *The Arab Awakening: America and the transformation of the Middle East*, The Brookings Institution, Washington DC., 2011, p. 119.

[7] Citation according to: A.Z. Yegorin, *Overthrow of Muammar Gaddafi. Libyan Diary 2011-2012*, Moscow: IV RAN, 2012, p. 27.

Events developed extremely quickly there, and on 26 February 2011, the UN Security Council unanimously adopted Resolution 1970 envisaging the imposition of sanctions, forbidding Muammar Gaddafi and members of his family to leave the country, banning the supply of weapons and requesting the International Criminal Court (ICC) to investigate the circumstances behind the deaths of peaceful citizens[8].

On 17 March 2011, the UN Security Council passed Resolution 1973 that established a no-fly zone over Libya. Russia, Germany, Brazil, India and China abstained from voting. Russia's position on that issue was defined by the fact that the ruling regime was prepared to employ any and all military resources available to attack the rebels, and it should be stopped. At the same time, the mere notion of "establishing a no-fly zone" as well as the measures contemplated to be undertaken for that purpose were not clearly set forth in the document[9].

The implementation of Resolution 1973 on establishment of a no-fly zone, dictated by the task of clamping down on any attempts by the regime to "bomb to dust" the opposition forces, in reality turned into a hunt for Gaddafi and his family. The NATO air forces had dropped over 9,300 rockets and bombs on Libyan territory from March through September, 2011[10]. The operation seeking to establish a no-fly zone became a protracted NATO-led war in support of the opposition forces, aimed, among other things, at ousting and destroying Gaddafi, and it had never been authorized by the UN Security Council mandate.

As the military operation in Libya was prolonged, Russia's attitude toward the intervention became more negative and critical. The suspicions about the true nature of the intentions of the West and the undisguised support for Gaddafi were characteristically shared by Russian journalists and also by some Foreign Ministry officials. To illustrate, former Ambassador to Libya Vladimir

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[8] Resolution 1973 (2011), http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N11/268/39/PDF/N1126839.pdf

[9] *Ibid.*

[10] *Moscow News*, 20 October 2011.

Chamov, even prior to the commencement of bombing, had taken such a stern anti-Western and pro-Gaddafi stance that it was considered to be in stark contrast with the official line. Trying to explain the NATO member states' plan to get rid of Gaddafi, Vladimir Chamov wrote:

> Let us recall that the Libyan leader always challenged NATO in a very outspoken fashion, criticized its actions in Serbia, Kosovo, Afghanistan and its decision to expand the alliance to the East and incorporate the post-Soviet states into its structure. No extra sympathy was infused into the relations of M. Gaddafi with the Atlanticists by his total refusal to accept the plan for the Ukraine and Georgia to become NATO members, by his interesting and poignant articles on this topic, and, eventually, by his open support of Russia in its military operation for the sake of saving the population of South Ossetia from Georgian genocide in August, 2008[11].

This description provides a vivid portrayal of the leader of Jamahiriya as a staunch fighter against the Atlanticists and almost the chief supporter of Russia in international affairs.

Ambassador Vladimir Chamov was forced to resign before the voting on UN Security Council Resolution 1973 took place. The reason for his resignation was his telegram, which was commented upon in his interview:

> I wrote a telegram, where I underlined that I represented the Russian interests in Libya. Our countries have been focused on developing close cooperation recently, and it was not in line with the Russian interests to lose such a partner. Russian companies had concluded very lucrative contracts worth dozens of billions of euros, which could be lost and have already been lost. In a certain sense, it could be regarded as betraying the Russian interests[12].

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[11] V.V. Chamov. "Libyan Drama: Vision of the Russian Diplomat", *The Middle East; Arab Awakening and Russia: What Next?*, Collection of articles, V.V. Naumkin, V.V. Popov, V.A. Kuznetzsov, (eds.), Moscow, IV RAN, 2012, p. 574 (in Russian).

[12] *Moskovsky Komsomolets Newspaper*, 24 March 2011.

A positive attitude towards Gaddafi on behalf of the Russian ambassador failed to arouse any enthusiasm. Meanwhile, for Vladimir Chamov, his stance was so critical that he was not afraid of bearing full responsibility for it.

Subsequently, the NATO position and the Resolution itself were subjected to fierce criticism in Russia. Even then Prime Minister Vladimir Putin and President Dmitry Medvedev differed in their opinions. After Russian Prime Minister Vladimir Putin compared the UN Security Council Resolution concerning Libya to a "medieval call for a crusade", President Dmitry Medvedev stated that it was necessary to be "extremely careful with statements in which the developments in Libya are described"[13]. It was probably the first time ever that the discrepancy within the tandem was made known to the general public.

The negative Libyan experience created the impression that Russia had been deceived with the help of the dubious wording of Resolution 1973. In all probability, the most essential thing was that the Russian government had been trying hard to distance itself from the violence-based scenario. In the opinion of the influential part of the Russian elite, not only the economic losses were considerable – Russia hoped to resume contracts[14] – but the main threat was associated with the military intervention that might be treated as a universal tool for combating the unwanted regimes and ruined states all over the region, having reduced it to total chaos.

The Libyan experience was a decisive factor in defining the stance of the Russian government and society towards the civil war in Syria.

[13] http://www.bbc.co.uk , 21 March 2011.

[14] In February 2013, leader of the "National Forces Alliance" Party M. Jibril declared that it was possible for the Russian business to return to Libya, *Rossiyskaya Gazeta*, 28 February 2013.

Operation in Syria: motives and reasons behind it

The biggest attention to Russia's policies in the Middle East was aroused by its military operation in Syria and the creation of a new coalition to fight the enemy on the ground. From the military and political viewpoint, the actions undertaken by the Russian Federation were unprecedented: a combination of the Russian Navy and Russian Aerospace Forces, the surprise effect at the strategy and political decision-making level, a high standard of coordination and military training.

Being directly involved in the Syrian conflict on behalf of the ruling regime and upon its request to do so, Russia found itself in an intricate situation. Earlier, the Middle East, although ranking as a region of significance, had not been listed among the top priorities for Russia's foreign policy interests. Staying aloof from local problems made it possible for Russia to maintain fairly well-balanced relations with a large number of states and non-state actors, who sometimes used to be in acute confrontation with each other. For example, Hezbollah and Israel, Iran and Saudi Arabia, Assad's government and the Arab regimes of the Gulf. We can share the analysis of US expert Mark Katz, who presented Russia's policies in the Middle East as "the art of making friends with everybody"[15]. Russia's stance "above the clashes" ended up with its active engagement in Middle East affairs. Under conditions of exacerbating conflict in the Middle East regarding inter-state and inter-religious relations, Russia's support for the Syrian government and its allies created tensions with a number of regional states.

The decision to launch a military operation in Syria was generally perceived as fairly unexpected, although Russia's focus on the political developments in Syria, after the commencement of the civil war there in 2011, had never weakened. The Russian Federation attempted to make a contribution to the political resolution of the problem at the international level (the Geneva Accords) and

[15] M. Katz, "Russia's Greater Middle East Policy or the Art of Making Friends with Everybody", *IFRI Center Russia/NNG*, April 2010, Russie Nei Visions #49.

on the basis of its own initiatives. In particular, Moscow had been the venue of multiple meetings with the Syrian opposition forces. However, diplomatic efforts failed to produce any breakthrough and as the conflict grew to be increasingly internationalized and as its intensity continued to surge, the destabilizing repercussions of the Syrian developments had a much stronger effect on the Middle East, and violence was extrapolated beyond the boundaries of the region.

The ruins of Syrian statehood were occupied by the jihadist groups (ISIS, Jabhat al-Nusra etc.). Throughout the 2013-2015 period, ISIS became a new incarnation of the international terrorism that had been previously linked primarily to Al Qaeda. Having advanced the project of creating a caliphate, ISIS seized vast territories in Iraq and in Syria, introduced its governance and order (in the Islamist understanding) there, concentrated in its hands huge financial resources and provided itself with an opportunity for further expansion.

The terrorist challenge posed by ISIS was the key factor that furnished an explanation why Russia had decided to get engaged militarily in the Syrian developments. However, it would seem reasonable to assume that there were also other more far reaching interests and considerations that could account for such an extraordinary decision.

1. One of the key underlying motives could be a striving to improve relations with Western countries, which had been shaped, after the crisis in the Ukraine, in a negative way for Russia. In Syria the sides had a common enemy to fight, and the fact that ISIS was a common enemy had been formally acknowledged by both regional and global players. The terrorist acts in Paris and Brussels carried out in 2015/2016 by the militants linked to ISIS put the need for concerted joint efforts high on the anti-terrorist agenda.

Sending Russian Aerospace Forces to Syria can be regarded as a successful attempt to change the balance of forces between conflicting sides, which had been recently reduced to a dichotomy – either Assad or ISIS. The advancement of coalition troops – the Syrian Army, Iran and Hezbollah – with the support of the Russian

Aerospace Forces excluded any possibility for jihadists to gain a victory, made the moderate opposition forces more flexible and accommodating and ensured an agreement with the US on the ceasefire and commencement of negotiations in Geneva.

For Russia, the political process that made it possible to stabilize the situation and, at the same time, to open up new vistas for the improvement of relations with the global players, was a landmark achievement that permitted the partial withdrawal of Russian Aerospace Forces from Syria.

According to President Putin, Russia's main goal in Syria was to strengthen Syrian statehood. In addition the operation contributed to building relationships with the leading powers[16].

2. It was essential for the Russian Federation to emphasize the unacceptable character of overthrowing legitimate governments with external interference: direct intervention (Iraq, Libya) or with the active assistance provided to internal opposition forces (Syria). The resolution of the chemical weapons issue in Syria on Russia's initiative and with Russian assistance made any military strike by the United States unnecessary[17].

Therefore, Syria was regarded in Russia as a scene for building up a new international order, in which any attempt at overthrowing the legitimate ruler from the outside would be practically excluded. It was intended to demonstrate that the new geopolitical reality could be built up not only by the US alone, but also by other influential powers who are indispensable in the struggle against common threats.

3. Russia's heightened sensitivity towards extremism and terrorism can be accounted for by the fact that those phenomena have an internal political dimension. Throughout its history Russia has confronted manifestations of terrorism. It is considered to be the birthplace of the "systematic terrorism" that evolved in the second half of the 19th century.

The jihadist propaganda targets Muslims, who make up 14 per

[16] http://www.newsru.com/russia/07apr2016/syria.html

[17] http://www.timesofearth.com/email/us-russia-start-talks-on-syrian-chemical-weapons.html, 12 September 2013.

cent of the entire population of the Russian Federation. Currently, militants are recruited in the Northern Caucasus, in the Volga region, in the Urals, and in the big cities. The extension of geographic space for recruiting caliphate soldiers inside Russia is a very disturbing factor in itself. The victims of jihadist propaganda are also the workmen that come from Central Asia, prisoners who are isolated from the outer world and other high-risk groups.

According to various estimates, some five to seven thousand Russian and CIS residents are already fighting for ISIS[18]. Apart from 2,400 militants from Russia[19], ISIS has recruited around 2,600-4,500 militants from other post-Soviet republics, primarily located in Central Asia, to fight for it in Syria and Iraq.

It was a matter of paramount importance for Russia not to allow the eventual return of those persons, who had acquired military experience, back to their homeland. Finally, weakening ISIS would be conducive to reducing its activities seeking to recruit new members and build up a "sleeper network" in the Russian Federation.

4. As far as the military goals of the Russian Federation in Syria are concerned, we cannot exclude the desire, characteristic of the military, to test modern weapons and armed forces in combat and to accomplish the consolidation of Russia's military presence on the Mediterranean coast by setting up an airbase in Latakia and modernizing the naval base in Tartus.

Russia and Assad's fate

In terms of practicability, it was preferable for the Russian Federation to retain the secular regime in Syria, which implied the implementation of appropriate reforms and the creation of obstacles on the road of advance for the radical Islamist project.

[18] Meeting of the Council of Leaders of CIS Member States. Vladimir Putin attended the meeting of the Council of Leaders of Commonwealth of Independent States (CIS) Member States, 16 October 2015, http://kremlin.ru/events/president/news/50515

[19] *TASS*, 18 September 2015, http://tass.ru/politika/2272750

Overall, this logic was sufficient to provide an explanation for Russia's actions on the international arena, which, in most cases, were interpreted as supporting Assad. Many commentaries tended to equate support for the Syrian regime with Russian interests. This sin against the truth was also committed by some Russian experts who tried to explain the motivation of Russian diplomacy in their own way[20].

Actually, Russian policy aimed at putting up obstacles on the road to overthrowing Assad's regime could be explained by the following rationale.

First, the Russian Federation, as has been mentioned already, stood against creating opportunities for a reoccurrence of the Libyan scenario.

"Vladimir Putin scores the Libya results as a win for the West and thus a defeat for Russia", says a European ambassador who monitors intelligence reporting on the Kremlin. "He is determined that Syria will not make this a trend, and Russia will oppose any collective action against Assad, wherever it can"[21]. It is hardly reasonable to speak about Russia's defeat in the case of Libya; however, it is obvious that as a result of armed intervention, the survival of Libya's statehood has come into question.

Second, the Russian Federation was against the asymmetrical approaches towards the government and opposition forces in Syria, which could have allowed one of the parties involved in the conflict to gain advantages and thus reduce its desire to seek any conflict resolution politically. Assad's rescue has never been the ultimate goal within this context.

As noted by Russian diplomat Alexander Aksenenok:

> The motivation behind the Russian position can be often seen in the fear of losing the "last ally" in the Middle East or in the desire to "take revenge" on the West for making use of the sanctions-related UN Resolution 1973 for the purpose of

[20] http://www.iarex.ru/interviews/26906.html

[21] J. Hoagland, "Syria's Civil War is Bigger than Syria Itself", *The Washington Post,* 15 December 2011; A. Aksenenok, "Russia is a Mediator between Syria and the West", Electronic resource, http://ria.ru/interview/20120208/560351348.html

> accomplishing an intervention in Libya. All of the above explanations offer a very simplified version of the reason behind. More important, in my opinion, is another thing. The Russian position is based on expert assessment of the dangerous consequences that might arise from further escalation of the armed confrontation in Syria[22].

Eventually, the shift in the balance of forces involved in the Syrian conflict caused by Russian military involvement prompted the US to abandon its former rigid demand that "Assad should step down". The Obama administration entered a crucial round of international talks on Syria's war being prepared to accept a deal that leaves President Bashar al-Assad in place for several months or more, during the transition to a new government[23].

It is important to note that Russia and the US are working on drafting a new constitution for Syria. It can be the clearest sign yet of the two powers' determination to broker a solution to a five-year civil war that has sent a wave of refugees toward Europe[24].

Preliminary results

Russia's military campaign in Syria exemplified high efficiency performance. The Russian Federation managed to weaken ISIS and with Russian support the Syrian Army liberated a number of territories and recaptured the ancient city of Palmyra, which

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[22] C.E. Lee, A. Entous, "U.S. Backs Off Hard Line on Syrian President's Future", *Wall Street Journal*, 29 October 2015, http://www.wsj.com/articles/u-s-backs-off-hard-line-on-syrian-presidents-future-1446161540; H. Meyer, "U.S., Russia Said to Team Up to Draft New Syria Constitution", *Bloomberg*, 7 April 2016, http://www.bloomberg.com/news/articles/2016-04-07/u-s-russia-said-to-team-up-to-draft-syria-s-new-constitution

[23] C.E. Lee, A. Entous, "U.S. Backs Off Hard Line on Syrian President's Future", *Wall Street Journal*, 29 October 2015, http://www.wsj.com/articles/u-s-backs-off-hard-line-on-syrian-presidents-future-1446161540

[24] H. Meyer, "U.S., Russia Said to Team Up to Draft New Syria Constitution", *Bloomberg*, 7 April 2016, http://www.bloomberg.com/news/articles/2016-04-07/u-s-russia-said-to-team-up-to-draft-syria-s-new-constitution

had a political and vastly important psychological effect. Russia played the part of a "game changer" and shifted the former balance of forces. It demonstrated an ability to maintain interaction with the leading world powers, despite a serious discrepancy in the positions held. Russian military forces are engaged in safeguarding the fragile truce arrangements and even in extending the list of its participants.

The withdrawal of the Russian Aerospace Forces testified to the fact that the Russian Federation was not going to handle Syria's problems instead of the local players.

The Syrian operation was fraught with negative implications for Russia, as well. An example of such tragic events was the loss of a Russian passenger aircraft over the Sinai, following a terrorist attack. By banning all flights to Egypt, Russia dealt a heavy blow to Egypt's tourist industry.

A sharp deterioration in its relations with Turkey, which demonstratively shot down the Russian SU-24 military aircraft in November 2015, led to a serious curtailment of bilateral trade and economic contacts. Decades of a carefully built and extensive partnership – political, economic, humanitarian, cultural and even personal ties – were eliminated by one click. Literally within a few hours, the partners and friends buried their long-term cooperation and became enemies.

In the course of the Syrian crisis, many Sunni states showed their resentment not only in connection with the support Russia provided to Assad's regime, but also over the fact that the allies of the Russian Federation were Shiite Iran and Hezbollah. Even in the Central Asia states, a part of the population assumed a negative attitude towards the formation of a "Shiite axis", although this term is very tentative.

Russia can no longer return to the "making friends with everybody" formula, but this does not mean that it is impossible to build up balanced relationships with various participants in the Middle East drama. It is a matter of paramount importance to build up such relationships with the regional powers who have more often than not outplayed the global actors in their attempts

to ensure a dominant role in the establishment of a new regional order.

According to Russian analyst Nikolay Kozhanov,

> Russian influence in the Middle East is also periodically challenged by the Middle Eastern countries themselves. Saudi Arabia and Qatar have tangible political and economic capacities to counterbalance Moscow's influence in the region. Some, such as Egypt and Israel, are using the Kremlin's interest in closer contact as leverage to shape their own relations with the US. […] Other "friends" of Russia do not hide the possibility that, in future, they may be rivals with Moscow [...] Tehran's supposed willingness to join European-backed projects would decrease EU dependence on Russian natural gas[25].

It goes without saying that the Middle East will remain a place of intense international concurrence and rivalry and that Russia's military effectiveness alone would not ensure its full fledged return to the region.

The specificity of the Middle East situation is such that it is not possible to achieve an apparent and final victory. At the same time, even a partial stabilization can pave the way to a search for a peaceful solution to the conflicts raging in the Arab states and can prevent the exportation of violence into other countries of the Middle East and North Africa as well as elsewhere, beyond the region.

Further progress in this direction is only feasible on condition that a broad coordination of efforts by the regional and global players is put in place.

[25] N. Kozhanov, "Imposing its Own Vision", *The Cipher Brief*, 1 April 2016, http://thecipherbrief.com/article/middle-east/imposing-its-own-vision-1090

5. Does Ukraine Still Matter?

Mykhailo Minakov

The short answer to the question in this chapter's title is "YES". Ukraine is likely to remain at the center of attention in all major geopolitical centers for the foreseeable future. The biggest and most important of Russia's neighbors, Ukraine and the crisis it is currently dealing with matters more and more for Europe, Russia and the entire post-Soviet region.

However the full answer needs to reveal how Russia's Ukraine policy has changed the entire post-Soviet region and created problems for the realization of many of Russia's own integration goals in the region. Essentially, none of the post-Soviet nations can exist the way they did before the annexation of Crimea and the Donbass War.

Russia's Ukraine policy consists of a number of unprecedented decisions to use all means available, including military, to prevent Ukraine from becoming a member of NATO and the EU, and keep it in the Russian sphere of influence. As Dmitry Trenin rightly stated, this policy has had two objectives: taking over Crimea, and federalizing Ukraine[1]. Implementation of the first objective would not permit NATO to establish bases in Crimea while achievement of the second would fulfill Moscow's plans to initially create obstacles to Ukraine's European integration, and then to re-integrate Ukraine into the Russia-led Eurasian Union. Whatever real or imagined threats were behind it, so far Russia's Ukraine policy has led to destruction of the international order of the Helsinki Accord and of Budapest Memorandum post-Soviet stability.

Predictably, this policy has destructively influenced Russia-Ukraine relations. Since December 2013 the ties between Ukraine

[1] D. Trenin, *The Ukraine Crisis and Resumption of Great Power Rivalry*, Moscow, Carnegie Moscow Center, 2014, pp. 6-7.

and Russia have been unprecedentedly deteriorating. This deterioration reached its lowest level when the hostile attitudes of the elites and citizens of the two neighboring nations were institutionalized and started to have lasting impact on relations between their governments, and on non-involved parties in Eastern Europe and Western Eurasia. Since 2015 Russia-Ukraine relations have reached a historical minimum with a possibility of worsening further and widening the conflict to other countries of the former Soviet region.

The depth and breadth of this influence stems from the fact that, unlike after the Russian-Georgian War in 2008, the Crimean annexation and military support of separatists in southeastern Ukraine were a lengthy process leading to an institutionalization of the conflict. Russia's Ukraine policy hinged on a long-term process of estrangement not only between Russia and Ukraine, and between Russia and the West, but also between Russia and other post-Soviet countries.

The decisions to take over Crimea and support the military actions of separatists have led to a reaction from NATO. By 2016 NATO and Russia's security systems started regarding each other as possible enemies again. On the last day of 2015 President Putin introduced a new National Security Strategy[2]. The strategy is directed against NATO and American dominance in world affairs:

> Expanding the force potential of NATO and endowing it with global functions that are implemented in violation of international legal norms, the bloc's heightened military activity, its continued expansion and the approach of its military infrastructure to Russian borders, all create a threat to national security.

The strategy has also included an official interpretation of events in Ukraine as a "coup-d'état" and a "source of instability in Europe and near Russian borders" (article 17).

In response, NATO Secretary-General Jens Stoltenberg declared

[2] "Strategiia natsionalnoi bezopasnosti Rossiiskoi Federatsii", *Russkaia Gazeta*, 31 January 2015, http://rg.ru/2015/12/31/nac-bezopasnost-site-dok.html

Russia to be the culprit "destabilizing the European security order" at the Munich Security Conference (13 February 2016)[3]. He also added that

> Russia's actions in Ukraine have triggered a robust response from the international community. Involving sanctions, suspension from the G-8, and increased support for our eastern partners. And NATO is undertaking the biggest strengthening of our collective defense in decades. To send a powerful signal to deter any aggression or intimidation. Not to wage war, but to prevent war.

Later, on 17 March 2016, US Defense Secretary Ashton Carter, while listing five global strategic challenges for USA, named Russia as one of two most "stressing competitors." The US Defense Secretary declared that his policy is based on a "strong and balanced approach to deter Russian aggression" in Eastern Europe[4].

The above statements show the correctness of the prognosis made by ISPI analysts last year: competition for control of post-Soviet space between Moscow and the West went on, and increased the conflict between the two geopolitical centers[5].

Nonetheless the big geopolitical players' growing competition should not prevent them from seeing deepening cleavages emerging in the post-Soviet region where Russian hegemony is now being disputed even among Eurasian Union member states. Consequently, in this chapter I will analyze how (1) Ukraine's political system, (2) Belarus and Kazakhstan regimes, as well as (3) how post-Soviet un-recognized states reacted to the Crimean annexation and the Donbass War. I will show that the Russian – Ukrainian conflict has proliferated to the point that requires

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[3] "Speech by NATO Secretary General J. Stoltenberg at the Munich Security Conference", NATO Official Website, 13 February 2016, http://www.nato.int/cps/en/natohq/opinions_128047.htm?selectedLocale=en

[4] "Carter Outlines Security Challenges, Warns Against Sequestration", US Department of Defense Official Website, 17 March 2016, http://www.defense.gov/News-Article-View/Article/696449/carter-outlines-security-challenges-warns-against-sequestration

[5] A. Ferrari (ed.) *Beyond Ukraine. EU and Russia in Search of a New Relation*, Milan, Edizioni Epoké-ISPI, 2015, p. 9ff.

Moscow to deeply review its approaches to dealing with the so called "near abroad" countries and Russian integration projects in the post-Soviet region.

Institutionalization of conflict in Ukraine

The post-Maidan Ukrainian political system has undergone a two-year-long recovery process from the internal shock of regime change and external blow from the annexation of Crimea and Russia's support for the separatists' revolt. The Euromaidan uprising not only ousted previous rulers; it re-established the pre-Yanukovych constitutional order and the parliamentary-presidential system in Ukraine. This transformation, and the need to adequately respond to the loss of Crimea and the war with the Russian-backed separatists have profoundly changed Ukraine's political institutions and the behavior of its elites.

Up until 2013 the Ukrainian government was able to practice dualism in its integration policies: for over two decades Kiev was able to be flexible in its foreign policy towards the European Union and Russian Federation. In doing so, Ukraine succeeded in gaining partial integration into the Commonwealth of Independent States (CIS, created in 1992 when Ukraine was an associate member only) and Free Trade Zone with Russian (since 2012). The same delicate integration took place with the EU, which led to the Association Agreement (AA). The process of AA preparation started under Prime Minister Yanukovych's supervision in 2006 and was finalized during the presidency of Victor Yanukovych in 2013.

This form of limited integration was called a "soft" one[6]. As Kateryna and Roman Wolczuk justly pointed out, this type of integration "was supported by cross-party political consensus"[7]. The

[6] R. Dragneva, "Is 'Soft' Beautiful? Another Perspective on Law, Institutions, and Integration in the CIS", *Review of Central and East European Law*, 2009, No. 29, pp. 279-324; K. Wolczuk, R. Wolczuk, *'Soft is Beautiful…!' Ukraine's Approach to Regional Integration*, G. Brogi, M. Dyczok, O. Pachlovska, G. Siedina (eds.), *Ukraine Twenty Years After Independence*, Roma, Aracne, 2015, pp. 27-38.

[7] *Ibid.*, p. 27.

balance between the two forms of integration was one of the constitutional principles of Ukraine's political system. No matter who was in charge of Ukraine, Kiev was good at balancing between the West and the East until the two geopolitical projects of Europe and Eurasia started increasing their gravitation in the second decade of this century. The stability of Ukraine's political system was put under pressure when both integration directions were becoming stronger in the frameworks of the Eurasian Customs Union and Association with the EU.

Anti-Russian elites' consensus

With the enactment of Crimean secession supported by Russian army units, asylum for the run-away President Yanukovych, the Duma's approval of sending the Russian Army to Ukraine (on 1 March 2014), and support for separatist troops in Donbass, relations between Kiev and Moscow reached the level of open conflict. As the recent publication of the minutes of the Ukrainian Security Council (as of 28 February 2014) show[8], the provisional government in Kiev was already aware of the scale of force used by Russian authorities to take over Crimea[9]. The debates of the Council members actually mapped the future attitudes of Ukrainian power elites *vis-à-vis* Russia. Some of the Council members demanded the Ukrainian military's active resistance to foreign intervention, while others demanded diplomatic solutions. The "pacifists" won, and Ukraine's Permanent Representative to the UN requested an urgent meeting with the UN Security Council seeking support to prevent full-scale Russian military intervention into Ukraine[10]. At the same time, deployment of armed forces was abstained from in Crimea.

These two attitudes have now become the major forms of

[8] The full version of the minutes is accessible at: *Ukrainska Pravda*, 22 February 2016, http://www.pravda.com.ua/articles/2016/02/22/7099911/

[9] *Ibid.*

[10] "Letter dated 28 February 2014 from the Permanent Representative of Ukraine to the United Nations addressed to the President of the Security Council", UN Official Website, http://www.un.org/en/ga/search/view_doc.asp?symbol=S/2014/136

dealing with Russia by Ukrainian political elites. In the 2014 parliamentary campaign the "hawks" (Yatsenyuk's National Front, Tymoshenko's Batkivshyna, Lyashko's Radical Party etc.) demanded war until all the territories were returned to Ukraine. The "doves" (Poroshenko's bloc, the opposition bloc, Samopomich) were relying on Western support in diplomatic efforts and economic sanctions to stop the war, and reintegrate Donbass and Crimea. Quite understandably, due to the war situation, there were no pro-Russian political groups participating in the elections. At the national level the political elites reached consensus on one issue: until all the communities and territories are returned to Ukraine, the Russian Federation is to be officially regarded as an enemy.

This consensus was not shared by regional elites in this period. In 2014 – early 2015 the local Councils of southeastern Ukraine debated whether they should proclaim Russia an "aggressor" as demanded by Kiev and patriotic citizens. In spite of the continuing war, during the local elections of 2015 some communities supported local leaders with pro-Russian sympathies (e.g. the mayor of Kharkiv, Gennady Kernes and the mayor of Odessa, Gennady Trukhanov). However, newly elected Councils – including Kharkiv and Odessa – voted for Russia's "aggressor" status in February 2016. At the level of smaller local Councils, basically all of them have voted in favor of the patriotic motion, including the Donbass settlements under Ukrainian control.

The long period of the Donbass War created a stably negative view of the Russian Federation among national and local power elites. This was never the case before 2014. This new consensus creates limits for future reconciliation and cooperation between Ukraine and Russia.

Two years of war and the elites' consensus have also made an impact on Ukrainian citizens. As recent polls made by the Kiev International Institute of Sociology and Moscow-based "Levada Center" show, the hostility between Ukrainians and Russians has grown considerably in 2015-16. In Ukraine 36 per cent of respondents have positive attitudes toward Russia (it was about 80

per cent in 2013), and in Russia 27 per cent of respondents have positive views toward Ukraine (it was about 70 per cent in 2013). The amount of Ukrainians who are negatively disposed toward Russia rose to 47 per cent in January 2016, while in 2013 it was less than 10 per cent. In Russia the amount of those negatively disposed to Ukraine is 59 per cent, whereas in 2013 it was a bit more than 10 per cent. The poll also shows that 22 per cent of eastern Ukrainians hold strongly negative views about Russia in 2016[11].

It is important to stress that this negative attitude of Ukrainians towards Russia is not channelled into militant expectations. Another Kiev International Institute of Sociology poll showed that the vast majority of Ukrainians support a peaceful resolution of the conflict with Russia[12].

Personal experiences with war and war-connected socio-economic effects have changed the Ukrainians' usual sympathy towards Russia. This change diminishes chances for any potential Ukraine integration process in the eastward direction. There is simply no room for "soft" elites' choices in the near- to mid-term future.

Institutionalization of the conflict

If power elites were quick to formulate their attitudes towards Russia, public institutions were very slow in reacting to the critical situations of war, annexation and economic crisis. Nevertheless, by 2016 Ukraine developed effective institutions to implement both diplomatic and security objectives articulated by ruling groups.

Ukraine's Ministry of Foreign Affairs has gone through a tremendous development phase: from a humble institution mainly focused on economic issues to an active agency able to promptly react to – and often prevent – the critical situations between

[11] "Changes In the Attitude of the Ukrainians Toward Russia And of the Russians Toward Ukraine", KIIS Official Website, 11 March 2016, http://www.kiis.com.ua/?lang=eng&cat=reports&id=608&page=1

[12] "Socio-Political Situation In Ukraine: February-March, 2016", KIIS Official Website, 16 March 2016, http://www.kiis.com.ua/?lang=eng&cat=reports&id=610&page=1

Ukraine and Russia. Taking into account the disproportion of the geopolitical weight between Ukraine and Russia, Ukrainian diplomacy had to use an asymmetric approach to limiting the negative impact of Russia's Ukrainian policy. Officially Kiev developed ties with the diplomatic corps of Washington, Brussels, Berlin, and Paris that have leveraged Russia's power. This policy was developed based on consensus between Ukrainian political parties that created a ruling coalition in November 2014. The Coalition Agreement provides for "filing international claims against the Russian Federation in the interests of the state of Ukraine"[13].

Later the institutional framework for Ukraine's Russia policy was formulated in the decree "On the Verkhovna Rada of Ukraine's Address to the United Nations, European Parliament, Parliamentary Assembly of the Council of Europe, NATO Parliamentary Assembly, OSCE Parliamentary Assembly, GUAM Parliamentary Assembly, and the parliaments of the states of the world about acknowledgement of the Russian Federation an aggressor state" as of 27 January 2015. This policy treats Russia as a major source of risks for Ukraine's security and blames Russia's government for Crimean annexation and support for separatists in Donbass.

Ukraine's Russia policy was defined in the Analytical Report of the President's Address to the Verkhovna Rada of Ukraine in 2015[14]. In it Russia was mentioned 644 times, all in negative terms as a source of risks for Ukraine's security and European aspirations. This policy has directed the institutional development of Ukrainian diplomatic services.

A special source for Ukrainian diplomacy development was the Minsk peace talks process. On February 12, 2015 in Minsk, the leaders of Germany, France, Russia and Ukraine, as well as representatives of pro-Russian separatists, signed an agreement to end fighting in eastern Ukraine. The deal included a ceasefire in eastern

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[13] Cited from: *Ukrainian Prism: Foreign Policy 2015*, Kiev, E. Stiftung, 2015, p. 96.

[14] See report at: "Analitychnyi zvit za Shchorichnym zvernenniam Prezydenta do Verkhovnoii Rady", Ukrainian President's Official Website, 13 February 2016, http://www.president.gov.ua/en/news/shorichne-poslannya-prezidenta-ukrayini-do-verhovnoyi-radi-u-35412

Ukraine, to begin on 15 February, followed by the withdrawal of heavy weapons. Since that time for almost 14 months the peace talks continued in several sub-groups where a new generation of Ukrainian diplomats learned to cooperate with their Western colleagues and deal with the Russian diplomats.

Ukraine's government has also established a set of UN- and OSCE-mediated horizontal networks that are able to quickly react to the humanitarian situation in the war zone. So far the risks of hunger and epidemics for the population living in the war zone have been effectively resolved. The same networks have helped advance the infrastructure to support 1.5 mln displaced people in Ukraine[15].

Creation of crisis-oriented diplomacy coincided with security sector reform in Ukraine. By the end of 2015 the Ukrainian army had become one of the largest military forces in Europe. It increased in size from 146,000 soldiers in 2013 to 280,000 soldiers in November 2015[16]. Unlike in previous "soft" integration periods, the current Ukrainian army is well versed in permanent defense actions with experienced staff at all levels.

In contrast to the "soft" integration times when Ukraine's security sector was poorly financed (about 1per cent of GDP, with questionable spending effectiveness), the Kiev government increased military and security spending to 5 per cent of GDP in 2016, which amounts to US$4 bln. In addition to the growing security budget, the government addressed the usual post-Soviet corruption in military structures. In the spring of 2015 an online procurement system was launched to serve all Ministry of Defense tenders. As reported by the Ministry, the number of companies submitting bids for its contracts has increased by 50 per cent since the online system began to function.

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[15] Figures from: International Displacement Monitoring System data, 11 April 2016, http://www.internal-displacement.org/europe-the-caucasus-and-central-asia/ukraine/figures-analysis

[16] "Ukraine's military has rebounded despite budget and battle woes", McClatchDC Website, 9 November 2015, http://www.mcclatchydc.com/news/nation-world/world/article43759791.html

The situation concerning the quality of officers and soldiers has also improved in recent years. The army and other security agencies increased a number of contracted specialists who go through special training centers. These centers combine trainers from Ukraine and NATO academies. Also, NATO member states support technical defense cooperation with Ukraine[17]. If in February 2014 Ukraine had neither politicians nor security staff to defend its borders, today the situation has drastically changed.

Ukraine's diplomatic and security efforts in 2015-2016 were coordinated with the EU and US governments. Ukraine's asymmetric response to Russia's Ukrainian policy resulted in the introduction of sanctions against Russian individuals and businesses by the United States, the European Union, and a number of other states. The first sanctions, which included the suspension of cooperation with Russia in the areas of military matters, space, investment, and travel, were introduced by the Western states on 17 March 2014, the day of the Crimean referendum. The sanctions grew constantly throughout 2014-2015 in three waves, each one increasing obstacles to the West's cooperation with the Russian Federation. These sanctions were imposed to limit the Russian government's ability to sustain its Ukrainian policy.

Russia has also introduced sanction regimes against Ukraine and its Western allies. As assessed by *Die Welt* experts in June 2015, the bi-lateral sanctions regime may cost about 100 bln euros to EU member states if continued to 2017[18]. Despite division between the EU's member states regarding sanctions, the EU ratified sanctions against Russia in December 2015. The US government made the same decision. Even though the efficiency of sanctions was questioned by politicians and experts, they remained a major tool of the West to respond to Russia's continued control over Crimea and support for Donbass separatists.

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[17] "Relations with Ukraine", NATO Official Website, 11 April 2016, http://www.nato.int/cps/en/natolive/topics_37750.htm#

[18] "Russland-Krise kostet Europa bis zu 100 Milliarden Euro", *Die Welt*, 19 June 2015, http://www.welt.de/wirtschaft/article142742046/Russland-Krise-kostet-Europa-bis-zu-100-Milliarden-Euro.html

The Ukrainian government imposed sanctions on Russia later then its allies: they were enacted on 14 August 2014. This delay was connected with attempts to prepare the economy for the loss of ties with the Russian market. Ukraine's sanctions were against 172 individuals and 65 entities in Russia and other countries for "supporting and financing terrorism" in Ukraine[19]. Since that time business ties with Russia have worsened. In 2013, 5 per cent of Russia's imports consisted of Ukrainian products, while 24 per cent of Ukrainian exports went to the Russian market. In 2015 Ukraine's exports to Russia shrunk by 60 per cent, and Russian exports to Ukraine decreased by 66 per cent, as reported by the Ukrainian Statistics Office in December 2015.

The trade conflict continued in early 2016. As ordered by the Russian President, on 1 December 2016 the Free Trade Zone between Russia and Ukraine was suspended. The need for these measures was driven by the implementation of a free trade zone agreement between Ukraine and the European Union. In response, the Ukrainian government decided to ban the import of Russian goods, including meat, grain, baked goods, alcohol, cigarettes, household chemicals and many heavy industrial products as of 10 January 2016.

By the end of February 2016 Ukraine almost fully ceased its purchases of gas in Russia. Most of the imported energy comes from the EU now. Traditionally close ties between producers of military supplies are now broken. In the midst of the ongoing war, Ukrainian military exports to Russia have been fully prohibited. The transportation of goods through the territories of the two countries to others has many legal and practical obstacles. The Ukrainian government has also refused to pay back a US$3 bln debt to Russia, regarding it as support for the "Yanukovych regime", not the state of Ukraine. Financial, trade, and industrial cooperation between Ukraine and Russia has reached a historic minimum, and may possibly worsen.

These broken ties cost a lot to the economies of both countries.

[19] "Ukraine approves law on sanctions against Russia", *Reuters*, 14 August 2014, http://www.reuters.com/article/us-ukraine-crisis-sanctions-kiev-idUSKBN0GE0YI20140814

However, economic operators see no future resolution of the conflict, have started looking for new partners and define their development strategies ignoring the other's interests. These strategic choices lessen the willingness of Ukrainian business groups to cooperate with their Russian counterparts. In other words, emerging post-crisis economic operators will not be willing to back Russian – Ukrainian cooperation.

To sum up: the political and economic institutions that supported deep and comprehensive cooperation between post-Soviet Russia and Ukraine are either ruined or dysfunctional today. The new political and economic institutions are structured in a way that does not support possible cooperation in the short and/or middle term prospective. The new political groups in Ukraine have stably hostile attitudes towards Russia and its Ukraine policy.

Russia and Ukraine have institutionalized their conflict and will have to invest a lot of efforts and resources into a future normalization of relations.

Belarus and Kazakhstan concerns

Russia's Ukraine policy provoked lasting distress for all post-Soviet countries. The Budapest Memorandum on Security Assurances signed on 5 December 1994 stipulated security assurances against threats or use of force against the territorial integrity or political independence of Ukraine, Belarus and Kazakhstan in exchange for these countries' adherence to the Treaty on the Non-Proliferation of Nuclear Weapons. Consequently, Crimea's annexation has actually had much broader significance than just the initiation of the Russia-Ukraine conflict. It has ruined the legitimate expectations of new post-Soviet nations to have post-1994 borders secured and respected by all powers in the region.

Russia's decision to annex Crimea and support Novorossian separatism has been a source of special concern for Russia's two closest allies, Belarus and Kazakhstan. These two authoritarian

regimes[20] joined Russia in the Eurasian Customs Union, and used its opportunities to benefit their economies and stability of their regimes. But with the Budapest Memorandum violated, Alexander Lukashenko and Nursultan Nazarbayev started taking active measures to decrease chances of offence to their countries.

The governments of Belarus and Kazakhstan have been equally willing to mediate the conflict between Russia and Ukraine since early 2014, while jointly refusing to support Russia's invasion of Crimea in March 2014. At the same time, both regimes were interested in not letting the Ukraine revolution expand into their domains. Both rulers, president Lukashenko and president Nazarbayev, intended to prevent the growth of separatism inspired by the Novorossia revolt. Yet in spite of the similarity of the two regimes and the presence of big Russian communities in their countries, Minsk and Astana acted differently to preserve their countries' sovereignty and independence.

Kazakhstan and political solution

Russia's Ukraine policy has put pressure on Kazakhstan's long-standing, multi-vectored foreign policy. This policy was designed approximately the same way as in Ukraine, except for the fact that Astana had to balance the competing interests of Russia, China and the West in Central Asia. With the Russian army entering Crimea and a propaganda campaign demanding support for Russian-speaking populations abroad, the Kazakhstan government feared if its own borders would remain safe and its Russian community loyal. Also, as Eugene Rumer and Paul Stronski stressed, President Nazarbayev was regretting his decision to make his country a non-nuclear-weapon state: from being a source of international acclaim, this decision turned out to be "controversial after Russia's intervention in Ukraine". The Russian government's disrespect for the Budapest Memorandum in the case of Ukraine in 2014,

[20] "Both countries have long had the 'non free' status in the Freedom in the World Index", Freedom House, 2015, https://freedomhouse.org/report/freedom-world/freedom-world-2015

and the West's inability to act as guarantee for the Memorandum, worried "Kazakhstan's political elites and raised questions among them about Russia's long-term reliability as an ally, neighbor, and trading partner"[21]. Kazakhstan's regime had to adapt to new risks coming from Russia's new behavior in the post-Soviet region.

Kazakhstan is home to the largest Russian community in Central Asia: Russians constitute a quarter of the Kazakhstan population and live mainly in the northeast borderlands of the country. The Kazakhstan government had every reason to worry that this community might be regarded as one in need of Russia's "humanitarian operation." In the 1990s there had been ethnic tensions and separatist groups in the area.

Astana responded to the Ukrainian crisis in two ways: it tried to appease Moscow to the level that Kazakhstan's national interests could permit, but Nursultan Nazarbayev also insured the security of his regime and increased China's political and economic presence in the country. He also attempted to engage more with the US, but the American focus moved away from Afghanistan and Central Asia.

In the critical period of the Russia-Ukraine conflict from March to May 2014, President Nazarbayev refused to support deployment of the Russian army in Crimea. At the same, in contrast with this decision, he recognized the outcome of the Crimean referendum and abstained with Russia from the 2014 UN General Assembly Resolution 68/262 that declared the annexation of Crimea invalid. He has also repeatedly offered to hold talks to resolve the conflict in Ukraine. This contradictory position did not satisfy the Kremlin, but Astana kept a low profile in responding to official Moscow dissatisfaction. Later, when the Donbass War intensified in late 2014 – early 2015, the Kazakhstan government increased its distance from Moscow in the international arena.

Also, Astana continued its talks with the EU in the framework of Eastern Partnership policy. Sending Moscow a sign, Kazakhstan

[21] E. Rumer, P. Stronski, "Russia, Ukraine, and Eurasia at Twenty-Five – A Baseline Assessment", *Carnegie Regional Insight*, 14 December 2015, http://carnegieendowment.org/2015/12/14/russia-ukraine-and-eurasia-at-twenty-five-baseline-assessment/in4v

and the EU signed an Enhanced Partnership and Cooperation Agreement in December 2015. At the same time, this agreement has very ambiguous stipulations that would not give Moscow grounds for open disagreement.

Furthermore, Nursultan Nazarbayev invited Ukrainian President Poroshenko on an official visit in October 2015. Behind the official rhetoric regarding the need for quick resolution of the Donbass War, the two presidents reached agreements to increase trade relations. Although these plans did not take effect due to the Russian-Ukrainian trade war in January 2016, the very fact of a Eurasian Custom Union member's readiness to increase cooperation with Ukraine was showing Nazarbayev's confidence in his increased security based on internal reforms conducted in 2015.

The more consequential set of policies were fulfilled in the internal politics of Kazakhstan. First of all, to avoid uncertainties resulting from the growing economic crisis and Russia's unpredictability, President Nazarbayev declared early presidential elections scheduled for 26 April 2015. He easily won these elections with over 80 per cent of votes in his favor. At the same time he purged his surroundings of any person aspiring to be his successor. Nazarbayev's regime made the national elites sure of his willingness to defend his sovereignty and provide social order in return for holding power.

After establishing the security of his own government, President Nazarbayev launched reforms of the political system at all levels, from local to national. Security services and local administrations were given much more responsibility to ensure order and loyalty in all communities around the country. The government inspired the internal migration of Kazakhs into territories densely populated by Russians[22]. Kazakhstan began 2016 more than ready for uncertainties created by Russia's Ukraine policy precedents.

[22] "Stress Tests for Kazakhstan, Europe and Central Asia Briefing", *International Crisis Group*, No. 74, 13 May 2015, http://www.crisisgroup.org/en/regions/asia/central-asia/kazakhstan/b074-stress-tests-for-kazakhstan.aspx

Belarus and the issue of security forces

After the launch of Crimean annexation Belarus turned out to be the last peaceful country in the region. As Balazs Jarabik has noted, "Belarus is now the only country in the EU's Eastern Partnership with full territorial integrity (the others being Armenia, Azerbaijan, Georgia, Moldova, and Ukraine)"[23]. All the other EaP countries have problems with the separated territories and new realities created by the Russia-Ukraine conflict.

Just like Kazakhstan, Belarus is highly integrated with Russia in demographic, economic, political, and military terms. However, there are no regions with a predominantly Russian population in Belarus. Russian separatism is not that dangerous for Belarus; the problem is more with the power elites and senior security staff that are closely linked to Russia's governing groups. After the introduction of EU and US sanctions against "the last European dictator" in the early years of the 21st century, Russia became the single most important partner for Belarus. Together the two countries established the Union State and Eurasian Customs Union. In a way, it was harder for Minsk to counterbalance Russian economic and political influence than for Astana.

Russia's Ukrainian policy has forced Alexander Lukashenko to soften his stance regarding the West. In 2014-15 he rebuilt Belarus' ties to Europe and welcomed the EU and US diplomatic missions back to Minsk. To please the West, Lukashenko released several political prisoners and eased conditions for the functioning of non-politicized civil society. However, this "softening" was quite limited: all the activities of the Western missions are controlled, and economic ties with the West are no match for those with Russia.

To address the immediate risks to his personal power, President Lukashenko made all possible efforts to win the presidential elections in October 2015. He permitted three other candidates to

[23] B. Jarabik, "Revisiting Belarus: The Reality Beyond the Rethorics", *Carnegie Regional Insight*, 3 December 2014, http://carnegieendowment.org/2014/12/03/revisiting-belarus-reality-beyond-rhetoric

be registered. However two of them – Nikolai Ulyakhovich, a Cossack headman and chairman of the Belarusian Patriotic Party, and Sergei Gaidukevich, a chairman of the Liberal-Democratic Party – were not real competitors. Only Tatiana Korotkevich, who represented the campaign Tell the Truth! was a real opposition figure; but her electoral significance was very limited. The Central Electoral Commission declared that 83 per cent of Belarusians voted in favor of Lukashenko in the 2015 elections.

During the presidential campaign, Alexander Lukashenko addressed the "Russian threat" in a peculiar way. For example, at a meeting with Belarusian and foreign media on 29 January 2015, he informed the journalists that extremist Russian groups were active in his country and claimed he had "taken measures against them"[24]. Indeed, security services had been checking into pro-Russian civil society organizations (CSO) that proved to have been used by the Kremlin in the separatist rebellion in Ukraine. By the end of 2015 none of these CSOs could freely function in Belarus.

Simultaneously, the CSOs with links to Ukraine were put under control or dismissed. The government was preventing the import of both the Maidan and separatist revolutions into Belarus. The Belarusian volunteers who fought either on the Novorossian or on the Ukrainian side in Donbass were imprisoned upon return to the country.

Even before the presidential campaign, Alexander Lukashenko changed the senior staff of his administration and Belarus security services. All staff members suspected of cooperation with Russian security services or of having evident loyalty to Russia were moved to other positions where they could not harm the regime. However, to not irritate Moscow, the repositioning did not involve senior officers in the army[25]. Russia's covert control over the Belarus army remains significant.

[24] "Stenogramma vstrechi A. Lukashenko s predstaviteliami SMI", Belarusian President's Official Website, 29 January 2015, http://president.gov.by/ru/news_ru/view/stenogramma-vstrechi-s-predstaviteljami-belorusskix-i-zarubezhnyx-smi-10760/

[25] This information comes from my interviews with several Belarusian officers and security experts conducted on 6-7 April 2016.

Although the higher military ranks with dual loyalty remained in place, Minsk and Moscow have begun competition in the military sphere. In January 2015, when President Putin allowed foreign nationals to serve in the Russian army, Lukashenko responded with a change in Belarusian military doctrine. It now clearly states that the "sending of armed groups, irregular forces, or mercenary groups using arms against Belarus would lead to a declaration of war"[26].

Another point of tension between the Belarusian and Russian military is Moscow's plan to establish a military air base in Belarus near Ukraine's northern border. The first time the Russian government announced this plan was in 2013. After the Ukraine crisis Moscow increased pressure on Minsk to get permission for the building works to start. Nonetheless, Alexander Lukashenko has not yet agreed with this plan, and the entire project is still being debated.

To balance those issues, Aleksandr Lukashenko did not limit the work of Russian propaganda compaigns in Belarus. As the polls of the Independent Institute of Socio-Economic and Political Studies (IISEPS, Vilnius) show, the majority of Belarusians take the official Russian view of Maidan and Crimean annexation[27].

The economic situation had been worsening in Belarus since 2013 as in the rest of Eastern Europe. But Russia's estrangement from the West has also provided economic opportunities for Minsk. Russia's sanctions on European goods offered new openings for entrepreneurs in Belarus. Local businessmen were positioned to deliver the prohibited goods disguised as Belarusian products to the Russian market. And local farmers increased their export of agricultural products to Russia.

The economic ties between Russia and Belarus were also strained by several trade wars in 2014-2016. However, they were quickly

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[26] Zakon Respubliki Belarus *Ob utverzhdenii Voiennoi doktriny Respubliki Belarus*, draft Law approved in the first reading on 5 April 2016, http://www.bsblog.info/proekt-voennoj-doktriny-belarusi/

[27] "March 2016: Conflict In Ukraine: A Russian View From Belarusian Eyes", ISEPS Official Website, March 2016, http://www.iiseps.org/?p=4267&lang=en

resolved and did not lead to any lasting dispute between the two governments.

To sum up, Lukashenko's strategy *vis-à-vis* Russia's Ukrainian policy was focused mainly on securing his personal security and control over key public institutions. He managed to assert his own independence, reduce the risk of separatist revolt, and increased the diplomatic balance. At the same time President Lukashenko did not eliminate dependence on Russia in the defense and economic areas.

The un-recognized post-Soviet states

The Belarusian and Kazakhstan cases demonstrate the limited menu of post-Soviet countries' reactions to Russia's Ukrainian policy. The former Soviet countries try to adapt to increasing risks of wars and separatism in Eastern Europe and Western Eurasia. At the same time, the non-recognized post-Soviet states had different reactions to the Crimean annexation and Donbass War.

After the collapse of the USSR the network of un-recognized *de facto* states emerged in the post-Soviet region. In the 1990s it included Nagorno-Karabakh, South Ossetia, Abkhazia and Transnistria. These unofficial states were established in the period between the Belavezha Agreement on the Soviet Union's dissolution in 1991 and the Budapest Memorandum in 1994. Altogether these *de facto* states' population barely reaches 1 mln. For decades the governments of most of these states relied on Russian financial, military and political support. By now, these populations have gone through a specific process of their own nation-building. An element of this specificity is a hostile view towards their "recognized" neighbors and the West. If hostility to their neighbors is the outcome of civil wars and ethnic cleansing, the anger at the West results from the limitations that the global order imposed on these populations.

With Crimean annexation and the Donbass War the situation in the un-recognized states has considerably changed.

In the beginning, the case of Crimea inspired some hopes for

the same kind of integration for South Ossetia, Abkhazia and Transnistria. The analysis of debates in the media and social networks among representatives of these populations shows that in 2014 – early 2015 they cherished expectations of joining Russia as federal lands[28]. These hopes were very popular with the middle classes of these populations, while political leaders were more reserved.

Later, when the Western sanctions and trade war with Ukraine hit the Crimean population's quality of life, the hopes of Transnistrians and Abkhazians were fading. The political and economic results of Crimea's annexation resembled the same results that these populations experienced after separation in the 1990s. At the same time, the political agenda in most of the un-recognized states included the demand for future integration into the global political order. Which adds an important element to the fragility of regimes and volatility of citizens in the un-recognized states.

Secondly, the network of un-recognized states has increased due to creation of the Donetsk and Luhansk Peoples Republics (DNR-LNR). Today the DNR-LNR controlled territories (about 1/3 of Donbass) have a population of approximately 3 mln. These figures show that the proliferation of separatism has probably tripled the populations living in the network of un-recognized nations.

The analysis of open sources in the Russian, Transnistrian, Abkhazian and DNR-LNR press shows that young people that were born and/or educated in the un-recognized states were actively participating in the Donbass War on the separatist side. The political ideologies of the *de facto* states have had a strong impact on the "Novorossian idea" that in turn has a strong impact on DNR-LNR state-building. At the same time, the militant ideas and practices brought back from the war zone increase the security risks in the post-Soviet frozen zones and the need for Russia's

[28] M. Minakov, "Transnationalism of Un-Recognized Post-Soviet Nations: case of the Novorossia project", Unpublished paper presented at international conference "Ukraine's historical and contemporary interlockings: A transnational perspective on transformations", University Viadrina, Frankfurt (Oder), Germany, 5-6 November 2015.

involvement to quell the spread of militant separatism around the region.

Third, the Minsk process in 2016 shows the change in the Kremlin's approach to the DNR-LNR project. There are signs that Moscow is ready to support reintegration of DNR-LNR with Ukraine. The Minsk discussions on rules of local elections in eastern Donbass show that this readiness reached a practical level in April 2016.

These actions once again impact the situation in the non-recognized states. The recent discussions in the Abkhaz and Transnistrian press show that leaders of these countries feel insecure about their regimes. The government of South Ossetia declared its will to hold a referendum to join the Russian Federation. All these initiatives create additional pressure on Moscow to (a) assure that the Donbass reintegration would not harm the existence of independent un-recognized states, or (b) to ensure that the precedent of Crimean annexation would be repeated if *de facto* nations vote for it in their referenda.

Russia's Ukrainian policy has considerably stressed the invisible order in the network of post-Soviet *de facto* states. Today the Russian government would need to pay much more attention and allocate much more resources to keep order in its satellite states.

Conclusions: problematic perspectives for the post-Soviet space

The arguments above prove that none of the post-Soviet nations can exist the way they did before the annexation of Crimea and the Donbass War. All the big and small political players in the post-Soviet region started adapting to the growing insecurity resulting from Russia's Ukrainian policy and other geopolitical players' reactions to it.

The Ukrainian political system has developed institutions that limit or prevent the effectiveness of Russia's Ukraine policy. At the same time, the system has created elements that will reproduce hostility between the two neighboring countries in the short and

medium terms.

The cases of Kazakhstan and Belarus show that even the closest allies of Russia develop mechanisms decreasing cooperation and integration among members of the Eurasian Union.

The network of *de facto* states survived a shock and may initiate processes of either un-freezing the local conflicts, or of pursuing Crimean annexation precedents that would put Moscow under additional pressure from the international community and the populations of unrecognized states.

Russia's Ukraine policy has caused a snowball effect, proliferating to the point that requires Moscow to deeply review its approaches to dealing with its concerned neighbors. There is a growing need to restore the international legal order based on the Helsinki Agreements and Budapest Memorandum in Eastern Europe and Western Eurasia.

6. Russia and the Eurasian Economic Union. A Failed Project?

Aldo Ferrari

The Ukrainian crisis did not only produce a deep and enduring rift in the relations between Russia and the West; it also led to a phase of considerable difficulty for Moscow with several post-Soviet republics, even with those most interested in the perspective of economic and political re-composition. Many observers believe that the Ukrainian crisis resulted in a substantial and perhaps final setback to the Russian project of Eurasian Union. Is it really so? Or, from another point of view, did the loss of Ukraine make it even more necessary for Russia to realize the Eurasian project?

Eurasia: cultural and geopolitical visions

Putin has invested heavily in this project since the election campaign for his third presidential term. In an article published at the end of 2011 he announced the desire to build a Eurasian Union (*Evrazijskij Soyuz*) which aims not only at strengthening economic ties between member states, but also at promoting a future political integration:

> The Eurasian Union will be based on universal integration principles as an essential part of Greater Europe united by shared values of freedom, democracy, and market laws. Russia and the EU agreed to form a common economic space and coordinate economic regulations without the establishment of supranational structures back in 2003. In line with this idea, we proposed setting up a harmonized community of economies stretching from Lisbon to Vladivostok. […] Soon the Customs Union, and later the Eurasian Union, will join the dialogue with the EU. As a result, apart from bringing direct economic benefits, accession

> to the Eurasian Union will also help countries integrate into Europe sooner and from a stronger position[1].

In the West, this project has been met with skepticism and outright hostility by many observers, who have essentially interpreted it as an attempt to re-establish Russia's "neo-imperial control" over the post-Soviet states; and also in Russia many analysts are convinced that Moscow is unable to pursue such an ambitious goal, combining political, economic and cultural elements[2]. As a matter of fact, this project is not only a fundamental test of Russia's ability to match its ambitions on the international scene, but also its latest attempt to follow an independent historical path, different from the Western one.

It should be noted that the expression used by Putin to name his project is anything but neutral in the Russian cultural and political tradition. Indeed it evokes an intellectual movement – Eurasianism (*evrazijstvo*) – which constitutes the most radical expression of Russia's aspiration to develop an autonomous civilization. The Eurasianist movement – created in the 1920-30s by many famous representatives of Russian emigration such as Nikolay Trubetskoy, Roman Jakobson, Georgy Florovskij, Dmitry Svjatopolsk-Mirsky, Georgy Vernadsky, and Pyotr Savickij – build upon the notion that Russia constitutes a distinct geographical and historical area that should affirm its uniqueness, refusing inclusion

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[1] *Novyj integracionnyj proekt dlja Evrazii — buduščee, kotoroe rožd*aetsja *segodnja*, http://izvestia.ru/news/502761#ixzz277EyYdT5

[2] For the Western evaluation, often prejudicially critical: "The Eurasian Union Project", *Russian Analytical Digest*, No. 112, 20 April 2012, http://www.css.ethz.ch/publications/pdfs/RAD-112.pdf; S.F. Starr, S.E. Cornell, *Putin's Grand Strategy: The Eurasian Union and Its Discontents*, Central Asia-Caucasus Institute & Silk Road Studies Program, Washington, DC, http://www.silkroadstudies.org/resources/1409GrandStrategy.pdf; N. Popescu, "Eurasian Union: the real, the imaginary and the likely", *Chaillot Paper*, No. 132, 9 September 2014, http://www.iss.europa.eu/publications/detail/article/eurasian-union-the-real-the-imaginary-and-the-likely/ . On the contrary, the research edited by K. Liik, *Russia's pivot to Eurasia*, The European Council on Foreign Relations (ECFR), 2014, http://www.ecfr.eu/publications/summary/russias_pivot_to_eurasia310 – takes into consideration the very diverging opinions of some of the most important Russian analysts on this issue.

in the European and Western cultural space[3].

Ostracized for decades in the USSR, Eurasianism was reborn in the last Soviet period mainly through the mediation of the historian Lev Gumilev, referring back however only in part to the movement of the years 1920-1930[4]. The Eurasianist perspective has been revived in recent years by many scholars who place the issue of Russia's position in the post-Soviet and post-bipolar scenario within the so-called "civilization approach" (*civilizacionnyj podchod*), which rejects the idea of the absolute value of Western civilization and proposes a pluralistic view of human history as well as a multi-polar vision of international relations[5]. Moreover, many elements of neo-Eurasanism entered into the ideological platform of Gennady Zyuganov, Secretary of the Russian Communist Party[6], but this orientation is associated mainly with Alexandr Dugin. This prolific author, close to the positions of the European New Right, has quickly become not only the most famous representative of Russian Neo-Eurasianism, but also a polemical target for many scholars, who probably overestimate his political weight[7].

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[3] M. Laruelle, *L'idéologie eurasiste russe ou comment penser l'empire*, Paris, 1999; A. Ferrari, *La foresta e la steppa. Il mito dell'Eurasia nella cultura russa*, Milan. 2012; D. Shlapentokh (ed.), *Russia Between East and West: Scholarly Debates on Eurasianism* (*International Studies in Sociology & Social Anthropology*), Boston, Leiden, 2007; M. Laruelle, *Russian Eurasianism: an Ideology of Empire*, Baltimore, 2008; M. Bassin, S. Glebov, M. Laruelle (eds.). *Between Europe and Asia: The Origins, Theories, and Legacies of Russian Eurasianism*, Pittsburgh, University of Pittsburgh Press, 2015; M. Laruelle (ed.), *Eurasianism and the European Far Right: Reshaping the Euro – Russian Relationship*, London, Lexington Books, 2015.

[4] M. Laruelle, "Histoire d'une usurpation intellectuelle: L. N. Gumilev, 'le dernier des eurasistes'?", *Revue des études slaves*, Vol. 73, 2001, pp. 449-459.

[5] A. Ferrari, *La foresta e la steppa...* cit., pp. 275-279.

[6] G.A. Ziuganov, *Evraziia: sud'ba i vyzov*, in Idem, *Drama vlasti: stranitsy politicheskoi avtobiografii*, Moscow, 1993, pp. 173-179; G.A. Ziuganov, *Geografiia pobedy: osnovy rossijskoi geopolitici*, Moscow, 1998.

[7] See for example M. Laruelle, "Alexandre Dugin: esquisse d'un eurasisme d'extrêmedroite en Russie post-soviétique", *Revue d'études comparatives Est-Ouest*, Vol. 32, No. 3, September 2001, pp. 85-103; A. Shekhovtsov, "Aleksandr Dugin's Neo-Eurasianism: The New Right à la Russe", *Religion Compass*, Vol. 3, No. 4, 2009, pp. 697-716; D. Shlapentokh, "Dugin Eurasianism: A Window on the Minds of Russian

In any case, the neo-Eurasianist discourse has been widespread in the post-Soviet years, representing the most radical expression of Russia's anti-Western orientation. In addition, the objective of bringing together the territories that were part of the Russian Empire and the Soviet Union is strictly connected with Neo-Eurasianism, considered by some analysts nothing more than "[...] a pseudonym for the re-composition of the post-Soviet space" [8].

Putin, Eurasianism and the Eurasian Union

Not surprisingly, neo-Eurasianism is viewed with strong suspicion in the West and Putin's political rise was soon connected to this ideological trend. The speech delivered by Putin on 10 November 2000 that began with the words "Russia has always felt a Eurasian country" (*Rossiya vsegda oščušala sebja evraziatskoj stranoj*) had already aroused strong concern. It was actually a very pragmatic text, uttered on the eve of an Asian-Pacific Economic Cooperation (APEC) summit, in which Putin noted that its primarily Asian geographical location gives Russia many potential economic opportunities to be exploited. The entire speech consisted of the prospect of a Russia that finally manages to exploit its geographical position to become a center of economic interaction and political stability in Asia, Europe and America. Although these arguments echoed some ideas advanced by one of the founders of Eurasianism, the father of Russian geopolitics Pyotr Savickij[9], Putin's speech appeared to be based more on the scarcely deniable evidence of the

Elite or an Intellectual Ploy?", *Studies in East European Thought*, Vol. 59, No. 3, 2007, pp. 215-236.

[8] S. Panarin, "Evrazijstvo: za i protiv, včera i segodnja (materialy 'kruglogo stola')" [Eurasism. Pros and cons (materials of a round table)], *Voprosy filosofii*, No. 6, 1995, p. 11.

[9] A. Ferrari, *Eurasianism: A Russian Approach to Geopolitics*, in M. Antonsich, Vl. Kolossov, M.P. Pagnini (eds.), *On the Centenary of Ratzel's* Politische Geographie*: Europe between Political Geography and Geopolitics*, Società Geografica Italiana, Rome, 2001, II, pp. 879-887.

Eurasian geographical positioning of Russia than on a specifically Eurasianist ideological perspective. This did not, however, prevented Dugin from already "enlisting" the president among the supporters of Eurasianism in the aftermath of this speech[10].

However, the inclusion of Putin in Eurasian ideology is largely misleading. As Marlene Laruelle states,

> Dugin's networks are those of the European New Right, rooted in barely concealed fascist traditions, and with some assumed intellectual and individual affiliations with the Nazi ideology and post-Nazi elusive transformations. On the contrary, the Kremlin has progressively created a consensual ideology without doctrine, founded on Russian patriotism and classical conservative values: social order, authoritarian political regime, the traditional family etc.[11].

Although many scholars continue to wonder if his foreign policy should be considered within the Eurasianist orientation[12], it is certainly a colossal mistake to see Dugin as "Putin's brain"[13]. Or, sometimes, it is a voluntary distortion of the reality that aims to represent in the worst possible light the politically unwelcome Eurasianist project. In fact one gets the impression that many analysts not only overestimate Dugin's importance in Russian foreign policy, but also instrumentally tend to look at the project of the Eurasian Union through his ideological lens. The fact that since

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[10] A. Dugin, "U Rossii novyj evrazijskij kurs" [Russia follows a new Eurasianist path], *www.strana.ru* , 14 November 2000.

[11] M. Laruelle, *Dangerous Liasons: Eurasianism, the European Far Right, and Putin's Russia*, in M. Laruelle (ed.), *Eurasianism, the European Far Right...* cit., p. 23.

[12] See for exemple E. Erşen, *Neo Eurasianism and Putins Multipolarism in Russian Foreign Policy*, http://marmara.academia.edu/EmreErsen/Papers/1097075/NeoEurasianism_and_Putins_Multipolarism_in_Russian_Foreign_Policy; D. Shlapentokh, *Russia's Foreign Policy and Eurasianism*, 1 September 2005, http://www.eurasianet.org/departments/insight/articles/eav080205a.shtml

[13] A. Barabashin, H. Thoburn, "Putin's Brain: Alexander Dugin and the Philosophy Behind Putin's Invasion of Crimea", *Foreign Affairs*, 31 March 2014, https://www.foreignaffairs.com/%20articles/141080/anton-barbashin-and-hannah-thoburn/putins-brain

the launch of the Eurasian Union project in 2011 many Western scholars and media have tended to analyze it as the victory of Eurasianist ideology is largely misleading. The Eurasian project advanced by the Russian leadership in recent years should instead be studied in its concrete political and economic significance, without attributing an ideological interpretation that seems largely groundless. As noted by the Russian analyst Fyodor Lukyanov,

> The enthusiasts of the Eurasianist ideology – according to which Russia is a specific civilization opposed to Europe and with a mission to unite the vast spaces of Eurasia – were galvanized by the idea of Putin, but neither in his article nor in the subsequent explanations, however limited and very practical, is there anything of Eurasianist metaphysics in the spirit of Trubetskoy, Gumilev or Dugin [...] the Eurasian Union proposal is not what you see from the outside. It is not an incarnation of the "great steppe" or a revival of the USSR and only partly an alternative to the European Union. If the project will continue, and will in this sense is very strong, it must be filled with a very concrete content and the benefits that the participants can derive will push them to seek an ideological framework. Currently, the Eurasian Union is another illustration of the transition of the Russian ideological consciousness, that clearly begins to detach itself from the former imperial matrix, but still cannot admit it[14].

Even a critic of this project like Nico Popescu remarked that:

> Putin may be fond of ideas and is certainly acutely aware of the power of symbols. He is increasingly ideological and nationalist. But he has always been a practical man. For him, the Eurasian Union is a practical project that also reflects the thinking of Russia's foreign policymaking class as a whole. The overlap between Putin's project and the historical and theoretical Eurasianism put forward by earlier thinkers is almost accidental – except that both have their roots in Russia's eternal need to define its place between Asia and Europe[15].

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[14] F. Lukyanov, "Nedorazumenie po-evrazijski", ["A Eurasianist misunderstanding"], *Gazeta*, 28 August 2012, http://www.gazeta.ru/column/lukyanov/4735037.shtml

[15] N. Popescu, op. cit., p. 7, http://www.iss.europa.eu/publications/detail/article/eurasian-union-the-real-the-imaginary-and-the-likely/

Nevertheless, if the inclusion of Putin in the Eurasianist ideology appears substantially groundless, his political action has certainly shown a strong interest in the Eurasian area as such. One cannot underestimate the scale of Putin's well-known statement of 25 April 2005, when he declared he considered the dissolution of the USSR "the greatest geopolitical catastrophe of the twentieth century"[16]. The re-composition of the post-Soviet space in a more concrete form than what is represented by the CIS is obviously a key objective of Putin's political agenda, which from this point of view can be put near the Eurasianist vision, but does not coincide with it.

However, there is no clear distinction within the Eurasian project between its practical, economic dimension and the ideological and geopolitical one. As noted by a scholar who looks at this with concern and skepticism at the same time,

> In fact, however, there are two Eurasian Unions: one real, and the other imaginary. One is economic, and the other geopolitical. The real Eurasian Economic Union is an international organization like many others. It has a legal identity, a secretariat and is staffed by bureaucrats who would not look out of place in the European Commission building in Brussels or the WTO secretariat in Geneva. Its member states exchange trade concessions among themselves and rely on the institution as an external enforcer of rules. But there is another Eurasian Union, one fuelled by geopolitical aspirations[17].

Indeed, it is key to note that apart from its economic dimension, the Eurasian project has an important and still largely undefined strategic significance.

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[16] http://archive.kremlin.ru/appears/2005/04/25/1223_type63372type63374type82634_87049.shtml

[17] N. Popescu, op. cit., p. 7.

The Eurasian project after the Ukrainian crisis

The actual aim of the Eurasian project is to be viewed primarily as the desire to strengthen, first from an economic point of view, cooperation among the countries of the post-Soviet space. This project began to develop in July 2011 with the birth of the Customs Union of Russia, Belarus and Kazakhstan, which became the Common Economic Area on 1 January 2012 and the Eurasian Economic Union on 1 January 2015 with the inclusion of Armenia and Kyrgyzstan. This initiative, covering over three quarters of the post-Soviet space and 183 million people, is in effect Moscow's most serious attempt at integration since the fall of the Soviet Union, because the founders of the new structure envisage it as combining both political and economic functions[18].

In recent years Moscow has exerted strong pressure on the post-Soviet republics in order to convince them to adhere to this initiative. In particular this pressure has regarded Ukraine, which due to its large population and economic potential is the key country for the realization of this integration process. As a matter of fact Ukraine would be much more important for the realization of the Eurasian project than all the other post-Soviet states. Besides, the insertion of Ukraine in the Eurasian Union could also show that this project is not monopolized by Russia. As has been remarked, "With only a little exaggeration, it could be said that Russia needed Ukraine to play in the Eurasian Union the sort of role that France has played for Germany in the EU – that of a *de facto* weaker partner that pretended to be equal – to create at least the perception that Russia was not dominant"[19].

Nevertheless, Ukraine's integration into the Eurasian project was hampered by the strong pro-Western inclination of a large part of the population and of the political elite of this country, which is also the main goal of the eastward projects of the UE, particularly of the European Neighborhood Policy (2004) and the Eastern Partnership (2008) [20].

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[18] F. Lukyanov, *Building Eurasia and defining Russia*, in K. Liik (ed.), op. cit., p. 19.

[19] K. Liik, *Introduction: Russia's pivot to Eurasia*, in Idem (ed.), op. cit., p. 14.

[20] On this issue see my article *EU-Russia: What Went Wrong?*, in A. Ferrari (ed.), *Beyond Ukraine. EU and Russia in Search of a New Relation*, Milan, Epoké-ISPI, 2015,

However we judge the evolution of the political scene in Kiev after the regime change in February 2014, there is no doubt that the entry of Ukraine into the Eurasian project seems to have largely vanished. And this is a very strong blow to the whole process of integration desired by the Kremlin, which loses its main goal. Besides, one should not underestimate the concern caused by the annexation of the Crimea and the Russian military intervention in the Donbass in countries such as Belarus and especially Kazakhstan[21], which hosts a large Russian community in its northern regions[22]. The already considerable resistance that these countries were showing to transformation of the Eurasian Economic Union into a political subject has in fact strengthened after the Ukrainian crisis[23]. The entry into the Eurasian Economic Union of politically and economically not very significant countries such as Armenia (October 2014) and Kyrgyzstan (May 2015) has certainly not offset the loss of Ukraine. Nor would that of Tajikistan, still undecided on this step.

The Eurasian integration project is negatively affected by a variety of factors. First should be considered the hostility of the West, particularly of the United States, which strongly opposes the revival of a unified political space in the heart of Eurasia. We should still remember Brzezinski's well-known words: "America's primary interest is to help ensure that no single power comes to control this geopolitical space and that the global community has unhindered financial and economic access to it"[24].

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pp. 29-43, pp. 29-43.

[21] G. Vielmini, *Dopo la Crimea il Kazakhstan?*, in A. Ferrari (ed), *Oltre la Crimea. La Russia contro l'Europa?*, Milan, ISPI, 2014, pp. 1-12.

[22] See chapter 4 in this volume

[23] B. Balci, *In taking Crimea, Putin will lose Caucasus and Central Asia*, 24 March 2014, http://carnegieendowment.org/2014/03/24/in-taking-crimea-putin-will-lose-central-asia-and-caucasus/h5p8; N. Schenkham, "Customs Disunion. Putin's Plans for Regional Integration Go Boom", *Foreign Affairs*, 12 May 2014, http://www.foreignaffairs.com/articles/141412/nate-schenkkan/customs-disunion?sp_mid=45902074&sp_rid=YWxkby5mZXJyYXJpQHVuaXZlLml0S0

[24] Z. Brzezinski, *The Grand Chessboard. American Primacy and Its Geostrategic*

And the recent deterioration of relations with the West after the Ukrainian crisis induced the Russians to think that this negative attitude is now even stronger: "Finally, the new Cold War increases the influence of external factors on the Eurasian Union. Before the Ukraine crisis, the US and Europe simply refused to recognize the process of integration; now they will try to block it"[25].

Another important negative issue is China's cold attitude to the Eurasian project. Beijing is quickly expanding its economic penetration of Central Asia and cannot view with enthusiasm this Russian project of integration[26]. But besides Western and Chinese resistance one should consider the reservations of many post-Soviet countries about this reintegration that inevitably would see the overwhelming pre-eminence of Russia. Apart from Belarus and Kazakhstan – which anyway aim at a real and difficult equality with Russia in the Eurasian Union – the other post-Soviet states do not seem particularly enthusiastic about a prospect that clearly implies the surrender of a share of their sovereignty.

More generally it can be observed that in spite of a long historical coexistence today's Russia seems unable to become a really attractive political, economic and cultural model for the post-Soviet countries. Several of these countries have joined the Eurasian Economic Union only due to a lack of viable alternatives or sometimes under strong political pressure from Moscow. This is indeed the main obstacle for Russian projects to reconstruct post-Soviet space.

Besides the Baltic republics, which are already part of the EU and NATO, the remaining post-Soviet countries can be divided into three groups as regards their attitude toward the Eurasian project. In the first group we can put Belarus, Kazakhstan, Armenia, Kyrgyzstan and Tajikistan. These republics want to remain

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Imperatives, Basic Books, New York, 1997, p. 148.

[25] T. Bordachev, *Eurasian Russia in the Twenty-First Century*, in K. Liik (ed.), op. cit., p. 31; see chapter 3 in this volume.

[26] However, Chinese attitude towards the Eurasian project is more ambiguous than openly hostile. S. Kisacik, *China's Approach toward the Eurasian Economic Union*, http://www.hazar.org/blogdetail/blog/china%E2%80%99s_approach_toward_the_eurasian_economic_union_918.aspx

independent from Moscow but joined the Eurasian Union or are about to do so, albeit with very different motivations. Three of the remaining countries – Ukraine, especially after February 2014, Moldova and Georgia – are not willing to participate in the Eurasian project and aim at a difficult European integration. Finally, Azerbaijan, Turkmenistan and Uzbekistan do not accept any form of political integration[27].

In light of this situation, many scholars, especially the Western ones, believe that the Eurasian project should be considered substantially failed. For example Nicu Popescu argues that:

> The Eurasian Union has been an attempt to reverse the disintegration of the former post-Soviet space by turning it into a new Eurasia. Yet efforts in this direction seem to have precipitated the end of Putin's dream of a larger Eurasia. The real, but small, Eurasian Economic Union will continue to exist. Time will tell whether it will be a success or not. But the dream of a geopolitical Eurasia died in Ukraine. "Eurasia" will remain confined to its existing members, and a few small and poor states that will not necessarily make the union stronger. The key question is how the real Eurasian Union will build its relationship with the European Union"[28].

This judgment appears well founded for many aspects, but it can be supplemented by some considerations. Indeed the current situation could change, starting from Ukraine. Despite the regime change of February 2014, this country has not solved any of its political and economic problems. The further deterioration of the internal situation could bring back to the Ukrainian agenda of a rapprochement with Russia and then with the Eurasian project. At the present time it is certainly a far away perspective, but it cannot be completely excluded. But above all, despite the many political and economic difficulties, the Eurasian project remains at the center of Russian strategy and preserves a potentially great

[27] K. Hoffmann, "Eurasian Union – a new name for an Old integration idea"; M. Laruelle, "When the "near Abroad" looks at Russia: the Eurasian Union Project as seen from the southern Republics", *Russian Analytical Digest,* No. 112, 20 April 2012

[28] N. Popescu, op. cit., p. 36.

importance, especially as regards its "Eastern dimension". In this sense, however important relations with the European Union could be, the Eurasian Union has in store a no less promising alternative, namely China and more generally the Asian world. As was noted by one of the most influential Russian analysts, "If Ukraine is to be excluded, the 'Eurasianness' of the project becomes more palpable. The union without Ukraine would be focused on the east and the southeast"[29].

In this perspective, the importance of the relationship between Russia and the EU should not be overestimated. According to another Russian scholar, "[…] in the longer-term, integration with the EU is not the most important challenge for Russia. Rather, Russia must look east and integrate the huge territory that stretches from Yekaterinburg to Vladivostok into modern civilization"[30].

In fact, regardless of the Eurasianist ideological vision, the enormous growth of the economic weight of China and the Far East is for Moscow a decisive and still not adequately exploited opportunity. The prospect of making Russia a kind of Eurasian bridge between Europe and the Far East has long been widely present in the Russian political, economic and cultural debate[31]. And, as we have already seen, Putin himself spoke about this issue at the beginning of his first term. In the last fifteen years, however, very little has been done in this direction. Russia has not hitherto been able to actively participate in the momentous transformation determined by the shift towards the Pacific Ocean of the global political and economic axis. The main reason for this delay must probably be considered the persistence within the Russian elite of a political, cultural and economic mentality that remains largely oriented towards the West. For example one can read Vladislav Inozemtsev's clearly pro-Western vision of new Russian policy in the Far East:

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[29] F. Lukyanov, op. cit., p. 21.

[30] T. Bordachev, op. cit., pp. 26-27.

[31] A. Ferrari, *La Russia come «ponte eurasiatico» tra l'Europa e il Pacifico. Un progetto alternativo di sviluppo*, in G. Tannini (ed.), *Cina e Russia. Due transizioni a confronto*, Milan, Franco Angeli, 2005, pp. 42-66.

> Many Russians support the project because they value the geopolitical position of their country, but at the same time, they see themselves as Europeans. The Eurasian integration project involves not so much a "gathering" of Slavic and non-Slavic peoples around Russia but rather a clear refocusing towards Asia. That is why Ukraine is so important to the enterprise: without it, the Eurasian Union would become a tool for the "Asianization" of Russia, which a significant part of the Russian electorate does not want. The EU is attractive not only to those who gathered on Kiev's Maidan but also to many Russians, especially those who have long been familiar with the European way of life. A perception of the Eurasian Union as a less attractive alternative to the EU that would block Russia from moving closer towards the West would cause huge disappointment among the Russian public – even if after the annexation of Crimea this public seems united around President Putin [32].

In the last years, however, the idea that the immense and still insufficiently exploited Asian regions of Russia should become the main driving force of the country's development has become more and more widespread. Recently some leading Russian scholars have written from this perspective that:

> […] Russia should make a resolute move to redirect its efforts toward the new Asian markets. Such a transition is long overdue. It first of all needs to review its traditional Euro-centric mentality to see the opportunities and challenges the Eastern markets offer and become aware of the shift of the global economic and political center to the Pacific region. However, relations with Europe should remain the core of Russia's cultural and ideological focus. Its powerful economic ties with Europe should also be preserved. At the same time the creation of its own integration group based on the Eurasian Union should become a component part of Russia's new foreign policy. We call this partial reorientation Russia's new globalization[33].

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[32] V. Inozemtsev, *Russia turns east: Eurasian integration, regional development, and the West as East*, in K. Liik (ed.), op. cit., p.65.

[33] O. Barabanov, T. Bordachev, "Toward the Great Ocean, or the New Globalization of Russia", *Valdai Discussion Club analytical report*, Moscow, July 2012, http://vid-1.rian.ru/ig/valdai/Toward_great_ocean_eng_short.pdf

Without therefore predicting reduction of the political, economic and cultural relations with Europe, this understanding of the Eurasian Union seems to be strictly linked to a new strategy for the development of Siberia and the Russian Far East. Such a strategy aims to largely abandon the imperial and Soviet legacy to make Russia a modern state, able to take concrete economic advantage of its favorable position between Europe and Asia. According to these scholars, in order to have a truly decisive impact such a policy should even consider moving the Russian capital from Moscow to Vladivostok, on the Pacific coast. This move would repeat Peter the Great's famous choice of "opening a window", no more on Europe, but on Asia[34].

Vladivostok, which means "ruler of the East", can therefore assume a strong symbolic value in a project that aims to fully exploit the geographical position of Russia as a "bridge" between Europe and Asia. A position that is particularly promising in today's situation of impetuous political and economic growth in Asia. In this perspective, the effective exploitation of the Siberian and Far Eastern regions of the country can really make a decisive contribution to the process of modernization and development of Russia, determining the specificity of the whole Eurasian project. In this sense, the Eurasian Union can be seen not only as another embodiment of traditional Russian expansionism, but also as a creative participation in the most advanced international dynamics. This way, as Fyodor Lukyanov wrote, "Eurasia could potentially claim a leading role in defining the principles of globalization, by becoming a place where regional institutions can be built and new rules for relations can be set down"[35].

According to one of the most enthusiastic proponents of the Eurasian project, the Western (and Chinese) opposition can be considered a clear signal of its growing importance: "The intensity of European and Chinese opposition to the Eurasian Union refutes critics' statements that the union is artificial, amateur, and doomed.

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[34] *Ibid.*; D. Trenin, "Russia Can Pivot to Pacific, Too", *The Globalist*, 7 September 2012, http://www.carnegie.ru/publications/?fa=49312

[35] F. Lukyanov, op. cit., p. 18.

The EU says that any rapprochement with the Customs Union blocks off the "road to Europe" for any country. China is less direct but also 'raises concerns' about the impact of Eurasian integration on freedom of trade and investment in the CIS – by which it means on the scale and depth of penetration of Chinese business in the former Soviet republics. In fact, the Europeans and the Chinese have made a fairly accurate assessment of the potential of this new union and are taking steps to prevent it from being a reality"[36].

However, skepticism about this project does not come only from the Western or Chinese players; even many Russian observers think that the Russian government is essentially failing in developing the Siberian and Far Eastern regions of the country. Despite the creation of a Ministry of Development of the Far East and the move from Moscow to Vladivostok of some government agencies, none of the major problems of the area have been concretely addressed: demographic crisis, infrastructural weaknesses, corruption[37]. Up to now Moscow hasn't wanted to give these regions more real autonomy, but maintains a kind of colonial attitude towards the eastern part of the country. In such a situation, the region will never be fully developed[38].

Conclusions

A well-known US analyst wrote that: "For now this [the Eurasian Union Project] may be an integration project, but most likely this, like previous incarnations of the Russian empire, will promote war, insecurity, instability, and the very centrifugal forces it was meant to block"[39].

Nevertheless, if we avoid such a prejudicially antagonistic view of Russia and its foreign policy, the Eurasian project can be read not only as a new expression of the Russian traditional imperial model.

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[36] T. Bordachev, op. cit., p. 30.

[37] *Ibid.*, p. 27.

[38] V. Inozemtsev, op. cit., pp.66-67.

[39] S. Blank, *The Intellectual Origins of the Eurasian Union Project* , in F. Starr, S.E. Cornell, op. cit., p. 27.

From another point of view the Eurasian Union can also be considered an ambitious strategic response to the challenge posed by an international situation where the risk of progressive marginalization is very high for Russia despite its energy sources. Besides, in a global context that imposes increasing integration, the political and economic reconstruction of the post-Soviet space appears potentially desirable not only for Russia. If the end of the Soviet ideological system can only be welcomed, the dissolution of the political, cultural and economic commonwealth emerging over the centuries around Russia has had largely negative outcomes for almost all the countries involved and the attempt to work towards a new form of integration cannot be a priori refused. Instead we should ask whether this path is actually workable. As a matter of fact, the Eurasian project is seriously weakened not only by the opposition coming from the United States and China and by the limited enthusiasm of the other post-Soviet States. The main question must probably be considered Russia's actual ability to realize this project. As written by a Russian scholar, "The eventual outcome of the Eurasian idea depends on a range of factors, such as Russia's ability to present itself as an attractive economic partner and its capacity to guarantee security in the context of global and regional instability. If things turn out this way, the Eurasian idea could lead to the creation of a Greater Europe that stretches from the Atlantic to Vladivosto…"[40].

This indeed is the crucial point. To use an expression introduced by Lev Gumilev, the founder of neo-Eurasianism, today's Russia seems to lack the "passionality" necessary for a breakthrough of this kind. The effective implementation of the Eurasian project requires a "creative" approach - both internally, especially towards the Asian territories of the Russian Federation, and externally, towards the post-Soviet countries - that Moscow so far has not demonstrated. Without a radical change of attitude and political capacity from the Russian authorities, the project of the Eurasian Union will hardly match the ambitions of those who proposed it.

[40] P. Stegny, *Russia's foreign policy: searching for a new Paradigm*, in K. Liik (ed.), op. cit., p. 44.

7. Conclusions. Policy Implications for the EU

In a recent article, Eugene Rumer draws attention to the strangely contradictory nature of Russia's image in the US: "Moscow is out to change the world order, according to General Philip Breedlove, NATO's military commander. The entire American military establishment has designated Russia the biggest threat to the US. In response, the Pentagon is beefing up its troops, armor and artillery in Eastern Europe, and wants an additional $3.4bn to pay for it. Meanwhile Barack Obama says Russia is 'overextended and bleeding' in Syria, and its economy is shrinking 'drastically'. The nation is dismissed by others as 'a hollow superpower' with no real strategy behind its overseas adventures. So which picture is accurate? Both"[1].

Rumer's words may provide a clear background to some implications of Russia's foreign policy assertiveness in a time of severe economic stagnation. They may also help sketch-out some policy recommendations for the West and, in particular, the EU.

1 – Despite Russia's economic instability, the West should not underestimate Moscow's prowess on the global scene

At least from a Western perspective, Russia's ambitious foreign policy is challenged by economic instability. In the near future, indeed, Moscow will have to cope with a number of complex issues, both at the domestic and the international level. However, this does not mean that the West can underrate the potential that

[1] E. Rumer, *A world order reshaped by Vladimir Putin's ambition*, http://carnegieendowment.org/2016/04/06/world-order-reshaped-by-vladimir-putin-s-ambition/iwqb

Russia exerts as a global player in the international arena. Neither sanctions nor economic weaknesses, in fact, are actually hindering the Kremlin's leadership, especially at home. On the contrary, Vladimir Putin has been catalyzing large consent among Russian society, being portrayed as the nation's champion capable of reflecting its ambitions in the international context.

As Phil Hanson put it in his chapter, "Putin's, or 'Russia's ambitions are both political and economic, and the two are intertwined. It makes sense to think, in both cases, of minimum and maximum ambitions. The minimum ambition is the survival of the present system on which Russia operates and the preservation of its position as a regional power. The maximum ambition is to become once more a global power and to catch up economically with the West. Russia is close to achieving its maximum political ambition but is failing badly economically. There is no obvious way to catch up to the West without radical reform". But it is very unlikely that these reforms will be launched before the end of the current election cycle in Russia – namely after elections of the state Duma in the coming fall and after presidential elections in March 2018.

2 – Time is ripe to acknowledge that Moscow has legitimate interests in the European economic, political and security structures and policies

While the task of incorporating a Russian presence and a Russian voice into the European system is anything but a simple one, no European order that fails to take Russia into account can be truly stable. As Walter R. Mead points out in his chapter it is key to check Russia today, but the ultimate goal must be to engage it.

It remains to be seen if both Europe and the United States will be up to task. However, the good news is that Russia is not a huge threat, and improving relations should be anything but impossible. Rebalancing relations with Russia does not require great military force or endless economic sanctions. In fact, the objective of a firmer Western policy will be to avoid the need for such blunt instruments.

If the West can show Putin that his policy options are much more limited, he will be forced to choose others more compatible with Western interests. Given Russia's fundamental weaknesses, this task should be achievable. To this aim, however, the West should have a crystal-clear understanding of Russia's aims and communicate that understanding to Europeans and Americans so that they do not fall victim to exaggerated estimates of Russia's strength or weakness.

3 – Overcoming reciprocal lack of trust: a cornerstone in a new West-Russia collaboration

In the current situation, it seems difficult to find simple solutions. The most likely – and certainly not the worst possible – scenario seems to be one where cooperation and confrontation between Russia and the West will co-exist. This relationship may be defined as a "selective cooperation without trust" between the two sides. Management of the ongoing conflicts, rather than a definitive resolution to them, seems to be the best achievable result. A truce between Moscow and the West appears to be the only wise option, in the attempt to avoid any possible and highly dangerous collision. Unfortunately, although this does not represent a final solution, it seems to be the only viable path at present.

Political relations between Russia and the West are likely to remain tense or even confrontational on a whole range of strategic issues. Among these are the risk of renewed escalation in Ukraine in the wake of the failure of the Minsk II agreement, the strengthening of NATO military infrastructure in Eastern Europe, and the different political views on how to solve the Syrian crisis. Nevertheless, as shown by the Kremlin's positive role in the nuclear deal with Iran, there still is large room for cooperation with Moscow on the international agenda. Possible areas of cooperation may include energy trade, the fight against terrorism, cyber security, relations between Serbia and Kosovo, the still-contentious boundaries of Bosnia-Herzegovina, the Iranian nuclear dossier, anti-terrorism, Armenia-Azerbaijan hostilities, stability and trade connectivity in and via Central Asia (like a EU-Russia/

Eurasian-Union-China Silk Road). Russia and the West also have common interests in stabilizing the situation in Afghanistan and in promoting peace between India and Pakistan.[2] Indeed, both sides, and the EU in particular, should make the greatest possible effort to reconsider their conflicting security agendas and clearly identify areas of reciprocally beneficial cooperation.

4 – The growing militarization of the political conflict in Eastern Europe should be de-escalated

A joint effort should be made to tone-down tensions, mainly those concerning Ukraine and Eastern Europe.

As one of the leading Russian political analysts has recently remarked "The conflict is not primarily between Russia and the European Union, but rather between Moscow and Washington, with Europe a secondary participant on the U.S. side, and a virtual battlefield in the economic and information war. Unfortunately, although no one wants a military clash, risks of direct military confrontation in Europe are uncomfortably highest in three decades".[3]

In addition to economic sanctions and exclusion from the G8, the Ukrainian crisis has contributed to creating a deep rift with the West, which has been Russia's main political, cultural and economic partner since Peter the Great. Moreover, an immediate outcome of this crisis has been the strengthening of NATO's pressures on the Russian border, which is exactly what Moscow fears the most. The Kremlin's document of international strategic doctrine, published in November 2015, explicitly considers this dynamic as the current main threat to Russian security. Meanwhile, the intervention in Syria, although successful in projecting Russian influence in the Middle East, had a very high cost to Moscow.

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[2] J. Stavridis, http://foreignpolicy.com/2016/04/20/avoiding-the-new-cold-war-with-russia/?utm_source=Sailthru&utm_medium=email&utm_campaign=New%20Campaign&utm_term=Flashpoints

[3] D. Trenin, *Russia and the West, For now do not (further) harm*, http://carnegie.ru/2016/04/10/west-and-russia-for-now-do-no-further-harm/ix1q

5 – The West and the Russia-led Eurasian project: any prejudice is to be avoided

The recent membership in the Eurasian Economic Union of not very politically and economically significant countries such as Armenia (October 2014) and Kyrgyzstan (May 2015) has certainly not counterbalanced the loss of Ukraine, nor would that of Tajikistan, still undecided on this step. Besides, Russia's aggressive policy in Ukraine nourished serious concerns even among its closest allies such as Kazakhstan and Belarus, which indeed decreased their levels of cooperation and integration in the Eurasian Union. As a matter of fact, the Eurasian project is seriously undermined not only by the opposition coming from the United States and – in a different way – from China, but even more by Russia's limited ability to present itself as an attractive political, economic and cultural partner for the other post-Soviet states. At the same time, it should be noted once again that, however important the relationship with the West may be, Russia's foreign policy appears more and more directed towards the East. Accordingly, the Eurasian Union project seems to be only a part of this thrust, which also foresees a new and controversial stance with countries in the Far East, and especially with China.

6 – The risk of a closer cooperation between Moscow and Beijing should not be underestimated

The changing role of China within the international community is compromising the balance of power among traditional superpowers and therefore their role and duties within international organizations. Economic governance is a crucial example of this process. China and Russia already cooperate with the recently established BRICS group, which promoted the establishment of a potential alternative to the World Bank, namely, the New Development Bank. Russia is also a founding member of the China-led Asian Infrastructure Investment Bank, an institution that was initially seen as a competitor to the Asian Development Bank, guided by

Japan and the US. For these reasons, even if divided by significant political interests, China and Russia together might represent a growing concern for European and US interests in both political and economic scenarios. The two countries might find their own ways to boost trade in the Eurasian region or influence global politics by promoting alternative agendas. The cases of Darfur and, more recently, Syria show that coordination between the two countries can counter-balance and influence Western initiatives. Hence, a rising China might benefit from Russian political support, even in other troubled scenarios such as maritime disputes or the US' rebalance to Asia. Therefore, the EU should not only acknowledge this growing strategic partnership, but also formulate a more comprehensive and punctual strategy to protect its interests without reinforcing or easing the Moscow-Beijing dialogue.

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