



BULLETIN

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Prospects for Russian-British Relations

by Jarosław Ćwiek-Karpowicz and Bartłomiej Znojek

British Foreign Secretary David Miliband's visit to Russia has demonstrated that an improvement in the two countries' political relations continues to be impossible due to unresolved bilateral disputes. These problems will not, however, be an obstacle to the strengthening of economic contacts between the UK and Russia given their complementary interests in the sphere of capital investments, and closer economic cooperation might facilitate dialogue on global problems between the two partners in the framework of international forums.

On 1–2 November 2009, Foreign Secretary David Miliband visited Moscow at the invitation of Russia's Minister of Foreign Affairs Sergei Lavrov. This was the first bilateral visit to Russia in five years paid by a representative of the British government of such high rank. Lavrov and Miliband did not alter their stance on the most important problems between Russia and the UK, such as the Alexander Litvinenko affair. Litvinenko, a former FSB officer and British citizen known for his criticism of the policies of Vladimir Putin, was poisoned in London in November 2006. Both men stressed, however, that such problems should not impede use by the two countries of their potential for economic cooperation and dialogue on global challenges. Three joint declarations were issued during the meeting: on combating terrorism and narcotics trade in Afghanistan; on support for the Middle East peace process; and on the non-proliferation of nuclear weapons.

Causes and Manifestations of Worsening Relations. One of the main causes of the two countries' worsening relations was the granting of asylum by the British authorities to Russian citizens who had fled Russia in fear of political persecution as well as British rejection of Russian requests for the extradition of persons wanted by Russian courts. The Russian authorities also took a negative view of the UK's support for Russian non-governmental organizations active in the sphere of human rights and democracy, and accused British diplomats cooperating with them of espionage. The direct reason for the breakdown of political dialogue between the two countries was Litvinenko assassination and Russia's insufficient cooperation in clarifying it. The British request for the extradition of Andrei Lugovoy, a former KGB agent (and Duma deputy since December 2007) suspected of being the assassin, proved unsuccessful. In response, in July 2007 the British government tightened the visa regime for Russian officials and expelled four Russian diplomats, leading to Russian retortions. Working contacts between both countries' secret services were also interrupted. The Russian authorities placed limitations on the activities of the Russian section of the BBC and the British Council in Russia. British investors in companies active in the Russian energy sector, such as TNK–BP, also faced problems. The UK went on to be one of the most vociferous critics of Russia's August 2008 invasion of Georgia, demanding, among other things, the suspension of the EU's negotiations with Russia on a new partnership and cooperation agreement.

Russian and British Interests. Both British and Russian authorities are interested in improving bilateral relations, although for entirely different reasons. The UK is striving to improve relations in order to secure Russia's support in international organizations, mainly within the UN Security Council and the G8 and G20, in order to address such problems as climate change, the fight against terrorism or the non-proliferation of nuclear weapons. The improvement of Russian-American relations has left the UK in a difficult position of being the only country of considerable international

significance having tense relations with Russia. This is also important in terms of the chances for a British candidate to assume one of the key EU posts introduced by the Lisbon Treaty (president of the European Council or representative for foreign affairs). Moreover, the desire to increase economic cooperation is dictated mainly by the potential represented by the Russian market for British investors. Finally, the prospect of next years' elections in the UK is also significant in this respect, as the Labour Party does not wish to be seen as a political force incapable of improving relations with Russia.

Russia's efforts to improve relations with the UK stem mainly from Moscow's desire to enhance Russia's position in Europe. Russia is interested in a development of bilateral relations with the large prosperous countries of Western Europe, as it hopes that they will be an attractive market for Russian energy and will increase Russia's chances of obtaining new investments and technology. At the same time, Russia is interested in weakening ties between European countries so that they are unable to compete with Russia on the international stage similarly to the United States or China. For the Russian authorities, the principal aim of cooperation with the UK is not the resolution of global problems, but the weakening of the EU and of the British-American alliance.

The UK's strong position in both NATO and the EU makes it unlikely that the British government might make concessions in current bilateral disputes in order to improve relations with Russia. At the same time, a lack of prospects for an enhancement of bilateral political relations in the coming months does not rule out their improvement in the longer perspective. The basic factor favoring such improvement is the complementary nature of the two countries' economic interests, mainly in the area of capital investments and energy supplies.

Despite the financial crisis, the UK remains a major foreign investor in Russia and is interested in further capital expansion on the Russian market. The Russian authorities are also open to British investments on account of Russia's persistent budget deficit and Russian companies' high level of foreign debt. In contrast to the strategy adopted in the face of the 1998 crisis, Russia has no plans to borrow from the IMF—a move that would entail an obligation to carry out reforms—but wishes to issue new Eurobonds. Russian Finance Minister Aleksei Kudrin traveled to London on 5 November to encourage the British to acquire the bonds and invest in Russia. British politicians and businesspeople declared that they were more interested in an improvement of the overall investment climate in Russia than in favors for specific investors, but that they did not expect significant changes in this respect. Nonetheless, two leading British banks present in Russia—HSBC and Barclays—are preparing to take advantage of improving political contacts in order to increase their presence on the Russian market.

Present British-Russian trade is clearly lagging behind Russian trade with the remaining major EU members, i.e. Germany, France and Italy. This situation could change with the depletion of British oil and natural gas resources and hence the UK's growing dependence on energy imports from abroad, including Russia. Russia is also interested in exporting greater quantities of gas, its price on the British market being among the highest in Europe. This is reflected in an exchange of shares between the Russian Gazprom and the Dutch Gasunie in the BBL and Nord Stream consortia responsible for the operation of undersea gas pipelines linking the Netherlands with the UK and Russia with Germany, as well as the German-Russian firm Wingas' efforts to build the greatest gas storage facility in the UK.

Prospects. Recent meetings between British and Russian representatives do not augur a rapid improvement of bilateral political relations. Their improvement will depend on both parties' determination to resolve problems that set them apart—something neither party is inclined to do for the time being. A rapprochement in the area of investments is possible, however, and this could make cooperation with Russia in international institutions easier, especially in such areas as the policy towards Iran or the fight against terrorism and narcotics trade in Afghanistan. Next years' elections in the UK will most probably be won by the Tory opposition. Although the Conservative Party is critical of the present Labour government's policies towards Russia, the government it is likely to form will most probably continue to implement them given a vision of future relations with Russia similar to Labour's. Consequently, Poland should not fear a change in the British position on such issues as support for the EU's closer cooperation with its eastern neighbors or liberalization of the EU energy market.