The Russian, German and Polish Triangle

Dr Mark A Smith

October 2005
The Russian, German and Polish Triangle

Dr Mark A Smith

Key Points

* The Russo-German economic relationship is becoming increasingly important for both sides, particularly in the energy sphere, as evidenced by the agreement on the North European Gas Pipeline (NEGP) in September 2005.

* Russia’s importance as an energy supplier to the EU is also increasing, which enhances her importance in the Russo-EU strategic partnership and reduces the likelihood of her being marginalised in European security affairs as she feared in the 1990s.

* Russia has had to accept the EU widening of 2004. About 50% of her foreign trade is now with the EU.

* The NEGP agreement has increased Polish fears of Russia and Germany doing deals over Warsaw’s head. Moscow is concerned by what it sees as Poland’s excessive Atlanticism and Polish support for “revolutions” in Ukraine and possibly Belarus. Moscow is also concerned about the US acquiring bases in Central Europe, particularly Poland, Romania and Bulgaria.

* Overall, EU widening has not been a negative experience for Russia, and the energy factor increases her importance in Europe.
The Russian, German and Polish Triangle

Dr Mark A Smith

GERMANY

Germany has for a long time been Russia’s main economic partner in the EU, and there have been close personal relationships between German and Soviet/Russian leaders ever since the Gorbachev era.

The Putin leadership remains a supporter of Germany ultimately becoming a permanent member of the UN Security Council. In August 2005 President Putin stated:

As for UN reform, we have already repeatedly stated our position that we have no problems whatsoever with countries such as Japan, Germany, India or Brazil being accepted as permanent members. We believe that Germany undoubtedly has a right to aspire to such a place and we will support Germany’s nomination but only on condition that the proposed option for UN reform is supported by the overwhelming majority of UN member states. We treat with great care this universal international mechanism for which we can see no alternative in the immediate future.¹

The trade relationship between the two states continues to improve. Germany is Russia’s biggest trading partner and is the largest foreign investor in Russia. In 2004 the Russo-German trade turnover stood at 23.9bn dollars (up 28.8 per cent on 2003). In the first four months of 2005 trade soared by another 50 per cent or so. There are 3,500 companies with 100 per cent German or German-Russian capital operating in Russia. The volume of accumulated German investments in the Russian economy amounts to 9.5bn dollars. Germany accounts for over 10 per cent of Russian foreign trade. Seven per cent of the total direct foreign investment in Russia is German.²

German exports to Russia consist of manufactured goods, equipment, cars, food products, electronics and chemicals. German imports from Russia consist of oil, oil products, natural gas, wood and wood products and also iron and steel products.

The development of the energy relationship is becoming an ever more important feature of Russo-German relations. In 2002, Germany imported about 75% of its domestic natural gas requirements. In 2002, Russia provided 40.8% thus making her Germany’s largest supplier. Russia is also Germany’s largest supplier of oil; Russia accounted for 31.5% of German oil imports in 2003.³

An agreement was signed in April 2005 at the Hanover trade fair between Gazprom and BASF to build the North European Gas Pipeline (NEGP).⁴ Gazprom and BASF will develop a west Siberian gas field as part of the deal. This is the first time that a foreign company has been a partner in developing a Russian gas field. In Putin’s words this increases the interpenetration of the Russian and German economies. In
addition, Siemens signed a deal with Russia's railways to build high-speed trains for Russian intercity services. There have also been discussions about involving Ruhrgas in the pipeline project.

The NEGP agreement was formally endorsed by Putin and German Chancellor Gerhard Schroeder when Putin visited Germany in early September 2005. It is planned to take pumping volumes to 55bn cu.m. of gas per year and to build two gas pipeline strings. It is also planned to transit up to 27bn cu.m. of gas per year to Europe along one of these strings by 2010. The idea of a North European Trans-Gas pipeline, extending over 2,000 miles from Russia to Finland and the United Kingdom via the Baltic Sea, was first proposed in June 2003 by Russia and the UK. About 700 miles of the pipeline will pass under the Baltic Sea. The project is expected to be completed in 2010.\footnote{5}

The signing of this agreement has proved controversial. The Polish government has strongly criticised Germany for concluding this deal, which it regards as having been done over the head of Poland. The undersea pipeline enables Moscow to avoid having to pipe gas through potentially unfriendly countries such as Poland and Ukraine, and means that Moscow can avoid paying transit charges. Polish President Alexander Kwasniewski warned that the project carries a risk for Baltic’s environment in case of damage and is less effective than other ways of gas delivery. He said that the fact that the pipeline decision was taken without consultation with Poland and the Baltic states inspires suspicions that the project is predominantly political and is designed to reduce the role of Poland and the Baltic states in Europe’s energy system. Poland instead strongly supports the Yamal-2 pipeline project, as this will run through Poland (Yamal-1 also runs through Poland and commenced operations in 1999). At the same time Warsaw also wishes to reduce its heavy dependency on Russian gas and oil supplies.\footnote{6}

As CDU leader Angela Merkel has succeeded as German Chancellor, then it is quite likely that German foreign policy may shift towards being less Russo-centric than under Schroeder, who developed an extremely close personal relationship with Putin. Merkel is more Atlanticist than Schroeder, and may well adjust German foreign policy accordingly, nevertheless whilst still seeing Russia as an extremely important partner for Germany. The CDU (which was then in opposition) supported the Putin-Schroeder agreement on the North European Trans-Gas pipeline.

Russia has encouraged trilateral foreign policy cooperation with France and Germany in recent years, reviving the trilateral summits that occurred briefly at the end of the Yel’tsin era. There was close diplomatic cooperation between the three powers in 2003 in opposing the USA’s move towards war with Iraq. The three leaders met in Sochi in August 2004, and again in Kaliningrad in July 2005. Whilst Russo-German ties will probably remain close under Merkel, Russia may seek a closer relationship with France, in order to counter any possible German shift towards Washington.

**THE ENLARGED EU**

Russia’s relations with Poland moved to a new phase in 2004, when she along with the other former communist states of Hungary, the Czech Republic, Slovakia, Slovenia, and the three Baltic States all became members of the European Union. These states had also all previously become members of NATO. This completed their transition from being part of a Soviet sphere of influence in the 1980s to becoming fully integrated into the Euro-Atlantic community. In addition, Bulgaria
and Romania are also members of NATO, and are due to become members of the EU in January 2007.

In November 2004, Vladimir Putin signed the federal law which ratified the protocol to the Partnership and Cooperation Agreement between the Russian Federation and the EU to take account of the accession of the new member states. In other words, Russia’s relations with these states would now come under the PCA. The accession of these states to the EU was inevitable, and Russia had probably long reconciled herself to this process, despite some objections that had been raised in early 2004. The signing by Putin of the law indicated that relations would to a large extent, be “business as normal.” Earlier, on a visit to Germany in April 2004, Putin stated:

We have never expressed misgivings about the expansion of the EU. Never. We have spoken about how relations between the Russian Federation and the Europe that is now in the process of expansion should be built. And I think that all of you understand why. It is because the Europe that is now in the process of expansion will account for more than 51 per cent of the Russian Federation’s trade. And none of us want the new Europe to be divided by new, in this particular case virtual, Berlin Walls. In addition, Russia has also had to accept US plans to redeploy forces from Central Europe to former Warsaw Pact states such as Poland and Bulgaria. Whilst this has not particularly aggravated US-Russian or Russian relations with Central European states, it does introduce a new source of potential concern for Moscow, as expressed by Konstantin Kosachev, head of the Duma International Affairs Committee in August 2004:

The Americans tell us all the time that these actions carry no anti-Russian content, that this is done to fight international terrorism globally, and that Americans simply need more convenient bases for making a leap, mobile bases where, if needed, a large contingent could be deployed, but for the moment this contingent will not be deployed. All this is directed towards the south and the east, which is roughly saying the countries that are today perceived by the United States as the main source of threat to their security, in particular, as sources of Islamic fundamentalism. And there is certainly logic to these ruminations, but not 100 per cent. If you look at the map, then you see that Hungary, Bulgaria and Romania - that is indeed moving southeast, but Poland - that’s clearly moving towards the Russian border.

Russia’s relations with the other central European states which are now in the EU, (i.e. the Czech Republic, Slovakia and Hungary), are much less controversial than her relationship with Poland. There are no major problems in these relationships. In 2005, both the Czech and Hungarian prime ministers visited Moscow. Russo-Czech trade turnover increased by 20 per cent over 2004, and an economic agreement was signed during the visit of Czech prime minister Jiri Paroubek to Moscow in May 2005. Russia and Hungary intend to increase their trade turnover by more than 30 per cent annually. In February 2005 Prime Minister Mikhail Fradkov said that Russo-Hungarian trade amounts to 4bn dollars annually. Fradkov said that Russian companies plan to take part in the construction of the metro in Budapest, modernization of railway carriages and expansion of the Paks nuclear power station. Russia and Hungary also signed an intergovernmental agreement in February 2005 on the production and maintenance in Hungary of armaments, military equipment and spares under licences of the former Soviet Union. In October 2005, Russia and Slovakia agreed that Russian specialists
would modernize the Slovak air force’s fleet of MiG-29s to bring them into conformity with NATO standards.

Russia also has cordial relations with Romania and Bulgaria. In April 2005, Russia, Greece and Bulgaria signed a memorandum on the planned Burgas-Alexandroupolis oil pipeline. The 285-kilometre pipeline to carry Russian oil from Burgas in Bulgaria to Alexandroupolis in northern Greece has an estimated investment cost of 750-800 million US dollars with an annual capacity of 35 million tonnes of oil. It will supplement the sea transportation route through the Bosphorus. It is anticipated that the pipeline will forge a new outlet for Russian oil and for oil from the Caspian Sea to Europe and America. Bulgaria is heavily dependent on Russian gas supplies. A supply agreement with Gazprom runs out in 2010, but Bulgaria and Russia tentatively agreed in October 2003 to extend the agreement for another 10-15 years.

Although Romania does not pose a challenge as stark as that of Poland to Russia’s position in the former Soviet Union, the possible direction of Romanian security and defence policy under President Traian Basescu may prove disconcerting to Moscow, despite the signing of a Russo-Romanian bilateral treaty in 2003. Basescu called for a security axis with the USA and Britain after his victory in the Romanian presidential election in December 2004. In March 2005 in a speech to the Council on Foreign Relations in New York, Basescu stated that “Romania is committed to become a springboard for promoting the values of freedom and democracy in the Black Sea region”.

The USA may well acquire military facilities in Romania, and Washington is becoming more aware of the strategic importance of the Black Sea region. In March 2005, Bruce P. Jackson, President of the Project on Transitional Democracies and a director of the Project for the New American Century, testified before the Senate Foreign Relations Committee’s Subcommittee on European Affairs on “the Future of Democracy in the Black Sea Region”. He noted that “today, the member states of the European Union import approximately 50% of their energy needs; by 2020 imports will rise to 70% of consumption. This increase will be delivered to Europe across and around the Black Sea region, on routes such as the Baku-Tbilisi-Ceyhan pipeline.”

The growing US interest in the Black Sea region is linked in Moscow’s mind with the recent revolutions in the former Soviet Union, which are seen as a renewed opportunity for Washington to expand its influence. Moscow is therefore likely to be cautious in her relationship with Bucharest. Basescu visited Moscow in February 2005, where he was at pains to emphasise that his desire for a close partnership with the USA and UK did not preclude his desire for a harmonious relationship with the Russian Federation. Russia is an increasingly important supplier of gas to Romania, and Lukoil also has investments in that country. During Basescu’s visit, Putin stated that Russia was ready to build reactors 3 and 4 of the Cernavoda Nuclear Power Plant in south eastern Romania. Russia is also interested in upgrading Midia thermo electric power plant. Putin said he was in favour of cooperation between Gazprom and Romgaz, with a view to constructing underground gas pipes, and also of the expansion of the gas pipe network in Romania.

During Basescu’s visit, Russia put forward a new Black Sea security proposal. Moscow suggested the creation of an operational group of the Black Sea states to counter illicit arms, drugs, and human trafficking and proliferation of weapons of mass destruction. Under this proposal, the “operational group” would be endowed
with on-call capabilities to respond to emergency situations. Such a group would bring together three NATO member countries, two NATO aspirant countries, and Russia. It would exclude NATO as such from those missions, and would therefore have Russia as the largest and most powerful state in the group. Russia is currently seeking to keep NATO’s Operation Active Endeavour out of the Black Sea. If this proposal were to be accepted, the BlackSeaFor would be upgraded to play the part of the proposed operational group. This is an attempt to counter Basescu’s Anglo-American axis. Turkey has warmed to the Russian proposal, but Romania and probably also Bulgaria are unlikely to accept it.

**POLAND**

The relationship with Poland is the most important of Russia’s relations with the former communist states of Central Europe, due to her size and location (Poland directly borders the Kaliningrad oblast). The relationship also carries the burden of traditional Polish mistrust of Russia. This has been aggravated in the summer of 2005 by assaults in both Warsaw and Moscow on Russian and Polish embassy staff. However, Poland’s accession to the EU has not damaged trade between the two powers. In 2004 trade turnover stood at $8 billion, an increase of 26.4 per cent over 2003.

Poland has re-oriented its trade away from the former Soviet bloc significantly since the collapse of communism. Since 1996, the EU has become Poland’s main trading partner, accounting for about two-thirds of Poland’s trade turnover. In the first eight months of 2005, Poland’s biggest trade partners in terms of Polish exports were, in order of magnitude: Germany, France, Italy, United Kingdom, the Czech Republic and Russia. In terms of Polish imports, her biggest partners were: Germany, Russia, Italy, France, China and the Czech Republic. Despite the westward shift in Poland’s trading patterns, Russia clearly remains an important trade partner.

However, Moscow is probably concerned about the potential security challenge posed by Poland, which is seen by Russia as being more Atlanticist in outlook than Germany or France. This Atlanticist outlook, along with traditional Polish interests in the Baltic states, Belarus and Ukraine, makes Poland a challenger to Russian interests in the former Soviet Union. Poland is a strong supporter of the orange revolution in Ukraine that brought Viktor Yushchenko to power in 2004, and is also strongly supportive of Belarusian opposition forces that would ideally like to carry out a similar revolution in their country against the regime of Aleksandr Lukashenko.

This strains relations with Moscow, which strongly opposed the revolution in Ukraine, and is also opposed to any such revolution taking place in Belarus. In December 2004 Vladimir Putin criticised Polish President Alexander Kwasniewski’s comments on the Ukrainian political crisis which carried an implied criticism of Russian policy towards Ukraine. Some Russian press comment has criticised Poland for acting as a US agent to try and tear Ukraine away from Russia. Alexey Kiva argued in December 2004 that that USA was trying to create a “fifth column” in the EU, and had allotted a special role in these plans to Poland. Kiva saw Polish policy towards Ukraine as an attempt by Warsaw to establish itself as a major power by pulling both Ukraine and Lithuania into its orbit.

Konstantin Volgin wrote in May 2005:
The collapse of the USSR, and the geopolitical and geostrategic situation which formed in the region as a consequence – i.e. the formation of new states in the post-Soviet space, their consonant pro-western strivings, the gradual realisation of the USA's plans for global hegemony under the aegis of a “democratic mission” introduced correctives into the current policy of contemporary Poland, which is being carried out by her in relation to Belarus. In fact Warsaw stands in the vanguard of critics of the Belarusian leadership headed by President A Lukashenko. Volgin went on to state that Poland was aiming to drive a wedge into the Russo-Belarusian alliance, remove Aleksandr Lukashenko from power and pull Belarus into a Polish sphere of influence.

There is also concern in some circles about having a large US military presence in Poland close to Russia’s borders. A. Novik wrote in Strazh Baltiki in March 2005:

Analyzing the statements about the establishment of American military bases near the western borders of Russia, one involuntarily remembers the well-known rule that “any strengthening near one’s borders of the military potential of a state, which is not controlled, is assessed as a threat.” The more so when up to Russia’s borders are being deployed the forces of a country which in many ways sees its partnership with Moscow very selectively, proceeding from its own interests, and not taking into account the interests of Russia. What is also a cause for concern is that the demand of the Minister of Defence S. Ivanov about monitoring NATO activity in order “to be convinced that the use of the established bases does not present a threat to Russia’s security,” has not received support from the leadership of the alliance, as it allegedly is not within the framework of the existing agreements. In fact this means that the agreement between NATO and Russia which was signed before the first wave of the alliance’s widening to the East, about the non-moving of NATO’s military infrastructure to Russian borders, is obsolete.

Official Russian commentary on Poland has been more restrained, but it would be surprising if such thoughts had not entered the heads of the Russian leadership. In fact some critical comments were made by then presidential aide Sergey Yastrzhembskiy in March 2005. He said that Poland is attempting “to occupy a niche as it sees for itself in relations between the European Union and Russia, or between NATO and Russia... Therefore Poland, in my view, is trying to find some independent and noticeable role for itself in European affairs but unfortunately at times it is trying to do so at Russia’s expense. “He continued that "it seems to me that very often the Polish ruling circles, the Polish elite sees today’s events through the prism of the past. In other words historical fears, historical facts and the negative historical experience affect its attitude to today’s reality. It is absolutely obvious that this attitude produces a completely distorted picture of today’s reality and complicates relations with this very important partner and neighbour of Russia."}

Poland is too Atlanticist for Russian liking and it is disconcerting to have such a pro-US power directly bordering on the Russian Federation. To some extent, Poland’s pro-US orientation offsets the less Atlanticist orientation of France and Germany. It is in this context that the Russo-German project to build the NEGP should be seen. It enables Russia to maintain and develop a significant economic link with Germany (i.e. energy supplies) in a way that bypasses Poland. Vladimir Socor writes:
The Baltic states and Poland have proposed the Amber Project for an overland pipeline through their territories from Russia to Germany, and requested the European Union to support this in preference to the seabed option. An overland pipeline would cost approximately 30% less to build, and is far better suited for containing the impact of accidents, which could turn into catastrophes if they occur on the seabed. The bypass pipeline will also deprive the Baltic States and Poland of the transit revenue they would have earned from an overland pipeline.

The Amber Project’s overland pipeline would have advanced the EU’s goal of an integrated gas market by linking the new member countries with the “old” EU; whereas the pipeline bypassing the Baltic States and Poland would cut them off from the EU gas market, and could turn Germany into a Gazprom-controlled market. Such fragmentation of the EU market would enable Moscow to play off some customer countries against others, and would leave the Baltic states and Poland exposed to Russian manipulation with gas supplies as a political instrument.

This is why Poland was so critical of Germany for not consulting with her when Schroeder signed the NEGP agreement with Putin. The agreement makes clear that Germany sees her relationship with Moscow as more important than her relationship with Poland and the other states of Central and Eastern Europe, and will increase fears in this region of future Russo-German deals being done over their heads. Poland will probably try to counter this by intensifying her efforts to create a sphere of influence in the Baltic states, Ukraine and Belarus, and seeking to reduce her energy dependence on Russia.

The October 2005 Polish presidential election resulted in a convincing victory for Lech Kaczynski of the conservative Law and Justice Party. Kaczynski’s victory is unlikely to result in any significant improvement in Russo-Polish relations. He said that Putin will have to visit Warsaw before he visits Moscow, and his brother Jaroslaw, who is chairman of the Law and Justice Party, made clear the new Polish leadership’s determination to take an assertive line towards Russia when he recently stated that “a Poland with a strong position in Kyiv and hopefully in Minsk, a Poland belonging to the six mightiest countries in Europe and having good relations with the United States -- Russians will simply have to take this Poland seriously.”

A more assertive Polish policy towards Russia is also likely to mean a more assertive policy towards Germany, as Warsaw fears the possibility of being squeezed by these two big powers, and seeks to create a role for Poland as a regional leader amongst the zone of smaller states that lie between Russia and Germany. The EU and its traditional leading powers such as France and Germany are unlikely to permit Poland to disrupt their relationship with Russia. If Poland pursues what they consider to be an excessively assertive policy towards Moscow, then the traditional EU leaders will be more likely to deal with Russia over Poland’s head.

CONCLUSION

The widening of the EU in itself has not proved a major problem for Russia, in spite of the fears that were being expressed prior to May 2004. Her importance as an energy supplier to the EU reduces the likelihood of her being marginalised in Europe as she has feared in the past. The NEGP deal signed with Germany makes...
clear Russia’s importance to both Germany and the EU, and that Germany is not averse to dealing with Russia over the heads of the states that lie between them. This is of enormous advantage to Russia. Whilst she does face the possibility of being marginalised over some security issues, her importance as an energy supplier to the EU (which will grow in the next few years), means that Russia’s importance as a partner to the EU is likely to increase.

Endnotes

1 BBC Monitoring Select 29 August 2005.
2 BBC monitoring Select 26 June 2005.
3 See http://www.eia.doe.gov/emeu/cabs/germany.html. As far as the EU is concerned, “on the average, Russia provides approx. 23 percent of gas consumed in the EU at present. This dependence rose to this level after the recent enlargement in May 2004, at which time regional differences in the geographic structure of gas imports also widened. Before May 2004, the European Union imported 17 percent of its gas from Russia. The major EU consumers of Russian gas before May 2004 included Germany, which depended on Russia for more than 32 percent of its consumption, and Italy and France, which depended on Russia for approx. 25 percent of their gas.” Cited from Agata Loskot, Security of Russian gas supplies to the EU – the question of infrastructural connections, Centre for Eastern Studies, Warsaw, February 2005. p.18. http://www.osw.waw.pl/en/eindex.htm
5 For information on Russian pipeline projects, see http://www.eia.doe.gov/emeu/cabs/russia_pipelines.html
6 See the study by Agata Loskota cited in fn.3.
7 BBC Monitoring Select 2 April 2004.
8 BBC Monitoring Select 16 August 2004.
10 http://www.presidency.ro/?_RID=det&tb=datet&id=6034&PRID=ag
13 http://www.poland.gov.pl/?document=464&PHPSESSID=8a11f3ae233b47b184c5c99b19d8898
20 http://www.jamestown.org/edm/article.php?article_id=2370409
Want to Know More ...?


**Disclaimer**

The views expressed are those of the Author and not necessarily those of the UK Ministry of Defence

ISBN 1-905058-45-4