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Berlin's Russia Challenge

Angela Stent

RUSSIA HAS found an innovative way to ring in the New Year with its European partners: threatening to cut off energy supplies. At the beginning of 2006, it was gas exports through Ukraine; in January 2007, it was oil supplies through Belarus. Although President Lukashenko backed down and oil again flowed to Europe, the actions of pipeline monopoly Transneft—and President Putin's failure to inform Germany about the impending cutoff—presented German Chancellor Angela Merkel with an unwelcome start to Germany's EU presidency. The Russians insisted that they were only moving to world prices and a subsequent meeting in Sochi produced assurances from Russia that it would reduce its dependence on transit countries to guarantee security of supplies and admonitions from Merkel for better energy communication "in order to avoid tensions, misunderstandings and disappointments"; but tensions were still palpable.

Merkel's challenge is to persuade her European colleagues to engage the Kremlin, while minimizing potential energy disruptions from a Russia quarreling with its neighbors. On the one hand, Germany and its partners are increasingly focused on diversifying their energy imports and shifting away from Russia. On the other hand, Germany and Russia are building a new undersea pipeline that will increase Germany's dependence on Russian gas. Beyond this, older and newer members of the EU view Russia in fundamentally different ways. While Brussels and Berlin debate how to deal with their large and increasingly self-confident, energy-rich neighbor, there is no consensus within the EU about how other post-Soviet republics should factor into Russia policy. Meanwhile, the U.S.-Russian relationship has become more fractious over the past year.

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The View From Brussels

EU-RUSSIAN RELATIONS remain beset by contradictions, disappointed expectations and mutual suspicions. To begin with, Europeans themselves are divided on how to approach Russia. After the fall of communism, Germany, France, the UK and Italy believed Russia would eventually integrate with Europe as it modernized—even if it did not join the EU. Poland and the Baltic states, unlike their EU counterparts, continue to believe that Russia is not a European country, Russia does not want to join the West, and Brussels should not pander to it. Indeed, Russia has become a divisive issue for the 27 EU members.

Europe pursues a largely defensive

policy that aims to prevent post-Soviet problems from spilling into the EU. Europe's chief concerns with Russia focus on "soft" security issues: infectious diseases, organized crime, trafficking in drugs and people, and preventing nuclear material smuggling. Brussels has a variety of institutional mechanisms for dealing with Russia: a Partnership and Cooperation Agreement that expires at the end of this year, a Common Strategy for Russia, Road Maps for four "common spaces"—internal politics, foreign policy, economics and education and culture—and a host of other technical agreements. But there is a consensus that these mechanisms have failed to create a productive and comfortable relationship with Russia.

Despite considerable disagreement, EU members recognize that, given Europe's dependence on Russian energy (30 percent of oil imports and 44 percent of natural gas imports come from Russia, and these numbers run as high as 90 percent for the new members), it behooves Europe to engage Russia on as many issues as possible. The Ukrainian and Belarusian cutoffs have concerned Europe about Russia's use of energy as a blunt political and economic instrument—"hard soft power" as some call it. However, Russia's actions have convinced EU members not to alienate the Kremlin.

Europeans are also divided over how to balance encouraging greater transparency, political competition and democracy in Russia against the need for Russia's cooperation. The debate over "values versus interests" is most noticeable between the European Parliament, which has been highly critical of domestic developments under Putin, and the Commission and Council, which take a more cautious public stance. Nevertheless, two year-end evaluations by prominent European officials sounded the same critical note. Finnish Prime Minister Matti Vanhanen, in his capacity as outgoing EU president, announced: "I am not sure that Russia is heading in the right direction", while Belgian Foreign Minister Karel de Gucht, outgoing chair of the OSCE, described Russia as a "non-modern state" that had blurred the boundaries between "the regime and state property—between management and ownership of assets."

Nonetheless, the EU has no coherent Russia policy, so states pursue their own interests. The one time the EU did act in concert—during the Orange Revolution in Ukraine—Poland's President Kwasniewski and Lithuania's President Adamkus persuaded a reluctant Javier Solana (the EU's foreign policy chief) to join in negotiations to resolve a standoff between Viktor Yushchenko and Viktor Yanukovych. During those weeks EU policy, well-coordinated with U.S. policy, was successful, suggesting that the system can work in crises. But since then, individual EU members have continued to pursue their bilateral interests with Russia, particularly in the energy field.

The View From Moscow

KREMLIN ASSESSMENTS of the EU range from dismissive to critical. I was with President Putin when, echoing Henry Kissinger's lament, he made the following comment: "It is difficult for us to entertain a dialogue with the EU if it has no precise, clear structures and while Europe is still in the process of taking shape." As a result, Putin prefers bilateral relations to dealing with what many Russians view as an amorphous, over-bureaucratized structure in Brussels. He has focused on nurturing close ties with the "big three" states—Germany, France and the UK (though with Britain, political asylum for Boris Berezovsky and Akhmed Zakayev, along with the Litvinenko poisoning, have strained relations).

The Kremlin has refused to ratify the European Energy Charter it originally signed, which would permit European

energy companies to partner in Russian energy infrastructure projects, including pipelines. Putin has rejected European criticism of Russian domestic politics, saying, "When speaking of common values, we should also respect the historical diversity of European civilization. It would be useless and wrong to try to force artificial 'standards' on each other."

EU enlargement to former communist countries and to the Baltic states has further soured Russia's view of Brussels. The Kremlin believes that the colored revolutions in Georgia and Ukraine were engineered by the United States with help from the EU. It has accused Western NGOs of fomenting "regime change" in the Commonwealth of Independent States (CIS)—and then used the accusation to justify introducing legislation restricting foreign NGOs' activities. In this regard, Ukraine's Orange Revolution was a particularly galling reminder of the new realities in Europe. Russia dislikes the EU's European Neighborhood Policy (ENP), designed to encourage closer contacts between the EU and the states of the western Newly Independent States (NIS) and South Caucasus. It views the EU as a rival and believes the EU should not influence domestic developments in Eurasia. And when the EU criticizes Russia for raising energy prices, Russia accuses the organization of hypocrisy, claiming that the hikes are based on market principles the West endorses.

The eternal question of whether Russia really belongs to Europe complicates the EU-Russia relationship. Putin has said "Russia is a natural member of the 'European family' in spirit, history and culture", though he has made it clear that Russia does not seek to join the EU. But Russians have become disillusioned with Europe's lecturing of them and remain divided over whether to join Europe or pursue a Eurasian path. Despite this mutual ambivalence, and though Russia is a challenging partner, the EU as a whole remains committed to encouraging the Kremlin to become more European. The alternative is a more obstructionist Russia isolated from the West.

The Moscow-Berlin Vector

TODAY, GERMANY is Russia's major Western interlocutor. The centrality of the German-Russian relationship has been a defining feature of European politics since Chancellor Willy Brandt's *Ostpolitik* in 1969, and there has been remarkable continuity in German *Ostpolitik* since then, regardless of which party or coalition of parties held power.

When he was chancellor, Gerhard Schröder developed close personal ties to Vladimir Putin, the "German in the Kremlin", and pushed for Germany's central role as the "motor" of the European Union's Russia policy. He described Putin as a "flawless democrat" and, after he ceded the chancellorship to Merkel, became chairman of the supervisory board of the consortium that will build the Northern European Gas Pipeline (NEGP). The NEGP—a project Schröder negotiated before he left office—will transport gas from Russia to Germany under the Baltic Sea.

This arrangement has aroused considerable controversy. Poland charges that, in bypassing countries between Germany and Russia, the pipeline will enable Moscow to use energy leverage more directly against its former communist allies. Indeed, the Polish Defense Minister Radoslaw Sikorski went so far as to describe the NEGP as a 21st-century version of the Molotov-Ribbentrop Pact. Sweden raises concerns about the longer-term ecological consequences. Other European countries question the propriety of an ex-chancellor's profiting from a deal he closed shortly before resigning.

Washington always had reservations about rapprochements between

AP Images

Germany and Russia, beginning with Kissinger's suspicions about Brandt's *Ostpolitik*. However, there was particular concern about Schröder's stance and the possibility of a Franco-German-Russian "axis" when all three states opposed the Iraq War. When Angela Merkel became chancellor in November 2005, there were expectations that her Russia policy would be more hard-nosed than that of Gerhard Schröder. The daughter of a West German pastor who emigrated to the GDR, Merkel grew up in East Germany, speaks Russian, experienced decades of Soviet occupation there and thus has a more skeptical view of Russia than did her predecessor. On her first visit to Russia as chancellor, she met with opposition groups as well as with Putin, and she has reiterated her hope that Russia will become more democratic.

Yet there is much more continuity than change in German *Ostpolitik*, whatever reservations the chancellor has. This continuity is a product of geography, history and, increasingly, mutual economic interest. Germany is Russia's most important political partner in Europe and its top trading partner; the business community wants a productive political atmosphere, and German-Russian trade grew by 25 percent to 39 billion euros in 2005. Germany is Russia's largest natural gas customer, importing forty billion cubic meters per year or 40 percent of its consumption.

While the chancellery largely determined *Ostpolitik* under Schröder, the Foreign Ministry (led by Social Democrat Frank-Walter Steinmeier) has taken the initiative under the coalition government. A Foreign Ministry paper leaked in the autumn revealed Steinmeier's concept of a new policy toward Russia—*Wandel durch Verpflechtung*, or "Change Through Engagement"—that sounds remarkably similar to Willy Brandt's *Wandel durch Annäherung* ("Change Through Rapprochement") 35 years ago. As Schröder's close advisor, Steinmeier was largely responsible for crafting the EU's policy of more intense engagement with Moscow, rejecting attempts to link closer bilateral ties to changes in Russia's domestic policies. Yet

Russia policy does not play along strict party lines. Some Christian Democratic politicians talk of "common Christian values" that the two countries share, while the Greens and some Social Democrats loudly criticize Putin's policies. Moreover, a large Russian population in Germany (German politicians claim that, while wealthy Russians migrate to London, more "normal" Russians come to Germany) has created a new network of societal contacts between the two countries.

Thus, Merkel faces contradictory pressures on her Russia policy. The business community urges her to engage Russia and eschew criticism of Kremlin policies, but many media and advocacy groups condemn her for not lending enough support to Russia's embattled civil society. Her rhetoric toward Russia is more restrained than that of her predecessor, but her policies are quite similar, including frequent references to the strategic partnership—a concept with an elusive definition.

Another contentious topic echoing throughout the EU is the extent to which European *Ostpolitik* should prioritize relations with Russia over those with Europe's new neighbors in the Western NIS and South Caucasus. The German government believes it must take Russia's sensitivities about the former Soviet Union into account, hence Berlin's opposition to further NATO enlargement, particularly to Georgia or Ukraine. Fifteen years after the end of the Cold War, Russia views NATO as an adversary and regards NATO membership for these countries as an attack on its vital interests. Germany also does not support further EU enlargement—based less in this instance on concerns about Moscow's reactions and more about the stress previous waves of enlargement to lesser-developed states to the east has placed on the Union and the divisive issue of Turkish membership.

Berlin has already scaled back its ambitious plans for a revived EU *Ostpolitik* during its EU presidency. Six months ago, as it prepared to take over, there was talk of a new initiative toward Central Asia, a European Neighborhood Policy Plus, and offering Ukraine adherence to parts of the EU's *Acquis Communitaire*. There was also a commitment to reinvigorating negotiations on the "frozen conflicts" in Transnistria, Nagorno-Karabakh, South Ossetia and Abkhazia, conflicts Russia helps keep frozen. However, given the long agenda for its presidency and the intractability of these problems, Germany will not be able to pursue all of these initiatives. The main items for Berlin's EU *Ostpolitik* will be the renewal of the EU's Partnership and Cooperation Agreement (PCA) and promoting greater energy security. The fact that Poland will block negotiations until Russia lifts its ban on Polish meat imports complicates the PCA question. Thus, Germany's first task is to reach consensus within the EU about talks. Even if the negotiations do begin, however, it is likely that Russia will seek a very different PCA than that which it signed ten years ago, when it was much weaker and in need of assistance.

Energy issues will dominate the German EU presidency's agenda with Russia. Quite simply, Russia seeks to change the rules of the game in European energy politics. Consumer countries define energy security as security of supply, but Russia seeks security of demand. Russia has increasingly limited the rights of foreign energy companies and will not let European companies buy into its pipeline system—while Russian companies buy into the European downstream. Putin denies Russia is an energy superpower, but he has made it clear that his country has the right to demand advantageous conditions for energy trade. If Europe does not accept Russia's terms, Europe can feel free to find other sources. Russia can export more to Asia, albeit after a considerable time lag.

Merkel faces a twofold energy chal-

lenge: to secure advantageous import terms without prompting cutoff threats, and to work with the EU to diversify supplies, increase efficiency and develop alternate resources. If the EU implements the common energy strategy it just announced, it will largely result from security concerns resulting from Russian actions, perhaps not an outcome the Kremlin entirely foresaw. But it is also possible that, once the immediate concern about Russia has passed, European countries will revert to their customary practice of seeking bilateral energy deals.

From the Kremlin's point of view, the German EU presidency presents an opportunity. Since becoming president, Putin singled out Germany as Russia's most important European partner. He views Germany as Russia's advocate within the EU and understands that cultivating close ties with individual European countries reinforces the EU's inability to develop a common *Ostpolitik*, a structural problem that offers Moscow considerable leverage. Germany's differences with the current Polish government have also exacerbated the difficulties of agreeing on a common European approach to Russia. The Kremlin expects that Germany will encourage a more vigorous engagement with Russia, one that will better serve the Kremlin's interests.

Implications for the United States

WASHINGTON AND Berlin share a commitment to engaging Russia on issues of mutual interest, particularly Iran, and they both have expressed public concern about Russia's domestic situation. They face the challenge of responding when the Kremlin rejects criticism and they recognize the limited leverage they have at a time when they need Russia more than it needs them. Ultimately, however, there will be robust German-Russian relations irrespective of Washington's choices—because of economic, historical and geographic realities. Since Russia and Europe are neighbors, their ties are much deeper than those between the United States and the Kremlin. Europe views the prospect of deteriorating ties with Russia with greater alarm than does the United States.

The problem is that neither the United States nor the EU has held a systematic discussion with Russia about how to define legitimate interests in Eurasia. At a minimum, Washington, Brussels and the major European capitals should make a more concerted effort to coordinate their policies. If they worked together well during Ukraine's Orange Revolution, why not do so on a more consistent basis?

The United States should encourage the EU to diversify European energy sources, moving away from Russia, though that presents an enormous challenge given the paucity of alternatives. America should continue to encourage the construction of the Nabucco pipeline, which will carry gas from Azerbaijan and other Caspian states to Turkey, the Balkans and Italy. Beyond the Ukraine and Belarus cutoffs, there are longer-term questions about the predictability of Russian oil and gas supplies. The major companies are not investing enough in exploiting new reserves—which will be necessary to fill both growing Russian needs and the rapidly rising demands of Europe and Asia.

As Russia enters the pre-election period (Duma elections are scheduled for December 2007 and presidential elections for March 2008) succession maneuvering and factional rivalries could further complicate its relations with both the EU and the United States. A realistic agenda for the German EU presidency may turn out to be quite modest: working against (if not fully preventing) further deterioration of EU-Russian relations and pushing for a new EU energy policy that will protect Europe from supply disruptions. □