



## Report on Wilton Park Conference WP931

### WORKING WITH RUSSIA? - NEXT STEPS IN SOCIO-ECONOMIC DIALOGUE

Thursday 13 – Sunday 16 November 2008

#### Summary

The *West* (for want of a better term) has no alternative but to work with Russia. Global challenges such as Iranian nuclear arms development, arms control issues, energy supply, conflicts (hot and frozen), climate change, and the world credit and economic crisis all have to be tackled in the context of some sort of relationship with Russia. Russia's status as a permanent member of the UN Security Council also makes it an essential interlocutor. Defining the precise nature of the relationship generates less straightforward answers. It is likely to continue to be pragmatic but at times prickly. The concept of 'strategic partnership', devised by Russian policymakers a few years ago and echoed, to some extent, by western leaders, when Russia was much weaker was thought to be dead.

Russia now sees itself as a resurgent superpower with vast energy and currency reserves, and with little reason to take notice of the concerns of western 'partners' given that it considers the West has shown scant regard for Russian reservations over issues such as Iraq and NATO enlargement. From the outside, this new Russia is seen not so much as a strategic partner but, rather, a potential strategic rival of the US and NATO and, possibly, also of the European Union (EU). In the mid- to long-term, however, it would be unwise to rule out situations in which the West and Russia could become strategic partners over certain issues. Russian assertiveness today often masks insecurity and uncertainty over the future. It does not want to be just a military power, but a modern great power. Russian elites, and its growing middle class, are therefore unambiguous in their western orientation while preserving a certain sense of "otherness".

## **The Geo-Political Context**

1. The concept of the *West* was defined in various ways. These included: Christian civilisation; the '3 Wests' (US, EU and Russia), and the EU/NATO space. Much of the discussion centred on relations between the EU/NATO space and Russia, but the other two definitions resonated more with Russian speakers. One Russian participant spoke of the need for a "team effort to save European civilisation" and, later, of "the need to de-ideologise international relations". Neither of these interpretations, however, take adequate account of present and future realities, such as the global financial crisis and the rise of China, India, and Brazil, all of which were repeatedly raised by speakers as relevant topics. Russian participants did, however, mention enlargement of the Security Council and the G8, while many 'western' speakers stressed the importance of Russia's relationship with China. Russian participants argued that double standards were applied by European countries and the United States with regard to relations with China and with Russia.

2. There was general agreement that global relations had, in fact, moved back towards the era of great power rivalry seen in the 19<sup>th</sup> century and during the Cold War. The notion of a future alliance between Russia, China and India, as proposed more than once by former Foreign Minister Primakov, is only mentioned when Russia feels weak, or ignored by western powers. Reference was made instead to Russia's long-term desire for an alliance with the US and EU, especially if China's demand for natural resources in Siberia and Russia's Far East grows dramatically (these regions face severe depopulation and, hence, an uncertain future).

## **Aftermath of the Georgian Conflict**

3. Most regard the tension between Russia and the US and EU, following the Georgian conflict in August, 2008 derived not so much from the clash itself as from NATO's longer term cultivation of Georgia and Ukraine, and the prospect of a Membership Action Plan (MAP) for these two countries. Some suggested that a MAP was not inextricably linked to membership, or that, even if granted, it could involve a long road to membership. Both seem questionable assertions, particularly given that the Bucharest NATO summit offered Georgia and Ukraine eventual membership despite strong reservations on the part of some members. As sovereign

states, Georgia and Ukraine should be entitled to join any defence arrangements they wish. It is not easy, however, to see an answer to the resulting dilemma: how to meet the two countries' craving for security, while not giving Russia the feeling that it is being encircled by a former enemy, or, at least, a rival. Russian speakers were convinced that the solution is the new security pact proposed by President Medvedev between European states and Russia -- and the US too. It can be assumed that this new pact is intended to be a substitute for any further NATO enlargement in the East, and might, indeed, be intended to confirm certain spheres of influence, or of 'special interest'. The concept is not, in itself, new. Similar ideas have been proposed by Russia since the end of the Cold War. The NATO-Russia Council, born of the 9/11 attacks and Russian/US collaboration over Afghanistan, and, initially, thought to be one of the victims of the August war; subsequently proved more resilient when the decision was taken, in December 2008, to resume informal meetings. NATO agreed to restart this dialogue with Russia on a 'conditional and gradual' basis, aiming to end its own divisions on its stance towards the Kremlin.

4. The Georgian conflict figured prominently but it appeared likely that the South Ossetian problem was a proxy for a more strategic dispute rather than the problem itself. Few western speakers were prepared to say so explicitly, but it was clear that many regarded President Saakashvili's attempt to retake South Ossetia by force to have been at the very least extremely reckless, even if he had, perhaps, been lured into it by Russian conduct prior to the attack. There were no doubts that many civilian victims had lost their lives as a consequence. There was some discord over the impartiality, or otherwise, of western media coverage of the war. However, Russian media handling was considered to have been no less contentious, not least President Medvedev's assertion only a few days into the conflict that the Georgian armed forces had killed 2000 people in Tskhinvali (which may have been the trigger for ethnic cleansing of Georgians from their villages in South Ossetia). The figure turned out later to have been exaggerated - about 150 people died.

5. What does Russia's almost solitary recognition of the independence of South Ossetia and Abkhazia (accompanied so far only by that of Nicaragua) mean for Nagorno-Karabakh and Transnistria? Russian participants argued that both of these

conflicts were different, and could be solved without recourse to violence on the basis of reintegration in some form of devolved or federal system. Russia had brought the Armenian and Azerbaijani Presidents together for talks; and supported the 5 plus 2 format for the Transnistria negotiation process. However, one Russian speaker set out explicitly why Russia had recognised the two separatist regions: Georgia's attack on South Ossetia had, de facto, "put an end to international negotiations on the territorial integrity of Georgia". This did not seem to accord convincingly with Russia's position on the independence of Kosovo.

### **The global financial crisis and relations with the US**

6. Debate on the nature of the 'socio-economic dialogue', was conditioned by the evolving global financial crisis whose scale, duration, depth and effects were still unclear. It is beyond doubt that Russia has also been seriously affected, as shown by the use of Kremlin funds to guarantee debts incurred by industries owned by a number of oligarchs and by the need, early in the crisis, to suspend trading on Russian stock markets. It seemed too early to judge the long-term effects of the crisis on Russia's global relationships. But it was thought that the presidency of Barack Obama could lead to more positive relations in keeping with the new incumbent's wish to set a fresh climate for international engagement.

7. The conference took place just after the Duma had passed, at first reading, a law to extend the presidential term in Russia from four to six years, generating speculation about early elections, which, according to the Constitution, could allow Mr Putin to return to the presidency. In the meantime, Mr Putin's role as Prime Minister would be central as he would lead on economic issues, and participate in international efforts to tackle the financial crisis.

8. Russia would also need to continue to be a partner in efforts to deal with instability and insurgence in Afghanistan and in neighbouring Pakistan. The Mumbai terrorist attacks, soon after the conference, provided clear evidence that it was right to emphasise terrorism as a continuing challenge.

## **Relations with the European Union**

9. The nature of Russia's relationship with the EU remained ambiguous. The meeting discussed whether Russia itself could ever become a member of the EU. Most thought it unlikely, but some deemed Turkish or Ukrainian membership to be almost as unrealistic. Not for the first time, the possibility was raised of some other kind of redefined, special associate status with the EU for these and some North African states. The EU was the major economic partner for all of them, and economic issues were central to their relationships with EU member states.

10. Despite the Georgian conflict, the EU had agreed to resume talks on a new EU-Russia treaty to replace the Partnership and Cooperation Agreement. Nevertheless, scepticism was expressed by the EU about the prospects for an early conclusion to the discussions, especially since quite a few potentially difficult issues would be included in the treaty, such as visa-free travel. Some hard bargaining and energetic horse-trading was likely and agreement would not be arrived at quickly. Russian accession to the WTO would be crucial, as, without it, there could be no progress on negotiation of a free trade area (FTA) between Russia and the EU.

## **The nature of the Russian state**

11. What kind of Russia, and what kind of Russian leaders, would the EU be negotiating with in the future? Would it be an autocracy, or some sort of collective leadership, of which the Medvedev-Putin (or Putin-Medvedev) tandem was the first sign? Was this new form of leadership akin to the French 'cohabitation' or was it a short interlude on the way to a different model? There was scepticism as to whether so-called 'managed democracy' was, or ever would be a transparent and rule-based democracy as it is usually understood. Russia might be a sort of *Rechtstaat* (state under the rule of law) but it was not a democracy, and the rules tended to change with alarming frequency. It had probably been naïve ever to have believed, as was the case during the Yeltsin presidency, that Russia would become a liberal democracy in the western European mould.

12. During Mr Putin's presidency, which coincided with the oil and gas boom, the Russian middle class had a tacit contract with their leaders not to press political

issues in return for an improved standard of living. Global recession could however bring this pact into jeopardy. Capital outflows started to increase in September 2008; inflation remains a real threat and the banking system is in trouble. Russians enjoyed becoming big spenders, but are poor savers. They would be reluctant to tighten their belts. The result could be either progress or regression. Some expressed concern at recent consideration given by some Russian think-tanks to the need for a 'mobilisation plan', nationalisation of industries and banks, and a 'dictatorship of commissars'. Clashes between the authorities' and skinheads and other radical youth groups had received publicity. Some participants expressed fear of further social unrest. Arguably there was greater risk of instability from single industry towns, badly affected by the economic downturn. Others were more optimistic and thought the system could and would have to modernise. The recession could, either boost economic reform, or, slow down Russia's integration into the world economy.

13. Opinions were equally divided about the prospects for dealing with corruption in Russia. President Medvedev had spoken fine words about tackling it, but would anything concrete come of this? On the one hand, there were, and always had been, some very good lawyers and judges in Russia who forcefully defended an independent judiciary. But, at the same time, evidence of political interference in judicial affairs was clearly visible. Mr Putin's 'securitisation' of the media and strengthening of the vertical of power has weakened the checks and balances necessary for a true state of law to operate. This poses a serious risk to foreign investment which is needed for further upgrading of infrastructure, including heating systems and ageing energy pipelines built in the 1970s, as well as development of new oil and gas fields. The laws on competition do not work. The existence of shadowy energy companies is incompatible with transparent business practices. In energy trade, the stakes are equally high on both sides. Russia relies on the European markets just as Europe relies on Russian supplies. If markets for gas in the EU were properly organised, it would be much harder for Russia to play off one EU member state against another.

## **Climate change**

14. With regard to climate change, it was argued that Russian policymakers remain un-convinced of the need to do anything more than sell their surplus emission quotas at the best market price available. Many assume Russia can only benefit from global warming, for example, growing crops in Siberia where permafrost once made this impossible (in fact the soil is thin and marshy). The reality is that Russia has warmed at a faster rate than the global average. While navigation through the Arctic might become easier, energy extraction will become harder, and instances of extreme weather conditions are increasingly common. Six different ministries in Moscow deal with aspects of climate change and the degree and nature of co-operation between them is unclear. In some respects, however, Russia is doing well. It generates 22% of its electricity from hydroelectric power. The challenge is to raise the problem on the mainstream political agenda. To date, debate on climate change issues has been more or less confined to NGOs, which, while under close government scrutiny in more politicised areas, are able to work effectively in the fields of environment and nature conservation.

## **Re-building trust**

15. There was agreement that relations between the West and Russia were uneasy. The timing of President Medvedev's speech, announcing that Russia might counter missile defence installations in Poland and in the Czech Republic with the stationing of nuclear missiles in Kaliningrad, the day after President-elect Obama's election victory had not helped. Some thought this speech had really been aimed at a domestic audience. Even if this were the case, it would be naive not to recognise the impact on an external audience especially given the Kremlin traditionally sought not to increase tensions immediately following the election of a new US President. Some argue Russia is not an enemy but it is not clear what it is instead. Another view maintains that Russia has a tendency to assume it has been humiliated deliberately whenever it doesn't get its own way. Other speakers warned against simplistic talk of 'shared values'.

16. At a human level, building trust between Russia and other countries at the level of future leaders and opinion formers was seen as valuable. The information

space, and young people's affinity for new media outlets such as *Youtube* and *Facebook*, provided vast opportunities for interaction and exchange of ideas and opinions. Networking contacts established via these media could be effective even in the case of closed and totalitarian societies, as they took place at arm's length from government. Russian participants, who have had less exposure to these new media, were enthusiastic to learn more and engage.

### **History and identity**

17. Discussion of 'identity' generates rich, though occasionally painful, debate especially on the subject of historical memory. Russia has yet to come to terms with its history perhaps because many of the most tragic episodes have been the result of internal conflict. Russians see themselves as more naturally inclined to a centralised political system, and a strong power 'vertical', just as the Orthodox Church is based on unity. Russians also see their history as tragic. It could be argued that Russia's tragedies could be due to its over-centralised tendencies. Did not Tsarist autocracy lead to a cycle of tragedy and revolution, revolution to totalitarianism and more tragedy, and so on? Perhaps it is time for Russia to consider stepping aside from its traditions and try pluralism and division of powers instead.

### **Conclusions**

18. There was agreement that, on some issues at least, the US, Europe and Russia have to co-operate. The global financial crisis, coming so soon after the Georgian fracas, has thrown this into clear relief. Such co-operation might take place on an ad-hoc basis. But the resumption of dialogue between NATO and Russia and of talks on an economic co-operation agreement between Russia and the EU, and Russia's participation in G-20 efforts to deal with the global recession illustrate a point frequently made that Russia and 'the West' could not, indeed dared not, stand back to back for long.

19. It was suggested Russia should tone down its rhetoric, stop trying to divide Europe and the US more than they are already, abandon ideas of multipolarity and a new world order, stop threatening its neighbours, and improve transparency and respect for the rule of law as conditions to attract investment. The West, in turn,



should: stop pushing the values agenda, agree some rules with Russia, be pragmatic as the US has been with China, be firm but fair while not appeasing, adopt energy diversification policies, consider Russian security initiatives rather than reject them without discussion, and accept that cooperation is necessary to weather the current financial crisis, as well as in the longer term. It should insist that members of the Commonwealth of Independent States (CIS) participate in any discussions on a new security treaty.

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**December 2008**

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