

# **Putin's European Project Derailed or Set Back in Reformatting?**

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The November 25, 2004 Russia-EU summit, dominated by disagreement over elections in Ukraine, marked a record low point in Russia's relations with Europe. Putin probably regretted his decision to postpone this summit by two weeks, an act originally intended to show the newly-formed Commission his toughness. The relations, however, were going south and had been turning sour throughout autumn.

It started with a spoiled trilateral summit between Vladimir Putin, Jacques Chirac and Gerhard Schröder. Chirac arrived late due to a hostage situation in Iraq, and the second day was interrupted by the terrorist attack in Beslan, North Ossetia. The resonance of this tragedy was such that Putin had to cancel his September visits to Turkey and Germany. The Parliamentary Assembly of the Council of Europe then criticized the Russian delegation's reports on the situation in Chechnya, giving Georgia a chance to express its frustration over crisis mismanagement in South Ossetia. The minor disagreements over referendum in Belarus paved the way for a full-blown row over Ukraine. The only successful accomplishment was the official Moscow visit of Italian Prime Minister Berlusconi, but it left an odd aftertaste, since Putin's friend Silvio remains the embodiment of an oligarch elbowing his way to the top of state hierarchy.

This chain of setbacks might signify a serious, even terminal, derailment of Putin's ambitious European project – or it might represent the sum of efforts aimed at reformatting the project on a new basis. Back in 1999, Putin arrived at the Kremlin as a sincere Europeanist, emphasizing Russia's natural belonging to Europe and exploring multiple opportunities for an ever-closer relationship. The emotional high point of this Europeanization was the celebration of St. Petersburg's 300-year anniversary, while the crucial political moment was the alliance with France and Germany against the war in Iraq. Since the start of his second presidential term, however, he has sought to reconfigure these relations, perhaps after reflecting on EU enlargement and abandoning the idea of integration. The three key elements of this reformatted project are oil and gas policy, new European geopolitics, and a terrorism-centered security strategy.

## **Energy Matters?**

What gives Putin a rock-solid foundation for his European endeavors is the steady flow of hydrocarbon resources generating a sharply growing volume of revenue. This

foundation has been in place for quite a long time, evident in Moscow's not-so-subtle attempts to use gas pipeline deals as a wedge between the US and Western Europe in the early 1980s. Now, however, Russia can claim the role of energy super-power, exploiting the Iraq-driven politicization of the energy issue. Putin has an additional advantage with Russia's reputation as a reliable supplier, and throughout recent turmoil in the oil market he behaved impeccably, promising to increase deliveries – and delivering on those promises. His plan for exploiting oil assets does not apparently involve blackmail or crude pressure. It is much more about cultivating dependency and harvesting rewards by keeping the profitable side of the contract.

This plan generally works fine, but there are limits on its operability. Energy consumption in Europe is not growing, while Russia's attempts to increase its share of a carefully regulated market could bring only a modicum of success. The real and sustained rise in demand is happening in China, South-East Asia and India. While Moscow examines ways to address this growth (perhaps moving too slowly), these projects have nothing to do with its European agenda. Decisions on investing accumulated petrol profits could be more relevant and the Central Bank's plan to shift the composition of its reserves from dollars to euros reflects this agenda. Abandoning the dollar in the oil trade has been raised several times. The net result, however, has been a further strengthening of the euro against dollar, which, from the view of Brussels and Frankfurt, is not necessarily good news.

Moscow's skillful maneuvering aimed at undermining the cost-efficiency of the nearly completed Baku-Tbilisi-Ceyhan pipeline (intended to check US geopolitical penetration into the Caucasus) involves conflicts with the interests of Russian and European oil companies such as BP and Statoil, both heavily invested in the project. Turkey is watching with irritation how Russia pushes and pulls Bulgaria and Greece in order to start construction of the Burgas-Alexandropolis pipeline around the Bosphorus bottleneck. Poland saw a chain of political scandals surrounding Russia's attempts to buy refineries and other energy assets. If we add environmental complaints over increased Russian tanker traffic in the Baltic Sea (and the disappointment in Latvia and Lithuania in diminishing Russian oil transit), the context of the Russia-Europe energy dialogue becomes rather complicated.

The lasting impact of the Yukos affair further complicates matters, despite Putin's efforts to bury the unfortunate company. In the Kremlin's view, state-owned Gazprom and not some maverick oligarch should spearhead Russia's pro-active energy policy engaging Europe. Gazprom's solid partnership with German E.ON Ruhrgas is the model for international cooperation and Italian ENI is being courted as a potential accomplice in Gazprom's oil sector expansion through bargain sale of Yukos assets. Putin takes great personal interest in gas diplomacy but the close involvement of administration chekisty [security services professionals] in corporate management scares away potential customers. While Moody's and Fitch have raised Russia's credit ratings, the investment climate showed few signs of warming in 2004. The sustained decline in investment activity brought slackening growth in the second half of 2004 despite an unprecedented oil boom.

## The Geopolitics personalized

EU enlargement had by 2004 significantly altered the prevalent Russian perception of its position vis-à-vis Europe as well as Putin's own vision. The idea of incremental integration gave way to the vague concept of cooperative co-existence between two separate entities: European and Russo-Eurasian. The contours of the first entity have been defined for at least a decade (Turkey being the major prospect/problem), but the second entity has yet to be consolidated. There are significant similarities with the controversial concept of Russia's near abroad in the mid-1990s, but the emphasis has been shifted from the potentially explosive issue of Russian-speaking populations to energy ties and elite networks.

Building this sphere of influence and responsibility is a necessity for developing relations with Europe as an equal, but engagement in the Balkans was re-evaluated, considered redundant, and discontinued. Much effort was concentrated on restoring Russia's position in Central Asia, undermined by US military deployment in autumn 2001. Parallel efforts in the Caucasus, however, were upset by the collapse of the thoroughly corrupt Shevardnadze regime in Georgia in November 2003, which has triggered a series of upsets for Russia's new expansionism. In December, despite much arm-twisting, Moldova turned down an agreement to settle the conflict with Transdnistria, a deal Moscow sought to push through behind the EU's back. In Spring 2004, taking a risky gamble, Georgian President Mikhail Saakashvili succeeded in deposing Adjarian leader Aslan Abashidze, a man who relied on Russian support. In October 2004, a Moscow-backed candidate lost presidential elections in quasi-independent Abkhazia. Russia showed great restraint during these setbacks, expecting the revolutionary drive in Georgia to exhaust itself and other rebels to return to Moscow's benevolent control. Ukraine was the critical test for Russia's neo/post-imperial policy – it was orange-colored Kyiv that challenged and defeated Putin's plans.

The massive fallout on Russia's European policy from the Ukrainian crisis requires a separate analysis, but two relevant points can still be taken. The first one involves Moscow's disappointment in, and irritation with European institutions. The Council of Europe is seen as an arena of endless and utterly unhelpful debates on Chechnya; discontinuing membership appears increasingly attractive. The Organization for Security and Cooperation in Europe (OSCE) is perceived as a vehicle for meddling in carefully orchestrated elections, Ukraine being the clearest example. European courts are suspected of having a strong anti-Russian bias. Even the EU is increasingly seen as a slow and self-serving bureaucracy and both sides have expressed a preference for one summit a year rather than two.

The second regards Putin's deep conviction that personal relations between leaders matter most in international politics. His pronounced emphasis on cultivating direct ties with several key European politicians (the short list includes Silvio Berlusconi, Jacques Chirac, and Gerhard Schröder) stems from a mistrust in faceless European institutions. The result is a peculiar and defiantly pre-post-modern policy in which great leaders are expected to harmonize the geopolitical interests of their first-class states and their agreement is the final word. The only other network that matters is among energy companies and players –here Gazprom comes into play.

## Terrorism and the Wall

The scheme of European relations might appear useless in a region where the key trend in inter-state relations is universally recognized as integration. The effect of enlargement on the integrity of European structures is still too complicated to measure, and Putin may overestimate the degree of organizational chaos. But he counts on a force that would continue to keep Europe divided and weak – the war on terror. In his worldview, this epic struggle occupies as central a place as in President Bush's but he is perfectly aware that Europeans will never agree so succinctly and partake in any coherent way. That essentially guarantees that the Common Foreign and Security Policy will remain wishful thinking and that the EU will be able to compromise only where diverging vital interests of its key member-states are not involved.

Moscow connects the paralyzing divisions inside the EU to sustained tensions in trans-Atlantic relations, granting it new opportunities to advance interests on the cheap. This is one of the reasons Putin counted so much on Bush's re-election, while perhaps personal ties prompted him to go a step too far in expressing his preference. He knows perfectly well that disagreements with Washington would come often and involve every azimuth from North Korea and Iran to Georgia and Belarus, but he expects that Europeans would more often than not have a different take on each of these issues. He has developed a taste for playing partners against one another, while holding an ace that can turn the game if any of his bluffs are called, such as a promise to send Russian troops to Iraq. For that matter, in Russian eyes NATO has lost much of its respect and is perceived as a hopelessly overstretched and bitterly divided institution never able to pose a significant military threat to Russian interests.

Despite a threat-free Western front, the failure to reform and modernize Russia's Armed Forces constitutes a serious setback for Putin's re-conceptualized soft-and-hard power projection. The reasons for this debilitating weakness are multiple and certainly cannot be reduced to lack of funding. The Commander-in-Chief may be reluctant to build a combat-capable instrument that he would be unable to control with certainty. What makes this failure more tolerable is the proven inability of European states to upgrade and expand their over-used military forces, collectively or individually. This gives Putin a slight edge, and he keeps threatening terrorists with preventive strikes and bragging about new missiles that are allegedly capable of penetrating air defense. President Bush has no reason to lose any sleep since the much-advertised 'strategic shield' will remain a hypothetical construct for the rest of his presidency. But Europeans have reasons to worry, suspecting that sooner rather than later Putin will need to prove that he means business while keeping track of every potentially disastrous malfunction in the Russian strategic forces.

Despite the smoldering war in Chechnya and the chain of deadly terrorist attacks, Moscow finds the war against terror to be practically useful and strategically conducive to its European policy. What interferes with the implementation of this policy is the new wave of rose or orange revolutions that have found strong support in Europe but are perceived as a potentially mortal threat in the Kremlin. From his KGB station in Dresden, Putin witnessed how a similar wave swept away a perfectly organized police state, and the cheerful uprising in Kyiv has triggered his 15-year old Wall syndrome. He feels

perfectly comfortable in the '9/11' world but cannot relate to the world of '11/9', to a post-Wall Europe where people have the ultimate right to decide.

While reformatting a very personal and important European project, Putin has sought to gain respect, but neither energy exports nor strategic weapons can earn him that. The Soviet Union was known as the 'Upper Volga with missiles' – and Putin's Russia is evolving into a 'Saudi Arabia with nukes', which may not be exactly like the bad old days, but is certainly far from what Putin aspires to achieve.

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