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The re-emergence of Russia and its collision course with Europe

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These topics form part of the pressing agenda of the EU and represent the multifaceted and complex nature of the European integration process. These papers also seek to highlight the internal and external dynamics which influence the workings of the EU and its relationship with the rest the world.

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The re-emergence of Russia and its collision course with Europe:
deepening confrontation over the common “spheres of influence”

By Daniel Gugán¹

I. Engaging 1990s Russia: a missed opportunity for the West

In order to understand the historical roots of the current geopolitical confrontation between the EU and Russia, we have to go back to the end of the Cold War and to the catastrophic decade that it was followed by in Russian history. The dissolution of the USSR imposed serious economic hardship for Russia and for all the ex-communist East-European states. Russia was the hardest hit amongst them, as the center of the USSR's economic system it suffered most from the dissolution of regional economic ties. This crisis was just deepened by the IMF's privatization and reform campaign, which imposed austerity measures and state-asset privatization as a “shock-therapy” answer to the country's economic problems. This policy package did nothing to save Russia from economic collapse (which eventually happened in 1998), the only thing it achieved was an even stronger social and economic crisis and the enrichment of the rent-seeking ex-communist top bureaucrats by state-assets, which were sold out under-priced through diverse channels of corruption. By the end of the “Yeltsin-decade”, Russia plunged into chaos:

Russia is in the throes of an economic disaster. Seven years of depression have halved its GDP, decimated its banking system and currency, eroded essential infrastructures of modern life and left the state bankrupt and saddled with more than \$150 billion of foreign debt. Some 70 to 80 percent of Russians now live precariously below or barely above the subsistence level, their wages unpaid, bank savings frozen, money in hand greatly devalued and welfare provisions evaporating.²

This economic chaos was recognized by the West and Russia received large amounts of Western aid, but this did not allow the country to economically re-emerge. Instead it fixed Russia in an aid-dependent client-state role, facing endless exploitation and economic colonization by Western multinational companies. These circumstances made the bed for a political turn in Moscow as people became disillusioned by the democratic/free market opening of their country and demanded a stronger leadership and economic self-reliance. This turn suddenly happened in

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2 Katrina vanden Heuvel and Stephen F. Cohen: Help Russia, *The Nation*, December 24. 1998.

December 1999, when Yeltsin unexpectedly (but understandably as he was facing his leadership failure) resigned. Who followed him was a far less pro-Western pragmatic leader with authoritative ambitions. Western reactions were understandably cold, but without any soul-searching:

What happened to the “strategic partnership and friendship” between post-Soviet Moscow and Washington promised by leaders on both sides after 1991? For more than a decade, the American political and media establishments have maintained that such a relationship was achieved by President Bill Clinton and Russian President Boris Yeltsin in the 1990s but destroyed by the “antidemocratic and neo-imperialist agenda” of Vladimir Putin, who succeeded Yeltsin in 2000.³

From here on, the drawbacks of treating Russia as a defeated enemy rather than a weakened partner to be strengthened and integrated into the West (as happened with post-WWII Germany for example) started to show its negative consequences. The ruling neoliberal approach provided no space for a Marshall-plan type package, therefore Russia needed a self-confident and autonomous leader in order to create economic self-reliance and this process naturally led to confrontation of political and economic interests with the West and later with the EU itself. But who or what is to blame for such a historical failure, which was a lost rare opportunity for approximation between two historically antagonistic entities? There is no simple answer to this question, but we can borrow some thoughts from renowned Russia experts:

In reality, the historic opportunity for a post-cold war partnership was lost in Washington, not Moscow, when the Clinton administration, in the early 1990s, adopted an approach based on the false premise that Russia, having “lost” the cold war, could be treated as a defeated nation. The result was the Clinton administration’s triumphalist, winner-take-all approach, including an intrusive crusade to dictate Russia’s internal political and economic development; broken strategic promises, most importantly Bush’s assurance to Gorbachev in 1990 that NATO would not expand eastward beyond a reunited Germany; and double-standard policies impinging on Russia (along with sermons) that presumed Moscow no longer had any legitimate security concerns abroad apart from those of the United States, even in its own neighborhood. The backlash came with Putin, but it would have come with any Kremlin leader more self-confident, more sober and less reliant on Washington than was Yeltsin.⁴

Moreover, this triumphalist Moscow-blaming approach has survived until nowadays as the central narrative in Washington, which could easily be read by Putin as an offensive and arrogant message. This deterioration of Moscow-Washington ties unraveled slowly during the last 14 years and continues today as well. In the beginning Putin even gave crucial logistical help to NATO's Afghan mission and seemed to be fairly cooperative, but as the West failed to change

3 Stephen F. Cohen: Obama's Russia 'Reset': Another Lost Opportunity?, *The Nation*, June 1. 2011.

4 Ibid.

position on his country and as his revenues from hydrocarbon exports started to explode, he became more and more self-confident and anti-Western which led to the current situation, named correctly as the “New Cold War”.

II. Russia re-emerges: Putin's growing assertiveness and the “New Cold War”

Russia has a centuries-long dilemma over modernization: it regards European civilization as a role model and it sees itself as a part of it, but it also sees the possibility of “modernization without Westernization” as a viable development path. Throughout Russian history these two approaches were continuously present, sometimes one becoming dominant and sometimes the other. The previously described social and economic catastrophe of the 90s convinced most Russians about the viability of the later:

A large majority of Russians, on the other hand, as they have regularly made clear in opinion surveys taken during the past fifteen years, regret the end of the Soviet Union, not because they pine for "Communism" but because they lost a familiar state and secure way of life. No less important, they do not share the nearly unanimous Western view that the Soviet Union's "collapse" was "inevitable" because of inherent fatal defects. They believe instead, and for good reason, that three "subjective" factors broke it up: the way Gorbachev carried out his political and economic reforms; a power struggle in which Yeltsin overthrew the Soviet state in order to get rid of its president, Gorbachev; and property-seizing Soviet bureaucratic elites, the nomenklatura, who were more interested in "privatizing" the state's enormous wealth in 1991 than in defending it.”⁵

Putin successfully tapped into this sentiment and started rebuilding his country with the help of the rising amount of hydrocarbon windfalls and not with the help of the IMF. Most of the strategic industries were centralized and re-nationalized, which move secured his position on economic control and made possible the use of hydrocarbon exports as economic coercive tools towards other countries (mainly ex-USSR and Eastern European states). The domestic economic landscape became stable (although still somewhat mismanaged and corrupt), and this led to a modest revival of the country during the 2000s. The social decline of Russia has stopped, net migration and the birth/death ratio became balanced after the losses off the 90s. As a sign of consolidation, the country's population started to grow again after twenty years of decline:⁶

As domestic issues became more stable, the country was again able to turn its attention towards international issues and raise its profile as a regional and global player. In the beginning Putin tried to somewhat follow Yeltsin's cooperative approach (see the Afghan mission), but later on this turned into an ever growing anti-Western sentiment and by nowadays he became the strong “bully-man” of the East in many Western eyes. His growing self-confidence (and his declining confidence in the West) can be well tracked through his changing position on several

5 Stephen F. Cohen: The Soviet Union, R.I.P.?, *The Nation*, December 13. 2006.

6 Image source: Wikipedia

international issues. After the Afghan cooperation, the unilateral attack of Iraq was a breaking point with the US and its allies, after which the attack on Libya signaled some temporary “détente” (approved by Medvedev, not Putin!), to finally arrive to the current lack of cooperation on Syria, the Georgian War and some other issues. By the end of the “Putin decade” Russia clearly arrived to an assertive and pragmatic international role and grew into being once again the main counterbalancing force against Western influence throughout the globe, alongside with China.

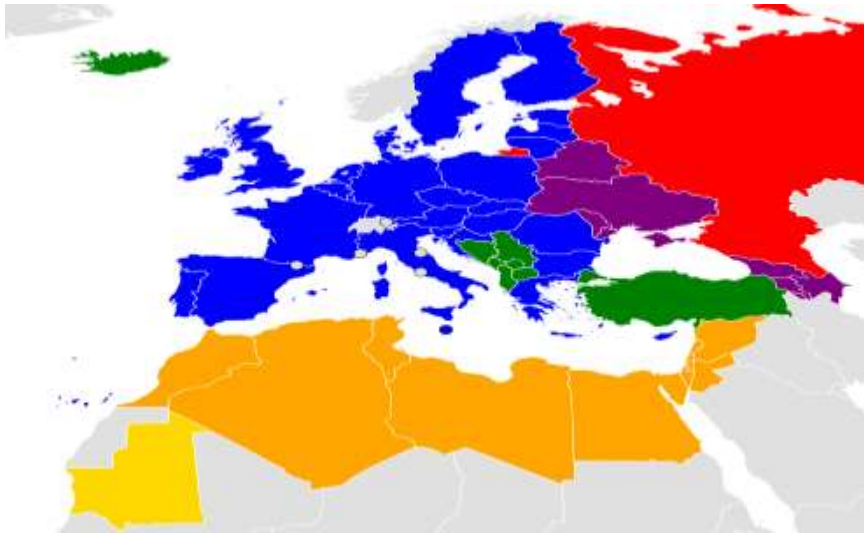
Parallel to his expanding global presence, Putin also started to raise Russia's profile on the regional stage, using the economic dependency of its smaller neighbors to gain a degree of political control over them. Using gas price hikes and non-delivery threats on Ukraine, Poland and Belarus, he pressured these countries to adopt pro-Russian policies and he even confronted the EU in certain issues. Seeing the EU as an important business partner but also as a geopolitical competitor, he initiated the “Eurasian Union” as an alternative for East-European countries to EU integration and as a tool of re-gaining control over its traditional spheres of influence (in East-Europe, Central-Asia and the Caucasus). This regional power projection led in the end to the current standoff between Russia and the EU as the eastern arm of the EU's Neighbourhood Policy clearly overlaps with Russia's own zone of influence and both economic “cores” intend to tie to themselves as much of the “peripheries” lying in-between them as possible. Before we turn into the analysis of these geopolitical games between the EU and Russia, we should underline again that the current situation can be interpreted to a certain extent as the comeback of the Cold War:

When President Obama made “resetting” relations with Moscow a foreign-policy priority, he seemed to understand that a chance for a necessary partnership with post-Soviet Russia had been lost and might still be retrieved. The meaning of “reset” was, of course, what used to be called détente. And since détente had always meant replacing cold war conflicts with cooperation, the president's initiative also suggested an understanding that he had inherited something akin to a new cold war.⁷

III: Confrontation with the EU: the neighborhood policy and the overlapping spheres of influence

But what geopolitical regime did the EU “inherit”? What are the exact signs of this “New Cold War” in Europe? There could be several issues mentioned, out of which the two most important are Russia's resentment over the European Neighbourhood Policy and the controversial energy trade issues of the recent years.

7 Stephen F. Cohen: Obama's Russia 'Reset': Another Lost Opportunity?, *The Nation*, June 1. 2011.



The European Neighbourhood Policy (ENP) is the official policy tool in the hands of the EU through which it manages relations with the neighboring countries. This involves different economic, societal and political agreements, which are established in order to tie the “neighbors” to the EU as closely as possible. The following map shows the coverage area of the ENP:

The European Neighbourhood Policy. Blue: EU; Green: EU Candidate countries; Red: Russia, Yellow: Southern neighbors; Purple: Eastern neighbors⁸

This map already gives a clue what Russia's problem could be with the ENP: The purple areas which are covered by the ENP-east (Eastern Partnership) are cutting deep into the traditional Russian sphere of influence. This means that while the EU tries to tie East European and Caucasian countries to itself both economically and politically (with the so called Association Agreements), the same time it removes them from the Russian “zone”. Given the cold and competitive West-Russia relationship of nowadays, this has to be counterbalanced by Russia somehow, which gives the supposedly neutral ENP a clearly geopolitical edge. The answer of Russia to what it sees as the EU's geopolitical expansion is twofold: it strengthened its grip on these countries by using economic coercive tools (mainly gas exports), while it also started its own “neutral” economic cooperation organization, the Eurasian Customs Union.

The first part of the “answer” includes the active strategic use of Russia's widespread gas pipeline network in order to gain control over gas-dependent neighbors. This move threatens mostly the ex-USSR East European states: Belarus, Ukraine and Moldova. However, this tool is also effective to regulate Baltic and Central European EU member states, which are still dependent on Russian gas. The “gas game” has a strong academic literature⁹, therefore here we do not have to go into details. It's enough to mention that the tools extend beyond gas price hikes and non-delivery threats as Russia has built the North Stream which avoids Belarus and Central European transit states, whereas the South Stream (being built currently) will avoid Ukraine, making dependency even more asymmetrical in the region. Adding to this, Russia is renewing its nuclear power “services”¹⁰ in the region as well, planning to build nuclear reactors for East European countries, deepening even more their energy dependence.

8 Image source: Wikipedia

9 See: Joschka Fischer: Russia's Great Gas Game, *Project Syndicate*, July 26. 2010.

10 See: Russian nuclear ambition powers building at home and abroad, *Reuters*, July 22. 2013.

The second step in rebuilding the classic USSR sphere of influence was the formal launch of the Eurasian Customs Union. This was aimed clearly against the ENP as an alternative institutional form of cooperation, directed from Moscow rather than Brussels. This union is declaratively not the re-establishment of the USSR, nor does it have such federalist ambitions as the EU, still it provides several kinds of economic advantages for the targeted group of participant states. Beyond customs free trade with Russia (of which they are also trade-dependent), some opportunities for low-cost financial support (in the form of low-interest Russian loans) are on its agenda as well, making it a highly attractive alternative offer. On the other hand, the ENP also offers “carrots” for neighbors in the form of low-interest development loans, but this comes with a lot of regulative conditions “sticks” as well, making it less attractive in the short term. As a summary, we can conclude that currently Russia offers a better and more powerful combination of these coercive and motivational tools (“sticks”: energy supply threats, “carrots”: friendly financing) than the EU. The strategic combined uses of these two main geopolitical tools have already provided some local victories for Russia:

Not only Ukraine broke off the negotiations on its Association Agreement with the EU. Armenia did the same thing in September. Instead, it decided to join the Russian Eurasian Economic Community’s “Customs Union.” Ukraine appears to be following the same scenario. The reality is that Russia bought them out.¹¹

Finally, we have to make some reflections on the current Ukrainian situation as well, since this can be regarded as the most obvious and serious sign of this deepening geopolitical competition. With Ukraine the stakes are high for both players: the success of the Customs Union largely depends on the joining of Ukraine as the most populous ex-USSR state after Russia with a huge industrial infrastructure. For the same reason, the stakes are high for the EU and for the success of the ENP as well. The Ukrainian refusal of signing the Association Agreement could trigger a domino-effect in the region, giving all the ex-USSR states on a plate to Russia and leaving nothing for the EU. Armenia, Belarus and Kazakhstan have already joined the Customs Union, whereas Georgia and Moldova are more pro-EU, but vulnerable. The word “front-line” can be understood literally in the case of Ukraine now as the refusal of signing the Association Agreement led to violent mass protests in Kiev and some other cities. Ukrainians themselves have realized how serious this geopolitical game became and while the western part of the country is pro-EU, the eastern part prefers Russia. This can lead to the split of the country or to civil war in the worst case, which does not serve the interests of any parties involved.

As a summary, we can conclude that a new dividing line between East and West is emerging in the front of our eyes, which is threatening the region with a similar split of spheres (a new Yalta?) as it was divided during Cold War times. This phenomenon is the consequence of a complicated socio-economic process, which ran through the entire region during the last 25 years and now with the American “pivot”, it is mainly on the shoulders of Europe to solve. The real

¹¹ Ibid.

question is if the EU is capable of providing a solution or not. It's clearly Europe now “which is put to the test”:

These are crucial times for the European Union. In one year it might lose the alliances it has tried to build up for decades. It is time to wake up and to react quickly and firmly. At the same time, EU institutions are preparing for elections and for a change of the guard in almost every top position. But despite this, Europe cannot afford to let those hundreds of thousands of Ukrainians down. The outcome of the Ukrainian dilemma is going to determine how serious the EU is about spreading freedom and democracy. If it loses Ukraine, the EU might also lose its entire eastern and southern neighbourhood. The world is watching.¹²

12 Ibid.