

Russia Redefines Itself and Its Relations with the West

Russian foreign policy's modern-day motives are completely dissimilar to those of the recent Soviet and the more distant czarist past. Whereas the empire was predominantly about Eurasian geopolitics and the Soviet Union promoted a global ideological as well as political project backed up by military power, Russia's business is Russia itself. Seen from a different angle, Russia's business is business. In stark contrast to its Soviet past, postimperial Russia stands among the least ideological countries around the world. Ideas hardly matter, whereas interests reign supreme. It is not surprising then that the worldview of Russian elites is focused on financial interests. Their practical deeds in fact declare "In capital we trust." Values are secondary or tertiary issues, and even traditional military power is hardly appealing. Fluctuating energy prices, not nuclear warheads, are what really matter to Moscow.

Geopolitics is important primarily as it affects economic interests, but not as a guiding theory. Private and corporate interests are behind most of Moscow's major policy decisions, as Russia is ruled by people who largely own it. Although the unofficial slogan says "What is good for Gazprom is good for Russia," in reality "Russia" stands for a rather small group of people. These people have not inherited their power and property but fought hard to get where they are today. Not a single one among them is a public politician; practically everyone is a bureaucratic capitalist. Under President Vladimir Putin's watch, the Russian state has turned into something like Russia Inc., with top Kremlin staffers and senior ministers sitting on the boards of various state-owned corporations and taking an active interest in their progress and profits. In a major

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conflict of interest, for example, between terminating gas subsidies to former Soviet republics and keeping them in Moscow's political orbit, material interest wins. Russian leaders want to be and be seen as powerful and wealthy individually, but also as a group, which helps to achieve their individual goals.

Having survived in a ruthless domestic business and political environment, Russian leaders are well adjusted to rough competition and will take that mindset to the world stage. From their perspective, everyone can be a partner, from U.S. president George W. Bush to Hamas leader Khaled Meshal and from the Council of Europe's rapporteur on Chechnya, Lord Frank Judd, to Iranian president Mahmoud Ahmadinejad. Equally, anyone can become an adversary, even Belarusian president Alexander Lukashenko. It's nothing personal, it's business.

This does not mean, however, that Russian leaders do not know the difference between the diverse parties with which they are dealing. Russian tycoons thrive primarily on the business they conduct with Europe and the United States, and they desire fast, personal integration with the West. Although some would take risky shortcuts to riches through China, Iran, or Venezuela, most probably keep their principal assets in the West instead of Asia or Russia. If things went sour at home, they would probably leave Moscow for London or Zurich, not Shanghai or Mumbai.

From Moscow's perspective, Russian-Western relations are competitive but not antagonistic. Russia does not crave world domination, and its leaders do not dream of restoring the Soviet Union. They plan to rebuild Russia as a great power with a global reach, organized as a supercorporation. They are convinced that the only way to succeed is to get their way, and they are prepared to be ruthless. Virtually for the first time, Russia is turning into a *homo economicus*, and it is emerging as a major player in the highly sensitive field of energy. This naturally disturbs many Europeans and Americans.

This disturbance extends to political and strategic areas. Although Westerners usually reject moral equality between their countries and Russia, namely the "values gap," Russians no longer recognize U.S. or European moral authority. Moscow is prepared to deal with its Western partners on the basis of interests or agree to disagree and compete where necessary. The principal underlying issue between Russia and the West at the start of the twenty-first century is the terms of engagement.

The View from Moscow

Ironically, at the beginning of the twentieth century the Soviets were fiercely ideological, and the West was essentially practical and pragmatic. Now, the Russians have transformed themselves into raw-and-ready capitalists, and

the West is lecturing them on values. From the Russian perspective, there is no absolute freedom anywhere in the world, no perfect democracy, and no government that does not lie to its people. In essence, all are equal by virtue of sharing the same imperfections. Some are more powerful than others, however, and that is what really counts.

Buoyed by high oil prices, Russian leaders are standing tall for the first time in almost two decades. Their level of self-confidence can only be compared to the early 1970s, when the Soviet Union achieved strategic nuclear parity with the United States and the United States suffered defeat in Vietnam. Once begging for loans, Russia has now paid off its debts. Russia is sovereign at last and fiercely independent, no longer a poor ward of the West, and on the way to becoming a power on par with others. For each concession the Russians are now asked to make, they will quote a price.

Power and property are inextricably linked in Russia itself, and Russian leaders, though primarily business oriented, are not oblivious to the political influence that comes with ownership or market dominance. They reason that economic dependencies lead to political dependencies, which result in privileges. The oil and gas business, they believe, is essentially political. For decades, Western oil companies were major political players in the Third World countries in which they operated. Since the 1973 oil boycott, decisions by the Organization of the Petroleum Exporting Countries have been essentially political. The Baku-Tbilisi-Ceyhan pipeline was a U.S.-driven political project, with the aim of bypassing Russia. Transit countries, such as Ukraine and Belarus, have used their critical geopolitics to win concessions from their Russian suppliers. The Russians thus make no apologies for being the principal purveyor of oil and gas to the Western markets. They see it as a strength that stands out among so many Russian weaknesses. They enjoy being an energy power.

Ironically, despite the geographical distance, Russia is in some ways more similar to the United States in its outlook and key characteristics than it is to the European Union. The United States is a nation-state, and postimperial Russia is on the way to becoming one. The role of religion is more prominent than it is in most EU states, although, needless to say, very different than it is in the United States. Russia shares a predilection and propensity toward using force in international disputes and certainly has a residual superpower mentality, now manifested in energy power. The role of money is preeminent, and social democracy is not a major force. Russia is becoming markedly indi-

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vidualistic, although in a very crude fashion. Given all of these characteristics, Russia will modernize and will become more Western, but it will not necessarily become European.

This means that Russia's future foreign policy is likely to be global, assertive, and driven by the national interest as defined by the country's elite. It will be couched in the universalist language of international law and moral values. It will not be tied to the United States or the EU. The idea will be to develop what many Russians believe is their nation's unique capacity to understand different cultures and, if need be, mediate between them. Russia will seek to strengthen its relations with the leading countries of Asia as well as Latin America and continue to be at peace with the Muslim world.

Russia and Europe: Seeking Equality and Reciprocity

Russia's long daydream about uniting with Europe is history. Soviet leader Mikhail Gorbachev's idea of a "common European home" and other Russians' more recent concept of a greater Europe are now regarded as conceptual flights of fancy. Old thinking about integration, which even included EU membership in some cases, has been shelved. The new talk is centered on sovereignty, with the United States as the role model and China as an object of admiration and envy. Present-day Russia wants a Europe without dividing lines: a pragmatic business proposition that assumes the essential equality of two partners.

Russia does not seek to dominate Europe, but it will exploit the EU's various vulnerabilities at a tactical level. To capitalize on the EU's internal divisions, Moscow prefers to deal with the EU's members separately, rather than as a group. It will take advantage of its links to Germany, France, and other important countries such as Italy, Spain, Greece, and Portugal. Based primarily on strong business interests, these relationships are relatively stable, being subject to periodic corrections, such as the recent post-Schroeder "readjustment" of German-Russian relations, but are not in any real danger of sharp reversals. Relying on these productive ties, the Kremlin will work to offset the influence of the recent group of EU entrants, which includes some traditional Russia skeptics such as Poland and the Baltic states.

Having consigned central Europe, including the Balkans, to the EU sphere politically, Russia seeks to acquire assets there and in the Baltic states. Rather than a nostalgic move, this is a pragmatic decision to exploit opportunities where competition is still relatively light. At the same time, the Russians want to keep the post-Soviet neighborhood largely to themselves. From their perspective, NATO and EU enlargement should stop at the Commonwealth of Independent States' doorstep. Gazprom's sharp increase in gas prices in late 2005, leading to the cessation of supplies to Ukraine on New Year's Day in

2006, was the ultimate coup de grace for the former Soviet Union. A similar move led to cutting off Belarus one year later. Moscow sent the message to its neighbors that there would be no special relations or subsidies anymore, even for political loyalists such as Armenia or Belarus. This is as much about geoeconomics as it is about geopolitics. Although the former Soviet states are now considered abroad, Russia still sees these neighbors as economic spaces in which it continues to enjoy some comparative advantages over third-party competitors.

Pipelines are essential to Russia's policy of economic expansion. As Putin mentioned at a meeting with EU leaders in Lahti in October 2006, Europe relies on Russia for 44 percent of the natural gas it consumes, and 67 percent of Russia's natural gas sales are to Europe. The EU will seek to lower its dependence on Russian gas, but pipeline projects that bypass Russia promise bitter rivalry. The underlying cause of the Kremlin's ongoing spat with Georgia is Tbilisi's Westward political orientation, which among other things would allow Western companies to build a pipeline to pump Caspian gas to Europe, bypassing Russia. In Turkmenistan, Russia and the West are already struggling over Turkmenistan's vast natural-gas inheritance.

This energy interdependence will keep the EU-Russian relationship relatively stable in the medium to long term. In 2010 the North European gas pipeline, traveling under the Baltic Sea, will further link Russia and Germany. The development of the giant Shtokman gas field in the Arctic Sea will require cooperation on an even larger scale, due to the massive requirements of expertise and advanced technology, and much of the gas from that project will be shipped to Europe. Russian leaders want to deepen this relationship through asset swaps. In return for allowing Europeans to acquire some of Russia's upstream assets, Russians want a piece of the downstream distribution business in the EU. They see this as a fair trade and are prepared to bargain hard.

Russian companies will continue to seek lucrative assets in other industries as well, proceeding with initial public offerings in Europe, opening Russian businesses to Western buyers. In some sectors, such as the aircraft industry, Russian producers may enter into cooperative arrangements with European companies to acquire lucrative industrial assets. In particular, they have been eyeing the French-German aerospace company EADS, with which there has been some industrial cooperation since 2004. In 2006 a Russian state-owned bank bought five percent of EADS's shares. Russian defense minister Sergei

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Ivanov, who as vice premier also oversees the defense and technology industries, subsequently singled out EADS as a possible future strategic partner in civilian aircraft production. Russians are angered but not deterred by the stiff competition they meet and will keep trying despite occasional setbacks, such as the recent failed bid by Severstal to merge with European steel manufacturer Arcelor.

Outside of government and business relations, European-Russian personal contacts will gradually increase to include ever more diverse interests of societal groups and individuals. Visa-free travel to the EU for ordinary Russians may be decades away, but Russian diplomatic passport holders, that is, the Russian elite, already have that access. Europe's general attractiveness to Russians and its geographic proximity will lead to a gradual social rapprochement between the EU and Russia.

This process will hardly be smooth or easy. In the short term, the European media and publics will become even warier of Russia. The transfer of power in the Kremlin in the spring of 2008 or, as the case may be, the extension of Putin's mandate is likely to be accompanied by events that will drive Russia's image still further into the ground. Political assassinations, large-scale ethnic violence, and terrorist attacks would serve as a pretext for anyone trying to exploit isolation from the West and stir up turmoil at home to create an emergency situation in Russia that would freeze the existing power and property balance.

New members of the EU, particularly Poland and the Baltic states, will negatively affect the EU's attitudes toward Russia. The recent signals from the deepening and widening of the EU are not particularly encouraging. In a dispute over its meat exports to Russia, Poland has succeeded in delaying the start of an EU-Russia negotiation, due in 2006, on a new overarching document to replace the Partnership and Cooperation Agreement. Along with the Baltic states, Poland is wary of the North European gas pipeline and is calling for an EU-wide energy security policy to oppose Russia's domination. The current acrimony of Russian-Georgian relations and the uncertainties regarding Ukraine's foreign policy orientation will also complicate the picture. True statesmanship on each side will be required to keep the relationship from hitting the rocks.

Russia and the United States: Damage Control

U.S.-Russian relations do not benefit from the same economic interconnectedness. With their interactions therefore based mostly on geopolitics, the United States and Russia are in unstable territory. The Kremlin has basically written off Washington as a partner in useful diplomatic business for the foreseeable future. Russian decisionmakers see the United States, with its Iraq turmoil,

as distracted and disinterested. To the extent that they must deal with the United States, they view it mostly as a problem. The U.S. opinion on Russia is to an extent a mirror image. Most of the meager news about Russia in the United States is negative as well.

The U.S. and Russian foreign policy agendas are very different. Washington's agenda is currently dominated by Iraq, Islam, terrorism, and the proliferation of weapons of mass destruction. Russia puts the post-Soviet neighborhood front and center. In principle, these plans could complement each other and lead to a measure of productive interaction, but the ideological bent of the Bush administration on democracy promotion and the Kremlin's domestic heavy-handedness and suspicion about democracy promotion prevent any chance of serious, long-term engagement.

The only positive goal the Russian government is currently pursuing with the United States is accession to the World Trade Organization (WTO), likely to be completed in 2007. Moscow recognizes that keeping the issue unresolved indefinitely would mean more problems later. Now that Georgia has recalled its signature from its bilateral WTO protocol with Russia to protest Moscow's economic sanctions, Russia wants to avoid Ukraine acceding first and using its membership as a bargaining chip during gas talks. Yet, reaching agreement with the United States has turned out to be exceedingly difficult. Even signing the bilateral protocol in November 2006 is only a prologue to dealing with the Jackson-Vanik Amendment. This piece of U.S. legislation, passed in 1974, originally conditioned normal trading relations with the Soviet Union on Moscow permitting its Jewish citizens to emigrate. Although the original purpose of the amendment is no longer relevant, the legislation continues to block Russia from acquiring normal trading status in the United States.

Washington and Moscow conflict more directly on the issue of U.S. influence in the post-Soviet area. Russia is adamantly opposed to NATO membership for Ukraine, Georgia, and Azerbaijan. Capitalizing on Uzbekistan's decision to remove the U.S. military presence there, Russia is trying to ease U.S. forces out of Central Asia altogether. Moscow has been somewhat relieved by the August 2006 election of Russia-friendly Ukrainian premier Viktor Yanukovych, who will counterbalance the pro-Western, liberal president Viktor Yushchenko. Obviously, the Russians would like to see President Mikhail Saakashvili's government in Georgia replaced by some who would take Russian interests more seriously. Saakashvili, to many Russian leaders, is what Venezuelan president Hugo Chavez is to the United States. There is little, however, that the Kremlin can do about the Georgian president.

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Energy interdependence will keep the EU-Russian relationship relatively stable...

As a permanent member of the UN Security Council, Russia is an important factor in several areas of major significance to the United States. Moscow's cooperation is a necessary part of any solution to the Iranian nuclear issue that is negotiated in the UN context. It is similarly vital to the North Korean

problem, even though China is playing a leading role there. A common position of the five countries negotiating with Pyongyang, including Russia, is a *sine qua non* for North Korea taking the six-party talks seriously. Across the greater Middle East, with U.S. policies in Iraq, Afghanistan, and Lebanon and toward the Israeli-Palestinian dispute in crisis, Russia could be a useful partner. It keeps a presence in Central Asia

and maintains contacts with the elements of the former Northern Alliance in Afghanistan, which opposed the Taliban for years and joined with the United States to end the Taliban's rule in 2001. It has a long-standing relationship with Syria, having supplied arms to Damascus for two generations. It has useful contacts among the Palestinians and the Lebanese factions and a very vibrant relationship with Israel, approximately one-fifth of whose population is Russian-speaking. Despite the very different lenses through which the White House and the Kremlin view the war on terrorism, the core interests of each call for collaboration against Islamist extremists.

Russia could move somewhat on these top U.S. priorities, but it will not budge without a serious *quid pro quo*. Essentially, the Kremlin wants the United States to stop being a spoiler in the Russian neighborhood. Yet, even if the United States was willing to make certain concessions, Russian flexibility has its limits. Russian leaders will not subscribe to anything at the UN Security Council that would sanction the use of force against Iran. From the Russian perspective, a preventive war over Iran is worse than a nuclear Iran. They believe that a war would only delay Iran's nuclear program, but at the price of a major regional crisis, political radicalization, and Muslim-Western confrontation. Looking at Iraq and Afghanistan, Russians are skeptical about U.S. staying power and its effectiveness. They suspect that the United States might try to disarm Iran, fail, and have to withdraw, leaving others in the neighborhood, including Russia, to inherit the mess. As Russian foreign minister Sergei Lavrov put it, Russia will not make the mistake it made in 1914 when it became involved in other peoples' war (World War I) and lost everything.

With the U.S.-Russian economic anchor being essentially absent, political relations can and probably will become substantially worse. A crisis could arise

over some provocation or miscalculation in Georgia or Ukraine, should the main Ukrainian factions resume their bitter internecine fight. A resumption of hostilities in Abkhazia or South Ossetia would draw Russia in, resulting in a Russian-Georgian military confrontation, with Tbilisi appealing to the United States and Europe for protection and support. A major political split within Ukraine could also put the territorial unity of the country in question, encouraging Russian irredentists to propose holding a referendum in overwhelmingly Russian-speaking Crimea. Russia is turning nationalist, with clear anti-U.S. overtones, while the U.S. public sees Russia in an increasingly negative light. The rhetoric of both countries' 2008 presidential elections is likely to strain relations even further. During the U.S. campaign, Russia's membership in the Group of Eight may become an issue; and in Russia, the United States can be cast as the one country that seeks to prevent the recovery and rise of Russia. If the legitimacy of the new Russian president is questioned, the damage could be truly severe.

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Russian business, of course, is intensely interested in gaining access to the U.S. market and acquiring little bits of the United States. Future energy deals, including nuclear energy, and other business agreements could give the U.S.-Russian relationship context and stability. Gazprom, Rosatom, Russian Aluminium, Lukoil, and Rosneft all want to enter or to expand their U.S. presence, but the going is difficult. The Russians are impatient and often lack specific knowledge about the workings of the U.S. business and political environments, so they make mistakes and suffer setbacks. Gazprom's 2006 decision to use Shtokman to supply piped gas to Europe rather than liquid natural gas to North America is in part a result of Russia's disappointment over the desired acquisition of gas networks along the U.S. East Coast.

Russia's Future with the West

Russian-Western relations are likely to be rocky for the foreseeable future, as they are separated by a value gap over several decades. Russia is very old Europe. It could be reminiscent of Germany in the 1920s, with its vibrancy and intense feeling of unfair treatment by others; France in the 1940s, when it was trying to heal its traumas; or Italy in the 1960s, as far as the nexus of power, money, and crime is concerned. Russia is not a democracy—not even a failed one—but it is a rough, capitalist reality powered by private interest, which sometimes poses as the state interest.

The future of Russia itself is key to any discussion of its future foreign relations. Will it actually be able to modernize, or will it fail again, collapsing once and for all? Will property and globalization, the two forces unleashed in the 20 years since the start of perestroika, be enough to put Russia on track? Will Russia succeed in using two decades of stability to build capitalism? The last time it tried, the Bolshevik Revolution cut the effort short in 1917, before

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even the first decade was out. It may or may not become a democracy, but this outcome will not be known until the mid-twenty-first century.

To the extent that Russian capitalism embraces the rule of law, constitutionalism, and eventually some form of democracy built on civic responsibility, this gap with the West will likely narrow, but the process will be very slow.

Aside from a general preference for economic expansion over integration, Moscow is pursuing few long-term strategies. Tactics prevail, medium-term thinking is just emerging, and no national interest worth the name has surfaced. In Russia's contemporary bureaucratic capitalism, the state itself has been informally but effectively privatized and will take some time to coalesce.

Despite its transitional character, Russia is too important to be ignored, neglected, or stereotyped. The West will not only miss opportunities but may run real risks if it misjudges Russia's movements, overreacting or reacting inappropriately to them as a result. Russia could be a party to a future U.S.-initiated exercise in global governance, or it could become isolationist and anti-American. The West would do best by dealing with Russia on Russia's own terms, reaching for an acceptable balance of reciprocity, and not on the basis of normative principles such as democratic reform. Ideology is not a good guide in a valueless yet vibrant Russian environment. Public preaching only shows the powerlessness of EU and U.S. politicians to change realities within Russia and allows Russian officials to portray these protests, even meaningful ones, as meant for Western political consumption.

New realities and evolving interests may make Russia correct its trajectory in the long term. If some future Russian leadership were to decide in favor of economic and political integration with a body that is larger than Russia, it would have only one candidate: the EU. The EU must therefore consider its relations with Russia from a long-term perspective. For the EU, Russia is the immediate neighborhood and the ultimate frontier. In principle, Russia alone, not Africa or the Middle East, could give Europe strategic depth. Culturally, geographically, and historically European, Russia would project the EU all the

way to the Pacific, strengthen the Europeans' global outlook, and provide the EU with a range of resources and materially add to its power. This would enhance Europe's overall competitiveness vis-à-vis other major players. Eventually, a pan-European energy system could emerge, or Russian companies could join the EU's aerospace consortium as a substantial minority shareholder. Russians could even visit Paris and Berlin without visas. The resultant whole would be larger than the sum of its parts. This vision, however, has a caveat. A poor and failing Russia would never be a suitable party for the EU, but a rich and successful one would not find joining the EU particularly attractive.

The potential of U.S.-Russian relations can be realized if and when the United States makes a strategic decision to prioritize world leadership and integration, reaching out to the major players, including Russia, in an effort to consolidate the system over which it presides. By that time, the present Russian foreign policy philosophy would probably have had to change, toward more community-conscious behavior. This is not impossible, if the analogy with rough robber barons turning, usually in the next generation, into socially responsible capitalists holds true for nation-states. For those with a long view, a positive partnership is possible, even if difficult to see for quite some time.

Of course, Western countries should diversify their energy supplies, but they must be realistic about the extent to which this is possible. Turning energy into an area of power relations, such as by adding an energy dimension to NATO, is not a well-considered proposition. Outside of the energy sector, building defenses against the invasion of Russian capital is bad business and bad politics. Russia will not take over the EU or the United States, of course, but it could eventually become a responsible shareholder in the system, allowing Westerners to own pieces of Russia in an inevitable quid pro quo.

The main hope for both sets of relationships is more business ties. Essentially, this would mean more of the United States and Europe in Russia and more of Russia in the EU and the United States. This would create a more solid foundation for political relations, especially between the United States and Russia, a far better understanding of each party's goals, and a convergence of interests. As capitalism in Russia continues to evolve and as the country, on the threshold of WTO membership, integrates further into the global web of economic, political, and social relationships, Russian standards can be expected to grow more modern and closer to the sets of values now espoused by Americans and western Europeans.

