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# Russia and The West: A Reassessment

by James Sherr

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*James Sherr is a Senior Lecturer and Fellow of the Advaned Research and Assessment Group at the Defence Academy of the United Kingdom*

***Author's Note***

*In an institution such as ours, no individual's work is entirely his own.*

*Although it would be invidious to single out individual analysts by name, the author gratefully acknowledges the guidance, assistance and inspiration of his colleagues. Needless to say, he bears sole responsibility for any errors of fact or judgement.*

# Russiand the West: A Reassessment

## by

## James Sherr

## Key Points

- A powerful Russia is once again a fact of life, and Russians know it. They are no longer seeking our approval. They have recovered pride in their own traditions and are determined to advance their own interests. The post-Cold War partnership, founded at a time of Russian disorientation and weakness, is history.

- Russia is not reviving the Cold War, but classical Realpolitik with a strong geo-economic emphasis. Although Russia is not a global threat, it seeks to be both enabler and spoiler. It will exploit our difficulties in Iraq and Afghanistan and leverage its influence in Iran to diminish Western influence in the former USSR, where it will use both hard and soft power to resurrect its dominance.

- At a regional level, Russia fears further NATO enlargement and seeks to erode the significance of NATO and EU membership. It has not abandoned ambitions to be a determinant actor in the Balkans and Central Europe. It seeks geopolitical partnership with Turkey, a commanding role in the Black Sea region and a de facto veto on matters of European security. Whilst the post-Cold war status quo is not reversible, we should not assume that it cannot be undermined or revised.

- Energy, defined by Russia's official energy strategy as a significant determinant of 'geopolitical influence', will remain the crucible of difficulty and a source of Western weakness until we formulate an energy strategy that makes Russia respect the realities of interdependence and the rules that go with it.

- The political system, which discourages moderation, and the succession struggle, which is proving to be ugly and prolonged, is making life difficult for those in Russia who see the merit of cooperation.

- But cooperation will be possible over the longer term if the West can shift Russia's focus to its own demographic, social and resource related vulnerabilities. Until we regain the ability to speak with one voice on matters of collective importance, this will not happen. Russia is underestimating its own shortcomings and our potential leverage. We should not.

# Russia and the West: A Reassessment

## Introduction

A powerful Russia is once again a fact of life. Unfortunately, this fact has emerged in a climate of mutual disillusionment and recrimination. It is therefore time that the motif of partnership, which guided the West's relations with Russia in the 1990s, be replaced by a motif of realism. Realism should not be equated with hostility. It calls for a mature understanding of differences between Russian interests and our own, as well as a dispassionate acceptance of the differences that exist between our respective political cultures and value systems. Only by adopting a prudent set of expectations will it be possible for us to minimise misunderstanding, limit tension, identify areas of potential cooperation and advance our own interests. Realism must be based upon four elements:

- *Understanding how today's relationship differs from that of the Cold War.* The Cold War was an ideological, military and global confrontation. Russia is aggressively ideological about its sovereignty, but in other respects cynically 'pragmatic'. Whilst the Russian Armed Forces are significantly more capable now than they were in the 1990s, military power takes a back seat to economic power, which is often used for unabashedly geopolitical ends, but in a context of interdependence unthinkable in the Cold War era. Over many global issues, Russia has the potential to be an enabler or spoiler and wants us to know it. Yet Russia's main priorities remain regional, and the principal global threats to the West arise elsewhere.

- *Understanding how Russia's political and security cultures differ from our own*. Russians describe their values as 'distinctive'. They have also become a source of pride. Russia is no longer seeking to join the West, and its internal affairs are no longer deemed a legitimate subject of discussion. Internationally, Russia has replaced the USSR's Cold War mindset with a pre-Cold War mindset, emphasising balances of power, 'zones of interest' and geopolitics. The Leninist tools of 'ideological struggle' – divide and rule, suborning opponents, asymmetrical forms of engagement – have been put to use in an unideological environment.

- *Recognition that Russia will use its power for the 'strict promotion' of its own interests*. It will, by political and intelligence means, exploit disarray, ineptitude and division. It will, through pressure, partnership and bribery, seek to 'control the entire value chain' in energy supply, transport and distribution. It will, by means of hard and soft power, seek to transform the former Soviet Union into a 'zone of special interests', irrespective of the wishes of third parties or the countries concerned. Interests, not principles, drive the gears of Russian diplomacy. These realities call for countervailing measures to main-

tain the integrity of Western markets, strengthen the capacity of Russia's neighbours and change the calculus of thinking in Russia itself. But they should not arouse surprise or indignation.

- *Confidence in the West's potential for leverage and in longer-term prospects for cooperation*. Russia is proud, but its confidence is brittle. It is exploiting present and possibly ephemeral strengths rather than addressing deep-seated internal vulnerabilities. It is doing this with skill, but it is not acting with wisdom. It is also giving more attention to symbolic humiliations (NATO enlargement and 'coloured revolutions') than truly serious challenges: China's 'peaceful rise', sharp constraints on productive energy capacity, alarming demographic trends, the disintegration of authority and communal life on much of Russia's periphery, the proliferation of dangerous weapons technologies and the global reach of virulently anti-secular and anti-modernist networks of terror. Over the mid-term the country could once again find itself in serious difficulty. At what point will Russia's leaders be inclined to reassess the benefits of cooperation with the West and the contribution that we could make to Russia's well-being and security? The better we are prepared for this moment, the better. But if by then, 'the West' is no longer a meaningful term, Russia's vulnerabilities will damage us all.

## A Damaged Relationship

Russia and the West are suffering from a backlash against their own illusions. The beginning of wisdom is to understand that both sides are going through this process. Not surprisingly, it is a bitter process. One rarely thanks those one has lost illusions about or blames oneself for having had them in the first place. For that reason, it is also a worrying process. Our interests need to be defined and defended, but they will not be served by resentment, blindness to opportunities or indifference to the anxieties of others. We need to re-examine ourselves as much as we need to re-examine Russia. We also need to take a dispassionate look at what has gone wrong and why.

The post-Cold War partnership was established during a time of profound disorientation in Russia. The collapse of the Soviet Union was not a simple 'triumph of democracy', but in equal or greater part, the product of economic disintegration and national revival, Russian and non-Russian. After 1991, Russians had to adjust to the collapse of the political system, the economic system, the defence and security system and the state itself. At the outset, President Yeltsin and his principal subordinates (e.g., Foreign Minister Andrey Kozyrev and Acting Prime Ministers Yegor Gaidar and Anatoliy Chubays) had extravagant expectations about the willingness and capacity of the West to cooperate with Russia on an equal basis, to incorporate Russia into the West's economic and security organisations and legitimise Russia's primacy in

Ukraine, Georgia and other former Soviet republics. In practice, the West's far more modest terms and rules of partnership were accepted out of weakness. By the mid-1990s, this weakness had compromised these 'romantics' in the eyes of the wider Russian policy elite and a large part of the country's population.

Despite this disorientation, the policy making elite of the Russian Federation did not represent, in ethos or composition, a clear break from the Soviet elite. How could it have been otherwise? Unlike Germany in 1945, Russia had neither been defeated and occupied, nor had its institutions been overhauled by foreign authorities and administrators. Unlike Poland and Estonia in 1989-91, there was no counter-elite in the wings and no civic culture underpinning it. Those who failed to prevent the USSR's collapse (the reformers around Gorbachev) and those who conscientiously abetted it (the reformers and nationalists around Yeltsin) were not the Soviet elite's most radical opponents, but its most radical members. As the disintegration of the economy and state became unavoidable, they were joined by the more adaptable and opportunistic stakeholders in the Soviet system, as well as by their illicit collaborators: the criminal networks and 'shadow structures', who from the time of Brezhevite 'stagnation' were acquiring a large measure of *de facto* control over resources and their distribution. The process of *nomenklatura* privatisation consummated and also legalised a process transforming bureaucratic into financial power.

For these reasons, the democratic order of the 'new Russia' was compromised almost from the start. Ordinary citizens swiftly discovered that no real devolution of power was taking place and that some of the most unsavoury elements in the country were now running it. State planning was being replaced by rigged markets rather than free markets, state monopoly with clan oligarchy and state secrecy with 'shadow structures', institutional opacity and the financial-informational power of cartels. Whilst this turn of events was far from inevitable, no one should have been surprised by it. For all of its deficiencies, the Communist system had been very effective in confining power, not to say competence and self-confidence, to a small class of people devoted first and foremost to their own self-perpetuation. The saga of *perestroyka* demonstrated that this class, the so-called *nomenklatura*, could be challenged, but it also demonstrated the capacity of its members to replenish their ranks and reinvent themselves. Where in Russia were the countervailing factors that might have checked this process: a respected legal order and independent judiciary? high standards of fairness in state administration? property rights? good local government? transparent financial regulation? a middle class not dependent on the state? entrepreneurs not dependent on criminals? The outspoken press became a window on this world, as well as a weapon of struggle within it. But even if intellectual criticism were as welcome (and accessible) in Izhevsk as in Moscow, Russia's intrepid corps of journalists and experts would not have been able to change that world in the absence of reputable public institutions and representative structures of power.

The comparison drawn by some at the time between Yeltsin's Russia and Adenauer's Germany simply did not take account of these realities. It not only overlooked the

rigours of occupation and de-Nazification in Germany. It also overlooked the tenacity of power networks in Russia, the legacy of weak civic instincts and the prevalence of strong habits of mind: deference to authority, disregard for the feelings of juniors, subordinates and ordinary people, manipulation of outsiders, cultural insecurity and national ambition. In the West, the comparison helped to breed excessive hope that the brutalising dislocations of post-Soviet Russia would prove to be 'birth pangs of democracy' rather than a process that would discredit it. In Russia, the West's apparently unqualified endorsement of that process and of Yeltsin personally led many to ask, not for the first time, whether the West simply wanted to enfeeble Russia and whether its values and models were relevant to its own distinctive circumstances. We would have done better to recall the experience of Weimar Germany. As Ralf Dahrendorf noted, 'in 1918, one of the most skilful elites of modern history…lost its political basis [and] the state…began to float. No counter elite emerged to fasten it'.[1] In the USSR, an even more skilful elite 'lost its political basis' and 'the state began to float'. As in Weimar Germany, a new political system was 'merely stuck onto an existing social structure'.[2] Not surprisingly, it was short of effectiveness and public support.

It was equally unrealistic to suppose that, once the dust settled, Russia would be reconciled to the post-Cold War status quo. In 1992 Russia became geographically synonymous with the former Russian Soviet Federative Socialist Republic. Yet never before had a Russian state existed within these borders: internal, 'administrative' borders which, like many others in the USSR, had been artificially and often brutally drawn. With Ukraine and Belarus outside the new Russia and the north Caucasus inside it, many had reason to ask what conceivable principle—ethnic, economic, strategic—now made these borders either tenable or sacrosanct. That question was sharpened by two other realities. First, Russia had limited historical experience of living with neighbours who were both friendly and independent. Second, even in its new truncated form, the Russian Federation retained a quasi-imperial character. Unlike Britain and France, states that had *acquired* empires, Russia's state and empire had been coterminous and not readily separable. Of the USSR's 38 'autonomous republics', 'autonomous provinces' and 'national regions', 32 were situated on the territory of the Russian Federation, many of them rich in strategic resources, astride key lines of communication or contiguous with the state's new borders. Quite naturally, many feared that the disintegration of the Soviet Union could lead to the disintegration of Russia itself. Therefore, even amongst democrats, it stood to reason that, without a new scheme of integration, the independence of the Union Republics of the former USSR would spell trouble. The first Foreign Ministry report on the subject in September 1992 defined such integration as a 'vital interest' to be pursued by 'all legitimate means', including 'divide and influence policies' in the newly independent states.[3] In December 1991, Yeltsin himself had stated that 'if Ukraine refuses to join the new union [the CIS], we will be on opposite sides of the barricade'. Little had he suspected that what he viewed as a 'new union', his Ukrainian counterpart, Leonid Kravchuk, would view as a 'civilised divorce'.

The failure of the so-called pro-Western liberals to arrest disintegration in former Soviet space – and the West's refusal to back this endeavour – produced the most bitter disputes between them and their 'centrist' opponents, not to say those who had boots on the ground, the Russian Armed Forces.[4] Yet these disputes were about the means of securing primacy, not the desirability of doing so. When Foreign Minister Andrei Kozyrev noted that Russia also retained 'special interests' in other 'zones of historic influence', Central Europe and the Balkans, he spoke for most liberals as well as well as their critics.

Whilst it is certainly true that Western policies in the CIS, the Balkans and NATO enlargement hardened Russian attitudes towards the West, they played no significant part in establishing a neo-imperial course in the CIS. That course was established at the creation, and it deepened at a time when 'Russia first' was the watchword of Western policy. Indeed, as late as February 1993 – when Yeltsin called upon the United Nations and other international bodies to 'grant Russia special powers as guarantor of peace and stability' in the former Soviet Union – there was still hope that the West would support his efforts: efforts which by then were being backed by force in Georgia and Moldova.[5] Far from being restrained, Russia was simply emboldened by its conviction that 'the West will not take them'.[6] In Ukraine, no real improvement in relations took place until that conviction was shaken.[7]

Moreover, Russian attitudes towards the West began to harden before any red lines were crossed. It was not in 2004 but 1994 (at the start of NATO's *UN sanctioned* bombing campaign in Bosnia) when we first heard that 'the era of romanticism between Russia and the West has ended' and that 'Russian interests will no longer dissolve in the interests of European diplomacy'.[8] In April 1994, Yeltsin told the Foreign Intelligence Service that 'ideological confrontation is being replaced by a struggle for spheres of influence in geopolitics' and warned that 'forces abroad' wanted to keep Russia in a state of 'controllable paralysis'.[9] In October of that year – a full fourteen months before NATO's first and highly equivocal Study on Enlargement – he warned the OSCE that NATO enlargement would produce a 'cold peace' in Europe.

The visible differences between the Yeltsin and Putin eras should not disguise these continuities. But the Yeltsin era *was* different. It was characterised by inconsistency and discordance [*mnogogolosiye*] and lack of rigour in matching means to ends or declarations with deeds. More importantly, through all of this, there remained an impulse towards accommodation: to the emergence of stable state-to-state relations with neighbours (e.g. the May 1997 interstate treaty with Ukraine), to the right of these neighbours to develop relations with NATO (but not join it) and to the involvement (on a limited basis) of external powers and bodies in regional security arrangements (e.g. the US-RF-Ukraine Trilateral Agreement, OSCE missions in Moldova, Armenia, etc).

If there was one consistent failing on the part of the West, it was the tendency to underestimate the breadth and depth of support for the views that Russia was enti-

tled to primacy in the former Soviet Union and an 'equal' role (i.e., veto) over wider security arrangements in Europe. The assumption was that these views were confined to 'nationalists' and that Russia would continue to accommodate and 'adjust'. The genuine resolution of some problems (e.g. the Bosnian conflict) and the careful management of others (the first round of NATO enlargement), led many to conclude that obstacles were being overcome to mutual satisfaction, rather than just our own. Weakness and acquiescence were often confused with consent and agreement. Sharp reactions (as over the 1999 Kosovo bombing campaign) were often dismissed as emotional and temporary. Although the Western powers felt they had tried to avoid the 'moral humiliation of a major state' (to use the words of a Russian parliamentarian to the House of Commons Defence Committee in 1999), that is not the way it appeared in Russia. Nevertheless, to conclude from this that 'the West lost Russia' would be to ignore every other factor of importance: Russia's history, its political culture and its attitude towards its neighbours. The principal question then, as now, is how we could have 'won' Russia without losing the newly independent states of Central and Eastern Europe.

## The Putin System

Between 31 December 1991 (the date of the USSR's demise) and 31 December 1999 (the date that Vladimir Putin became Acting President of Russia), a lot of history had been made in Europe, but very little of it had been made by Russia. The advent of President Putin, his broad popularity and the legitimacy of his brand of 'sovereign democracy' need to be understood against this backdrop. In social terms, Putin represented the coming of age of a new post-Soviet class: moneyed, self-confident, impressed by the virtues of a strong state, uncowed by the West and totally without nostalgia for Communism. In political terms, Putin represented the revival of the state. Under Yeltsin, Russia functioned less as a state than as an arena upon which very powerful interests competed for power and wealth, often at Russia's expense. Under Putin, centres of power – the security services, the armed forces, the defence-industrial complex, the energy sector – have become instruments of national power rather than laws unto themselves: the first of these reshaped and vastly strengthened by 'strong positions in business' and by an institutional dominance not seen since the time of Stalin;[10] the latter, after a spell of privatisation under Yeltsin, largely resubordinated to state control or management. In geopolitical terms, Putin represented the revival of Russia as a 'great state' that would make history rather than be at the mercy of it.[11]

In contrast to Gorbachev and Yeltsin – leaders who sought to create the international conditions necessary, in Shevardnadze's words, 'to bring about change *inside* the country' – Putin reverted to an older pattern established by Stalin: restoring the 'vertical of power' as a way of returning Russia to its rightful position on the world stage. As in Stalin's time, this enterprise has had a strong economic component; the focus has been not only modernisation and growth, but the fusion of economic and state

power on the state's (i.e., the Kremlin's) terms. As before, the security services have proved to be the primary enforcers and beneficiaries. Yet the enterprise has also been predicated on the conviction that times have changed. Prosperity and the market economy are seen as inseparable. The globalisation of the world economy is seen as a fact of life. Democracy must be 'managed' but must not be crushed. Hence, privatisation has been reversed only where the assets in question are deemed important to the state. Elsewhere, the motto has been '*enrichessez vous*'. Freedom of expression is welcome as long as it does not expose the secrets of powerful people, challenge the mindsets of ordinary people or damage the legitimacy of what is taking place.

From the start, there was a concerted attempt to ensure that foreign policy 'conform[ed] with the general capabilities and resources of this country'.[12] Where Russian capabilities and resources were weak (as initially they were in comparison with the West), the leadership sought new openings and common ground; where they were strong (as in Ukraine and Georgia), policy became, in the words of its Kremlin adherents, 'cold', 'harsh' and 'much tougher'. This obsession with 'pragmatism' – defined as the 'strict promotion of national interests' – reflected not only the former KGB's obsession with the 'correlation of forces', but also a set of specific anxieties and opportunities. Amongst the former were:

- *NATO's intervention in Kosovo*, which, however strong its justification, demolished NATO's aura as a purely defensive alliance. In military terms, Operation Allied Force was seen as a rehearsal for more ambitious exercises in coercive diplomacy and in political terms as a testing ground for the employment of human rights as a flag of convenience for breaking up 'problematic' states. The humanitarian dimension of the conflict was of no interest to the Kremlin at all. What did interest the Kremlin, not to say the country as a whole, was the precedent created for employing NATO's power in ways that contradicted its ostensibly defensive purpose.[13] This perceived precedent sharpened the stakes in Central Asia and the Caucasus and possibly played a role in Putin's decision to launch the second Chechen war.[14]

- *NATO enlargement*: to worst-case thinkers in the MOD and General Staff, a potential military threat, whatever its immediate motivation; to the Kremlin and Foreign Ministry, a means of excluding Russia from Europe and de-legitimising its interests;

- *EU enlargement*, whose exclusively benign nature the Kremlin had come to doubt. After the treaties of Amsterdam and Nice, the Kremlin understood that the EU was not merely a counterbalance to US dominance, but a mechanism of integration that could limit Russia's influence and at worst isolate it from the Baltic states and the former Warsaw Pact states of Central Europe. Hence Putin's determination to offset this consolidation by solid bilateral partnerships with key EU states, notably Germany. The 'positive tradition in Russo-German relations' which Putin cited during his first state visit was not only a

trading tradition, but a tradition of condominium over East-Central Europe, and this was not lost on everyone.[15]

Set against these developments, the consolidation of former Soviet states into a bloc and an internationally recognised 'sphere of interest' was seen not only as a defensive measure, but a precondition for giving Russia 'equality' in the international system.[16]

The opportunities were provided by:

- *The vulnerabilities of newly independent states*, which had acquired juridical independence (*nezavisimost'*) but not necessarily the means to 'stand independently' (*samostoyatel'nost'*) and achieve their objectives. Unbalanced patterns of interdependence, sovietised elites and administrative cultures, convoluted legal systems and clannish, opaque modes of business created a web of transnational connections with similar institutions in Russia and a mountain of obstacles to European integration. Initially, Putin let his Western interlocutors understand that this business culture was a liability *for Russia*. But he relied upon it in his efforts to create 'a good-neighbourly belt along the perimeter of Russia's borders' and strengthen 'the coercive component within that system'.[17] Hence as fair and dispassionate a figure as Dmitri Trenin concluded: '[r]esting on strengthening economic links, Moscow will definitely be able to secure political loyalty from the CIS countries'.[18]

- *Political subordination of the state's economic assets*: a gradual process because the power of the state had to be restored first, and this required some thought in a country where twelve more or less independent companies produced 70 per cent of GDP. For many people in the West, the change became apparent only with the targeting of YUKOS in the summer of 2003. Yet for Ukrainians and Moldovans, it was felt in December 1999, when Prime Minister Putin was only days from becoming Acting President. In that month, Russia cut the supply of oil to Ukraine for the fifth time since 1991. Yet the crisis that ensued over the following months swiftly persuaded Ukraine's security establishment that the rules had changed. Russia was no longer a problem, but a power. That crisis proved as damaging as the gas crisis of 2005-6. But because the damage was confined to Ukraine and Moldova, few inside the EU understood what a potent instrument energy had become.

Were it not for the events of 9/11, the political logic of a President who refused 'credits to buy lollies, while…they [NATO] annex our territory from the Black Sea to the Caspian' would have become fairly swiftly apparent.[19] Nevertheless, the radical breakthrough in relations following the events of 9/11 was brief. President Putin immediately grasped that the tragedy in New York and Washington had changed the coordinates of world politics, and he rose to the occasion. But whereas Western governments viewed these changes with foreboding, he viewed them as an opportunity.

It was the West that now needed Russia. Confident that this was so, Putin prevailed against internal opposition over the stationing of US military forces in Central Asia: both in order to demonstrate Russia's value but also in the calculation that a US dominated Afghanistan would pose fewer problems for Russia's security than a Taliban dominated Afghanistan and the spread of Islamic radicalism in Central Asia. Putin resumed cooperation with NATO (whilst maintaining his opposition to NATO enlargement), and warmly embraced Prime Minister Blair's initiative to establish what became the NATO-Russia Council. Yet in return, he expected major political trade-offs. With fair justification, he assumed that the new partnership would untie his hands against 'Islamic extremism' in the north Caucasus, which was juridically part of Russia. With little justification, he assumed that the West would acquiesce in Russia's dominance over newly independent states, which were not. He also assumed that by conceding Russia's 'right' to its own policies in Iraq and Iran, the West could not object to these policies or ask how they furthered global partnership. By late 2003, a fresh round of recriminations and disillusionment was under way.

But it was the 'coloured revolutions' in Georgia and, in particular, Ukraine that transformed disillusionment into antagonism. In 2004 the logic of Ukraine's democrats was that Russia should welcome the victory of a man, Viktor Yushchenko, who as Prime Minister, presided over a significant expansion of trade with Russia and the halting of theft from its gas pipelines. The logic of the Kremlin was that Yushchenko's victory would threaten the very existence of a system that afforded Russia dominance in the CIS and a 'vertical of power' in Russia. After all, Ukraine is not just any ordinary country. To Russians, Kyiv is the origin of the Russian as well as the Ukrainian state. In Putin's orthodoxy, Russia 'cannot live according to the *schéma* of Western values'. But what would happen to that orthodoxy if Ukraine embraced them? What would happen to Putin's entire geopolitical design if the EU and NATO embraced Ukraine? To circles schooled to believe that *samostoyatel'naya Ukraina nikogda ne budet* ('Ukraine will never be able to stand alone'), the conclusion was not only that the West would embrace them, but that the Orange Revolution had been a Western 'special operation' from beginning to end. After the post-9/11 partnership and years of cultivating the EU, this was seen as nothing short of betrayal.

When we wrote in September 2004 that 'the worst scenario for Ukraine is not that Yushchenko loses the election [but that] he wins and then fails', Ukraine was not the only thought in mind.[20] At the end of 2004, it appeared that the art of the possible was about to change in Eurasia. Between the collapse of the Orange coalition in September 2005 and the shabby 'resolution' of the gas crisis in January 2006, that confidence collapsed. At the end of 2004, Russia faced the prospect of ceasing to be a model and remaining only a power. By the beginning of 2006, there were alternative postures in the CIS, but no alternative models. That would have been bad enough in itself. But there were two additional consequences. The West, which had risen above its routines and preoccupations in 2004, now returned to them. Worse, it did so just at the time when the Kremlin felt both vindicated and vengeful. In December 2004, Lilia Shevtsova described as 'unmistakably weak…those political forces [in Russia] who

need to convince Putin that Ukraine is advantageous…not as a sanitary corridor, but as a bridge to Europe'.[21] After September 2005, they lost the opportunity to grow stronger.[22] They also lost the opportunity to counter the change in mood, well expressed by one Russian commentator:

> *Since Beslan and Ukraine, Putin has patently undergone an abrupt psychological change. The steps he takes are no longer carefully calculated. Emotions have triumphed*.[23]

They are well in evidence at present.

## The Agenda of Difficulty

**The Hardening of Values**

A commanding plurality of Russians do not see Russia as 'a fully European country' but as a 'distinctive Eurasian civilisation'.[24] Amongst those who do consider themselves European, not all regard themselves as liberal. In April 2006, 61 per cent of those polled believed that Russia needed 'a leader with a strong hand', as opposed to 21 per cent who supported political democracy.[25] These realities are difficult for the West to come to terms with. Our history has taught us that capitalism, prosperity and liberalism go hand-in-hand. Since 1945, the foreign policy of the Euro-Atlantic community has been based on that premise, and at the end of the Cold War it almost acquired an aura of infallibility. Yet we now find ourselves struggling to cope with the emergence of capitalist, prosperous and illiberal states: not only in Russia, but in China and other parts of the Pacific rim. We do not like discovering that there are educated, well heeled and well travelled people who have their own standards and have no wish to live according to ours.

That is our problem. The question is how to respond to it. One response is to maintain our faith that the realities of interdependence and the 'therapeutic effects of capitalism' will win out in Russia over the longer term.[26] Yet even if that faith is sound, it offers no practical guidance. How should we proceed before the long term dawns? What costs might we and others incur if we get the short and mid-term wrong? Is the expansion of trade and investment and the reiteration of interests and principles (*aka* 'engagement') a sufficient basis for dealing with Russia or convincing its leaders that they should take care when dealing with us?

A second response is to respect Russia's distinctiveness. Throughout history, national cultures have responded to external influences in their own distinctive ways and states have produced their own distinctive definitions of 'national interest'. The Soviet political system rested on a fusion of Muscovite autocracy, the conspiratorial, millenarian traditions of Russian revolutionary extremism and an ultra-rationalist European ideology, Marxism. It lasted almost 75 years, despite the lack of any evi-

dence that Marx considered such a fusion possible. State capitalism and militarism formed a potent synthesis in pre-war Germany and Japan, and we forget at our peril that the more benign, liberal capitalist synthesis that followed was introduced by outside powers. Has globalisation really eliminated the ability of countries to pick and choose? So far, President Putin has persuaded the majority of Russians that it is possible to revive a 'great state' without its excesses and establish a 'new, modern type of entrepreneur' who has a Darwinian approach to competition and a subservient approach to political authority.[27] So far, he has also retained the support of the constituencies that matter: young professionals, who are ambitious for their country as well as themselves; ordinary people, who have a primordial fear of disorder and look to the state, rather than to private initiative to solve pressing problems; and those who view powerful armed forces and security services as guarantors of Russia's sovereignty in what they still see as a zero-sum, *kto-kovo* world.

Yet respect for Russia's distinctiveness will not solve our problems any more than engagement will. This is because the value systems of powerful states have a powerful influence on their surroundings, and the foregoing examples make that point clearly. The connection between the culture of power in Russia and the ability of newly independent states to chart their own course has already been explored, as has the connection between the Kremlin's geopolitical determinism and its scheme of security across Europe and Eurasia. In other words, there is a connection between our respective value systems, the type of Europe we wish to live in and what realists call geopolitics.

Increasingly, the hardening of messages in Russia's so-called 'information space' is hardening these connections in the minds of ordinary and not so ordinary people. The most striking example of this process amongst specially targeted audiences is the Kremlin's support for the movement of young 'commissars', *Nashi* [Our People]. Although the movement was founded in April 2005 in response to the threat of 'fascism' (in practice, coloured revolutions), its founder and Federal Commissar, a former Presidential Administration official, Vasiliy Yakemenko, insists that the project's antecedents date from the appointment of Vladimir Putin as Prime Minister in 1999.[28] Russia does, of course, have fascist gangs and a small number of fascist ideologists, but much of *Nashi's* anti-fascist invective is directed against Russia's liberal party, *Yabloko*, and one of the country's ex-Prime Ministers, Mikhail Kasyanov, is designated as the country's 'main traitor'.[29] *Nashi's* handwritten 'Appeal to the American Nation' warned that if the State Department continued to make financial contributions to Russian NGOs, 'it means a return to the Cold War. At best'.[30] Rhetoric, uniforms, emblems and the regimen of the Seliger summer camp have led *Yabloko* to describe the young commissars as 'storm brigades': a designation that many foreign diplomats would unreservedly echo after the blockading of embassies and consulates during the Estonian events in May 2007.[31] Were it not for the legitimacy conferred upon it by Vladislav Surkov (Deputy Head of the President's Administration) and First Deputy Prime Ministers Ivanov and Medvedev – all of whom have lectured at Camp Seliger – as well as its sponsorship by Russian energy companies, *Nashi* would simply be an

odious phenomenon on the fringes of Russian political life.[32] But it isn't. *Nashi* was one of three youth groups invited to Zavidovo on the occasion of President Putin's public rebuke to the British government for its response to the Lugovoy/Litvinenko affair.

In Russia as in other countries, the most effective route to mass audiences is television. Russian state, regional and city television channels, as well as several under corporate ownership (e.g. *Gazprom's NTV*, once one of the country's most independently minded broadcasters) now offer an array of programmes instilling pride in the country's history, culture, armed forces and security services. However skewed their messages might appear to an outsider, many of these programmes are also moving, dramatic and informative. Over an eight day period in August, ARAG's monitoring of Russia's two main state channels recorded a large inventory of news programmes, historical documentaries, television dramas and feature films presenting the United States, the UK, the Baltic states and other Western countries in an untrustworthy, malevolent or disreputable light.[33] The innuendo was pronounced in these programmes, yet their production values radiated grainy authenticity and an absence of Western gloss. Russian news programmes are strongly political in emphasis, concrete and detailed in their terms of reference and intellectually serious. They are also full of misstatements, distortions and half truths. To be sure, there are still antidotes available if you are fortunate enough to have access to them: Russia Business Channel, *Ekho Moskvy* radio, the BBC Russian Service, Radio Liberty/Radio Free Europe and the web. Yet they are not mass media and, with the exception of the first (which focuses on the economy), they are not television.

What of the more radical question: is exposure to the EU a favourable corrective to mindsets developed in Russia? Russia is no longer the USSR, and that exposure is now considerable. Yet for this very reason, the merits of our freedoms are not always self-evident. Russia has a harsh state, but it does not have a nanny state. It also offers extraordinary opportunities to those who have connections or money. Many of those fortunate enough to come from these circles insist that it is easier to make money in Russia than in the EU, and money rather than political pluralism is what a large number of Russians now care about. In the eyes of ambitious Russian businessmen, the EU's regulatory environment and Social Chapter do not strengthen entrepreneurship, but weaken it. In the eyes of many more ordinary Russians, political correctness does not confer rights, but takes them away. To just about anyone from Russia, the multicultural ethos and post-modern preoccupations of EU countries are bewildering. Many find the reality of life in our supposedly more just and rights-based society far less attractive than they expected it to be. They can also be forgiven for being in doubt about what we stand for. Yet they are in no doubt about what Russia stands for. When a Russian residing in London asks which British news programmes air cogent defences of UK, US and NATO policies, what does one say? How could the diet of health and safety issues, child abductions, political sound-bites and homilies that fill up many an evening news slot serve as a political corrective to a world view acquired in Russia?[34] A Russian acquaintance well summed up the ambivalences of many: 'I

admire Britain for all the qualities that it is now ashamed of'.

There is only one further point to make on the ideological coordinates of Putin's Russia. Distinct as they are, the bottom line for the constituencies that matter is not ideology, but effectiveness. Only ineffectiveness will undermine the synthesis that Putin has tried to achieve between pre-Soviet, Soviet and post-Soviet values. Whilst there are Russians who loathe this consensus, and whilst experts in the country warn that the effectiveness of the 'vertical of power' is wearing thin, its ineffectiveness will need to be demonstrated by practice rather than analysis. To most people in Russia, economic growth of 60 per cent in seven years—and the doubling of real per capita income during the same period—add up to effectiveness.[35] Nevertheless, the scepticism of experts might be borne out sooner than most people think.

**A Mutating Political System**

Succession was the most problematic feature of the Soviet political system and, for all its apparent awesomeness, the clearest sign of its fragility. The ending of totalitarianism in Russia seems to have changed nothing in this regard. The succession process is not only a weak link in its own right; it threatens to open every fissure that Putin's rule has concealed. It might even call into question Putin's most cynical accomplishment: the creation of 'order without law'.[36]

The fact that Putin has concentrated power in the Kremlin goes without saying. He has also restored the traditions of the patrimonial state. In the mid-1990s, 50 per cent of Russia's GDP was controlled by seven relatively independent bankers. Today, five senior Kremlin officials chair companies that produce 33 per cent of national wealth. Policy is made by small, opaque and often unknown circles of people close to the president, not by the formal institutions of government, let alone by representative institutions. As Leon Aron has written, the 'shock absorbers of democracy – local legislatures and executives, press and television, parliament and opposition – have been seriously eroded or eradicated'.[37] This is not only bad for democracy, but inefficient. Patrimonial systems operate through patronage and tribute, not through what Max Weber termed a legal-rational scheme of authority – or, more simply, rules. In the absence of rules binding rulers, vertically managed bureaucracies are poorly managed. What is controlled is controlled arbitrarily; what is uncontrolled is anarchic or inert. Authority is rarely delegated, initiative rarely given or taken. There is a conspicuous absence of *horizontal* integration: the sharing of information and the coordination of activity at working level between individuals, offices and departments. Subordinates are not given the information they need to implement decisions wisely or, God forbid, take them. Hence there are few corrective mechanisms available when mistakes are made and things go seriously wrong (as they did regarding Ukraine's elections in 2004, as they have with the EU since 2006 and as they are likely to regarding energy).

The system that Putin presides over has also concentrated rivalry. The Kremlin power brokers – who have at their disposal the machinery of monitoring, surveillance, crim-

inal investigation, tax inspection, regulatory/licensing authority and armed force – are not only motivated by collective interests, but their own. A president as respected, skilful and harsh as Putin can keep these rivalries in bounds, but his replacement by any one of these rivals has implications for the others. Hence, there has never been an obvious successor: neither First Deputy Prime Minister Sergei Ivanov, whose ties to the military-industrial complex and faith in high technology is unsettling to many of those wedded to the country's energy-led scheme of growth;[38] nor First Deputy Prime Minister and *Gazprom* chairman, Dmitriy Medvedev, whose aura of liberalism is suspect to the more hardened *siloviki* of the Kremlin.[39] Not surprisingly, many Kremlin power brokers have no wish to see Putin depart at all.

On 1 October, President Putin announced that he will head the party list of One Russia, the party he co-founded in December 2001, during the parliamentary elections of 2 December 2007. He also declared that he views his emergence as Prime Minister sometime thereafter as 'quite realistic'. These statements do not offer a 'solution to the continuity problem', as political consultant Gleb Pavlovskiy maintains, but a prolongation of it. First, Putin is still reserving his options, and he left no doubt that they are tied to the question of who becomes (i.e., who he chooses to become) President of Russia.[40] Second, the constitutional issue remains as problematic as it has been since the succession process started. The Constitution of December 1993 bestows all significant power on the President. In this *schéma*, 'ministers alone are to blame for all existing problems and not the president or the vertical system of state power that he has created'.[41] Would Putin walk into such a role, as currently defined? Would he be as trusting as some Russian commentators, who assume that he will automatically remain the real centre of power irrespective of who the new President is and the formal prerogatives he has?[42] And even in this unlikely case, would there not still be 'an element of craftiness…[meaning] that the spirit of the Constitution is, of course, being violated'?[43] In which case, would it not 'be more honest for Putin simply to change the constitution and openly run for a third term'?[44] Third, if the constitution is not revised and *de jure* power not transferred to the Prime Minister, wouldn't the power struggle merely continue after March 2008, but in even more confused terms than at present? Fourth, if it is to be revised, then with what justification? Wouldn't the proponents of revision have to find some 'extraordinary circumstances' for it (a term that already has arisen in connection with CFE Treaty suspension and several other steps over the past year)? It appears that Putin has not found a solution, but simply is becoming more desperate to find one.

Therefore, the warnings aired by Russian analysts over the past year remain in place. We should expect that the transfer of real power will be ugly, unsettling and prolonged, that 'all aspects of policy will be hostage' to this struggle, that the 'temptation to recruit the international factor' will be strong[45] and that 'we should be prepared for all sorts of political conduct',[46] which might even include 'carefully laid entrapments' aimed at Putin himself.[47] Coupled with the geopolitical views and internal political climate already discussed, this means we cannot exclude:

- further tough and demonstrative actions (e.g. in Ukraine, Georgia or the UK) to mobilise nationalist sentiment in Russia, block the path of an insufficiently tough successor to the presidency or furnish Putin himself with the 'extraordinary circumstances' he would need to retain de facto power;

- continued difficulty in focusing the Kremlin's attention on serious underlying problems (internally or externally), let alone long-term cooperative projects;

- unusual difficulty (as in the Litvinenko affair) in identifying the prime movers and motives behind actions that damage our interests.

**Energy**

Like the Soviet Armed Forces and military-industrial complex, Russia's state dominated energy sector is now seen by many in the Kremlin as a foundation of the country's power and an engine of economic growth and modernisation. The first paragraph of Russia's official energy strategy states that Russia's 'mighty energy sector [is] an instrument for the conduct of internal and external policy' and that 'the role of the country in world energy markets to a large extent determines its geopolitical influence'.[48]

In two respects the parallel is an understatement. The Soviet leadership kept the Armed Forces away from political power. The energy sector is entwined with it.[49] Although the KGB performed an official role inside the Soviet Armed Forces (through its counter-intelligence officers, *osobisti*), the relationship was never comfortable. Albeit unofficial, the relationship between the intelligence and energy sectors in Putin's Russia is intimate. According to *Gazprom's* website, three out of seventeen members of its Management Committee have intelligence backgrounds. At secondary and tertiary levels, the number of former intelligence officers operating in the sector is believed to be extensive. Comparisons between this matrix of power and Norway's *Statoil* are farcical.

The energy sector is as dismissive of outsiders and 'amateurs' as the military sector used to be (and still is). Its working culture – and particularly that of its dominant player, *Gazprom* – is self-referential, self-assured and, in the eyes of many, arrogant (hence the view of a Western gas insider: 'negotiating with *Gazprom* is like negotiating with the Soviet General Staff'). Like the Soviet military's concept of 'reasonable sufficiency', the latter's concept of energy security is difficult to reconcile with the security of others. The Soviet military felt insecure wherever it lacked superiority. *Gazprom* views challenges to its monopoly and monopsony power as threats. It earnestly believes that the scale of its energy interests entitles it to control 'the entire value chain' from the oil and gas reserves of Central Asia to the pipelines of Ukraine and Belarus, and it is irritated when others don't accept this entitlement. When its CEO, Alexei Miller, states (29 June 2007) that *Gazprom* must transform itself from a 'national champion' into a 'global energy leader',[50] is he implying that its model – 'the regulation from a single centre of regimes of extraction, transport, underground stor-

age and sales' – should be changed or extended?[51] Within Eurasia, the Kremlin has long sought to block every project that excludes Russia's participation. Increasingly, it is doing the same inside the EU itself. In its scheme of partnership, the European Commission's notion of security: 'diversity with regard to source, supplier, transport route and transport method' – is a non-starter.[52]

For all these resemblances, the military parallel is deceptive. Europe did not need the Soviet Armed Forces, but it needs Russian energy. Russia, in turn, needs European markets. The Cold War military system was at best a balanced system. It was not an interdependent one. The EU-Russia energy relationship is intrinsically interdependent, but it is not balanced. *Gazprom* is not only intent on controlling supply (and preserving its monopsony over Central Asian suppliers), but it apparently aspires to control the evolution of the market itself. Whether inside or outside the EU, *Gazprom* has also shown a propensity to play by its own rules. Not everyone would say that these rules are rules-based.

The fact is that until comparatively recently, neither *Gazprom's* model, methods nor power troubled Europe. It suited many of the EU's own 'national energy champions' – entities perfectly happy to conclude long-term supply contracts with this apparently reliable supplier – as well as many EU governments willing to limit market competition for the sake of stability. The EU has returned to first principles for only two reasons. The first and greater reason is that *Gazprom* is losing its ability to deliver. Production at three of its four major fields is already declining. Even to maintain current levels of production, the International Energy Agency calculates that 200 bcm [bn cubic metres] per annum will need to be produced in entirely new fields by 2015: a project that, in the estimation of qualified experts, demands at least $11 bn p.a. in investment. Yet this investment is not taking place. Instead, *Gazprom* has devoted the lion's share of its capital to new export pipelines, downstream [i.e. foreign] acquisitions and non-gas projects, whilst conducting what Mikhail Gonchar calls an 'active hunt' for energy resources in other parts of the world.[53] Today, it cannot provide credible information about where the gas for its new pipelines will come from. The picture in Russia's oil sector is only slightly less discouraging. The second reason is EU enlargement. Countries once integral to the former Soviet energy system are now vulnerable members of our own. They suffer from a shortage of infrastructure linking them to their new partners, inadequate transparency in their own energy markets and, in some cases, Russian supply restrictions that display political intent.[54] The revised configuration of the EU has, in turn, heightened sensitivity to its 'New Neighbourhood' – notably Ukraine, whose central pipeline delivers 80 per cent of the gas we import from the former USSR – but also to its older neighbour, Turkey, as well as transit and producing countries further afield.

Yet understanding of the energy relationship between Russia and the New Neighbourhood is inadequate. Many accept the reasonableness of *Gazprom's* demand that its neighbours should pay market prices for gas *prima facie* without asking what

conditions would make the demand reasonable to fulfil. On 7 June 2005, *Gazprom's* Deputy CEO, Aleksandr Ryazanov said of the five year contract concluded the previous year: 'The price of gas supplied to Ukraine [$50/tcm[thousandcubic metres]] is not high, but I think the transaction is very advantageous to us because we have a low transit fee [1.09/tcm]'.[55]

What transpired within six months to prompt *Gazprom*'s December ultimatum that Ukraine pay four-and-a-half times this amount [$230/tcm] or face a cut-off of supplies on 1 January 2006? Were the UK or Germany confronted with a similar proposition, what would the domestic consequences be? What political response could we reasonably expect?

Questions of standards arise. *Gazprom* did not pay market prices for Central Asian gas in 2005, and it does not pay them in 2007. It pays a monopsonist's price. The Russian consumer does not pay a market price for gas, and whilst he is expected to do so by 2011, that is only an expectation. Only Ukraine's ownership of its pipeline network and storage facilities – and its ability to circumvent cut-offs by diverting supplies in transit to the EU – prevents *Gazprom* from imposing a price of its choosing. *Gazprom* did not pay Ukraine the EU market tariff for transit in 2005, and it does not pay it in 2007, let alone the EU storage rate (approximately seven times what Ukraine receives). The intermediaries that *Gazprom* insists upon establishing across the former USSR – all of them opaque in their ownership and cash flows – have no place in a market system. What in fact is the market price for gas? Russia and the EU accept the Baumgarten formula as a basis for calculating prices – hence the $230 of January 2006 – but does that make it a market price? Why is China negotiating lower prices in Central Asia? Is China not a market? Is a market price not that which is agreed between buyer and seller? Not according to *Gazprom*. When ExxonMobil demonstrated a readiness to sell gas to China from *Sakhalin-1* at $100/tcm, they were ordered without a trace of irony to charge the 'market price'.[56] Is Ryazanov in fact right: that the profit from selling 130 bcm per annum to the EU at a tariff 35 per cent the EU average amply justifies the discount to Ukraine for its purchase of 24 bcm per annum of gas? Were *Gazprom* a reasonably transparent company, we might be able to answer this question. Today, it is only possible to offer assertions and opinions.

Questions of motive arise as well. The August 2004 addendum to the June 2002 Russia-Ukraine gas agreement offered terms conducive to Viktor Yanukovych's election as president. It was the last contract on the post-Soviet model designed to secure political loyalty in exchange for low energy prices. As noted above, this model secured political concessions from President Kuchma in 2000. But after Ukraine's Orange Revolution, the Kremlin modified the equation. Instead of the 'subsidy and loyalty' model, it is applying a 'threat and leverage' model. By threatening to impose the Baumgarten formula on Ukraine, it secures a degree of economic and political leverage that it did not enjoy previously. The January 2006 agreement took Russian gas out of the equation; it secured an immediate increase of 95 per cent (in the price of resold Turkmen gas) and a right to price reviews every six months. It locked in the

$1.09 transit rate for a further three years and a $1.45 rate for an additional two. But far more importantly, it set up a scheme of intermediary structures – not only between itself and Ukraine but within Ukraine's market – that has set the latter's energy system and pipeline network on a course of emasculation. To be sure, it could not have succeeded in any of these endeavours without Ukrainian partners. The fact that Russia can always find venal partners in former Soviet space is an indictment of the latter. But it does not exonerate the former. It also obscures the point. Half the significant players in Ukraine – the President's Administration, the staff of the National Security and Defence Council, the Ministry of Foreign Affairs and at least one of the mega-conglomerates – wish to see EU standards introduced in Ukraine's energy markets. Were this the case in Russia, we would be describing a comparatively rosy picture, rather than the picture we describe.

The consequences of these machinations are now plainly visible. In reality it is *RosUkrEnergo*, the gas intermediary, that owes *Gazprom* the $1.3 bn debt (or according to the latest narrative, $2bn) incurred on gas deliveries since January 2006. Yet why should *Gazprom*, which owns half of *RosUkrEnergo* – and controls three of six places on its Management Committee – be unable to collect it?[57] Instead, it claims that the government of Ukraine is responsible for this debt, or in the small print, *UkrNaftohaz*, the one authentically Ukrainian entity left in the equation, which owns the country's pipelines, but thanks to the perversely intricate structure now established, has no income beyond what it receives from social sector (the income generating industrial sector having been awarded to *RosUkrEnergo*'s subsidiary, *UkrGazEnergo*). The gambit has already secured *Gazprom* control of gas in Ukraine's storage facilities and brings it one step closer to acquiring its pipeline network.

Yet the 'threat and leverage' model is unlikely to be sustainable. This is because of new developments, which must be assessed with caution as well as hope.

First, the Kremlin and *Gazprom* have not only become aware, but alarmed by the supply issue, determined as they are to deny its existence to others. Alarm exists because of mounting indications that there might not be enough energy to supply Russia's rapidly growing economy and a population that considers the provision of affordable energy to be a primary function of the state.[58] What happens when the state's ability to perform that function is questioned? Russia's rulers know that it has been questioned before – over bread in 1905, over grain in the 1920s. The tension between domestic prices – in social terms rising too quickly; in market terms too slowly – and contractions in supply has all the makings of another 'scissors crisis', and President Putin has noticed. *Gazprom* is increasingly desperate to manage demand out of the system, e.g., by converting companies from gas to fuel oil, but these measures will not satisfy Putin's demand for an ironclad assurance that there will be no recurrence of the supply problems that arose during the winter of 2006. Added to the domestic factor, commitments to the EU and China are causing serious anxiety. When the whole picture is assembled, it is clear that Putin's Central Asia strategy can only be a bridge to a solution.

Second, the Kremlin is no longer confident that *Gazprom* is up to the task, and within *Gazprom* itself some are beginning to understand that the business model must change. To all intents and purposes, *Gazprom* has been a Soviet energy company with finance capital. It is addicted to the mega project. Until comparatively recently, it was contemptuous of energy efficiency. The system in place wastes raw materials and flares gas at high volumes; ageing infrastructure breaks down and leaks. Moreover, independents have been squeezed out of the system (particularly post-YUKOS), which means that market signals and incentives have been blunted and responses slowed. What is more, the old mega projects, the western Siberian fields, were comparatively simple; the new fields pose unprecedented technological and financial challenges that Russia cannot possibly address on its own.

Yet this awareness is developing too slowly. The Russian energy complex remains a prop for the authority of a state congenitally wary of centrifugal influences, alarmed by demographic trends and conscious not only of China's 'peaceful rise', but the emerging aspirations of resource rich Central Asian states. Because the economic model is also a political model, it is difficult to abandon. Bureaucratic interests and political rivalries add to this difficulty. What is more, Western companies sustain Russian illusions. They persuade the Kremlin that, however restrictive or insecure its terms, they will play their assigned role so long as they earn extraordinary sums of money. What the Kremlin does not see is that, by itself, Western participation will not be able to rescue this flawed system any more than Western finance and technology were able to rescue the Soviet economy in the 1980s. Until there is genuine market liberalisation and the regulatory environment to support it, the pressures on supply will increase, and *Gazprom* will remain desperate for revenue. This means that whoever runs Ukraine and other newly independent states, however pro-Russian their governments, the squeeze will continue, and the spasms between stability and crisis will grow shorter and sharper. Desperation also adds to the risk that where pressure is necessary, it will be applied beyond safe and prudent limits.

The third development is that the EU has begun to put its house in order. On paper at least there is now 'an energy policy for Europe', charting the steps towards 'a real Internal Energy Market', emphasising the need to 'speak with a single voice'[59] and, notably, take measures in response to 'the impact of vertically integrated energy companies from third countries on the internal market and…implement the principle of reciprocity'.[60] 'Business as usual' is no longer an option. Giving point to this, the Commission's Consultation of 19 September 2007 proposes a robust series of steps to expand transparency, extend the power of national regulators and counter 'market concentration and market power' by unbundling supply and network operations across the EU. Recognising that this further liberalisation could leave the EU market even more exposed to predatory steps by politically motivated, vertically integrated companies in 'third countries', the Commission closes the circle by imposing similar unbundling requirements on those who would invest in EU energy infrastructure. In response, Konstantin Kosachev, chairman of the State Duma's international affairs committee, declared:

> *In the same way they are going to try to stop us entering market sectors of the Western European economy, we will have to limit access for our foreign partners to the corresponding strategic sectors of the Russian economy*.[61]

What he neglected to say is that this is already being done—but on non-market principles and to the detriment of Russia's energy production.

The fourth development is the alienation of Russia's traditional partners:

- *Germany*, where there has been a reassessment of Russia's intentions, not only on the part of Chancellor Angela Merkel, but the establishment as a whole. First Deputy Prime Minister (and *Gazprom* chairman) Dmitri Medvedev has publicly voiced regret that 'Germany is no longer our bridge to Europe';

- *Sweden*, whose orientation to Russia has changed sharply since the Schroeder/Nord Stream affair – and whose policy makers and experts now produce some of the clearest political thinking in Europe;

- *Hungary*, whose moves towards partnership with *Gazprom* nearly sabotaged the EU's Nabucco project, but have now been reconsidered since it became clear that its national energy champion, the privately owned MOL, was threatened with hostile takeover by Austria's state owned OMV, which is believed to be fronting for Gazprom;[62]

- *Turkey*, which like Hungary was surprised to find itself caught between the pincers of two pipeline projects: the extension to the Blue Stream gas pipeline, which transits Turkey and which it thought Russia supported, and the new South Stream project, which transits Bulgaria and which Russia now appears to favour.[63] The transformation of Russo-Turkish relations has been one of the accomplishments of Putin's foreign policy. Yet Russia's efforts at blocking trans-Caspian transit and Nabucco (which Turkey strongly supports) and its politically motivated takeovers of energy infrastructure in Turkey itself – some of them plainly designed to undercut Turkish-Azeri partnership – have reawakened concerns that dependency is Russia's preferred mode of partnership. Russia now supplies 60 percent of Turkey's gas and 20 percent of its oil.[64] To be sure, this is not entirely its own achievement. The war in Iraq has disrupted a lucrative source of energy and transit income, and it is the United States, not Russia, which seeks to block energy links with Iran. Caught between geopolitical as well as civilisational vectors, Turkey, despite its exceptional economic performance, is no longer confident of its friendships or its future.

- *Turkmenistan*, which under the new leadership of Gurbanguly Berdymukhamedov, is publicly reassessing his country's energy relationships. The first reason is the model of monopsony that Russia adheres to.

> There are those in Turkmenistan who would continue to support Putin's policy of the 'single export channel' if it allowed contracts to be concluded directly with end users and *Gazprom* simply charged a transit fee. Nevertheless, Russia (and President Putin personally) refuse to deviate from a model which makes *Gazprom* the sole purchaser and (at a considerable mark-up) the sole supplier of Central Asian gas. The second, more recent and more radical reason is the wish to break out of this straitjacket entirely. It is China, not the West that has provided this inducement – after all, a Memorandum of Understanding on a trans-Caspian oil transport system was only signed on 24 January 2007, the same month that the EU took the first clear steps towards an energy policy. Yet in his meetings in Washington on 25-26 September Berdymukhamedov spoke favourably about this possibility.[65]

In conclusion, we could do worse than to repeat what we wrote in 2006 in *Nezavisimaya Gazeta* about President Putin's policy of 'pragmatism'.

> *It is a policy that has given Russia the maximum number of interlocutors and the smallest number of disappointments. But perhaps someone will ask if it has made any friends*.[66]

**Defence**

In 1992 the Russian Federation inherited, in the words of its first Minister of Defence, Pavel Grachev, 'an army of ruins and debris'. Throughout the Cold War, the West was attentive to the visible attributes of Soviet military power: space technologies and nuclear weapons systems, combined-arms forces designed for strategic offensive operations and the scale of nuclear and conventional armament. But Soviet military scientists recognised that the sinews of the country's military power lay in the following:

- a coherent military doctrine, binding for the country as well as the army: a doctrine which, by definition, required a coherent authority capable of penetrating and directing all domains of life relevant to war preparation and war making;

- an integrated, all-Union, system of conscription and mobilisation – thanks to which reserve divisions could be maintained at cadre strength and the standing military establishment fleshed out to three times its peacetime strength within six weeks – but an all-Union system which manned even subunits on the multinational principle;

- an integrated, all-Union, defence complex: a complex, not a defence industry, because it operated as an economy on its own and on the basis of its own rules. Moreover, it was a pathologically integrated complex in which every component depended on sub-components manufactured somewhere else.

> Whilst 80 per cent of the USSR's productive and research capacity lay in Russia, only 20% of the USSR's defence equipment could be manufactured by the RSFSR alone.

When the 'command-administrative system' and the USSR collapsed, these sinews were cut. Therefore, during the Yeltsin era, the Armed Forces (redesignated the Russian Armed Forces in May 1992) were placed in an extremely paradoxical position. They found themselves, by default, transformed into an important political instrument, as events in Transnistria, Abkhazia, South Ossetia and Nagorno-Karabakh showed. Yet with the singular exception of the war in Tajikistan, they ceased to be a military instrument, and the magnitude of this deficiency was finally demonstrated by the first Chechen War (1994-6). 'Wars', as Lenin said (paraphrasing Clausewitz), 'are inseparable from the political systems that engender them'.

By the end of the last century, 'defence reform' had become an orthodoxy and obsession in Central and Eastern Europe. By the end of the Yeltsin era, it had become a term of derision in Russia. Not surprisingly, the emphasis under Putin has been placed on reform *and revival*. This has been an understated, constrained, disciplined and methodical effort. The constraints are the market economy, the pervasiveness of corruption, the impact of demographic trends on manning and very uneven recovery of the health and fitness of the general population. The discipline lies in creative adaptation to these constraints. The method is producing results, and the risk therefore is not that Russia's Armed Forces repeat the follies of the 1990s but that Russia's neighbours and NATO find themselves surprised.

Three conclusions of the Swedish Defence Research Agency's Ten-Year Perspective of the Russian Armed Forces warrant citation:

- 'The decade-long downsizing of the Armed Forces has now definitely come to a halt. Arms procurement is small but rapidly increasing, while the number and complexity of exercises are significantly increasing, albeit from a low level. It is likely that Russian military capability will increase considerably in a ten-year perspective'.

- 'Russia will retain its global nuclear power projection capability (including its second-strike capacity vis à vis the United States). Russia will develop missile defence systems suiting its needs. The importance of sub-strategic nuclear weapons as deterrents in a regional context can be expected to increase.'

- 'With its conventional forces Russia will be able to keep and increase its capacity to operate on parts of the Eurasian land mass. It will therefore develop a considerable power projection capability…Russia could also maintain a force of 150,000 contracted soldiers with reasonable capability for offensive operations in local/regional conflicts.'[67]

To this list of trends, we must add an additional one: the steady growth in capability of the militarised formations of force ministries not subordinated to the Ministry of Defence: the Federal Security Service (FSB) and its Federal Border Guard Service, the Ministry of Internal Affairs (MVD), and the Ministry of Civil Defence, Emergencies and Disaster Relief.

These trends need to inform our assessment of recent events: Chief of the General Staff Baluyevskiy's 15 February 2007 announcement that Russia might unilaterally withdraw from the 1987 Treaty on Intermediate-Range Nuclear Forces; President Putin's decree of 14 July suspending compliance with the Conventional Forces in Europe (CFE) Treaty; warnings of the possible deployment of *Iskander*-E operational/tactical missiles in response to US National Missile Defence in Central Europe; the August 6 incident, when a Russian-made Kh-58 [AS-11] anti-radar missile was dropped on Tsitelubani, South Ossetia; and (because of possible special services involvement) the astonishingly vicious spate of rioting in Estonia in April-May of this year. At the same time, these episodes reflect a mixture of specific motives and interests:

(1) *Post-2003 Strategic Reassessmen*t. Even in the halcyon days of post-Cold War romanticism, the notion that NATO was anything other than a classically military alliance was regarded as risible by Russia's military establishment. As long ago as May 1992, the first post-Soviet draft military doctrine stated that Russia would 'vigorously oppose...the politico-military presence of third countries in the states adjoining Russia'. Despite the various palliatives devised by NATO – the Permanent Joint Council of 1997-2002, the establishment of the NATO-Russia Council in May 2002 and the intense matrix of joint exercises, offices, forums, meetings and exchanges – two waves of enlargement have breached these goalposts and, in the eyes of the military establishment, Russia's security and patience. What we have witnessed in the past three years is the migration of these perceptions into the political mainstream and the Kremlin itself. This shift of perception arises because of:

- 'Coloured revolutions' in Georgia and Ukraine, which are seen by Moscow as Western special operations in all but name;
- NATO's seemingly relentless drive to bring these countries into its orbit and advance a process leading to membership;
- The establishment of US military bases in Romania and Bulgaria and the perceived transformation of former Yugoslavia into NATO and EU protectorates;
- The apparent determination to implement the Ahtisaari Plan for the independence of Kosovo over Serbia's opposition;
- The deployment, with NATO's backing, of elements of the US Global Integrated Missile Defence programme in Poland and the Czech Republic;

- The perceived expansion of the 'democracy' agenda by the US and its partners to other parts of the world, by military means and without the authorisation of the UN Security Council.

Against this backdrop of unsettling changes, prudent concerns and skewed perceptions, arguments about the stabilising effects of NATO membership, the benefits to internal security, destruction of surplus weapons and toxic materials, force reductions and professionalisation, the demilitarisation of police and border services, democratic control of the security sector and the right of independent states to choose their own models and partners fall on deaf ears. The picture is the same regarding missile defence. Paradoxically, the one country to have received in-depth consultation about the programme was Russia. Yet despite years of joint modelling and exercises on missile defence under the NATO-Russia Council, two full briefings on the deployment, detailed technical explanations, evident knowledge of the physics and geography of the deployment by Russian specialists, an increasingly strong relationship between US and Russian missile defence professionals and invitations to participate in the programme itself, the Kremlin plainly decided to treat any US and NATO explanation as null and void.

Nevertheless, even if our arguments were accepted, changes in the security environment (which includes Iran and China, as well as NATO) would oblige this vast country to conduct a review of the arms control regime that has evolved in the past 20 years. Unfortunately, this argument is no longer being conducted in a reasonable atmosphere or a reasoned manner.

(2) *Anger.* Across the board, Russians perceive that the latest deployments in Central Europe put NATO in breach of undertakings given to the Soviet Union at the time of German reunification. The conviction, deeply rooted inside NATO, that the Soviet Union was a different country, a different regime in a different international system cuts absolutely no ice. This sense of 'deceit' has revived the maxim that 'the strong do what they can and the weak do what they must'. It has rekindled all the resentments of the 1999 Kosovo conflict and strengthened the instinct that any step Russia disapproves of is 'targeted against Russia'.[68] It deprives the West of any ability to shape Russian views about Kosovo's final status.[69] It gives the Armed Forces a pretext to end the most intrusive inspection regime of the post-Cold War era and establish new force groupings in 'flank' zones. The question naturally arises: if Russia is now reconsidering agreements 'forced upon Russia when it was weak'[70] what will it reconsider when it is even stronger?

(3) *Manipulation.* With some reason, Putin believes that countermeasures will bring ambivalent Europeans and the US Congress into opposition to missile defence, creating new lines of cleavage with countries that have accepted deployments.[71] Moreover, the 'extraordinary circumstances' used to justify CFE withdrawal are being used to create new 'enemy images' in Russia, as well as an image of danger. If there

are to be unorthodox presidential succession arrangements, 'extraordinary circumstances' will also be needed, and it appears that these are now being created. We should not be surprised if:

- We lose an important window into the character and purposes of Russian military activity;
- Russia uses other Western actions as pretexts to abandon other 'awful' undertakings on the basis that 'it is completely logical for countries to leave treaties' that no longer benefit them;[72]
- NATO's Baltic members and NATO representatives in Ukraine find themselves under more aggressive intelligence and informational attack (from all services – GRU (military intelligence), SVR (Foreign Intelligence Service) as well as the FSB)
- Debates about the risks of being outside NATO intensify in Ukraine and new reassurances from NATO are sought (quietly by Ukraine, stridently by Georgia).

We need also to raise questions about the possibility of regional conflict by design or inadvertence:

- In the Baltic Sea, which, under any scenario is likely to become even more congested than it is today. The expansion of the eastern Baltic Sea/Gulf of Finland as an export hub for oil makes it realistic to contemplate 200 million tonnes p.a. transiting very narrow channels by tanker (to which we must add high volumes of container traffic to Russia via Finland, which transits over one quarter of all Russian imports).[73] But unless current trends are reversed, the Baltic Sea could also become a zone of military tension. The Nord Stream project is not only contentious on political and environmental grounds. It has military implications. According to President Putin, Russia's Baltic Fleet will play the leading role in its construction, protection and environmental security.[74] The riser planned for the pipeline (which passes in close proximity to military exercise fields in Finland) would provide an excellent platform for active and passive surveillance devices.[75] Given the risks of accidents and environmental damage (and the finite possibility of terrorist acts), the risk of unilateral and uncoordinated emergency responses is far from slight.
- In the Black Sea, which is home to Russia's Black Sea Fleet, with assets deployed at Novorossiysk but for the most part at the main operating base in Sevastopol under the provisions of the 1997 Russia-Ukraine Black Sea Fleet accords. These accords defined a number of parameters regarding the fleet's basing and deployment, but virtually none regarding its operations. The dispatch of the intelligence vessel Liman from Sevastopol to the Adriatic at the

start of the 1999 Kosovo conflict (and the training of Russian naval infantry before deployment to combat duty in Chechnya) have accentuated Ukraine's paradigmatic nightmare scenario: that it will be drawn into third party conflicts unrelated to its own interests. Three additional concerns arise: the ability of the fleet, its economic structures and intelligence detachments to participate illicitly in Ukraine's internal affairs, the potential role of the fleet in resource disputes on the Black Sea shelf and the termination of its lease in Sevastopol in 2017. If the fleet's intelligence components did not provide 'fraternal assistance' to the pensioners and other 'ordinary citizens' who forced the cancellation of the Partnership for Peace exercise Sea Breeze in August 2006, then how did the demonstrations manage to be so well synchronised with the exercise deployment and schedule? If in a Baltic context, Putin emphasises resource protection and environmental security as 'new yet absolutely crucial directions for the navy's activities', why should he not expect as much in the Black Sea as well?[76] If Russia is planning to honour provisions to withdraw in 2017, why should representatives on the joint commission adamantly refuse to discuss plans to this effect, and why is Ukraine repeatedly reminded that a provision in the accords allows the fleet's presence to be extended by mutual consent? The Tuzla episode – Russia's unilateral alteration of the border on the Kerch straits under cover of Emergency Situation troops in September 2003 – does not suggest that other goalposts might not be moved in future.

- The future of Kosovo has been linked by implication to the future of those separatist entities in the former Soviet Union that Russia recognises de facto but not de jure. President Putin's statements – 'I see no difference between [Kosovo and post-Soviet separatist states]'; 'Why can the Albanians act this way, but Ossetians cannot?' – might or might not suggest that Russia will impose a unilateral settlement in one or more of these conflict zones if the Ahtisaari plan is imposed over Serbia's objections.[77] The context in which such statements are evaluated must now include CFE suspension and the enhancement of the amphibious and rapid reaction capability of naval and special purpose forces in the Black Sea and Caspian region.

Given the balance of regional interests and tensions, a further question becomes unavoidable: where might Russia wish us to fail in our global strategic objectives?

- Does Russia share our interest in stabilising Iraq? How does it suffer from the drawing down of US military power and the West's strategic diversion from zones of special Russian interest? Why should it wish to see a revived and open Iraqi energy sector? Will it benefit from a productive relationship between Turkey and the Kurdistan Regional Government, or better that that government fail in its efforts to marginalise the PKK and persuade Turkey that it has no choice open to it but military intervention?

- Does Russia share NATO's objectives in Afghanistan? Do post-9/11 assumptions still apply? The fact that Russia would not welcome a Taliban victory is not an answer to this question, particularly as other variants between that outcome and a NATO victory are all too possible. Would a stabilising, consolidating Afghanistan under NATO auspices not be a problematic geopolitical factor in Central Asia, not to say a candidate for energy transit projects bypassing Russia? Why should Russia not prefer to see Afghanistan in a state of defenceless instability, a drain on NATO's resources and a blot on its reputation?

- If Russia accepts the West's objective of denying nuclear weapons to Iran, does that mean it is bound to accept the means? Without coercive sanctions (which demand Russia's support), Western options and those of Israel narrow considerably. Why should this support be given without a price? Why should the price be anything less than the geopolitical deal sought after 1991 and 2001: the withdrawal of NATO from Ukraine and Georgia and the recognition of Russia's 'special interests' in post-Soviet space? And if the price is not paid, why should a war be the worst of all worlds for Russia? If military action did not eliminate Iran's nuclear potential, it would degrade it. It would increase Iran's dependency on Russia. It would disrupt the supply of oil and benefit Russian energy prices. It would take cooperation between the USA and Central Asia off the table. It could also be the tipping point of Turkey's radicalisation, and it might mean the end of NATO. If there are arguments against 'the worse it is, the better' school in Moscow, should Western envoys not be putting them instead of trying to persuade the Kremlin that we have a common interest?

## The Need to Focus Minds

During the time of President Putin's period in office, Russia's leadership has conducted three reassessments of the country's position in the scheme of world politics. The first, between 1999-2000, took place in the wake of NATO's first enlargement and its intervention in the Kosovo conflict. Its keynote was 'pragmatism', based on Russia's intrinsic strengths in the former Soviet Union and its weaknesses beyond it. The second, which swiftly followed the events of 9/11, sought to exploit the transformed configuration of geopolitics to consummate the war in Chechnya and legitimise Russia's primacy in the former USSR. The third, under the impact of the Iraq War and the coloured revolutions, took place between 2003-4 and is still unfolding. Its keynotes are enhanced threat and enhanced opportunities to roll back Western influence. It is premised on the perception, clearly set out in President Putin's Munich speech of 10 February 2007, that the United States observes no limits in the conduct of its policy, and it has led to the conclusion that Russia need respect no limits where its own national interests are at stake and where it possesses the means to advance them. It is, in the Kremlin's view, a principled conclusion, reflecting Putin's conviction that 'Russia has earned a right to be self-interested'.

During the same period of time, the United States and its NATO allies have conducted only one major strategic reassessment, that which followed the tragedies in New York and Washington on 11 September 2001. It is time for another. Within recent years, Russia has created not only a web, but a wedge of power and influence in Central and Western Europe, which it is determined to deepen and widen through its commanding positions in the supply of energy. Within narrower geographical confines – the Black Sea, Caspian and Baltic – it is acquiring limited military means of responding to threat and opportunity. To ask whether these means are defensive or offensive is both moralistic and pointless. They are, in the formula of Lenin and Clausewitz, 'tools of policy', just as money, according to the same *schéma*, is not only a route to prosperity and happiness, but a form of power.

What principles should underpin this reassessment? One of the aims of this study has been to suggest that the principles of the post-Cold War relationship, engagement and partnership, have lost their utility. Nevertheless, the principles underpinning NATO's Cold War policy, containment and deterrence, are not only outmoded, but impossible to apply in the interdependent environment, the 'economic and informational space', that the West and Russia find themselves in. In the current period, our principles and aims should be twofold: in place of engagement, influence; in place of containment, restraint.

For three reasons, it will be difficult for us to achieve either. For one thing, we have bigger priorities. Nothing in this analysis has been designed to contest the view that we, like much of the Islamic world, find ourselves in a struggle with fanatically anti-secular and anti-modern Islamism. Nor do we contest the civilisational implications of this struggle or the potentially apocalyptic dangers it poses. By comparison with it, Russia must be second priority. But the second priority must be treated as a priority. Failure, in Dmitri Trenin's words, to 'get Russia right' will have the most serious implications for security and political order in the Caspian basin, the Black Sea region and in Eastern and Central Europe. If the dangers of radical Islam took us by surprise after the Cold War, they did so because those intrepid enough to worry about these issues during the Cold War itself got no plaudits and no promotions. We must not repeat this mistake. We must rebuild expertise in Russia across government, not just in traditional domains – foreign ministries, defence ministries and intelligence and security establishments – but in areas relevant to the new currency of Russian influence: regulatory authorities, departments of trade, customs, immigration and police. Horizontal integration between departments and experts is also needed in order to be able to relate the parts to the whole.

The second difficulty is more paradoxical. The enlargement of the European Union and the maturation of non-European minorities inside it has made us more introverted rather than less. Because we failed to anticipate many of the problems we have, our instinctive response to problems in the EU's New Neighbourhood is 'no'. In this environment, it is very difficult to re-establish a utilitarian attentiveness to the relationship between actions and their consequences—or neglect and its consequences. It

is easier to construct a new Maginot line called Schengen than adopt flexible and discriminating rules that respect sub-regional dynamics and affinities on the periphery of the EU. It is easier to offer no membership perspectives under any conditions than make conditionality work in practice. Instead of asking 'how can we encourage those in Ukraine who seek to introduce EU standards in energy?' it is easier, in the words of a Ukrainian diplomat, 'to look down the pipeline and see *Gazprom*'. If we continue to opt for what is easier rather than what is better, life in Europe will become nastier, and our future choices will become more difficult.

The third difficulty is that Russia no longer respects us. That is the real lesson of the Litvinenko affair. The argument about whether the Kremlin is guilty or not misses the point. The occupants of the Kremlin do not care what we think. If they did, Andrei Lugovoy would be in an interrogation cell rather than giving press conferences on state television and standing for parliament. Do they respect the EU as a whole? What has been our collective response to the position that President Putin expressed so well?

> *The fact [is] that 44 percent of the EU's gas imports come from Russia [and] 67 percent of Russia's gas exports go to Europe. This means that in actual fact Russia today depends even more on European consumers than they depend on their suppliers.*[78]

Do we behave accordingly? Why are we so hesitant to remind Russia that whilst it has not ratified the Energy Charter Treaty, it has undertaken an obligation to abide by it? Why are the European Commission's belatedly sound recommendations obstructed the moment they appear? Why does Alexei Miller's empty threat to redirect gas to China if we enforce our own laws produce fresh divisions in Europe rather than a readiness to call his bluff?[79] Where, after all, are the pipelines and infrastructure that would enable Russia to export 67 per cent of its gas to someone else? Every Russia investment forum in Europe reminds us that the Russian Federation will soon have the tenth largest GDP in the world. If current trends continue, perhaps it will even qualify formally to join the G8. But in what way do current policies suggest that Russia needs us as much as we need them, not only as a market for gas but as a source of the skills and finance that will provide abundant energy for Russia's citizens in future? When stating the obvious about energy interdependence, President Putin must have been thinking the obvious: so long as they play against one another, my cards will always be trumps.

The route to respect is not 'toughness with Russia', but putting our own house in order. If we cannot enforce our own laws and implement our own policies, we will not only fail to move Russia, we will fail to dislodge perceptions in Turkmenistan, Turkey and Ukraine that Russia is a great power and the EU merely a club of rich countries. If we cannot speak and act convincingly about energy – the one area where the costs of getting Russia wrong are immediately felt by the EU taxpayer – then how can we do so when it comes to issues far more remote from the mind and pocket of the citizen: the security of the EU's New Neighbourhood, the future of

NATO, the proliferation of dangerous technologies and the need to cooperate against extreme and irresponsible states?

If deals are to be concluded with Russia, then what sort of deals should they be? NATO certainly has much to re-examine. Contrary to the view that it remains a Cold War institution, the fact is that it has evolved too much. It moved east on the new age assumption that Russia would adjust and gradually join us in addressing common (and distinctly soft) security problems rather than decide to pose a distinct set of hard and soft security problems itself. We now find ourselves confronting a zone of *Realpolitik* in Partner countries and some unnerving active measures in new member states – and we are not well prepared for it. What is the appropriate response: to close the door that we have opened and transform committed partners into buffers irrespective of whether they wish to enjoy this status or not? The Austrian State Treaty of 1955 and Finnish neutrality come to mind, but they are very deceptive examples. First, both countries accepted the wisdom of the constraints that were established. Second, apart from the military aspect, both countries were integrated with the West to all intents and purposes, and barring the most extreme measure – war and occupation – the USSR had no means of altering their ways of life or their external relationships. In contrast, the Soviet and *nomenklaturist* inheritance has enabled Russia to intrude upon Ukraine's *internal* reality, and it is only that country's web of security relationships with the West that provides it with the space to change that reality and overcome a legacy which, in the eyes of a good half of the country, is a threat to its independence. Whether Ukraine succeeds in this endeavour is an open question (and its own responsibility), but withdrawing the inducement and protection that make the endeavour possible would leave Ukraine with only one future – and an abiding sense of betrayal. Ditto Georgia, Moldova and Azerbaijan.

A more enlightened model for an arrangement between NATO and Russia suggests itself: the restrictions that Norway and Denmark placed upon themselves when they joined the Atlantic Alliance. Both countries concluded that it would be safer for them and the entire Nordic community if, following accession to NATO, they barred nuclear weapons and military bases from their territories. No one imposed these arrangements upon them, yet they left everyone better off. In Ukraine's case, an equivalent arrangement would allow NATO exercises to take place (as they do at present); it might possibly allow host country bases to provide facilities for Allied forces in transit, but it would rule out their basing on Ukraine's territory. There might be one additional creative enhancement: agreement to allow the Black Sea Fleet to remain in Crimea beyond 2017, but only if two clear conditions were met: the conclusion of a status-of-forces agreement on the NATO pattern (which is to say, a fully transparent agreement open to parliamentary scrutiny) and the consent of Ukraine. Contrary to what is widely assumed in Ukraine as well as Russia, there is nothing in NATO policy that rules out such an arrangement.

In conclusion, whilst we need to weigh the consequences of any further enlargements, we need to understand the perils of inaction as well. If NATO had been enlarged in

1995 instead of 1999, Yeltsin's warning of a 'cold peace' probably would have come to fruition. But if we had failed to enlarge NATO at all – and, by default, conceded to Russia the very veto it sought – the states of the former Warsaw Pact would not form part of the liberal, democratic and relatively secure system that exists in Europe today. They would constitute a domain of anxiety, intrigue and sadness. In today's world of resource scarcities, insecurities in energy supply and dangerously armed, virulently anti-Western movements and states, we have a major interest in ensuring that the Black Sea region, the Caucasus and the Caspian do not become domains of anxiety, intrigue and sadness. For this reason, we cannot concede to Russia a prerogative to make choices for others. For the same reason, we need to act in ways that stimulate Russians to see their own choices clearly and, in time, realise that the real threats to their security are not altogether different from our own.

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## Notes

1. Ralf Dahrendorf, *Society and Democracy in Germany*, (New York: Doubleday, 1967), p 377.
2. *Ibid*, p 42.
3. Fedor Shelov-Kovedyayev, 'Strategy and Tactics of Russian Foreign Policy in the New Abroad' [*Strategiya i taktika vneshney politiki Rossii v novom zarubezh'ye*] (September 1992). Or, as another self-described liberal put it at the same time, 'Russian domination [in the former USSR] is an inevitability. The whole question is at what price. One can't become a great power using the methods of the Tsarist or Communist regimes…We need to learn civilised and neo-colonialist ways of influencing others…The biological uniformity—the strong subordinate the weak—is still valid in world politics with the inexorability of universal gravitational laws'. M. Shmelev, 'For Our and Your Metropolis' [*Za nashu i vashu metropoliyu*], *Moskovskiye Novosti*, no 4, 1992, p 8.
4. At the time of their redesignation in May 1992 (from Soviet to Russian), the Armed Forces had had 600,000 troops deployed on the territories of the newly independent states of the former USSR.
5. In a similar vein, the Foreign Ministry's December 1992 'Concepts' document stipulated the interest of 'the leading democratic states' in the 'provision of stability' on the former Soviet 'geopolitical space' and warned that this would depend 'on our ability to uphold with conviction, *and in extreme cases with the use of means of force*, the principles of international law, including human rights, and to achieve firm good neighbourliness'. *Foreign Policy Concepts of the Russian Federation* [*Kontseptsiya Vneshney Politiki Rossiyskoy Federatsii*], December 1992, emphasis added.
6. As State Secretary Gennadiy Burbulis stated in 1992, adding that 'there is a logic that will bring the republics back again our way'.
7. President Yeltsin's first state visit to Ukraine did not take place until May 1997. For a full discussion of the interplay of factors leading to the conclusion of that month's interstate treaty and Black Sea Fleet accords, see James Sherr, 'Russia-Ukraine *Rapprochement*? The Black Sea Fleet Accords' in *Survival*, Autumn 1997.
8. Vyacheslav Kostikov, *Trud*, 22 February, 1994. Kostikov had only just retired as Yeltsin's press secretary. For good measure he added, 'Russia increasingly sees itself as a Great Power, and it has started saying this loudly'.
9. At a closed address on 27 April 1994, excerpted (and partially paraphrased) by ITAR-TASS. By then, even the stridently liberal Russian Movement for Democratic Reforms was disparaging the concept of a 'new world order', predicting the emergence of rival power blocs and insisting that Russia had to retain powerful military, military-industrial and intelligence capabilities. *Nezavisimaya Gazeta*, 25 February 1994 and *Voprosy Ekonomiki*, no. 2, 1994.
10. A fact cited in January 1987 by Vladimir Kryuchkov, then Head of the First Chief Directorate of the KGB. Like his predecessors, Kryuchkov believed it was essential for the KGB to dominate business, legal and illegal, but he then had little idea of the potential for finance capital and *nomenklatura* privatisation to revive the KGB's power. 'Activities of the Organs of State Security at the Present Stage' [*Deyatel'nost' organov*

*gosudarstvennoy bezopasnosti na sovremennom etape*] (Moscow, 1988): from KGB documents released by the Gayauskas Commission (Lithuania), cited in Françoise Thom, *Les Fins du Communisme* (Paris: Criterion, 1994), p. 63.

11. 'Russia was and will remain a great power. It is preconditioned by the inseparable characteristics of its geopolitical, economic and cultural existence. They determined the mentality of Russians and the policy of the government throughout the history of Russia, and they cannot but do so at present'. Vladimir Putin, 'Russia at the Turn of the Millennium', December 1999.

12. Sergei Ivanov (then Secretary of the Russian Federation Security Council) outlining the Russian Federation's new 'Concepts of Foreign Policy', approved by the President on 28 June 2000.

13. For a fuller discussion, see James Sherr and Steven Main, 'Russian and Ukrainian Perceptions of Events in Yugoslavia' (Sandhurst: Conflict Studies Research Centre, F64, May 1999).

14. Charles Blandy also made this connection in 1999. See 'Chechnya: Two Federal Interventions', (Sandhurst: Conflict Studies Research Centre, P29, January 2000), p. 40.

15. Vladimir Putin interview to *Die Welt am Sonntag*, 11 June 2000.

16. As one of three 'main efforts' of policy, the new 'Concepts' document called for the formation of 'a good neighbourly belt along the perimeter of Russia's borders' and 'conformity of…cooperation with CIS states to national security tasks of the country'.

17. Oleksandr Potekhin, 'Russian Foreign Policy Trends under President Putin', *Monitoring* (Kyiv: Centre for Peace, Conversion and Foreign Policy of Ukraine, 30 May 2000).

18. As he went on to add, '[t]he principal instrument for realising the "CIS project" will be the achievement of understandings with the governing elites of the CIS. This will demand long-term and painstaking work to create and promote in neighbouring countries groups of influence orientated towards Moscow and a gradual weakening and neutralisation of pro-Western circles'. The CIS Project – The New Priority of Russian Foreign Policy?' ['*"Proyekt SNG"– novyy prioritet rossiyskoy vneshney politiki*?'], February 2004.

19. In November 1999, Putin declared to a Russian audience, 'It's for us to decide if what we wish is to accept credits to buy lollies, while accepting at the same time that they annex our territory from the Black Sea to the Caspian', Francoise Thom, 'Faut-il avoir peur de Putine?', *Politique Internationale,* March 2000.

20. James Sherr,'Ukraine and the Culture of Democracy', paper presented to 'Ukraine's Quest for Mature Nation Statehood', Washington DC 13 September 2004 and published by the Ukrainian agency *UNIAN*, October 2004, and similarly James Sherr, 'Ukraine's elections: Themes and Variations', (Sandhurst: Conflict Studies Research Centre, 04/32, 25 October 2004).

21. Lilia Shevtsova, 'Ukraine's Ordeal: Will Putin and His Regime Endure It?' [*Ispiytanie Ukrainy: Vizderzhit li yego putin i sozdanniy im rezhim*?], <novayagazeta.ru>, 6 December 2004

22. There were other Russian experts who understood the reality of what had happened in Ukraine. Dmitri Trenin saw that Yushchenko's victory was not 'scripted in the White House' but 'grew up on home ground'. ('International Interference in Ukraine and Relations between Russia and the West' [*Vneshnee vmeshatel'stvo v*

*sobiytiya na Ukraine iz rossiysko-zapadniye otnosheniya*], Moscow Carnegie Centre, December 2004). So did the editor of *Russia in Global Affairs*, Fyodor Lukyanov: 'of course [Soros] has invested money, but this is not what matters. Money does not decide. The work with people yields results…' [interview on 'Special Opinion' programme on Radio Russia, 25 November 2004, cited in *BBC Summary of World Broadcasts: Former Soviet Union* [hereafter SWB].

23. Commentary in *Moskovskiy Komsomolets*, cited in Sergei Blagov, 'Russian Leaders Mull Geopolitical Moves in 2005' <Eurasianet.org>, 4 January 2005.

24. Poll by VTsIOM [All-Russian Centre for the Study of Public Opinion], published in Russian on 16 March 2007. In the country as a whole, 45 per cent took this position, 38 per cent believed that Russia was a part of Europe and that its destiny lay in Europe, 17 per cent could not say. Even in Moscow and St Petersburg, the respective proportions were 40 per cent, 47 per cent and 12 per cent. <http://wciom.ru/arkhiv/tematicheskii-arkhivitem/single/4208.html>

25. Richard Morin, Pew Global Attitudes Project and Nilanthi Samaranayake, Pew Research Center for the People & the Press, 'The Putin Popularity Score' (Pew Global Attitudes Project, 6 December 2006). Nevertheless, the trend in support of democracy appears to be rising. The numbers in summer 2002 were 70 and 21 per cent respectively. In 1991 at the time of the Soviet collapse, they were very different: 51 per cent in support of democracy and 31 per cent in support of a strong hand.

26. As expressed to the author by a senior British oil executive.

27. President Putin's address to the Congress of the One Russia party, 1 October 2007, reprinted in *SWB*.

28. Julie Corwin, 'Russia: A Youth Mov_ment Needs a Leader' (RFE/RL, 21 April 2005)

29. *The President's Liaison* [*Svyaznoy presidenta*] (*Nashi*, 67 pp). Each page consists of a colour photograph or poster with a short written text, apparently aimed for 10-18 year olds. The cover shows Putin surrounded by *Nashi* members and emblems. The opening page of text under a photo of a multi-thousand strong *Nashi* rally says: 'Hi. On March 24, it will be 7 years since Vladimir Putin became President. We are the generation of Putin. When Russia voted for him, we were 10-12 years old.' 'The text under a photograph of Kasyanov, which is captioned 'This is what a traitor looks like' (pp 16-17), follows two pages on E Limonov, captioned, 'This is what a fascist looks like'. The body of the Kasyanov text includes a supposedly traitorous quotation (on his decision to 'sell Russian oil 3 times cheaper than the current price'), followed by the text: 'This is the main traitor Kasyanov. Today. Now he lives next to you. In exactly the same way, he deceived people. Exactly in the same way, he had a high position, and he knew everyone and all. And he knew who to betray and what punishment they would receive. He hoped that the country would fall apart.'

30. Igor Krestin and Kara Flook, 'A Telling Letter from Russia', *The American*, 31 July 2007 <American.com>.

31. In his interview with *Vesti TV* on 2 May 2007, Yakemenko stated: 'Over the last six days, hundreds of commissars of our movement from 20 cities have been taking part in various rallies every day. We are now blocking Estonian lorries on the border. We are picketing the consulate in St Petersburg. We have in effect placed the embassy in Moscow under blockade.' [*SWB*, 'Russian youth movement leader demands apol-

ogy from Estonia'] He did not mention assaulting the Estonian Ambassador and dragging the Swedish Ambassador out of his car.

32. Page 62 of the *Nashi* publication *The President's Liaison* displays logos from *Gazprom, Lukoil, RAO EES, Sibneft, TNK, Norilsk Nikel, Sberbank Rossii* and *Avtovaz* adjacent to the following text: 'Fourth stage – Our profile. Participate in an internship in one of the major companies of Russia, show that you are the best!'

33. I am grateful to my colleague, Henry Plater-Zyberk, for his detailed summary of RTR and ORT 1 between 2-9 August, as well as his assiduous monitoring of Russian television broadcasts in general.

34. Sarah E Mendelson and Theodore P Gerber, 'Young Russia's Enemy No 1: Anti-Americanism Grows', *Washington Post*, 3 August 2007.

35. Over a broader span of time, 1994-2006, Russia's GDP in current prices has grown from $276 bn to $979 bn. (International Monetary Fund, *World Economic Outlook Database,* April 2007)

36. Leon Aron, 'The Vagaries of the Presidential Succession', *Russian Outlook, AEI Online*, 1 May 2007.

37. *Ibid.*

38. When Ivanov states that 'the duties of the Deputy Prime Minister and Minister of Defence are so closely entwined that I do not separate them', claims that the military-industrial/high technology sector has a 'leading place in the resolution of practically all socio-economic tasks' and adds, 'you do understand that it is impossible to recover the status of a superpower through oil alone?' it seems clear that he is drawing a line and not simply making a point. (Interview in *Trud*, 4 January 2007).

39. As a Kremlin based informal political faction, the *siloviki* are largely drawn from Russia's force structures [*silovyye struktury*], but not exclusively so. The outlook and interests of this group have been described as: consolidation of power, well-financed force structures, state dominance of the economy, economic nationalism, restoration of Russia's international position and xenophobia. For lucid and very helpful background, see Ian Bremmer and Samuel Charap, 'The *Siloviki* in Putin's Russia: Who They Are and What They Want', in *The Washington Quarterly,* Winter 2006/7.

40. As Alexander Privalov notes, people have 'jumped to conclusions too quickly'. (Commentary on *Vesti TV*, 2 October, cited in *SWB*: 'Russian TV says Putin to go for "strong" president, talks down Zubkov's chances'). Note the text of Putin's statement: 'The offer [by the Congress of One Russia] to head the government is quite realistic, but it's *too early* to think about this now because *at least* two conditions need to be met for this. First, One Russia should win the 2 December elections to the State Duma, and second, a decent, efficient, able and modern-thinking person should be elected president of the country, *someone with whom one could work together*'. [emphasis added] (*Vesti TV*, 1 October, cited in *SWB*) As Privalov goes on to say, it hardly follows that Viktor Zubkov (nominated as Prime Minister on 12 September and confirmed by the State Duma on the 14th) is the person Putin has in mind.

41. Marianna Maksimovskaya, presenter of Ren TV's *Nedelya* [The Week], September 2007 (in *SWB*: 'Russian TV and Radio Highlights 17-23 September 2007').

42. Hence, Stanislav Belkovsky, President of the National Strategy Institute: Putin's succession to the premiership could 'probably imply certain changes to the constitution and a redistribution of powers'…The fact that [Putin] tops One Russia does not

necessarily mean he aspires to the post of Prime Minister, which in any event, regardless of the amount of power, will never equal the presidential post in our monarchically organized country'. (*SWB*: 'Russian pundits split on Putin's move to stand for parliament', 2 October 2007).

43. Mikhail Krasnov, former presidential aide on legal issues, interview on Ren TV's '24' news bulletin, 1 October [*SWB*: 'Russian Daily TV Roundup 1 October 2007]

44. Privalov, *op cit*.

45. Fyodor Lukyanov, 'Domestic Political Threats to Foreign Policy', *Russia in Global Affairs*, January 2007.

46. Aleksandr Arkhangel'skiy, <russiaprofile.org> 4 January 2007.

47. Pavel Baev, 'Russian Special Services Thrive in Quasi-Cold War Setting', in *Eurasian Daily Monitor* (Washington: The Jamestown Foundation) [hereafter EDM], Vol 4, Issue 148, 30 July 2007. As Baev notes, 'It is not just Putin's loyalty that the FSB leadership counts on, but also his political dependency, *which is accentuated by carefully laid entrapments, such as the Litvinenko case.* This 'very special' self-serving service is certainly not going to sit and wait until Putin makes up his mind about a successor; instead it is actively managing the transfer of power'.

48. *Energy Strategy of Russia to 2020* [*Energeticheskaya strategiya rossii na period do 2020*] (Government of the Russian Federation, 28 August 2003, No 1234-g]

49. First Deputy Prime Minister Dmitri Medvedev is Chairman of the Board of *Gazprom*. Igor Sechin, Deputy Head of the Presidential Administration and one of Russia's two most powerful *siloviki*, is Chairman of *Rosneft*. *Siloviki* occupy secondary and tertiary positions in *Gazprom*, other state energy companies or (like Yuri Zaostrovtsev, First Deputy Chairman of *Vneshekonombank*) the financial structures supporting them.

50. Cited in Alla Yeremenko, '…but it's the daughter-in-law's fault…' [<*…a nevistka vinna…*>], *Zerkalo Nedeli*, no. 37(666) 6-12 October, 2007. Since 2001, *Gazprom's* capitalisation has risen 25 times. Its sights are now set on becoming a $1,000 bn company, almost four times its size today ($270 bn).

51. Text of Alexei Miller's address to EU ambassadors, 18 April, 2006, Moscow (pg 1). [*Rasshirovka viystupleniya Predsedatelya Pravleniya OAO <Gazprom> Alekseya Millera na vstreche s poslami stran Evropeyskogo Soiuza v rezidentsii posla Avstrii*]

52. 'Communication from the Commission to the European Council and the European Parliament: An Energy Policy for Europe' {SEC(207) 12} (Brussels 10 January, 2007 COM(2007) 1 final), p 3 [hereafter 'Communication'].

53. Mikhail Gonchar, 'Russian Energy Policy in the Context of the Diversification of Markets and the Current Gas Deficit: Conclusions for the EU and Ukraine', p 4 [*Rossiiyskaya energeticheskaya politka v kontekste diversifikatsii riynkov i voznikaiushchikh tekushchikh resursniykh defitsitov: viyvodiy dlya ES i Ukrainiy*] (NOMOS: Centre for the Promotion of the Study of Geopolitical Problems and Euro-Atlantic Cooperation in the Black Sea Region: Sevastopol and Kyiv, 2006)

54. See, e.g., Zenyo Baran, *Lithuanian Energy Security*: *Challenges and Choices*, White Paper, Hudson Institute, December 2006.

55. The Russian-Ukrainian gas agreement of 21 June 2002, covering the period 2003 to 2013 was followed on 9 August 2004 by an addendum establishing 'unchangeable' prices and transit fees for the period 2005 to 2009. At the time, the transit fee in the

Czech Republic was $2.90 and in Poland $2.74. Vladimir Milov, *The Power of Oil and Energy Insecurity* (Moscow: Institute of Energy Policy, January 2006), p 13 ff. Ryazanov quote p 15.

56. Thus, in Sakhalin-1, *Gazprom* 'has criticised license owners and regional authorities for negotiating directly with potential Chinese and south Korean importers on direct gas supplies at low prices, below $100/tcm. Meanwhile *Gazprom* was insisting on international gas prices for China, currently well above $200/tcm. Sergei Blagov, 'Russia Tightens Control over Sakhalin-1 Output', *EDM*, Vol 4, Issue 156, 10 August, 2007.

57. Yeremenko, *op. cit.*

58. For example, 'on August 2, during a meeting of a special government commission, the Russian government formally notified Sakhalin-1 consortium stakeholders that they should prioritise the domestic delivery of all natural gas to the Russian Far East…Thus the meeting…effectively ruled out the consortium's earlier hopes to export gas to China'. Blagov, *op. cit.*

59. 'Communication', ibid.

60. 'European Council Action Plan (2007-2009): Energy Policy for Europe (EPE)' (Annex 1 of *Presidency* Conclusions*: Brussels European Council 8/9 March 2007, 722407*)

61. 'EU's Energy Plans Prompt Moscow Fears', *Financial Times*, 19 September 2007.

62. Pressure on the government of Ferenc Gyurcsany has also been mounting from inside Hungary, not only from the USA and EU. On 14 July, *Magyar Hirlap* published an article by Zsolt Nemeth ('With the Russians but Without the Estonians') accusing Gyurcsany of a pattern of actions that has made Hungary 'again voluntarily…a tool in a strategy aimed at dividing the EU and NATO'. See also Vlad Socor, 'Hungary's MOL Energy Company Grows in Central Europe and Beyond', *EDM*, Vol 4, Issue 153, 7 August 2007 and 'Austria's OMV versus Hungary's MOL: The Less Efficient Targeting the More Efficient', *EDM,* Vol 4, Issue 161, 17 August 2007.

63. Vladimir Socor, 'Bulgaria Seduced by South Stream Project?', *EDM*, Vol 4, Issue 170, 14 September 2007.

64. John C. Daly, 'New Gas Pipeline to Link Azerbaijan and Italy via Turkey', *EDM*, Vol 4, Issue 151, 3 August 2007.

65. Turkmenistan's state media quoted him as saying, 'We highly regard our relations with Russia and will do everything to develop them in all spheres. *Energy is a separate issue*. I would not want to hide that negotiations on gas prices…are tense'. Marat Gurt, 'Turkmen Leader Says Energy Talks with Russia Tense', Reuters, 26 September 2007. At the Vilnius energy summit of 10-11 October, Berdymukhamedov's envoy, Bayrammyrat Myradov, used less direct language to the same effect.

66. James Sherr, 'A Damage Limitation Summit', *Nezavisimaya Gazeta*, 28 July 2006. Published in Russian as '*Sammit s minimal'niym ushcherbom*'.

67. Jan Leijonhielm (Project Manager), Jan T Knopf, Robert L Larsson, Ingmar Oldberg, Wilhelm Unge, Carolina Vendil Pallin, *Russian Military Capability in a Ten-Year Perspective: Problems and Trends in 2005,* p6. (Stockholm: Swedish Defence Research Agency (FOI), Division for Defence Analysis, FOI Memo 1396, June 2005). The 18 page report is the summary and conclusion from a 300 page study for the Swedish MOD.

68. For a full discussion of the effects upon Russian (and Ukrainian) opinion of the Kosovo conflict, see James Sherr and Steven Main, 'Russian and Ukrainian Perceptions of Events in Yugoslavia', (Sandhurst: Conflict Studies Research Centre

F64, May 1999)
69. For a cogent explication of Russian opinion, see Oksana Antonenko, 'Russia and the Deadlock over Kosovo', *Russie/NEI Visions* No 21 (Paris: IFRI) July 2007)
70. Ruslan Pukhov, Director of the Centre for Strategy & Technology Analysis (*Ekho Moskvy* Radio, 14 July)
71. See 'Congress Delivers Blow to Bush's Missile Project by Slashing Funding', *The Guardian*, 27 July 2007 and James Sherr, 'The Lobster, The Eagle and the Bear' (Shrivenham: Conflict Studies Research Centre 07/22, July 2007)
72. Sergei Karaganov, Chairman of the Council on Foreign & Defence Policy and Deputy Director of the Russian Academy of Sciences' Institute of Europe: 'I would say that Russia ought to have left the CFE Treaty a long time ago, because the CFE Treaty is an illegitimate child of the Cold War. It was a completely awful treaty.' (Vesti TV, 14 July) and Ruslan Pukhov, *op. cit*.
73. Plans call for the expansion of Primorsk's capacity by 50 million tonnes, a liquefied natural gas port near Primorsk and the construction of Russia's largest container port at Ust Luga—to which we must add increased export volumes from Estonian ports, from Ventspils (Latvia), Butinge (Lithuania) and the Finnish refinery in Porvoo.
74. On 26 October, Putin declared, 'We are going to involve and use the opportunities afforded by the navy to resolve environmental, economic and technical problems, because since the Second World War no one knows better than seamen how to operate on the bottom of the Baltic Sea. Nobody has similar means to control and check the bottom, nobody can better accomplish the task of environmental security. All of this incorporates a few new yet absolutely crucial directions for the navy's activities and, of course, in this case in the Baltic Sea'. Cited in Robert L Larsson, *Nord Stream, Sweden and Baltic Sea Security* (Stockholm: Swedish Defence Research Agency (FOI), March 2007), p 36.
75. *Ibid.*, p 37.
76. *Ibid.*, p 36.
77. Oksana Antonenko, *op cit*, pp 13 and 15.
78. Statement at Joint Press Conference, EU-Russia summit, Lahti, 20 October 2006.
79. 'I can say that we are very concerned and alarmed by the information that we received during the meeting between the President of the European Commission, Mr Barroso and the President of the Russian Federation, Mr Putin. In fact Barroso voiced a threat to apply antimonopoly regulations, antimonopoly legislation against *Gazprom*. And that means the actual limitation of deliveries of Russian gas to the market of Europe. I can say that it was the last straw in the process of deciding to start delivering Russian gas from West Siberia to China. We considered such possibilities even earlier, but the final decision was made exactly after that meeting with Barros_. So actually, the additional gas that could have gone European consumers will go to other markets'. [Author's translation from the Russian text. Author's comment: the best of British luck to him], Miller, *op cit*, p 2.

**End**

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