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# EU-Russia Watch 2012

Edited by Ahto Lobjakas, Martin Mölder



UNIVERSITY OF TARTU  
CENTRE FOR EU-RUSSIA STUDIES

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## EU–RUSSIA WATCH 2012

The EU–Russia Watch is an annual report on the relations between individual EU member states and the Russian Federation. Targeted at policy-makers, academics and the general public, the Watch focuses on dominant themes and recent developments in bilateral relations, and provides an overview of member states' perspectives on issues structuring the EU–Russian relationship. The project is coordinated by the Centre for EU–Russia Studies at the University of Tartu, Estonia.

The rationale for the Watch stems from the often-lamented inability of the European Union to speak to Russia with one voice. The Russian Federation has been one of the most divisive issues on the EU's foreign policy agenda, with member state objectives ranging from engagement to containment. In the absence of a coherent and consistently implemented common policy, much of the action in EU–Russian relations takes place outside of the framework of the EU–Russian partnership. However, the EU's internal disunity in dealing with Russia is not a constant. Positions and policies change – sometimes rapidly – and the ability of member states to act in concert varies greatly across the spectrum of issues. This dynamism highlights the need for up-to-date, nuanced and comprehensive information about the sources and directions of national policy, as well as the pattern of relations at the bilateral level.

The first issue of the Watch covers nearly two-thirds of EU member states as well as the largest candidate country – Turkey. Due to the diversity of national experiences with Russia, the country reports have a deliberately flexible structure. The contributors to the 2012 edition of the Watch were asked to reflect on:

- themes dominating the relationship between the country in focus and Russia in the context of the broader EU–Russian relationship;
- significant developments in bilateral relations in 2011 (political contacts, economic and commercial links);
- the country's positions on the main issues structuring Russia's relationship with the EU (foreign policy issues, energy policy, visa liberalisation, etc.);
- domestic reactions/debates as regards the Putin–Medvedev switch at the helm of Russia in March 2012 and the December 2011 Duma elections.

# EU–RUSSIAN RELATIONS IN 2011: A FOUR-DIMENSIONAL SPACE

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Four factors emerge from the 2012 edition of the EU–Russia Watch as key determinants in most, if not all, European countries' relations with Russia. They are proximity, history, size/global reach, and trade. The impact of any one factor is rarely linear, the four can combine in various ways, cross-compensate, or cancel one another out. But in nearly all cases, the roots of trouble or springs of promise in Russia's relations with its Western neighbours can be located in an area which is loosely marked by these four dimensions. Proximity inevitably brings with it Russian attention, modulated by the object country's size, political inclination, economic prowess, etc., but rarely in a straightforward fashion. A trouble-free history with Russia by itself guarantees nothing, but even a conflict-prone past can ground mutual respect (an important word, this, in dealings with Russia). Size also helps to secure Russian attention, especially if it is accompanied with some degree of global clout. Small countries are at a disadvantage, but that can be overcome. Finally, trade and transit opportunities matter to Moscow, in the first instance as leverage for political ends, and in the second for generating funds and know-how for its "modernisation" drive. The surprising (or perhaps not so surprising) near-absence in Russia's relations with its Western neighbours is the European Union. More and more the EU is the non-elephant in the room, as it were. Its strength and ambition sapped by continual crises, the EU has been relegated to the role of a kind of an ineffectual moral pole. Most EU countries seem more than content to let an enfeebled EU deliver normative-critical messages on human rights, democracy and the rule of law, while they bilaterally get on with the serious business of politics.

## I

In its extreme form, proximity is history. Estonia, Latvia, Lithuania and Finland have at various times all been part of the Russian empire. Finland is the only country among these four so far to have conclusively escaped from the Russian orbit. There is perhaps no better proof of this than the rueful admission made by Estonian senior diplomats in private to the effect that Finland, unlike Estonia, is treated by Russia as a "truly independent nation". Finland fought two wars against Russia (1939–40 and 1941–44), losing them both, but famously earning Stalin's grudging respect for its toughness. Estonia fought one (1918–1919), won it, but succumbed to the Soviet Union without firing a single shot in 1940. While Finland "Finlandised", the Baltic countries were being Russified.

One consequence of the diverging paths of Finland and the Baltic nations in 1939–1940 was the influx of hundreds of thousands of Russian-speaking immigrants into Estonia and Latvia. This fact remains an important element in the two countries' relations with Russia. However, as Lithuania demonstrates, a relatively low number of Russian-speaking subjects and a very liberal citizenship law (in comparison to those of Estonia and Latvia) do not suffice for fully normalising relations with Russia. Estonia has over the past half a dozen years opted for an uncompromising immersion in NATO and the EU, putting relations with Russia on the back burner. "Our politics is [conducted] with Europe," says President Toomas Hendrik Ilves.<sup>1</sup> As a consequence, there have been no direct top-level contacts between the two neighbours since 2008. Somewhat paradoxically, however, trade relations have followed a different tangent, with Estonian-bound Russian tourism and Russia once again climbing Estonia's top exporter/importer ranking charts (see the report on Estonia). Latvia straddles the Baltic divide, resisting Russian demands to ease its citizenship laws and most recently denying Russian the status of a second official language in a national referendum. But Riga also ostentatiously pursues a policy of "pragmatism," seeking cooperation in other fields and eschewing criticism. In return, Russia has ensured Latvian leaders relatively "regular" access to the Kremlin (see the report on Latvia).

Finland remains a model country in Russia's closest neighbourhood. Its political relations with Moscow are extremely good for a neighbour, hitting the high-water mark in recent history in 2010, when President Dmitry Medvedev described bilateral ties as "more vigorous than ever."<sup>2</sup> Finnish leaders have a tradition of possessing an excellent "personal chemistry" (a recurring motif in this piece) with their Russian counterparts. The outgoing Finnish President Tarja Halonen says she visited Russia 27 times during her two six-year terms as president of Finland, most recently in January 2012.<sup>3</sup> The country also has a flourishing trade relationship with Russia (both import and export volumes growing year-on-year since 2008).<sup>4</sup> Russia remains Finland's biggest trading partner. Perhaps part of the key to solving the Russian riddle is national self-confidence, coupled with a high-visibility commitment to defence and whittling away at whatever vulnerabilities might be there. Although Finland imports 100 percent of its natural gas from Russia – normally an indication of weakness – gas only makes up 10 percent of its energy mix, with domestic

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1 Burger, R. (2011), 'Es ist nicht nachhaltig, wenn mit Betrügen fortgefahren wird', *Der Bund*, 10.12.2011, <http://goo.gl/rtyCC>.

2 RT (2010), 'Russian-Finnish relations more vigorous than ever – Medvedev', 09.11.2010, <http://goo.gl/fHDjM>.

3 *Helsingin Sanomat* (2012), 'Outgoing President Halonen bids farewell to Russian leaders', 18.01.2012, <http://goo.gl/0ykSn>.

4 Shlyamin, V. A. (2011), 'Current situation of the Russian-Finnish trade and economic relations and perspectives of their development', *Finnish & North-West Russian Chambers of Commerce and Industry Conference*, 21.09.2011, <http://goo.gl/d33Aq>.

nuclear energy ensuring the country's independence on this front.<sup>5</sup> It is interesting to note that Estonia's exposure to Russian gas is similarly low at 11 percent of the total energy consumption (with domestic and pollution-intensive oil shale bearing the brunt).<sup>6</sup>

Finland's leaders also proudly and publicly advertise their country's independent defence capability, as well as their intention to retain it (despite planned cutbacks in troop numbers). The other half of the Finnish solution has so far been its arms-length relationship with NATO. The Baltic countries' membership in the alliance, whilst providing them with an external security guarantee, has been a lasting thorn in Russia's side. Moscow's sensitivities were emphatically underscored by President Medvedev in November 2011 when he appeared to admit Russia had planned the 2008 war against Georgia, saying the conflict had put the brakes on further NATO enlargement. For Moscow, NATO remains part of a geopolitical tug-of-war with the West, an attempt to "artificially" dislodge and protect countries within Russia's sphere of influence.<sup>7</sup> Part of the recipe for keeping relations with Russia on an even keel is a willingness to not overly antagonise Moscow. Finland, while always a backer of the common EU line, has not played a particularly active part in promoting the union's Eastern Neighbourhood project. On the other hand, the EU's Northern Dimension, a now all-but-moribund attempt to develop parts of north-western Russia, was its brainchild. Helsinki has also refrained from high-profile criticism of Russia's democratic record.

## II

As proximity decreases, so does generally a country's vulnerability vis-à-vis Russia. Sweden, also not dependent on Russian gas, could easily afford to take its time over Gazprom's request for permission to have the Nord Stream gas pipeline to Germany pass through its waters (incidentally, after Estonia had refused and Finland gave it the green light). As a European power with an impressive historical record, a one-time empire and erstwhile colonial master of much of the eastern Baltic seaboard, its relationship with Russia displays most of the paradoxes inherent in the practical application of the four-way geometry postulated above. Like Finland, Sweden is not a member of NATO, but it is in possession of an independent defence capability. Unlike Finland, Sweden plays an active part in the broader European Russia policy. It is a co-progenitor, with Poland, of the EU's Eastern Partnership initiative, incurring Moscow's displeasure. Worse, it sided with Georgia in the 2008 war. The country's influential and combative foreign minister, Carl Bildt, likened

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5 Wikipedia, 'Energy in Finland', <http://goo.gl/J1QFs>.

6 Estonian Competition Authority (2010), 'Aruanne elektri- ja gaasiturust Eestis', <http://goo.gl/3aDBD>.

7 Astahov, D. (2011), 'Russia's 2008 war with Georgia prevented NATO growth – Medvedev', *RIA Novosti*, 21.11.2011, <http://goo.gl/7UOyJ>.



Russia's antics in South Ossetia and Abkhazia to Hitler's rampage through Central Europe (see the report on Sweden).

Its stint at the helm of the EU in 2009 forced Sweden to backpedal a little. After Stockholm gave the nod to Nord Stream, Russian President Dmitry Medvedev dropped his objections to attending the scheduled EU–Russia summit in Stockholm in 2009 and it has been plainer sailing for the relationship since (Putin visited in 2011). Well, almost, as Sweden remains one of the very few EU countries to make no bones about speaking its mind to Russia. This applies both to politics and trade. As our Swedish rapporteur Ingmar Oldberg observes, rather than to curry Russia's commercial favour, Swedish officials regularly complain about "Russian bureaucracy, rampant crime, unclear rules and protectionism." The country's bilateral aid to Russia unabashedly targets the latter's democratic and human rights deficits. Even Carl Bildt has returned to his fighting ways (without so far being banned from entering Russia again), telling an OSCE summit in Vilnius that the December 2011 Duma elections were "neither free nor fair" and predicting political instability in Russia (see the report on Sweden).

Sweden's close neighbour (both geographically and historically), Denmark, also enjoys a long history of relations with Russia. But it has an even longer history of interaction with Germany, and that has been enough to remove some of the immediacy and urgency from the eastern front. Denmark largely views Russia as a regional presence which needs to be handled carefully to ensure collaboration over issues of mutual interest. Having faced down Russia in 2002 over the latter's extradition request for the exiled Chechen leader Akhmed Zakayev, Copenhagen now pursues "a more pragmatic, disillusioned EU attitude towards Russia, aiming at 'normalcy'". Even if Denmark also retains some of its earlier zest on the political front, continuing to try and engage Moscow on rights issues, its "role model ... seems to be Germany and the solid German–Russian relationship" (see the report on Denmark).

The Danish template of tempering historical distrust with sober pragmatism, and in general increasingly taking one's cue from Germany, has turned out to be a popular choice among Central European nations. While none of them can be said to be particularly enthusiastic about Moscow, they appreciate the benefits of a stable political and trade relationship with Russia. Both the Czech Republic and Slovakia are enjoying post-Cold War highs in their interaction with Russia, with Moscow seeking to make common cause with both countries in the Balkans. Hungary, a non-Slavic nation historically allied to Austria, has perhaps moved farthest away from the confines of history among the former Warsaw Pact nations. Its elites have traditionally favoured a "pragmatic, interest-based relationship with Russia, regardless of domestic Russian political developments." The Hungarian public appears to support this approach. Its recent governments have backed Russia on most issues, among them visa-liberalisation and WTO membership, and have sought to involve Moscow in Eastern Partnership initiatives. They've

also backed Russia's South Stream gas pipeline alongside Nabucco – which could do without the competition. Covering all the possible bases also appears to be the policy of the increasingly self-absorbed country under Prime Minister Viktor Orbán. Meanwhile, Hungary has been loath to show any active involvement outside EU fora on politically controversial issues, refraining from raising human rights themes – or speaking out in support of Georgia's territorial integrity, for that matter. A potentially worrying trend in Hungary (as elsewhere) is Moscow's attempts to put down economic and commercial roots in the country (see the report on Hungary).

### III

Not all of Russia's neighbours are small, of course. Poland and Romania rank amid mid-size powers in the EU and have both tried to make that fact count in their contacts with Russia. Both have found themselves faced with mountains to climb. Both have also attempted to combine principled stands on core security interests – such as joining NATO and, more recently, secure a direct US presence via missile shield installations – with conciliatory gestures on less fundamental matters.

Romania suffers the singular handicap among EU nations of having a stake, vicarious as it is, in one of the frozen conflicts paralysing political and economic advances in the post-Soviet space. Most of Moldova, which is an independent country today, was historically part of Romania, annexed by Stalin in 1940 and rolled into a toxic combination with the addition of a sliver of Ukrainian territory across the Dniester River. Romania has welcomed Russia's willingness to let it resume its place in the "5+2" reconciliation talks between Moldova and Transnistria and has not contested Moscow's moves on the issue. The 2008 NATO summit in Bucharest (which, incidentally, rejected Membership Action Plans for Georgia and Ukraine), attended by then-President Vladimir Putin, has gone down in recent history as a landmark event in bilateral Russian–Romanian relations (see the report on Romania).

Poland ranks as by far the largest Eastern European power. Its long history of distrust with Russia came to an abrupt head in 2010 with the Smolensk plane crash which claimed the lives of the Polish President Lech Kaczyński along with 95 other people, the majority of them top dignitaries. The plane had been en route to a memorial service for the more than 20,000 victims of the Katyn massacre, carried out on Stalin's orders in 1939. The massacre, which the Soviet Union had long blamed on Nazi Germany, was one of the defining moments in Polish–Russian relations in the 20<sup>th</sup> century. After the catastrophe of April 2010, a remarkable emotional rapprochement between the two governments followed. Inevitably, it has now subsided, but not before paving the way to increased pragmatism on the part of Poland. While Warsaw remains committed to winning over Ukraine and Belarus for the EU from Russia's embrace, ministers pointedly spurn chances of pouring oil on

the embers of historical resentment. In meetings in 2010 and later, both sides have been content to treat separately questions of economic cooperation and politics. In March 2011, Poland's outspoken Foreign Minister Radoslaw Sikorski was able to tell the Polish parliament, the Sejm, that although some in Russia may "live in the past," Poland itself must reject "the logic that states that anything that is bad for Russia must be good for Poland." Sikorski said that despite everything, the balance of the Polish-Russian relationship remains positive and the Polish "philosophy of making gestures of good will and then acting on the basis of reciprocity has been proven to work" (see the report on Poland).

Like Latvia and Lithuania, but unlike Estonia, Poland has acquiesced to the Russian drive to set up bilateral commissions of historians and other academics to jointly investigate and assess key events in 20<sup>th</sup> century history. In a unique and extremely telling gesture aimed at reconciliation, the Russian Foreign Minister, Sergei Lavrov, was invited in 2010 to address the annual gathering of Polish ambassadors. However, it bears noting that like all Central European countries, Poland counts on Russian deliveries of oil and gas for most of its needs (90 and 70 percent, respectively). Warsaw's own relations with smaller neighbours are something of a balancing act. Relations are tense with Alyaksandr Lukashenka of Belarus, routinely dubbed "Europe's last dictator". Somewhat more surprisingly, Poland has also slid into a damaging standoff with Lithuania over the status and treatment of the two countries' respective Lithuanian and Polish minorities.<sup>8</sup>

But perhaps most significantly, at least some of Poland's leaders have publicly professed concerns over German intentions, reminiscent of those ordinarily associated with Russia. This has obviously complicated Warsaw's geopolitical stance. However, this tendency was powerfully checked in November 2011 by Sikorski in a speech in Berlin in which he appealed to Germany to assume a greater responsibility for the future of Europe. The Polish minister held out more than an olive branch to Berlin: "I will probably be the first Polish foreign minister in history to say so, but here it is: *I fear German power less than I am beginning to fear German inactivity.*"<sup>9</sup> The impact of Germany's choices can be very real for Poland (and other East Europeans) in disconcertingly startling contexts, some much more mundane than keeping the Eurozone together. For instance, the recently reinforced decision by Berlin to scrap nuclear energy means it will be deriving more of its energy in future from gas-fuelled power plants. As that gas will most likely come from or via Russia, Moscow's importance as a strategic partner grows.

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8 Sobczyk, M. (2011), 'Poland-Lithuania Relationship in Downward Spiral', *The Wall Street Journal*, 20.04.2011, <http://goo.gl/nNH5z>.

9 *The Economist* (2011), 'Sikorski: German inaction scarier than Germans in action', 29.11.2011, <http://goo.gl/zRFOw>.

## IV

Germany, increasingly the pivot of the European Union, is where the dimension of size comes into its own. It (and nearly seven decades of German pacifism and war guilt) has made light of the historical baggage with which the German–Russian relationship ought to be laden. With its size comes economic might, enough to cause the country’s business elites (as well as some politicians) to think the country could make it in the world on its own as a kind of developed “BRIC”.<sup>10</sup> More specifically, Russia and Germany have broad trading interests and Germany with its world-class technology standards is the lynchpin of Russia’s modernisation strategy’s external dimension.

Given the crises that have shaken the EU in recent years, Germany’s size and economic might have now secured it a dominant position in the political makeup of continental Europe. Germany, in short, is that rare thing in Europe – a country with which it pays Russia to maintain good relations. Much of the rapprochement between Berlin and Moscow was initially built on the lighter side of the art of politics. Helmut Kohl got on with Boris Yeltsin well enough to endure chats in a Russian banya. The tradition was continued by Gerhard Schröder and Vladimir Putin, perhaps a little infamously when the two first sided against the United States in the run-up to the Iraq war and when the former later went on the payroll of Gazprom. But in between, as the German rapporteur of the EU–Russia Watch suggests, the Schröder–Putin chemistry may have prevented Russian intervention in Ukraine at the height of the Orange Revolution in 2004 as “Gerhard Schröder used his good personal contacts with Vladimir Putin to convince the Russians to agree with the peaceful solution of round table negotiations leading to constitutional amendments and the second round of presidential elections in Ukraine” (see the report on Germany).

Angela Merkel may have downgraded Russia’s status from “strategic partner” to “important partner”. However, both in terms of European security and European economy, Russia remains the most important partner after the United States for a Germany intent on keeping the EU afloat. Trade-wise, Russia’s offerings may not be particularly varied, but Gazprom supplies more than a third of the EU’s natural gas imports. More significantly perhaps, Russian cooperation remains key to security and stability in Europe. Recognising this, Germany in 2010 signed a declaration with Russia with the intention of setting up a standing EU–Russian foreign and security policy committee, in return for which Russia was assumed to have agreed to cooperate towards the resolution of the Transnistrian conflict. The initiative has so far come to nothing, partly because it was resented by many of Germany’s partners in the EU (most of whom were not consulted in advance).

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10 Münchau, W. (2012), ‘Germany: A Bric, or just stuck in a hard place?’, *The Financial Times*, 05.02.2012, <http://goo.gl/T6UqK>.

With the weakening of the EU, Germany may have got a freer hand, but most of its energy is now consumed by the eurozone crisis. This has permitted Russia to resort to a more opportunistic pursuit of its own ends in bilateral cooperation with Berlin. What was initially supposed to be a “rapprochement through linkages” in an EU framework is gradually turning into a “resource partnership”. German officials admit that modernisation efforts vis-à-vis Russia “fall short of their potential” (see the report on Germany). The enthusiasm of Germany’s leaders for developing links with Russia’s present leadership has also been checked by humiliating public reverses. Chief among them was an attempt in 2011 by the Quadriga foundation, a Berlin-based NGO, to give Vladimir Putin its annual award for “innovation, renewal, and a pioneering spirit through political, economic and cultural activities”. A very public backlash, involving previous recipients of the award, led to the decision being rescinded and the ceremony cancelled. The German government, too, is increasingly worried about a “values gap. While Moscow is interested in guiding the relations by informal networks, economic dependence keeping the status quo, and maintaining a frozen conflict as the most desired option, Germany’s interests are driven by conflict transformation based on good governance, rule of law, open markets and peaceful conflict resolution” (see the report on Germany).

Although Berlin may feel a temptation to emancipate itself from the encumbrances of an EU setting, Kempe notes the potential for “bottom-up” checks among the German media and public. This, incidentally, is a recurring theme in the EU–Russia Watch contributions. Even in times of unprecedented (over the past 50 years, that is) European entropy, media and the public in many countries seem to form a solid backstop to governments inclined to go too far down the pragmatic route.

## V

This is the case in France, although with an interesting twist. France certainly has a very robust media culture, which was quick to highlight the ironies inherent in the Putin–Medvedev switch when it was announced. The French media were generally supportive of the pro-democracy demonstrations in Russia which followed the allegedly rigged Duma elections in December 2011. However, as our French contributor Laure Delcour explains (see the report on France), there is an added layer of complexity, creating a further space for critical leverage inside the body politic itself (possibly feeding off the critical streak in the media). True, French authorities tend to keep a low profile when it comes to Russia’s infractions of European values. That “silence”, Delcour notes, is “deeply rooted in the conviction that criticisms would not contribute to any significant progress within Russia.” That became plain for Paris in the course of the second Chechen war, when then-President Jacques Chirac tried and failed to get Putin to stop the military onslaught. However, there is now a tradition developing which exempts candidates running for office from

this piece of diplomatic wisdom. Thus, Nicolas Sarkozy savagely attacked Putin during his campaign in 2006, saying the Russian president had “Chechen blood on his hands.”<sup>11</sup> Once he had become president, Sarkozy reined in the rhetoric, but again risked Russian ire in September 2010 awarding Georgian President Mikheil Saakashvili the Légion d’honneur.

Like Berlin, Paris faces the “structural” challenge of reconciling its own strong bilateral ties with Moscow (which, again, have a long historical pedigree) with the broader EU–Russian relationship. Part of the problem is that the French focus is on international issues and military cooperation. Neither is an EU forte. The Common Foreign and Security Policy has been in virtual limbo since 2009, and with it the EU–Russia relationship itself, with both sides appearing willing to scrap one of the biannual summits, among other things. France consequently has a freer hand to talk to Russia directly – although that does not automatically mean agreement on everything. There were some notable hiccups in 2011 over Libya and Syria, with the two sides falling out sharply over Western involvement. Military cooperation among EU states remains at an embryonic level – although this may change should Germany and France succeed in setting up a functional operations HQ in Brussels. Russia appears keen to exploit French room for manoeuvre for its own ends. The sale of Mistral technology went ahead despite causing deep concern among France’s EU and NATO allies in Eastern Europe. For France, the opportunity for economic gain was too tempting to pass over as was the chance to steal a march on Germany whose commercial successes in Russia worry Paris. But, equally, the Mistral deal “reflects France’s perception of Russia as a trusted partner”, and as such is construed as a step towards raising confidence between NATO & Russia (see the report on France).

Italy is another proponent of this view. Michele Comelli writes in his contribution: “Italy has since the end of the Cold War embraced the idea, shared by other European countries, most notably Germany, of engaging Russia in a constructive dialogue with both NATO and the EU about European security and associating it with the West’s main fora of dialogue, such as the G7/8” (see the report on Italy). Again, this is a view that dovetails nicely with economic interests. There is no such thing as too much interaction with Russia. The case in point in Italy is the energy company Eni, which has become Gazprom’s leading Western partner and a key player in the planning and construction of South Stream. Slowly but surely, defections within the EU erode the commercial rationale behind Nabucco – the political point of which was to decrease the EU’s dependence on Russia as a gas supplier by giving it direct access to the countries of the Caspian Sea basin. Russia’s intent to establish control over south-eastern approaches to the EU gas market appears incontrovertible. Along with the marginalisation of Nabucco by means of

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11 Moutet, A.-E. (2008), ‘Sarkozy has been played like a Stradivarius by Putin and Medvedev’, 19.11.2008, <http://goo.gl/wFyQl>.

South Stream, Moscow is looking to acquire a strategic energy infrastructure. A key moment in this latter drive will be Gazprom's bid for a 30 percent stake in the Central European Gas Hub in Baumgarten, Austria, which the Austrian gas company OMV wants to turn into one of the largest gas transit centres in Europe. Like many of its EU counterparts, OMV is investing both in South Stream and Nabucco. From an Austrian perspective, this is seen as a purely commercial decision. "Austria is not, however, at the forefront of countries pressing for a common EU (foreign) energy policy", observes our Austrian correspondent Gerhard Mangott (see the report on Austria).

Another piece in the mosaic of Russian commercial appeal being turned into political advantage is the "Partnerships for Modernisation" – in the absence of a functioning EU-enforced political conditionality, essentially a vehicle for generating resources and know-how for Russia's technological renewal. The framework agreement with the EU was signed on 1 June 2010.<sup>12</sup> Before that date and since, Russia has concluded bilateral partnerships with Germany, France, Sweden, Finland, Denmark, Slovenia, France, Belgium and Austria.<sup>13</sup> The Skolkovo (a.k.a. the "Russian Silicon Valley") road show is another motif that crops up regularly in accounts of Russian relations with Western European nations.

A common theme slowly materialises here. History, realpolitik and commerce are closely interlinked for Western European nations. Russian might is treated as a fact of life which needs to be tamed and harnessed, hoping for the best and taking whatever profits are available in the meantime. For the Baltic States, Poland, and others in Eastern Europe, on the other hand, what combine are the flip sides of the Western takes on history and realpolitik. The fear there is that an accommodated and empowered Russia will not be a value-guided force, but instead one which will use its strength to again dominate its neighbours. Part of the point is that even under the best-case scenario, Russia lacks the institutions and tradition of experience to turn the resources it sweeps up in Europe into a force for peaceful integration with the EU – the only way the German "Annäherungspolitik" and its smaller conceptual brethren in other countries of the union can conceivably bear intended fruit. This point is succinctly made by the Watch's Portuguese contributors Alena Vysotskaya Guedes Vieira and Laura C. Ferreira-Pereira: "the main difficulty in EU–Russian relations [is] related to the fact that the Russian leadership has never comprehended the nexus between the success of the European economic integration process and interstate competition." None of the above necessarily goes unchallenged in any of the countries mentioned above. But these criticisms rarely, if ever, shape policy in Western Europe.

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12 Council of the European Union, 'EU-Russia: Partnership for Modernisation', <http://goo.gl/iun7b>.

13 Liuhto, K. (2011), 'EU-Russia Modernization Partnership – Case: Finnish-Russian Innovation Cooperation', 07.12.2011, <http://goo.gl/bfsYO>.

## VI

With one exception perhaps – Britain. In the line-up of the EU–Russia Watch 2012 it is very much the odd one out. A major European power with global reach, both politically and economically, its stance towards Russia has yet proven largely impervious to the logic of rapprochement through linkages, predicated on mutual historical respect. This may have partly to do with Britain’s Cold War status as a haven for Russian and East European émigrés and its particularly close relationship with the United States. The British contributor to the Watch, David J. Galbreath, observes in his contribution that “UK–Russian relations [in 2011] were ... returning to the characterisation of the Cold War”. Certainly, the case of Aleksandr Litvinenko, poisoned with a radioactive substance in London in 2006 by persons allegedly acting on orders from the Kremlin, has done more to affect British–Russian relations in recent years than all the promises of economic gain. Which is not to say that Russia has made the realisation of the promises easy with its constant redrawing of the boundaries of the playing field for BP and other energy companies. Britain, of course, is also a case apart within the EU. It does not conduct its foreign policy via Brussels – in fact, London ostentatiously opposes steps to increase the powers of central EU institutions in this field (as well as most others). Yet its power of veto means, among other things, that for the EU–Russia new partnership agreement ever to materialise, London must first get satisfaction over the Litvinenko affair, having attached a protocol to that effect to the negotiations mandate.

Apart from Britain, there is another outlier in the group of countries represented in the 2011 EU–Russia Watch: Turkey. Not an EU member state, Turkey is included because it is a candidate country (even if one never destined to join), a major power in the region and perhaps key to the EU’s ambitions to make a geopolitical mark globally. Unfortunately, and not necessarily of its own considered free will, Turkey is moving in exactly the opposite direction. Spurned by Germany and France it is seeking to re-establish itself as a regional power in its own right. Eye-level relations with Russia are an essential part of that equation. Turkey is proud to have become the fourth country after Germany, France and Italy to set up a Joint Strategic Planning Group with Russia to regularly discuss issues of mutual interest. Turkey feels much more vulnerable to the vicissitudes of tensions and conflicts than the other three, however. Its goal therefore, according to the Watch’s contributor from Turkey, Burcu Gültekin Punsmann, is to form a “defensive partnership” with Russia on issues with global implications. This is the “most profound strategic move in Turkish foreign policy”. Ankara is seeking a more multipolar and “Eurasian” world order and is ready to entertain compromises with partners. It recognises Russia’s interests in the Caucasus – while Russia, in turn, has not chosen to make the deployment of certain US missile defence installations an issue in bilateral relations with Turkey. Turkey, incidentally, is the only country reviewed here whose public has an overwhelmingly positive conception of Vladimir Putin (see the report on Turkey).



## Conclusion

Where does all this leave the EU? Very much on the back foot. The union's continuing and increasing incapacitation in the field of foreign policy – partly due to treaty limitations and partly as a result of Catherine Ashton's feckless leadership style – has reduced the union to the role of a bit player at best. The post-PCA talks have been stalling since 2007. Officials in Brussels readily admit that the only tangible interest Russia has vis-à-vis the EU as a whole is visa-liberalisation. This, Eastern European officials in particular emphasise, represents most of the real extent of meaningful EU leverage on Russia (issues to do with the management of energy distributors and networks have recently also begun to qualify, displaying a potential to hurt Gazprom's ambitions).

As far as the big picture goes, the EU seems to have run out of ideas going beyond the moribund post-PCA process. Russia, on the other hand, has many, starting from President Medvedev's June 2008 proposal for a new "European security architecture". Putin's October 2011 article, outlining his vision of a Eurasian Union which would outdo the EU in integration, was also passed over without much comment by EU leaders. In between the two dates, Merkel and Medvedev tabled their EU–Russia Security and Foreign Policy Committee initiative in June 2010, but this gained no traction in the EU.

A curious division of labour has emerged. Many of the rapporteurs note that their governments prefer to use common EU channels for passing on any criticisms of Russia, rather than raise the issues bilaterally. Obviously, this relieves these governments of at least some of the risk of retaliation. The practice also tends to strip such criticism of effective conditionality, which should be the other side of the coin. The EU lacks significant independent leverage over Russia, relying itself in practice on its (larger) member states to put pressure on Russia to meet the union's conditions and demands. But perhaps most ominously, the practice of turning the EU's common institutions into ineffectual messengers in the European–Russian relationship risks further institutionalising the spreading atrophy in the EU foreign policy arm. Real politics is conducted elsewhere. Meanwhile, the EU is quietly losing the tug-of-war over Ukraine, Belarus and Georgia. Russia feels more confident again. Not necessarily expansionist, but certainly constituting a more worrying proposal for its closer neighbours than a decade ago. To paraphrase Iris Kempe, the author of the German contribution to this EU–Russia Watch: all will depend on domestic developments in Russia.

# AUSTRIA

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Austria does not have a comprehensive and coherent foreign policy doctrine for its relations with Russia. Relations are based on highly pragmatic considerations with a clear focus on economic and business cooperation. Bilateral relations with Russia only rarely face public scrutiny and debate. This does not, however, mean that domestic Russian politics and external behaviour are not intensively debated in the media. The debate, however, is rather simplistic, based on stereotypes and sometimes poorly informed. Russia's image among Austrians has deteriorated considerably. It is just that this does not have an impact on re-evaluating bilateral relations with Russia. The major topic in Austria related to Russia in 2011 was the temporary arrest of Russian citizen Mikhail Golovatsov in July 2011 based on a European Arrest Warrant issued by Lithuania. The media reported robust Russian interventions with Austrian authorities to get him released. While it is right to point to shortcomings with the Lithuanian procuracy, it is only fair to say that Austria has not gone any extra mile to cooperate with its Lithuanian partners. Austrian–Russian trade has increased in the past two years. Total trade turnover in 2011 (till November 2011 only) was €5.7 billion; imported items had a total value of €3 billion, exports of €2.7 billion. Russian imports made up only 2.5 percent of total Austrian imports; exports to Russia in the same period only 2.4 percent. Occasionally, the topic of Chechen refugees and the overall situation in Chechnya is debated in the media. Austria hosts one of the largest Chechen refugee communities in the EU. Russia is a crucial energy partner for Austria. Austria's dependence on gas imports from Russia is above the EU average. Russian gas made up 52 percent of Austria's gas consumption in 2010.

## Introduction

Bilateral relations with Russia are not of public concern in Austria. There is hardly any public debate – either by politicians, experts or the media – on the strategic dimension of bilateral relations. This fits the general picture of little public debate on foreign relations in Austria. There are only two topics of broader concern and/or interest to the general public:

- Russia's role as a crucial supplier of gas and oil for Austria and the EU (see below);
- Russia's slide to authoritarianism with special attention given to the role and personality of Vladimir Putin.

On both topics, the image of Russia in Austria has deteriorated substantially over the past years. The Austrian media – both print and electronic – cover Russia in rather negative terms. The debate on Russian politics, however, is rather simplistic,

being based on stereotypes and sometimes poorly informed. Russia is, by and large, seen as an authoritarian state run by security services, which uses its crucial energy supply role for political objectives and to intimidate its neighbours. Media coverage in Austria on both topics is intensive and negative alike. The image of Vladimir Putin is poor; the state of affairs in Russia is described in rather negative and stark terms.

Media debates sharply contrast with the official political framing of bilateral relations and Russian politics. Negative comments on domestic Russian politics are rare. The Austrian government has not issued official statements on the Russian State Duma elections of December 4<sup>th</sup>, 2011. Neither have individual members of the government commented on the fraudulent character of these elections publicly. The same is true for the expected return of Vladimir Putin to the office of President of the Russian Federation. Many leading Austrian politicians – both inside and outside the government – have long established close personal relations with Vladimir Putin. This also holds true for most business actors in Austria.

Among the Austrian political parties represented in the national parliament, it is only the Green Party, which now and then criticises the Russian leadership for human rights violations and encroachments on the freedom of the media. In addition, it is only the Green Party which most vocally bemoans Austria's high dependence on Russian gas (see below).

### **Golovatov and Austrian Steadfastness**

The major topic in Austria related to Russia in 2011 was the temporary arrest of Russian citizen Mikhail Golovatov at Vienna's Schwechat Airport in July 2011. Golovatov was the commander of the KGB Alpha special forces raiding the Vilnius television centre on January 13<sup>th</sup>, 1991 (known as the 'January events', in Russian: Январские события, in Lithuanian: Sausio ivykiai). Golovatov was arrested on July 14<sup>th</sup> based on a European Arrest Warrant (EAW) issued by the Lithuanian authorities. Golovatov was released about 22 hours later and returned to Moscow immediately thereafter. Austria had adopted the EAW Framework Decision in 2002, but refused the EAW's application for offences and crimes committed before that date. The release put a strain on Austria's relations with Lithuania. Lithuanian authorities criticised the allegedly over-hasty release and complained of an apparent lack of solidarity between EU partners. The media reported broad Russian intervention with Austrian authorities. Golovatov himself expressed his gratitude to Russian officials for their most helpful support and their firm approach towards Austrian officials in an interview with the Russian daily *Kommersant*.<sup>1</sup> The Austrian media raised doubts about the Austrian authorities' motives and interests behind the

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1 Соловьев, В. (2011), 'Австрию не взяли вильнюсским штурмом'. *Kommersant*, 18.07.2011, <http://goo.gl/dh0DI>.

swift release of Golovatov. Again, it was the Green Party, which fiercely attacked the Foreign, Justice and Interior Ministries for allegedly succumbing to Russian pressure and abandoning solidarity with a fellow EU member state. While it is right to point to shortcomings with the Lithuanian procuracy, it is only fair to say that Austria has not gone the extra mile to cooperate with its Lithuanian partners.

### **Bilateral Diplomatic Contacts**

In March 2011 Foreign Minister Spindelegger visited Russia (Moscow), first and foremost to prepare for Austrian Federal President Fischer's working visit to Russia in May 2011. Fischer was attended by a large government and business delegation. Fischer met both with V. Putin and D. Medvedev. Both parties signed a "Partnership on Modernisation" along the lines of the overall EU–Russia Partnership Agreement; special emphasis was given to technology exchange, cooperation between small and medium-sized enterprises, tourism and environmental protection. Two agreements on scientific-technological cooperation and the cooperation between the competition authorities of both countries were signed as well. Fischer also paid a visit to Kazan for a meeting with the President of Tatarstan, Rustam Minnichanov. Additionally, a delegation of the regional parliament of Lower Austria and the Governor of Burgenland visited Russia in 2011.

Russian visits to Austria in 2011 were rather low key. In October, the Plenipotentiary Representative of President Medvedev in the Federal District of Volga, Grigoriy Rapota, visited Vienna and met with Foreign Minister Spindelegger. In December 2011, the President of the Republic of Tatarstan paid a visit to Austria.

### **Trade**

Austrian exports to Russia have increased in 2011 by 15.6 percent compared with 2010. Imports from Russia skyrocketed by 40.1 percent in 2011. Total trade turnover in 2011 (till November 2011 only) was €5.7 billion; imported items had a total value of €3 billion, exports of €2.7 billion. Russian imports made up only 2.5 percent of total Austrian imports; exports to Russia in the same period only 2.4 percent.<sup>2</sup> Austria exports mainly chemical products, machinery, transport equipment, manufactured goods, food and livestock. Russia exports to Austria first and foremost mineral fuels, lubricants and related products. A major role in bilateral relations belongs to tourism. Austria has become a favourite tourism destination for well-to-do Russians. While in 2005 about 530,000 visited Austria, the number soared to 1.2 million in 2010; in 2011 alone, tourism increased by about 30 percent.<sup>3</sup> Russian tourists on average spend more than visitors from most other countries.

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2 Statistik Austria, <http://goo.gl/FnY4a>.

3 APA-OTS *Tourismuspresse* (2011), 'Erleichterungen für russische Gäste: Neue Visa-Ausgabestellen in 13 Städten', 29.09.2011, <http://goo.gl/Q9dRk>.

## **Refugees, Asylum Seekers and Visa Rules**

Occasionally, the topic of Chechen refugees and the overall situation in Chechnya is debated in the media. Austria hosts one of the largest Chechen refugee communities in the EU. At the end of 2011, about 25,000 refugees from Chechnya were reported living in Austria. Public awareness of this was raised in January 2009, when Chechen Umar Israilov was murdered in Vienna, allegedly by henchmen of Chechen President Ramzan Kadyrov. Public sentiment towards the Chechens is rather negative. Tabloid media reports more than often characterise Chechen asylum-seekers as violence-prone and cast doubt on their need to ask for political asylum. Right-wing populist parties stress that the Chechens are only economic migrants and argue that living conditions have sufficiently improved in Chechnya for them to return home.

In 2011, Russians made up the second-largest of group of asylum-seekers in Austria; refugees from Afghanistan took the top spot. In 2011, 2319 Russian citizens asked for asylum in Austria (16.1 percent of all applications in 2011). The share of approved applications, however, is decreasing. In 2011, only 32 percent of applications were approved.<sup>4</sup>

A related issue is the topic of softening the visa regime between Austria/EU and Russia. In December 2011, the EU and Russia agreed on “common steps” towards a visa-free regime. Revised rules for short visits could be agreed upon by mid-2012. Austria is rather hesitant to expedite a more liberal visa regime. Under pressure from the tourism sector, however, Austria started to establish visa application centres in 13 Russian cities in 2011 to facilitate the process.

## **Russian Gas Supplies**

Russia is a crucial energy partner for Austria. Austria's dependence on gas imports from Russia is above the EU average. Gas made up 27.3 percent of the Austrian fuel mix in 2010. The EU-27 average share was 25.6 percent in 2010. According to the latest available data, Austria imported 6.77 billion cm of gas in 2010. 5.25 bcm (77.6 percent) was sold to Austria by Russia's Gazprom; the rest was imported from Norway and Germany. Russian gas thus made up 52 percent of Austria's gas consumption in 2010.<sup>5</sup> Austria's OMV was the first Western energy company to sign a gas supply contract with the Soviet Union in 1968.

Russia's Gazprom is keen to obtain a 30 percent share in the Central European Gas Hub (CEGH) in Baumgarten near Vienna. In 2011, 38.9 billion cm of gas was traded on this platform.<sup>6</sup> OMV's ambition is to make the CEGH one of the most important gas hubs in Europe. OMV Gas & Power owns 80 percent of the stakes,

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4 Bundesministerium für Inneres (2011), 'Asylstatistik. Desember 2011', pp. 5, 11, <http://goo.gl/LiS9i>.

5 British Petroleum (2011), 'BP Statistical Review of World Energy June 2011', <http://goo.gl/o5HsA>.

6 Central European Gas Hub AG, <http://goo.gl/DIQel>.

and 20 percent are owned by the Vienna Stock Exchange. The sale of shares to Gazprom (and possibly to the Centrex Europe Energy and Gas company) is subject to approval by the European Commission.

In addition to its leading role in the Nabucco Consortium, OMV has also joined the South Stream gas pipeline project. Based on an intergovernmental agreement between Austria and Russia signed in April 2010, OMV Gas & Power and Gazprom founded the company "South Stream Austria" on a parity basis in February 2011. In December 2011, however, Gazprom cast doubt on Baumgarten as the northern terminus of the South Stream pipeline.<sup>7</sup> Rumour has it that the Austrian government wants Gazprom to reconsider its plans.

Austria is not, however, at the forefront of countries pressing for a common EU (foreign) energy policy. Bilateral relations with Russia have been excellent for many decades and cooperation on the level of state-owned or private companies has been remarkably good.

## **Conclusion**

Austria does not have a distinct, comprehensive and coherent foreign policy doctrine for its relations with Russia. Relations are based on highly pragmatic considerations with a clear focus on economic and business cooperation. Bilateral relations with Russia only rarely face public scrutiny and debate. This does not, however, mean that domestic Russian politics and external behaviour are not intensively debated in the media. Russia's image among Austrians has deteriorated considerably. It is just that this does not have an impact on re-evaluating bilateral relations with Russia.

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7 An early indication on Gazprom's change of mind was an article published in a Russian weekly. See: Гривач, А. (2011), '«Южный поток» обходит Австрию. «Газпром» тайно утвердил маршрут трубопровода', Московские Новости, 14.12.2011, <http://goo.gl/2VV25>; The head of Gazprom-Export Alexander Medvedev announced on December 28th 2011 that the pipeline will probably end in Northern Italy. See: DiePresse.com (2011), 'Gas: Türkei und Russland einigen sich über South Stream', 28.12.2011, <http://goo.gl/fxJyi>.

# BELGIUM

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Building on the achievements of the Belgian presidency of the EU in the 2<sup>nd</sup> half of 2010, relations between Russia and Belgium in 2011 have been quite intensive with two visits of acting PM Leterme to Russia, a trade delegation led by Crown Prince Philip and political consultations at various levels. Bilateral trade reached over €13 billion versus €9.6 billion in 2010. Belgium intends to develop its relations with Russia through the opening of its storage facilities to Gazprom and through the participation of Belgian companies in Russian modernisation. Political dialogue remains open on bilateral and multilateral issues – from WTO accession to missile defence through visa facilitation – but Belgian foreign policy, regardless of the government coalition, sticks to its fundamental interest of consolidating the EU and preserving the transatlantic link. In these circumstances, Belgium tends to promote economic interest through friendly bilateral relations and to process messages of disapproval through coordinated EU or NATO channels.

## Introduction

In 2011, relations between Russia and Belgium can be characterised by intensive political, economic and trade contacts despite the on-going political crisis in Belgium. This dynamic pace was gained after Belgium's presidency of the EU in the second half of 2010, and the signature of a bilateral partnership for modernisation and of a Memorandum of Understanding on the storage of Russian gas in Belgian facilities.<sup>1</sup> Building on these perspectives, Belgian and Russian officials and businessmen intensified their contacts in 2011: PM Leterme visited Russia twice (January & June), parliamentary meetings took place (March), Crown Prince Philip led a delegation of several hundred representatives (April), Skolkovo's road show made a stop in Belgium (July), the Belgian Queen made a visit to Russia to support cultural exchanges while top government officials were gathering for their traditional bilateral consultations (November).

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1 "Russia and Belgium intend to develop ties in nuclear energy, nanotechnology, engineering, the space and aviation industry and some other industries. Dmitry Medvedev has invited Belgian companies to take part in the innovations hub in Skolkovo. Joint exploration of the Antarctic and scientific research in climate change can also be effective grounds for closer relations". *The Voice of Russia* (2010), 'Russia and Belgium: partnership for modernisation', 08.12.2010, <http://goo.gl/mq80V>.

Belgium and Russia established their diplomatic relations in 1853. At the turn of the 20<sup>th</sup> century, over 20,000 Belgian citizens were residing in Russia. Belgium, whose investments accounted for 41% of total foreign investment in Russia, held a top position in the modernisation of the Russian economy and industry – amongst others in the field of public transportation (tramways) and mining.<sup>2</sup> This specific link vanished in the wake of the revolution in 1917, but remains an important historical marker in bilateral relations. Since the collapse of the Soviet Union, relations between Russia and Belgium have evolved smoothly: commercial, political and cultural links have developed constantly and remained relatively unharmed by historical controversies or political clashes.

Belgium's foreign policy focuses first and foremost on the European Union – its further integration and ability to overcome crises – and on the transatlantic link through bilateral and multilateral channels, among which is primarily NATO. As a small country, Belgian foreign policy towards greater powers is best served – and is best heard – in a multilateral context. Similarly, its defence policy relies on the conviction that “in view of the small scale of its armed forces, common procurement and pooling capabilities with partners in permanent multinational structures is the best way of maintaining militarily relevant capabilities in a cost-effective manner”.<sup>3</sup>

In its relationship with Russia, Belgium plays the integrative card within the European Union or NATO and tends to encourage a moderate, positive but careful attitude. It seeks to maintain good relations and to keep the political irritants away from technical issues. Within the EU and NATO, Belgium's attitude towards Russia consists in preserving good relations while delivering messages of disapproval through coordinated positions. Belgium tends to encourage any policy that binds Russia in a system driven by democratic rule and market economy – such as WTO accession, the conclusion of a new Strategic Treaty or closer cooperation with NATO. On the other hand, on visa facilitation, Belgium pleads for a cautious approach based on a systematic assessment of the situation.

Overall, Belgium's attitude towards Russia can be described as “friendly and pragmatic”<sup>4</sup> in the sense that it seeks to “maintain a close relationship with Russia” and to put “its business interest above political goals”. Russia is not a top foreign policy priority for Belgium, but constitutes an important partner since it “remains an inevitable factor of power and influence in the European landscape”.<sup>5</sup> This friendly but distant relationship is explained by at least three reasons: firstly, Belgium has a relatively limited record of historical disputes with Russia; secondly, Belgium has a

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2 Peeters, W. (2002), ‘Le Donets en 1920 ou la dixième province belge?’, *Regards sur l'Est*, 01.04.2002, <http://goo.gl/qqhw7>.

3 Biscop, S. (2011), ‘Belgian Defence Policy: The Fight Goes On’, *Egmont Security Policy Brief*, no. 32, <http://goo.gl/RfwoF>.

4 Leonard, M. and Popescu, N. (2007), ‘A power audit of EU–Russian relations’, London: European Council on Foreign Relations, p. 2, <http://goo.gl/YOxcF>.

5 Address of the Minister of Foreign Affairs to the Parliament on the General political guidelines, November 5<sup>th</sup>, 2009.



low dependency on Russian gas,<sup>6</sup> and thirdly, Belgium's main interest is to protect European integration and, as such, to limit Russia's ability to manipulate bilateral relations.

Belgian diplomacy becomes more visible when the country takes a seat in the UN Security Council (2007–2008) or holds the presidency of the European Union (the last presidency was held during the 2<sup>nd</sup> half of 2010). In 2011, Belgium had neither of these and, moreover, experienced a severe internal political crisis that deprived the country of a full-fledged government from June 2010 until December 2011.

Belgium is one of the countries with which Russia agreed on a "Joint Action Programme".<sup>7</sup> The agreement covers a very wide array of issues of common interest. It shapes the political dialogue (the level and frequency of meetings, the work of parliamentary cooperation at the federal<sup>8</sup> and sub-federal levels<sup>9</sup>) and highlights its contents.<sup>10</sup> It sets a list of priorities in the fields of trade and economic relations, displays special interest for cooperation in the justice and home affairs fields and encourages cooperation in the scientific and cultural areas.

Against this background, quite a few high-level meetings were held during the year 2011. Acting Belgian Prime Minister Yves Leterme visited Russia twice this year (January 25–26 for meetings with President Medvedev, PM Putin and Gazprom CEO Miller, and June 17–18 at the St. Petersburg Economic Forum). A massive trade delegation, headed by Crown Prince Philippe and accompanied by representatives of the federal and regional governments of Belgium, brought about 400 businessmen and officials to Moscow and St. Petersburg.<sup>11</sup> Another business mission was organised in Nizhniy Novgorod in October. Queen Paola visited Russia the next month (to support cultural events). On November 15<sup>th</sup>, the 8<sup>th</sup> session of the Joint Commission for economic cooperation between Russia,

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6 Belgium is a net gas importer, but it imports most of the gas it consumes from the North Sea (Netherlands, UK, Norway) and Algeria.

7 'Совместная программа действий на 2010–2011 гг. между РФ и Королевством Бельгия, его сообществами и регионами', <http://goo.gl/2i7rk>.

8 Parliamentary contacts at federal level took place in March 2011 when Chairman of the Federation Council Sergei Mironov made an official visit to Belgium and to the European Parliament.

9 A delegation from the Moscow city Duma visited the Parliament of the Brussels-Capital region from October 2<sup>nd</sup> to 5<sup>th</sup>.

10 The list of multilateral and bilateral issues to be addressed in the political dialogue is too long to be detailed here. It covers multilateral issues (EU–Russian relations; coordination on a new Treaty on European Security; Russian and EU Defense; Terrorism; UN, OSCE, OECD and Russian accession to it); Political issues (relations with Central and Eastern Europe, northern dimension, Balkans, CIS, Middle East, Iran, etc.); Thematic issues (such as Democracy and Human Rights; interaction in peace operations; fight against racism; fight against terrorism; climate change, etc.). For details see the 'Совместная программа действий на 2010–2011 гг.'

11 April 3<sup>d</sup>–8<sup>th</sup> 2011. Similar delegations were sent to Russia in 2001 and 2006, but their size was notably smaller.

Belgium and Luxemburg brought together members of the three governments, while government officials were holding bilateral political consultations.<sup>12</sup>

## **Trade and Investment**

Despite the on-going political crisis in Belgium<sup>13</sup> and the global economic strain, the year 2011 has witnessed a clear rise in trade and political links between Russia and Belgium. Trade between Russia and Belgium in 2011 reached over €13 billion versus €9.6 billion in 2010.<sup>14</sup>

As trade and investment are dominant in bilateral relations, Belgium strongly supported Russia's accession to the WTO in order, firstly, to stabilise the legal framework for economic relations, and, secondly, to allow the conclusion of a new treaty between the EU and Russia. In this context, the economic union established between Russia, Belarus and Kazakhstan could only raise concern as it will instil some uncertainty for Western economic operators until the Union is fully operational and its rules stabilise.

In Belgium, foreign trade is a competency shared by the federal state and the regions: the interests, approaches and results vary between them. Notwithstanding these specificities, Belgian trade with Russia has a strategic interest in the fields of construction, transport and logistics, food and drinks, the aeronautics and car industries, as well as nanotechnology, the gas and chemical industries and biotechnology. Russian exports to Belgium are traditionally dominated by hydrocarbons (mostly oil), precious stones and metals, and base metals. Belgian exports to Russia rely mainly on chemical products, machinery and equipment, and plastics.<sup>15</sup> Belgian companies – in particular in the fields of information technology, biomedicine and energy efficiency<sup>16</sup> – display considerable interest in participating in the Skolkovo project and benefit from regional and federal support in this regard.

Regarding mutual investment, President Medvedev's official visit to Belgium on December 8<sup>th</sup>, 2010 (in the framework of the 26<sup>th</sup> EU–Russia summit in Brussels) allowed the signing of a bilateral partnership for modernisation. Official visits in 2011 tended to fill this ambition with substance.

Belgian business interests regarding Russia in 2011 are linked, on one side, to the sound insertion of Russian companies in the Belgian market, and, on the other side, to securing a place for Belgian enterprises in Russia's modernisation projects.

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12 The Russian side was represented by Deputy Foreign Minister Alexander Grushko.

13 A government was finally formed in December 2011, 535 days after the Parliamentary elections.

14 Speech of the Russian ambassador to the Kingdom of Belgium at the Belgo-Luxemburg Chamber of Commerce for Russia and Belarus, January 26th 2012.

15 'Note bilatérale "Russie"', Agence Belge pour le Commerce Extérieur, décembre 2010, available at [www.abh-ace.be](http://www.abh-ace.be); Купер, Б. (2011), 'В 2010 году оборот между Россией и Бельгией превысил девять миллиардов евро', Российская Бизнес-газета, no. 794, 05.04.2011, <http://goo.gl/X76jm>.

16 *Voix de la Russie* (2011), 'La Belgique particulièrement intéressée par Skolkovo', 05.04.2011, <http://goo.gl/0ZBw9>.

The Memorandum of Understanding on the storage of Russian gas in Belgium was signed during President Medvedev's visit in December 2010 between Gazprom Export and Belgium's operator of the natural gas transmission grid and Fluxys storage facility. It marks a cornerstone in Belgian–Russian, if not Euro–Russian relationships, as it incorporates Gazprom further in Western European markets.<sup>17</sup> Since 2007, Belgium has clearly pursued the goal of becoming an “international gas hub”.<sup>18</sup> From the perspective of Gazprom's expansion plans, this location appears attractive due to its direct links with the pipeline networks of several Western European countries”.<sup>19</sup> On the other hand, Russian companies have made strategic acquisitions in Belgium in 2011, with “Novolipestk steel” taking control of the activities of Duferco (Clabecq & La Louviere), and with EuroChem buying 100% of BASF's fertiliser assets located in Antwerp (to be confirmed in early 2012).

Regarding Belgian investment in Russia, 2011 has witnessed the completion of several production projects (steel cord, by Bekaert in Lipetsk; construction, by Liebrecht & Wood in Moscow). Russian–Belgian joint ventures launched this year include Sim-Ross-Lamifil, which started building the first plant for new-generation high-voltage wires, and Lhoist-TMK to develop high-tech capacities for the production of lime and associated goods. Pharmaceutical leader Janssen Pharmaceutica signed a preliminary agreement with the Skolkovo Foundation aiming at “venture investment and the creation of a centre of high technology and continuous medical education”.<sup>20</sup>

## Political Relations

Political consultations were held mainly during acting PM Leterme's visits to Russia (in January and June 2011), in ministerial contacts during the trade mission, and in the tenure of the political dialogue established in the framework of the joint action programme. This dialogue foresees meetings at the highest level, foreign affairs ministers' meetings yearly, top administrative level meetings twice a year, diplomatic contacts, inter-parliamentary work, including within the International Parliamentary Union, seminars (in particular the seminars organised by both lower chambers of the parliaments on terrorism). In November, the joint commission put together general directors of the Belgian Ministry of Foreign Affairs (the DG for bilateral affairs and Political Director) and the Russian Deputy Foreign Minister.

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17 Fluxys (2010), 'Fluxys and Gazprom Export explore cooperation in natural gas storage', <http://goo.gl/CppEX>.

18 Leterme, Y. (2011), 'Press conference', 27.01.2011.

19 Socor, V. (2007), 'Belgium. Gazprom's Next Hub in Europe', *Eurasia Daily Monitor*, vol. 4, no. 45, <http://goo.gl/mcOAQ>.

20 *Itar Tass* (2011), 'Johnson and Johnson, Skolkovo to create venture fund', 17.06.2011, <http://goo.gl/gLZ6z>.

Human rights issues are not prominent in bilateral relations: both Belgium and Russia have a limited interest in raising these issues on a bilateral basis. Public opinion episodically reacts to human rights abuses in Russia – and these reactions are sometimes reflected in parliamentary debate.

During this year, parliamentary questions to the government regarding human rights in Russia related to the Khodorkovsky case and judicial independence,<sup>21</sup> the situation in Chechnya,<sup>22</sup> freedom of the press and human rights in general.<sup>23</sup> The government's responses to these questions systematically emphasise the roles of the EU–Russian human rights dialogue and of the EU's HR for Foreign Affairs and Security Policy and confirm Belgium's full cooperation with these organs in promoting human rights. When asked about the government's attitude towards Russia on human rights issues, Belgian officials tend to respond that their task is fulfilled by providing all necessary information and support to the bilateral human rights dialogue at the EU level,<sup>24</sup> or by participating in OSCE monitoring of elections in Russia. Therefore, it seems that Belgium promotes economic interests on a bilateral basis but prefers to deliver messages on principles and values through European and multilateral fora.

As in most other fields, issues related to justice and home affairs between Russia and Belgium are mostly dealt with on the EU level: the visa dialogue remains an important concern for Belgium, which tends to plead for progressive, verified, careful progress in discussions with Russia in this regard. On the field, however, the countries seem to have experienced satisfactory investigative cooperation in the case of Anna Politkovskaya's suspected murderer (2006) who was thought to have had his residence in Belgium until late 2010.<sup>25</sup> Talking about Chechen nationals in Belgium, it is worth mentioning that immigration from Russia is an important factor in bilateral relations. Russian migrants to Belgium represent the fourth group of asylum-seekers (2578 requests in 2011)<sup>26</sup> after Afghanistan, Guinea and Iraq. Belgian authorities therefore have a great interest in correctly assessing the situation in the Northern Caucasus and remaining acute in the treatment of this important flux originating from the Russian territory.

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21 Senate, Parliamentary question n°5–962, January 27<sup>th</sup>, 2011.

22 Chamber of Representatives, Parliamentary question n°142, January 31<sup>st</sup>, 2011.

23 Chamber of Representatives, Parliamentary question n°236, May 10<sup>th</sup>, 2011.

24 See ministerial responses to the questions mentioned above.

25 Lallemand, A. (2010), 'Politkovskaïa : le tueur était signalé en 2008', *Le Soir*, 22.11.2010, <http://goo.gl/zHrHO>.

26 Office of the Commissioner General for Refugees and Stateless Persons (2012), 'Statistiques d'Asile. Bilan 2011', <http://goo.gl/79OAt>.

## **Conclusions**

Belgian foreign policy towards Russia is considered “friendly and pragmatic”. It tends to keep the dialogue open in any circumstance and to promote economic and commercial interest. Belgium has a tradition of processing political and security interests mainly through European and Euro-Atlantic channels and addresses most of the issues related to Russia through this lens with a clear interest in shaping unified responses on the European level. Despite the severe political crisis in Belgium, 2011 was a year of intensive and diversified contacts at the highest levels.

# DENMARK

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The year 2011 marked another peak year in Denmark's post-Cold War normalisation of its relations with Russia. Despite a change of government in Denmark, Danish policy towards Russia continues to be one of pragmatic activism in recognition of Russia's economic and political significance in areas of vital interest for Denmark – e.g. export promotion, energy cooperation and Arctic affairs along with normative considerations of monitoring Russia's performance in the fields of democracy and human rights as well as interests deriving from Denmark's activism in international security affairs.<sup>1</sup>

## Background

Denmark and Russia are placed at opposing ends of the Baltic Sea. Ever since 1493 – when King Hans of Denmark and Grand Prince Ivan III of Moscow signed the first Danish–Russian interstate treaty – this geographic location dictated a close relationship between the two naval powers. Contrary to the case of Sweden, there was never any bilateral war between Denmark and Russia despite dramatic peaks such as the Soviet bombing and occupation of the island of Bornholm in the aftermath of World War II. 1493 served to create a certain path dependency of Danish pragmatism combined with empathy regarding Russia's tortuous political trajectory in the 20<sup>th</sup> century.

Still, the absence of war does not imply harmony. The post-Cold War era of Danish–Russian affairs entailed both ups and downs including a full-blown crisis, the so-called Zakaev affair of 2002. It led Russian President Vladimir Putin to cancel his planned state visit to Denmark in November 2002 when Denmark held the EU presidency hereby adding insult to injury. In those years, the Danish government was under domestic pressure and pressure from its own policy of promoting democratic values (*værdipolitik*) to pursue a more idealistic, critical and

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1 I want to thank M.A. Marie Louise Kold for her research assistance.

partly counterproductive policy towards Russia.<sup>2</sup> The Danish position reflected the more idealistic tenor of EU policy towards Russia then – nowadays replaced by a more pragmatic, disillusioned EU attitude towards Russia. Recent Danish policy towards Russia is driven by a quest for restoring pragmatic normalcy in the pursuit of broader Danish interests. One may also speak of Denmark copying the Obama administration's attempts to "reset" U.S. relations with Russia.

The overall structural context for Danish policy towards Russia is the combined effects from the change of global polarity away from bipolarity and from Russia's own globalisation.<sup>3</sup> The collapse of Cold War confrontation and the Soviet Union itself brought paradigmatic change for the better in world politics, opening new options for cultivating beneficial relations with Moscow. What is more, recent changes in polarity towards multipolarity due to the economic rise of the BRIC countries – Brazil, Russia, India, China – forces a new realism at the expense of idealism in the Russian policy of diverse actors, including Denmark.<sup>4</sup> Accordingly, official Danish strategy papers now place the policy towards Russia in the context of Denmark's need to profit from the dynamism of the BRIC powers.<sup>5</sup>

If pragmatism is one key concept characterising the current Danish attitude towards Russia, activism must be added as the other. Indeed, activism has gained acceptance among political scientists as an analytical concept for the post-Cold War Danish foreign and security profile.<sup>6</sup> It refers to Denmark's newfound willingness to engage itself internationally, even militarily, as seen in Libya in 2011 as well as in the ISAF operation in Afghanistan where Denmark has suffered the highest casualty rate relative to its small population. This is activism conditioned by the end of the Cold War and it is thus vulnerable to tension among Russia and other global power centres. So much for the broader historical and structural context of Danish–Russian affairs in 2011.

### **State Visits: Economic Issues in Danish–Russian Affairs in 2011**

There is also a direct component of activism in Denmark's current diplomacy towards Russia. The years 2010 and 2011 were peak years in the return to

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2 It is hard to cite sources directly documenting this causal link, but influential dailies like *Politiken* and not least the Danish society for friendship with Chechnia pushed for putting human rights abuses in Chechnia and elsewhere in Russia on the Danish–Russian agenda. Prime Minister Anders Fogh Rasmussen profiled himself in 2005 by demanding the Russian government to formally excuse the Soviet conquest of the Baltic states during World War II.

3 Skak, M. (2006), 'Ruslands globaliseringsstrategi', *Politica. Dansk tidsskrift for statskundskab*, vol. 38, no. 3, pp. 264–279.

4 Mette Skak (ed.) (2010), *Fremtidens stormagter. BRIK'erne i det globale spil. Brasilien, Rusland, Indien og Kina*, Aarhus: Aarhus Universitetsforlag.

5 Cf. Udenrigsministeriet (2010), 'Kurs mod 2020: Dansk udenrigspolitik i nyt farvand', <http://goo.gl/h25oa>.

6 Pedersen, R. B. (2011), 'Perspektiver for dansk udenrigspolitisk aktivisme', *Tidsskriftet Politik*, vol. 4, no. 14, pp. 46–54.

normalcy after the “Cold War” following the Zakaev crisis. Russian President Dmitry Medvedev visited Denmark in April 2010 during which a Danish–Russian *Partnership for Modernisation* – reiterating the buzzword from the secret Russian foreign policy doctrine of February 2010 – was launched.<sup>7</sup> Modernisation has been coined by Medvedev as his concept for diversifying Russia’s export structure away from oil and gas exports. Here Denmark comes in handy as a trade partner due to the Danish expertise in the field of energy-saving technology. Other vital branches are health/pharmaceuticals, food production, environment-related green technologies and shipping – all branches where Denmark wants to cultivate Russia as a thriving export outlet.<sup>8</sup>

Despite the crisis hitting Russia in 2008–2009, Danish exports to Russia have on average grown by 8.9 percent yearly throughout the last decade, a trend which everyone expects to strengthen due to Russia’s entry to the WTO on 15 December 2011. The latter is depicted by Danish economists as a watershed event which will greatly improve export access for Danish firms and bring about a reduction in tariffs to the more reasonable pre-crisis Russian level of 2007. Among the BRICs and other emerging markets, Russia is seen as the most promising of all due to the high purchasing power of the Russian citizenry.

Critics see Danish firms as underutilising the rising demand among Russians compared to the export boom in neighbouring Baltic Sea countries. Only 170 Danish firms have established themselves in Russia, but for some of these Russia is an absolutely vital market – e.g. for Carlsberg (beer) and for Grundfos (pumps). The latter reaped a 25 percent increase in its 2011 export earnings from Russia – profiting from its profile on producing energy efficient pumps for heating in continuation of the energy efficiency focus of the Danish–Russian modernisation partnership.<sup>9</sup>

In 2011, two high level visits from and to Russia marked the rapprochement between Denmark and Russia: the visit to Denmark by Russian Prime Minister Vladimir Putin on 26 April and the visit to Russia by the royal delegation headed by HM Queen Margrethe II on 6–9 September. Official Danish media characterised Putin’s visit as “all business” as he paid a visit to the headquarters of the Danish shipping magnate A.P. Møller-Mærsk. Putin thanked Denmark for supporting Gazprom’s Nord Stream gas pipeline going through Danish territorial waters south of Bornholm. The Danish state-owned enterprise Dong Energy will purchase a

7 ‘ПРОГРАММА эффективного использования на системной основе внешнеполитических факторов в целях долгосрочного развития Российской Федерации’ (2010), <http://goo.gl/IXudL>. The April 2010 Danish–Russian ‘Declaration on Partnership for Modernisation between the Kingdom of Denmark and the Russian Federation’ cites the desire to contribute to EU–Russia cooperation via the ‘EU–Russia partnership for modernisation’ initiative.

8 This and the following draws upon Thagesen, P. and Christensen, N. H. (2011), ‘Rusland er et både attraktivt og besværligt marked’, *DI indsigt*, <http://goo.gl/FEg1c> as well as Christensen, N. H. (2011), ‘Rusland åbner markederne efter optagelse i WTO’, *DI indsigt*, <http://goo.gl/Wj5hH>.

9 *Børsen* (2012), ‘Grundfos fordobler omsætning i Rusland’, 17.01. 2012, <http://goo.gl/ADgXc>.



million cubic meters of gas from the Nord Stream yearly; therefore, the inauguration of the pipeline on 8 November 2011 drew interest from the media.

Similarly, the queen's state visit to Russia was one of business promotion on behalf of some 100 Danish companies that were represented in the official delegation. The queen visited the Russian headquarters of Danish firms like Rockwool (insulation materials) and Velux (windows) – both firms engaging in energy efficiency. This was in continuation of the formalisation of the Danish–Russian energy collaboration made during Medvedev's visit to Denmark as part of the modernisation partnership.<sup>10</sup> The memorandum on energy envisioned the establishment of a Russian–Danish Energy Efficiency Centre (RDEEC) modelled on the Russisch-Deutsche Energie-Agentur, a body marketing German energy technology in Russia.<sup>11</sup>

### **Arctic Cooperation and Other Issues; the Danish Change of Government**

The green profile of contemporary Danish–Russian cooperation is matched by pragmatic activism at the opposite end of the colour spectrum so to say. Denmark displays a partly pragmatic attitude to global warming as an option for enhancing international cooperation in the Arctic, another area where Denmark shares vital interests with Russia. In recent years, Denmark has revitalised its Arctic policy stemming from the fact that the Kingdom of Denmark consists of three parts – Denmark, Greenland and the Faroe Islands – of which the latter two geographically belong to the Arctic.

From 2009 till 2011 Denmark chaired the Arctic Council, i.e. Canada, Denmark (cum Faroe Islands and Greenland) Finland, Iceland, Norway, Sweden, Russia and the US. The Danish programme for its chairmanship highlighted the Arctic Council as the multilateral platform to build upon and also stressed the commitment of the Copenhagen government to working closely with the governments of Greenland and the Faroe Islands. Denmark welcomes the extraction of resources in the Arctic made possible through global warming, but the programme stresses the need to take into account the interests of the indigenous peoples and to uphold sustainability and respect for the utterly vulnerable Arctic environment.<sup>12</sup>

In 2011 Denmark chaired the Seventh Ministerial Meeting of the Arctic Council in Nuuk, the capital of Greenland, which adopted the Nuuk Declaration on Search

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10 Memorandum between the Ministry of Energy of the Russian Federation and the Ministry of Climate and Energy of the Kingdom of Denmark on collaboration in the field of energy efficiency and inexhaustible energy resources', 28.04.2010, <http://goo.gl/NYp7l>.

11 Holst-Nielsen, J. (2011) 'Russian-Danish Energy Efficiency Centre. Realizing the agreement between Russia and Denmark in the field of energy efficiency'; <http://goo.gl/P41Pl>.

12 Cf. 'The Kingdom of Denmark. Chairmanship of the Arctic Council 2009–2011', 29.04.2009. Available upon request from the Danish Ministry of Foreign Affairs or by mail to my research assistant [mail@mlhk.dk](mailto:mail@mlhk.dk).

and Rescue cooperation in the Arctic, the first legally binding agreement of the Council.<sup>13</sup> This field of cooperation is not that insignificant because of the emerging ocean cruise tourism in the Arctic. Russian Minister of Foreign Affairs Sergei Lavrov reciprocated by publishing an article expressing Russia's appreciation of the Nuuk Declaration and of the Council's open attitude to Russia's interests regarding, e.g. sea traffic through the Northeast Passage.<sup>14</sup> However, Denmark is more pragmatic than Russia in its approach to accepting new observers in the Arctic Council such as China and the EU as also reflected in the Nuuk Declaration as well as in Denmark's own new formal Arctic strategy.<sup>15</sup>

Despite a change of government in Denmark there is much continuity in current Danish policy towards Russia. Just like the right-wing government of Lars Løkke Rasmussen, the current centre-to-left government of Helle Thorning Schmidt puts the policy towards Russia into the context of the BRIC dynamism: "Danish exports must get back up to speed. Denmark must focus more strongly on the emerging economies like Brazil, Russia, India and not least China (the BRICs) as well the next wave of emerging markets. Danish strongholds are to be marketed assertively."<sup>16</sup>

The government intends to draw up specific strategies for the BRICs, a work going on inside the table of the Danish Trade Council of the Ministry of Foreign Affairs. No details are available at the time of writing. Both the former and current Danish governments have expressed their high appreciation of Russia's entry to the WTO as directly benefitting Denmark.<sup>17</sup>

Denmark has a keen interest in security policy cooperation with Russia deriving from Denmark's military activism, but most interaction goes on at the level of NATO–Russian cooperation (e.g. Russian support for the ISAF operation). As for the Danish interest in monitoring and improving Russia's performance in the sphere of human rights, democracy and the rule of law it is routinely being expressed on the bilateral level and is accepted by Russia as part of the Danish–Russian dialogue. Following the Duma elections, the new Danish Minister of Foreign Affairs Villy Søvndal used the occasion of the OSCE summit of 6 and 7 December when he first met with Lavrov to highlight this topic. Yet Søvndal appeared to emphasise Denmark's and Russia's common interest in Arctic affairs just as strongly. The two ministers also discussed Denmark's upcoming EU presidency and the thorny issue of Syria.<sup>18</sup>

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13 The Arctic Council (2011), 'Nuuk Declaration on the Occasion of the Seventh Ministerial Meeting of the Arctic Council', <http://goo.gl/qhMmd>.

14 Lavrov, S. (2011), 'Nuuk Declaration: A New Stage of Cooperation among Arctic States', <http://goo.gl/sjzL>.

15 'Denmark, Greenland and the Faroe Islands: Kingdom of Denmark Strategy for the Arctic 2011–2020', <http://goo.gl/yPhFo>.

16 'Et Danmark, der står sammen. Regeringsgrundlag,' October 2011, <http://goo.gl/JFWxb>.

17 Dyhr, P. O. (2011), 'Ruslands WTO-medlemskab gavner Danmark', 16.12.2011, <http://goo.gl/KVoo5>.

18 Udenrigsministeriet (2011), 'Søvndal mødes med den russiske udenrigsminister Lavrov', 06.12.2011, <http://goo.gl/6Jylg>.

## Parliamentary and Media Activity Regarding Russia; Issues and Non-Issues

Later, on 19 December Søvndal replied to a so-called article 20-question by one Danish MP from the opposition party, Venstre, about the most paradoxical voter turnout at the Duma elections by referring to his own talk with Lavrov in Vilnius. Here Søvndal stressed the conclusions of the OSCE on the matter adding that the Russian authorities must enter a dialogue with the OSCE's ODIHR office.<sup>19</sup> Apart from this and a few other cases, there is little interest in Russian affairs as such on the parliamentary level in Denmark. Arguably, this does not reflect a decreasing interest in the fate of the Russian democracy, let alone cynicism, but a new realism among politicians, the media and possibly the Danish public about the holistic nature of the national interest.

To be sure, Danish newspapers have published agitated editorials about "the stolen election" and Putin's contempt for democracy, and notably the Danish populist media displays an infantile stereotype-ridden approach to Russian affairs.<sup>20</sup> To be fair, however, one must also mention *JyllandsPosten's* reiteration of Karl Popper's preface to the Russian-language edition of his magnum opus, "The Open Society and Its Enemies", namely his point of the primacy of ensuring the rule of law as a precondition for democracy to take root as one attempt to heighten the level of sophistication in the Danish debate on Russia. The way the right-wing daily *Berlingske Tidende* balances its stiff criticism of politics in Russia with consistent use of the word democracy and avoiding misleading terms like totalitarianism about contemporary Russia is noteworthy.<sup>21</sup> Equally noteworthy is the high quality of the coverage of Russian affairs in the admittedly high-browed part of Denmark's radio, the daily foreign affairs feature Orienteering at P1 (Programme One).

Regarding non-issues one must mention the Danish non-interest in the so-called Magnitsky affair, a hot topic among some MEPs. Sergei Magnitsky was a Russian attorney whose death in police custody drew international attention, but not from Danish politicians. Otherwise – and despite the Danish EU opt-outs, etc. – Denmark is careful to be in sync with official EU policy towards Russia. Thus, Denmark has a national strategy relating to the European Neighbourhood Programme of relevance for some parts of Western Russia such as Kaliningrad and Pskov.<sup>22</sup> But nowadays Russia is not a priority within that framework, so this kind of cooperation may be petering out reflecting Russia's own economic recovery and strength as a great power compared to its post-Soviet neighbours.

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19 Ibid.

20 *Jyllands Posten* (2011), 'Det stjålne valg', *JyllandsPosten*, 17.12.2011, <http://goo.gl/aeS8H>. *Politiken* of 19 December 2011 linked its criticism of Putin to harsh, direct criticism of the EU for its servility towards Russia as an outcome of dependency upon Russia's energy riches brandishing it as outright 'scandalous'.

21 *Berlingske Tidende* (2011), 'Russisk demokrati', 12.12.2011, <http://goo.gl/ELjD0>.

22 Cf. Udenrigsministeriet, 'Strategi for naboskabsprogrammet fra 2008 til 2012', <http://goo.gl/ZDxHh>.

## **Concluding Remarks**

Altogether, the year 2011 marked another peak year in Denmark's post-Cold War normalisation of its relations with Russia. Despite a change of government in Denmark, Danish policy towards Russia continues to be one of pragmatic activism in recognition of Russia's economic and political significance in areas of vital interest for Denmark – e.g. export promotion, energy cooperation and Arctic affairs along with normative considerations of monitoring Russia's performance in the fields of democracy and human rights as well as interests deriving from Denmark's activism in international security affairs. The conclusion to draw from this would be one that highlights the holistic nature of "the national interest" even in the case of a small state like Denmark. The pattern of pragmatic activism observed in the case of Denmark is by no means unlike the pattern of Norwegian–Russian, Finnish–Russian, Icelandic–Russian or even Swedish–Russian interaction. In important aspects, however, the role model for Denmark seems to be Germany and the solid German–Russian relationship.

# ESTONIA

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The Estonian–Russian relationship is currently undergoing a prolonged freeze. Contacts between the two sides are limited, very few bilateral visits have taken place in the past few years and most top-level meetings that do take place do so in the margins of international fora. Divisions centre mainly on conflicting interpretations of Estonia's incorporation into the Soviet Union in 1940 and World War II. While Estonia maintains the Soviet Union forcibly and illegitimately annexed the country, Russia claims Estonia's accession was voluntary as well as a necessary step towards counteracting the rise of Nazi Germany. The status of Estonia's large Russian-speaking minority continues to be part of that dispute. For Tallinn, an important – and perhaps formative – element in this confrontation is what Estonian officials and politicians see as Russia's not deigning to treat the country as a full equal of its Western allies (or Finland, for that matter). Partly as a result of the standoff and partly stemming from rational calculations, Estonia has shifted the focal point of the formulation and conduct of its Russia policy to within the European Union and NATO. In both settings, Tallinn has assumed what might be called a "purist" stance, sticking as far as possible to the letter of both organisations' officially agreed positions and statements on Russia. The year 2011 saw a string of domestic controversies in Estonia related to possible Russian covert involvement and interference in its politics. Despite the tensions, the two countries' economic relations remain stable, improving moderately in 2011 with Russia keeping its number three position among Estonia's trade partners. The number of Russian tourists visiting Estonia has also risen in healthy strides over the last couple of years.

## Main Themes

The Estonian–Russian relationship in 2011 underwent a deepening in the rather pronounced hibernation which has gripped it since 2007–2008 (some would say 2005 or even earlier). Bilateral visits have dried up to a trickle – there were none of note in 2011. Somewhat alarmingly and in contrast to previous years, no high-level meetings of top officials took place in the margins of international fora.

Notably, there have been no bilateral meetings of Estonian and Russian presidents, prime ministers or foreign ministers since 2007. The Baltic Sea Council has served as a venue for passing encounters between Russian and Estonian officials, although 2011 also brought a hiatus in that tradition.

April 2007 saw two nights of rioting by mostly Russian-speaking youth after Estonian authorities removed a Soviet-era war memorial (the so-called "Bronze Soldier") from its prominent location in central Tallinn. This was followed by a

sustained wave of cyber attacks against Estonian government sites and businesses. The Estonian government has alleged the attacks were commissioned by the Kremlin. The Russian–Georgian war in August 2008 saw Estonia emphatically side with Tbilisi, further complicating bilateral relations.

Earlier, in 2005, the relationship suffered a major reverse after Russia and Estonia failed to ratify a border treaty. Moscow withdrew its signature after Estonia's Riigikogu (parliament) had affixed a preamble to the ratification protocol stating the 1920 Tartu Peace Treaty between the two countries remained the true point of reference in bilateral relations. Since then, Moscow has steadfastly insisted the preamble be scrapped as prejudicial. The new Russian ambassador, Yuri Merzlyakov, has repeatedly said in 2011 that Russian–Estonian economic relations are being hampered by the absence of a border treaty (and, by extension, Tallinn's implied insistence that the Tartu Peace Treaty was violated by the Soviet Union in 1940). Estonian officials remain sceptical of the possible economic benefits of such a move.<sup>1</sup> Their scepticism is borne out by statistics (see below). Intriguingly, after his keynote speech to the Riigikogu on 19 February 2012, Foreign Minister Urmas Paet said in a throwaway remark in response to a question that Estonia has turned down a discreet Russian offer to resume contacts on the treaty.<sup>2</sup> Estonia remains Russia's only EU neighbour with no border agreement in force.

In varying guises, history has remained a dominant motif in Estonian–Russian relations in recent years. 2011 saw low-intensity tit-for-tat exchanges between Russian and Estonian authorities over what happened in 1940 and throughout the rest of WWII. Moscow continues to hold that Estonia joined the Soviet Union of its own free will. Also, Russia argues, the Soviet Union was justified in incorporating the Baltic States to prevent their takeover by Nazi Germany. Estonia maintains the country was unlawfully occupied in violation of international law, and that the 1940 elections were rigged.<sup>3</sup> It also cites the subsequent refusal of the leading Western powers to recognise the annexation of Estonia (as well as the other two Baltic States) by the Soviet Union. Although Estonia has not recently sought to give the issue a high profile, the sensitivity of the topic is routinely communicated to the country's partners in the EU and NATO. While both organisations broadly back Estonia, neither organisation has been willing to publicly confront Russia. Russia remains an important strategic partner for both the EU and NATO, neither of which wants to risk a confrontation over a relatively minor issue. Equally significantly, Western powers were to a lesser or greater degree all involved in WWII as victims of German aggression, while the Soviet Union was a key ally. Thus, Estonia has managed to exact little if any overt sympathy from France, Britain or Germany

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1 *ERR News* (2011), 'Merzljakov: Eesti-Vene majandussõprus seisab piirileppe taga', 07.06.2011, <http://goo.gl/g41Cd>.

2 Kund, O. (2012), 'Vene diplomaadid tegid pakkumise Eesti-Vene piirileppe uuesti allkirjastada', *Postimees Online*, 21.02.2012, <http://goo.gl/k0Da5>.

3 For a detailed account of the events in question see: <http://goo.gl/xZDGS>.

itself. Tallinn's drive to have communist crimes declared crimes against humanity like those of Nazism is now dormant. Officials privately admit it was largely for fear of a damaging Western backlash that the government in early 2012 watered down a parliamentary declaration originally intended to celebrate those who had fought in WWII against the Red Army in German uniforms as "freedom fighters". Regardless, a brief war of words ensued early in 2012 with the Russian foreign ministry issuing a statement saying Estonia continues to "deliberately [falsify] past events".<sup>4</sup>

## Visits

No top-level official visits took place in 2011. President Toomas Hendrik Ilves, Foreign Minister Urmas Paet and Minister of Culture Laine Jänes did travel to St. Petersburg on 20 February, 2011, but this only to attend the re-consecration ceremony of the (Lutheran) St. John's Church. A day earlier, the Chief Executive of Russian Railways, Vladimir Yakunin, had visited Tallinn in his capacity as head of the Andrei Pervozvanny Foundation, a Russian religious organisation, to observe the cross go up on a Russian Orthodox church in Tallinn's mostly Russian-populated suburb of Lasnamäe. Yakunin's visit was accompanied by more than a whiff of controversy as he had been linked in December 2010 by Estonian intelligence agencies to alleged Russian attempts to provide funding for Edgar Savisaar, leader of the largest Estonian opposition party (which has a decidedly Russophile bent).

The only high-ranking Estonian official to travel to Russia in 2011 was the Minister of Regional Affairs, Siim Valmar Kiisler, who in Moscow met his Russian counterpart Viktor Basargin. The fairly regular and lively contacts at the level of ministries of regional affairs and culture, as well as the increasingly lively two-way tourism (the Estonian consulates in Moscow, St. Petersburg and Pskov issued more than 70,000 visas in 2010 – more than Estonian consulates in any other country), permit to consider the relationship not entirely dysfunctional.<sup>5</sup>

## Russia, Estonia and the EU

The freeze in Estonian–Russian relations broadly coincides with the hiatus that has taken possession of the EU–Russian relationship since 2007, with negotiations on a new partnership treaty firmly on ice. The overlap in EU–Russian and Estonian–Russian relationship dynamics is at least partly explained by flagging EU leverage on Moscow. Having made a conscious decision to conduct much of its Russia policy via Brussels to insulate itself against the size differential – as well as emphasise its

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4 ERR News (2012), 'Russia Condemns Parliamentary Resolution', 16.02.2012, <http://goo.gl/L2W5e>.

5 Paet, U. (2011), 'Välisminister Urmas Paeti ettekanne riigi välispoliitikast', 08.02.2011, <http://goo.gl/N9Cmx>.

status as a regular European power – Estonia has found its margin of manoeuvre increasingly limited. Given the recent emasculation of Brussels and the trend towards renationalisation of foreign policy in the EU, Tallinn has increasingly turned to trying to ensure the continued vibrancy of the existing common stock of EU positions. Maintaining EU cohesion at all costs is one of Estonia's predominant foreign policy interests. Also, given that common EU guidelines on Russia are nominally far stricter than the policies currently pursued by most continental EU governments, Estonia deftly uses EU verbiage to gain legitimacy for its own relatively hard-line views on Moscow and its exploits.

However, one consequence of this displacement of Estonia's Russia policy to Brussels is that much of the country's actual policy-making remains concealed from the public gaze, finding merely oblique expression on the sidelines of EU or NATO meetings. Estonia has well-developed positions on all key topics in EU–Russian relations. These usually closely mirror the EU's common positions insofar as those exist. On the EU–Russia visa dialogue, Estonia supports the “long-term” goal of visa-free movement, but also insists that Moscow must first properly meet all EU conditionality. Foreign Minister Urmas Paet told the Riigikogu in February 2011 that the abolition of visas would happen “naturally” for a Russia committed to the rule of law. “Like all other countries, Russia must first demonstrate it respects the principles of democracy and complies with the technical requirements. This is the position of both Estonia and the European Commission, as stated by the President of the Commission, Jose Manuel Barroso.”<sup>6</sup> Estonia's stance has remained fairly stable over time. A year earlier, in his annual parliamentary address in February 2010, Paet had identified three conditions for Russia. All closely follow the letter of the common EU position. First, Paet said, Russia must satisfy the technical preconditions. Second, it must enact the existing treaties – among others the readmission agreement. Third, Paet pointed to a “political logic”: “Three Eastern Partnership countries have unilaterally abolished visas for EU citizens. Political logic dictates that the EU must first take steps to consider their requests for reciprocity before it can proceed to Russia.”<sup>7</sup>

Similarly, Estonia has taken an emphatically principled line on Russia's WTO accession (finalised on 16 December 2011 in Geneva). It has consistently reaffirmed its commitment to the goal of having Russia join the WTO, but has also said that it must not take place at the expense of the EU's interests and values. Thus, Paet told EU foreign ministers on 14 November 2011 that Russian accession to the WTO would be a step towards a new EU–Russian partnership treaty. “But there can be no progress on trade liberalisation before Russia honours the commitments it [has assumed] upon joining the WTO,” said Paet. He also pointedly linked EU assistance

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6 Ibid.

7 *Postimees* (2010), ‘Paet: viisavabadus Venemaaga seisab kolme tingimuse taga’, 11.02.2010, <http://goo.gl/2pGgN>.



in modernising Russia to respect for human rights, the rule of law, democracy and civil society.<sup>8</sup>

The Eastern Partnership project is one of the few issues on which Estonia is prepared to lead from the front. After the EU foreign ministers' meeting in November 2011, Paet said the EU predicates its Russia policy on its relations with the eastern neighbours: "Success in relations with the Eastern partners may translate into success in relations with Russia, and special attention should be given to Ukraine's developments and choices."<sup>9</sup> Estonia also tends to take a relatively uncompromising line on broader international themes. Addressing in early December 2012 the Russian veto on UN sanctions against Iran, Paet said it was "irrational" for Moscow to regard NATO and the EU as threats: "if there's anyone who presents a danger to Russia it is Iran with its nuclear programme."<sup>10</sup>

NATO, on the other hand, should limit its interaction with Russia to pragmatic considerations, Estonia believes. While it has no illusions about a genuine rapprochement between Russia and NATO, Estonia supports practical cooperation. Paet has said Afghanistan, combatting piracy, narcotics and the proliferation of weapons of mass destruction are all "concrete areas in which bilateral cooperation [between NATO and Russia] has contributed to addressing significant security problems". Missile defence should be a topic for "open-minded dialogue". Paet also reiterated the standard NATO position that the missile shield is not being developed with Russia in mind.<sup>11</sup> This is all largely one-way traffic. Russian officials rarely respond to Estonian concerns in public. They, however, ritually attack Estonia's minority policies, the government's alleged support for pro-Nazi groups, and Estonia's perceived unconstructive stance within the EU and NATO.

## Russian Elections

While the media coverage of the Duma elections, the ensuing protests and the run-up to the presidential elections on 4 March, 2012 has been extensive in Estonia, the government's reactions have been muted at best. Foreign Minister Paet told *Delfi Online* in an interview on 4 December, 2011 – ahead of the Duma elections – that Estonia's interests would best be served by genuinely free elections allowing all political forces to participate and propagate their views. "Hopefully, they'll get there one day."<sup>12</sup>

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8 *ERR News* (2011), 'Paet: Euroopa Liit peab selgelt määratlema esmahuvide suhetes Venemaaga', 14.11.2011, <http://goo.gl/DBcFj>.

9 *Postimees* (2011), 'Paet: Eesti toetab Venemaa moderniseerumist', 13.11.2011, <http://goo.gl/t8uBn>.

10 *Postimees Online* (2011), 'Paet: kui keegi Venemaale ohtu kujutab, siis just Iraan oma tuumaprogrammiga', 02.12.2011, <http://goo.gl/Q4e4A>.

11 Ministry of Foreign Affairs (2011), 'Välisminister Urmas Paet: NATO ja Venemaa koostööd takistavad eriarvamused raketikaitse osas', 08.12.2011, <http://goo.gl/het0m>.

12 *Delfi* (2011), 'Välisminister Paet: Eestile oleks Vene valimistelt hea tulemus, kui need oleks võimalikult vabad', 04.12.2011, <http://goo.gl/Sdg5j>.

Privately, Estonian politicians have resigned themselves to the formal return to power of Vladimir Putin. However, few if any of them would publicly agree with the political scientist Yushkin, who noted in November 2011 that Putin's resumption of the Russian presidency would bring along an improvement in Russian–Estonian relations. "Russia needs a heavy hand to resolve its political crisis."<sup>13</sup> Jaak Allik, a prominent Social Democrat who was an OSCE observer at the Duma elections, reflected the pessimism of many when he wrote on his blog on 26 January, 2012 that Medvedev and Putin continue to enjoy the support of at least 30–40 percent of the Russian electorate. Meanwhile, Allik noted, the Russian opposition remains fragmented and without a charismatic leader.<sup>14</sup>

### **Other Developments**

2011 began with domestic ructions for Estonia when the country's government accused opposition leader Edgar Savisaar of having solicited campaign funds from the Kremlin. Evidence released to the public included allegations that Vladimir Yakunin, the chief executive of Russian Railways, a man with an alleged KGB background, served as mediator in an abortive attempt to supply Savisaar and his Centre Party with €3.5 million. Savisaar protested his innocence, saying talks with Yakunin had been about funds for the new Russian Orthodox church in Tallinn. The scandal subsided without court action. However, President Toomas Hendrik Ilves issued a public warning ahead of the parliamentary elections of 6 March, 2011 that the Centre Party would be barred from entering a government with Savisaar at the helm.<sup>15</sup> Early on, Vladimir Yushkin, Director of the Centre for Russian–Baltic Studies, correctly predicted the episode would have no discernible impact on the Estonian–Russian relationship.<sup>16</sup>

In early December, two members of the Estonian parliament from the Pro Patria and Res Publica Union (IRL) were forced to step down amid allegations their company had assisted wealthy Russians in obtaining Estonian residence permits. The permits also entitled the Russians (who paid €64,000 each for the privilege) to long-term Schengen visas. The scandal was particularly damaging as two IRL ministers – Minister of the Interior Ken-Marti Vaher and Minister of Economic Affairs and Communications Juhan Parts – were also implicated. Again, no criminal charges resulted.

Early in 2012, another prominent (and recently enlisted) member of IRL, Eerik Niiles Kross, the former Estonian intelligence chief as well as advisor to Georgian

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13 *ERR News* (2011), 'Juškin: Putini naasmisega Eesti ei kaota', 24.09.2011, <http://goo.gl/O9xAl>.

14 Allik, J. (2012), 'Venemaa kahtede valimiste vahel', 29.11.2012, <http://goo.gl/29nlq>.

15 *ERR News* (2010), 'Ilves: hukkamõistuta Keskerakond enam valitsusse ei pääse', 27.12.2010, <http://goo.gl/AiZdu>.

16 *ERR News* (2010), 'Juškin: Savisaare juhtum Eesti-Vene suhteid ei mõjuta', 23.12.2010, <http://goo.gl/dYoqb>.

President Mikheil Saakashvili, was declared an international fugitive by a regional Russian prosecutor's office. Kross is wanted for his alleged role in the 2009 Arctic Sea hijacking. To date, Interpol has yet to act on the Russian request. Kross protests his innocence and has said Russia is "trying to teach him a lesson" for his work for the Georgian government.<sup>17</sup>

Estonia's President Toomas Hendrik Ilves, who in recent years has avoided outright confrontation with Moscow, briefly courted controversy in December 2011. Ilves gave an interview to the Swiss paper *Der Bund*, in which he described Estonian Russians as "Herrenvolk" and downplayed the need for Estonia to find an accommodation with Russia. "Our political dealings are with the European Union."<sup>18</sup>

### Commercial Relations

The Estonian–Russian trading relationship has remained stable over the past few years. In 2010, Russia accounted for 8.9 percent of Estonia's trade, while in 2011 that proportion had risen to 9.6 percent, putting Russia in third place after Finland and Sweden. Russia is also Estonia's third-biggest export market after Finland and Sweden, while it is the fifth-largest importer (lagging behind the two Nordic countries as well as Latvia and Germany).

The two countries' economic ties were badly soured by Tallinn's refusal in 2009 to allow Russia to run its Nord Stream gas pipeline through the Estonian economic zone in the Gulf of Finland. The Russian envoy to Estonia, Yuri Merzlyakov, said in November 2011 that if Estonia opened its waters for Nord Stream pipes three and four, "relations between the two countries would soon metamorphose".<sup>19</sup> Interestingly, the chairman of the board of the Estonian electricity distributor Elering, Taavi Veskimägi, wrote in his blog on 19 January 2012 that "Estonia should think about its reaction" and prospects for future gas trade if Gazprom should again approach it – clearly implying the earlier decision to deny Nord Stream access to Estonian waters may need to be reconsidered.<sup>20</sup>

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17 *Delfi* (2012), 'Kross: Venemaa püüab mulle õppetundi anda ja vaadata, kaugele sellise absurdiga minna saab' 22.01.2012, <http://goo.gl/DedIZ>.

18 *Der Bund* (2011), 'Es ist nicht nachhaltig, wenn mit Betrügen fortgefahren wird', 10.12.2011, <http://goo.gl/BXEBt>.

19 *Delfi* (2011), 'Vene saadik: oleks Eesti Nord Streami toetanud, oleksid suhted teistsugused', 08.11.2011, <http://goo.gl/X7pBP>.

20 Veskimägi, T. (2012), 'Nord Streami 3-4 toru', 19.01.2012, <http://goo.gl/UUKqx>.

## **Conclusion**

The Estonian–Russian relationship remains radically imbalanced. The imbalance is largely psychological, but all the more paralysing. Apt to cite anecdotal evidence from the 1990s, Estonian officials and diplomats privately openly bemoan Moscow's pointed refusal to take the country's independence seriously. Russia, in turn, does nothing to dispel that impression. Recent months have brought some intimations of the possibility of new beginnings, but the standoff may now have become too entrenched to be resolved without major diplomatic shifts on both sides.

# FRANCE

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While France and Russia enjoy centuries-old ties of friendship and often share a common understanding of international issues, their partnership has been given a significant impetus over the past few years, especially with a view to developing trade and economic cooperation. As a result, French–Russian relations have gained momentum around economic modernisation, which currently structures the partnership between Paris and Moscow with political dialogue and military cooperation. The consolidation of bilateral ties is evidenced by growing trade flows and increased joint cooperation activities and builds upon a dense institutional framework and frequent contacts at the highest level. However, for the first time in 2011 the French–Russian partnership has stumbled against divergences over international issues, namely developments in North Africa and the Middle East. While disagreements over Libya and especially Syria illustrate the different interests of partners, they are nonetheless unlikely to undermine the fruitful cooperation impulsed in both countries at the highest political level. In a similar vein, the links between France and Russia are not expected to change significantly after the presidential elections that will take place in both countries in the first half of 2012. France is nevertheless still faced with a structural challenge in its relations with Russia, namely building up effective linkages between its strong bilateral ties with Moscow and the broader EU–Russian partnership.

## **A Special Relationship Based upon Centuries-Old Friendship**

France's current Russia policy is rooted in a special relationship that has developed over centuries. This relationship was made up of affective links and mutual interests alike, a combination which still constitutes the basis of the privileged partnership that France and Russia are currently developing. In French authorities' discourse, mutual admiration and attraction are quite often invoked nowadays as the foundation of this specific relationship. At the same time, geopolitical factors have also contributed to forging such long-standing close ties by bringing together two remote countries whose spheres of influence have only exceptionally overlapped. To sum up, France considers itself as "Great Russia's great friend"<sup>1</sup>.

While France and Russia traditionally enjoy very good relations, over the past two years their partnership has received a new and strong impetus from their

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1 Sarkozy, N (2010), 'Allocution lors du dîner d'Etat offert en l'honneur de M. Dmitri MEDVEDEV, Président de la Fédération de Russie', 02.03.2010, <http://goo.gl/G4K5J>.

respective heads of state and government. Such momentum has materialised around the special “French–Russian Year”<sup>2</sup> in 2010, during which approximately 2000 joint programmes and activities were organised between governmental agencies, business communities and cultural organisations in both countries. While particularly visible in trade and economic cooperation, which was lagging behind other sectors of interaction, the new momentum in French–Russian relations concerns all areas of cooperation, thus contributing to consolidating a multifaceted and dynamic partnership.

### **A Multifaceted and Dynamic Partnership with an Emphasis on Political, Security and Trade Cooperation**

The partnership between France and Russia builds upon a dense institutional framework, based upon three main formats of cooperation. The governmental seminar that takes place on a yearly basis was attended in September 2011 by both prime ministers and a number of ministers in Moscow; it resulted in the signing of several agreements (*inter alia* on nuclear energy, space technologies and justice) and a joint programme for modernisation. In the framework of the Cooperation Council on Security Issues organised in September 2011, ministers of foreign affairs and defence discussed NATO–Russian cooperation as well as international issues (the situation in Afghanistan, Iran, Libya, Syria). Under the third format of cooperation (the Economic, Financial, Industrial and Trade Council), the ministries of economy and finance discussed cooperation on modernisation.

In addition, French and Russian authorities have frequent contacts at the highest level, either through official visits (such as Prime Minister Putin’s visit to France in June 2011) or via multilateral meetings. Overall, in 2011 the French and Russian ministers of foreign affairs met five times while the ministers of economy and finance met four times.

To sum up, the bilateral agenda as reflected in the meetings held in 2011 highlights three major topics in French–Russian relations: economic modernisation; dialogue on sensitive international issues; and military cooperation. While the first theme is tightly linked to the EU–Russian partnership, the connection is less clear for the two other topics which do not rank as high on the EU–Russian agenda.

### **Bilateral Relations in 2011: Further Strengthening of Ties, Disagreement over Geostrategic Issues**

In the first three quarters of 2011, the volume of bilateral trade between France and Russia expanded by 34%, from \$22.6 billion to \$30 billion. Such increase stems from the political impetus given to economic cooperation over the past few years,

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2 More exactly, the Russian Year in France and the French Year in Russia.

with both countries declaring each other's economy a strategic market. In 2011, a number of joint projects materialised, including the participation of French GDF Suez in Russian pipeline projects and the opening of a French–Russian Centre for energy efficiency in Moscow. Among these projects, the deal over French Mistral ships is highly symbolic. After two years of negotiations France and Russia completed talks over the purchase by Russia of French Mistral-class amphibious assault ships. A contract of €1.2 billion for two vessels was signed in June at the St. Petersburg International Economic Forum, with an option to order two additional vessels which would then be built in Russia under French licenses. While this agreement symbolises the “strategic dimension of cooperation between France and Russia”,<sup>3</sup> it also reflects France's perception of Russia as a trusted partner – a perception that is far from being shared by some other EU member states and neighbouring countries, for whom such deal undoubtedly raises major security concerns. For France, as clearly indicated by Secretary of State for Foreign Trade Pierre Lellouche, such agreement is a “historic event”<sup>4</sup> as far as it paves the way for increased confidence between Russia and NATO.

Nevertheless, whereas France and Russia have often shared common views on geostrategic challenges over the past decade (e.g. the US war in Iraq), in 2011 the partnership between the two countries stumbled against developments in North Africa and the Middle East. After failing to respond swiftly to the uprising in Tunisia, France took a leading role in organising international support for the uprising against Gaddafi's rule. Presented by France, the UK and Lebanon, the United Nations Security Council's resolution 1973 establishing a no-fly zone, asset freeze and arms embargo on Libya was passed in March thanks to Russia's abstention, which was gained through avoiding any military intervention on the ground and focusing on the protection of civilians. However, Russia adopted a critical stance on the perceived expansive interpretation of the UN resolution by NATO forces. Russia specifically criticised France in early July for airdropping weapons in Libya's rebel-held areas, which according to Minister of Foreign Affairs Lavrov constitutes a flagrant violation of a UN weapons embargo.

Whereas the first disagreements between the two countries developed over the situation in Libya, divergences became much more flagrant over events affecting Syria. Political repression in Syria has been discussed at each of the regular meetings between French and Russian authorities, either at the prime minister or minister of foreign affairs levels. While acknowledging differences, both Prime Minister Fillon and Minister of Foreign Affairs Juppé initially attempted to downplay their

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3 Sarkozy, N. (2011), 'Statement', *Agence France Presse*, 17.06.2011

4 Pierre Lellouche also highlighted it was 'the first time Russia imports a weapon-system from a Western country and the first time a Western country exports a weapon-system to Russia after the Second World War'. *RIA Novosti*, 17.06.2011. See also *L'Express* (2011), 'Russes et Français signent l'achat de deux navires de guerre Mistral', 17.06.2011, <http://goo.gl/oLVpi>.

importance by saying that French and Russian positions may converge over time.<sup>5</sup> France then adopted a harder stance when it became clear that all attempts to condemn El Assad's regime would be vetoed by Russia.<sup>6</sup> For instance, it declared the resolution presented by Russia in December 2011 unacceptable; on several occasions it also described the Russian blockage in the UN Security Council as scandalous. At the same time, it kept trying to have Russia engage in the UN process (as it successfully did during the crisis in Libya) by adopting a positive tone. For instance, Russian resolution was also depicted as a positive step reflecting Russia's recognition that the UN must react to the bloodshed in Syria.<sup>7</sup> To sum up, in France's views Russia could and should play a positive role in the developments at stake in North Africa and the Middle East; yet the current positions adopted by Russian authorities are perceived in France as both non-constructive and to some extent, contrary to Russia's interests over the medium and long-term. At the same time, divergences over North Africa and the Middle East are unlikely to undermine the momentum gained in bilateral relations over the past two years.

### **France's position on the main issues structuring Russia's relationship with the EU**

In the past, France has not always been successful in building up an effective linkage between its privileged partnership with Russia and EU-Russian relations. For some EU member states, the involvement of French companies in Gazprom-led pipeline projects and the deal over Mistral ships reflect the predominance of bilateral links in France's policy vis-à-vis Russia. The example of visa liberalisation, however, provides an illustration of the way in which France tries to convince its EU partners. Within the EU, France stands amongst the proponents of granting Russia the perspective of a visa-free regime; at the bilateral level, a French-Russian agreement signed in 2009 to facilitate visa and work permit delivery came into force in 2011. Last year, France has increasingly engaged at the EU level to advocate such a perspective: for instance, it jointly supported, with Germany, the opening of EU-Russian talks on visa-free travel.<sup>8</sup>

Foreign policy issues undoubtedly constitute the area in which France has evolved towards a more assertive and critical stance vis-à-vis Russia, which brings it closer to some other EU member states. While Libya and Syria constitute the most visible illustrations of the disagreements that arose between France and Russia, the

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5 'Joint pressconference with Prime Minister Putin', Paris, 21.06.2011, <http://goo.gl/fkbCQ>.

6 This was the case for the draft resolution on sanctions presented in October 2011 before the UN Security Council.

7 Statement by the spokesman of the French Ministry of Foreign Affairs, 16.12.2011, <http://goo.gl/zYHp4>.

8 *EU Observer* (2011), 'EU preparing to launch visa-free talks with Russia', 15.11.2011, <http://goo.gl/0qdgK>.



“shared neighbourhood” offers the most significant example of a shift in French attitude over foreign policy issues.

France (then holding the rotating Presidency of the Council of the EU) had acted as a broker between Georgia and Russia to put an end to their conflict in 2008. However, while considered a success (the EU was able to react swiftly and apparently as a united actor), France’s mediation was also interpreted more sceptically in light of Russia’s recognition of the two breakaway regions and non-respect of the ceasefire agreement. In this context, President Sarkozy’s visit to the South Caucasus in October 2011 was a test for France’s position on the current situation around Abkhazia and South Ossetia, and more broadly on the “shared neighbourhood”. In Tbilisi, for the first time since his election, the French president adopted a rhetoric severely criticising Russia and rejecting any policy based on so-called spheres of influence: he insisted on the need for Russia to respect the commitments made under the ceasefire agreement and refused the “*fait accompli*” in Abkhazia and South Ossetia. In addition, Sarkozy firmly supported Georgia’s aspirations to join the European Union and NATO, a clear shift as compared to the reluctance to enlarging NATO expressed at the Budapest summit in 2008. A few months after the appointment of a French ambassador for the Eastern Partnership and the Black Sea Synergy, Sarkozy’s visit to Armenia, Azerbaijan and Georgia also signals the country’s interest and involvement in the South Caucasus, in line with the EU’s growing engagement in the region.

### **Domestic Debates on Political Developments in Russia**

Over the past decade, France’s close partnership with Russia has to a large extent been associated with a lack of criticisms on political developments moving the country further away from democratic standards. Such a stance can be explained by the disconnection implicitly operated by French authorities between, on the one hand, Russia as an international actor, and on the other hand, domestic developments in Russia, in which France does not intend to interfere. France’s attitude is undoubtedly pragmatic, yet it does not primarily stem from a “business-as-usual” approach. French authorities’ silence on Russia’s political regime is also deeply rooted in the conviction that criticisms would not contribute to any significant progress within Russia but rather harm French–Russian relations, as briefly experienced in the early 2000s when former President Chirac sharply criticised Russia’s second war in Chechnya. President Sarkozy evolved towards this pragmatic logic: while he was harsh on Russia as a candidate, he then shifted towards a largely unconditional partnership as a president.

In a similar vein, the announcement by President Medvedev that Prime Minister Putin would run for the presidency in March 2012 did not trigger any official reaction or any comment by the French government. Such silence does not imply, however, that France endorses these political developments. It seems rather that

the switch at the top of the state was earlier identified as a potential political option and that the relationship with Russia was further reinforced based upon the implicit acceptance of such a possible scenario.

While the past decade has witnessed a great deal of continuity at the top of the French state vis-à-vis Russia it would be misleading to consider France as a unitary actor when it comes to both the political situation in Russia and to the French government's attitude in this respect. First of all, it should be noted that officials within the French Ministry of Foreign Affairs are less supportive of the unconditional partnership and more attentive to gaps in values. Second, over the past years, sharp criticism of the political situation in Russia has developed, especially in the media and to some extent in the academic community.<sup>9</sup> Most newspapers and radio or TV news depicted either ironically or harshly the switch at the top of the Russian state announced in September 2011 and made official at the Congress of United Russia in November; for instance, *l'Express* titled: "Putin 'accepts' to run for Presidency in 2012".<sup>10</sup> Moreover, following the elections held in December 2011, the French media broadly and positively reported on opposition demonstrations and raised questions on possible future scenarios for the country's political evolution. Over the past few years, many hard-line newspapers or commentators have either explicitly or implicitly criticised French authorities' attitudes vis-à-vis Russian leaders, especially by ironically mentioning Mr. Sarkozy's good relationship with Mr. Putin.

2012 is a crucial year for both France and Russia, as presidential elections will be held in both countries next spring. Their outcome, however, is unlikely to affect *per se* the fruitful cooperation that has substantially deepened and widened over the past few years. The situation may nonetheless change in case of sustained protests, growing opposition or political repression in Russia, which would probably induce French authorities to react clearly.

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9 See e.g. Dubien, A. (2011), 'Russie: triste retour en arrière', 10.11.2011, *Le Monde*, <http://goo.gl/gBg2W>; Mendras, M. (2011), 'Vingt ans après. La Russie et la quête de puissance', *Commentaire*, no. 136, Winter 2011–2012.

10 *l'Express* (2011), 'Poutine "accepte" d'être candidat à la présidentielle', 27.11.2011, <http://goo.gl/rVb69>.

# GERMANY

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Traditionally, German–Russian relations are guided by the legacies of the Second World War and economic interests. Very often, relations have depended on close personal relations between top-level politicians on both sides. The last year demonstrated significant changes. The generations shaped by the Second World War are receding, and German–Russian relations need new driving forces. They became less exclusively bilateral, and very often both sides were thinking and acting in global terms, putting Russia in a European framework as well as limiting the German tendency toward “Russia-first” approaches. Nevertheless, the Berlin–Moscow tandem remains important and is looking for added value in jointly overcoming current security risks, in particular in the successor states of the former Soviet Union, and economic crises. The path forward is based on a partnership of modernisation and creating mutual context by, for example, favouring the abolition of visa restrictions for Russian citizens entering the European Union. The upcoming presidential elections in Russia and the domestic political environment will be the next test case for German–Russian relations.

## **The Strategic Background**

Bilateral German–Russian relations have been based on deep and broad strategic cooperation. Very often joint interests, first and foremost economic interests, have been deemed more important than common values or concerns about Russian shortcomings in the areas of democracy and human rights. The good relations are based on a number of factors such as legacies of the past, personal links and friendship, and common interests making Germany a driving force of Russian and Eastern policy in the European Union. Being a member of the European Union obliges Germany to coordinate its Russia policy with European institutions and other member states.

The legacies of the past are always related to the Second World War and managing the Cold War. Naturally, German policy-makers such as Willy Brandt felt obliged to work toward reconciliation. The same is the case for broader social groups such as the Protestant churches, the trade unions, and even representatives of German business. All of these groups initiated many exchanges of ideas. Precisely this tradition put Russia on the political agenda of all parties, made German–Russian relations popular and helped keep them a priority regardless of who held office in Germany. Reunification after 1989 was of course a milestone in mutual relations. Mikhail Gorbachev and Eduard Shevardnadze, then Soviet

Minister of Foreign Relations, became important drivers of the breakdown of the Berlin Wall and shortly thereafter of German reunification. The results were again good relations between the Russians and the Germans. Very often the former East German elite, who had far-reaching existing networks in the Soviet Union and knew the country and the language, helped to drive productive relations at the working level.

One result of the mutual historic obligations is the domination of high-level relations by personal contacts, or even friendship. The premier example of this phenomenon is the diplomatic relationship between the first Russian President Boris Yeltsin and former German Chancellor Helmut Kohl, which grew into a very friendly understanding and ended up including discussions in a Russian banya. Although Kohl is a Christian Democrat, and his successor Gerhard Schröder a Social Democrat, the paradigm did not change when the German government changed in 1998. Schröder built up a friendship with Russian President Vladimir Putin, who had once worked for Soviet intelligence service in the former GDR. Both families even celebrated Christmas together, and Putin helped the Schröder family adopt a Russian child. Continuing his very close relations with Putin in 2005 after leaving politics Schröder joined the board of Nord Stream, a project strongly driven by Gazprom and E.ON. On the one hand, close relations at the political summit bypass democratic oversight; on the other hand, they allow for quick ways to find solutions even in a difficult political environment. For instance, at the end of 2004 when the domestic situation in Ukraine was dominated by the democratic breakthrough of the Orange Revolution, Gerhard Schröder used his good personal contacts with Vladimir Putin to convince the Russians to agree with the peaceful solution of roundtable negotiations leading to constitutional amendments and a second round of presidential elections in Ukraine. At that moment it was a good compromise, although from a longer-term perspective it was not sustainable enough to establish Ukraine as an independent, Western-oriented and reform-oriented country.

Finally, Russian-German relations are also driven by a broad spectrum of actors. German business has an interest in trading and investing in Russia, which generates a political lobby as well that very often goes hand-in-hand with high-level political contacts, including friendships. In business, top-down relations have been supplemented by bottom-up contacts. The German Committee on Eastern European Economic Relations is the most important actor uniting economic and political influence in a powerful lobby. For Russians, Germany has become popular for sightseeing, shopping and academic exchange. Furthermore, these networks of social contacts have been putting relations on a broader basis, but at the same time criticising the critical attitude towards the level of relations asking for human rights and democratic standards. Actors of note include the German political foundations (all of which are present in Russia), the German-Russian Forum, and the civil society format of the Petersburg Dialogue.

Analysis of the last year of developments in German–Russian relations has to draw on the historical background, diplomatic attitudes, and joint interests. In particular, one has to ask to what extent Germany's membership in the EU and the related obligations to other member states less interested in Russia have restricted the German "Russia-first approach". Another important question is to what extent the younger generations of Russians and Germans are obliged by history, or whether they might lose interest. Finally, one has to evaluate to what extent Russia and Germany continue to have joint interests and common values against the background of economic problems such as the euro crises, or a younger generation more interested in traveling to Baltimore than to Berlin or Moscow.

### **Political Developments: Strategic Partners with Limits**

Since the conservative–liberal coalition took office in Germany in 2009, under the continued leadership of Chancellor Angela Merkel, the interest in Germany's *Ostpolitik* has been changing. As far as the balance between Russia and the Eastern neighbours is concerned, interest in the neighbouring countries decreased, while relations with Russia in the coalition agreement changed from a "strategic partnership" to an "important partnership".<sup>1</sup> Berlin did put less emphasis on Eastern Partnership – the new EU strategy to shape relations with the Eastern neighbours, including the South Caucasus – which was initiated and driven by Poland as a strategic answer to the Russian–Georgian war in August 2008. Some of the content of the Eastern Partnership recalls the German strategy of an "ENP-plus", initiated during the German presidency in 2007, but combining the agendas of Eastern neighbourhood policy and relations with Russia, driven by the approach of "Annäherung durch Verflechtung" (rapprochement through linkages). Furthermore, the coalition government lacked personal driving forces in Eastern as well as Russian policy. Both Chancellor Angela Merkel and Foreign Minister Guido Westerwelle had limited personal contacts with Eastern Europe. Merkel's background in the GDR civil society movement and her good Russian skills offered less of an opportunity to develop a personal friendship with high-level Russians. There have been no joint sauna visits or Christmas celebrations, in contrast to her predecessors. Westerwelle has been struggling hard to establish his position as Foreign Minister, trying to follow in the footsteps of Hans-Dietrich Genscher's Eastern rapprochement.<sup>2</sup> Westerwelle is more interested in classic liberal issues such as economic freedom and trade relations. In personal relations, the preconditions appeared to be more limited but the formal change of power from Russian President Putin to Medvedev in March 2008 opened a temporary

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1 Meister, S. (2011), 'Deutsche Ostpolitik. Ist eine Partnerschaft mit Polen möglich', *DGAPanalyse*, no. 7, September 2011.

2 *Frankfurter Allgemeine Zeitung* (2011), 'Mahnung und Verpflichtung', 22.06.2011, <http://goo.gl/QWUFs>.

window of opportunity for a younger Russian elite that was more interested in modernising the country.

The change of some guiding factors in German–Russian relations has had an impact on the agenda. In practical terms, both sides have been concentrating on two issues: security cooperation and the political impact of creating economic networks. As a result of the Russian–Georgian war in August 2008, frozen or unfrozen conflicts in the post-Soviet space became a priority. In a surprise for Germany's partners, Chancellor Merkel and President Medvedev in June 2010 chose the Transnistrian conflict as a place to try conflict transformation. As with most of the tensions in the post-Soviet space, the genesis of the Transnistrian conflict has echoes of the dissolution of the USSR, its political and economic cleavages and unresolved legacies of Soviet state and nation-building. Although the conflict has ethno-territorial dimensions, ethnic issues are more the background than the real cause of violent escalations, which in the case of Transnistria was a short war starting in 1990 between elements of the pro-Russian 14<sup>th</sup> Army, and pro-Moldovan forces, including Moldovan troops and police. In 1992 the conflict escalated again, claiming some dozens of victims. The ceasefire agreement signed in July 1992 stopped the violent escalation but did not solve the structural conflict, freezing it instead. As a result Transnistria declared independence and became one of the un-recognised entities of the former Soviet Union threatening stability with frozen conflicts and uncontrolled economic activities. In the framework of the Meseberg Process, Berlin and Moscow in June 2010 tried to address Transnistria among other issues for an EU–Russia Security Council.

The idea was to link the two strategic partners as drivers of European security. One year after the process was initiated, there was not very much progress in developing conflict resolution. The shortcomings were caused by a lack of agreement with other European partners before putting the issue on the bilateral agenda. This bottleneck indicates that Germany is obliged to coordinate its Russia policy with other EU partners, limiting Berlin's "Russia-first" approach. Furthermore, the Meseberg Process was more driven by a joint idea than by timing, sequencing and conceptualising. Solving the Transnistrian conflict requires a more tailor-made approach, considering partners beyond Russia and Germany. Last but not least, the Meseberg Process attempt demonstrates structural differences between the two partners operating in the former Soviet space in which the two actors have special interests. While Moscow is interested in guiding the relations by informal networks, economic dependence, keeping the status quo, and maintaining a frozen conflict as the most desired option, Germany's interests are driven by conflict transformation based on good governance, rule of law, open markets and peaceful conflict resolution. In this regard the Meseberg Process has shown a Russian–German gap of values that cannot be bypassed with just an appeal to joint interests. German attempts to go solo reached their European limits as well.

## **Economic Relations: from Modernisation to Resource Partnership**

Modernisation became a key issue in implementing the latest founding principle of Germany's Eastern policy "Rapprochement through linkages". To modernise Russia towards its self-understanding as a global power, both sides easily agreed on increasing cooperation in the areas of energy, climate change, health care, infrastructure developments, education, science and public administration, as long as fundamental questions are not raised such as stating that a modern and efficient public administration must be free of corruption to successfully deliver. From Berlin's point of view, the partnership of modernisation has not fulfilled Germany's expectations considering the lack of reform in administrative law, corruption and bureaucracy, the lack of a friendly climate for investments for small and medium-sized entities, the lack of the independence of the judiciary, and the lack of protection of copyrights. The effects of the euro crises and their lesser effect on the Russian economy (based on gas and oil) have helped Russia to emerge as a capable economic player and potentially offered an exit from the economic crises. Furthermore, the unexpected change in Germany's energy strategy, i.e. accelerating the departure from nuclear energy, opened up opportunities for Russian companies to strengthen their position as gas suppliers and enter the German electricity market.

Given the mutual economic engagement – with Germany a driving force of modernisation and Russia an energy power – the preconditions exist to implement the German concept of "Rapprochement through linkages", which the German government picked up again by elaborating a modernisation partnership that is less a matter of reflecting trade relations and foreign direct investment between the countries and more of the structural added value between the two.

The 13 Russian–German inter-governmental consultations held in Hanover on June 18–19, 2011, reflected again the concept "Rapprochement through linkages" in a partnership of modernisation.<sup>3</sup> As usual, the consultations were run by Chancellor Merkel and President Medvedev accompanied by a number of ministers. As a result, 15 agreements were signed ranging from a joint declaration on the intention to organise a Year of Russia in Germany and a Year of Germany in Russia in 2012–2013, up to a memorandum of understanding in the area of modernisation of electricity networks. Overall, the results of the consultations remained short of their potential. From the Russian point of view, the talks did not produce the expected, clear-cut political support for Russia's plans for expansion in the energy sector in Germany. The same holds true for Russia's priority of lifting the visa regime between the EU and Russia. For Germany, the consultations confirmed the difficulty of implementing the German concept of the "partnership for modernisation" with Russia. The cooperation can be summed up with a new paradigm change towards

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3 Gotkowska, J. (2011), 'German–Russian intergovernmental consultations – content dominated by form?', 27.07. 2011, <http://goo.gl/S9NFU>.

a “partnership for resources” above all, not only in terms of energy resources but also rare earth elements. To develop German–Russian economic relations further, German economic actors have high expectations in Russia joining the WTO or a partnership of modernisation guided by EU–Russia cooperation.<sup>4</sup> The Russia-first approach is still an issue in Berlin, but on the other hand bilateral agreements have their limits and 2011 demonstrated again that progress is more sustainable when driven by the framework of international organisations.

### **Bottom-up Perspectives: Social Drivers and Blockers**

Traditionally, German–Russian relations have been based on broad levels of dialogue and cooperation in line with the governments but having their own effects as well. Last year, the German Committee on Eastern European Economic Relations published a position paper on “Roads to Visa-free Travel”.<sup>5</sup> The paper argues in favour of implementing visa-free travel between the EU and its neighbouring Eastern European countries, including Russia, arguing that that economic damage and administrative costs are far higher than the added value of security. The target is introducing visa-free travel for Russia, Ukraine, Moldova and Georgia by 2018 at the latest. In addition to added economic value, the visa-free travel would also support civil society development and strengthening democracy in Eastern Europe. The paper, presented by one of the most important lobby groups in German–Russian relations, is in line with long-standing calls for visa-free travel to EU countries. In contrast with the Russian position, the Committee on Eastern European Economic Relations is also asking the Russian side to improve administrative issues such as the registration of incoming foreigners. Overall the position paper initiated a broad and positive debate, in a way that also differs from a previous German attempt to minimise requirements for a Schengen visa. (In March 2000 former State Minister Ludger Volmer issued a decree facilitating the issue of Schengen visas without consulting the other EU partners. Also because of some administrative shortcomings the Volmer initiative could not be implemented further and ended up as the subject of a parliamentary investigation.)

Ideally, German–Russian relations would be driven by common interests and joint values. The realities differ because of the gap of values between both sides, and joint progress is mostly driven by economic interests. 2011 again exemplified the gap of values and its consequences. The Quadriga award, sponsored by Networked Quadriga, a Berlin-based NGO, is for people or groups for their commitment to innovation, renewal, and a pioneering spirit through political, economic, and cultural activities. In 2011 the Quadriga board announced it would honour Vladimir

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4 Ost-Ausschuss der Deutschen Wirtschaft (2011), ‘Dossier zum WTO-Beitritt Russlands’, 14.12.2011, <http://goo.gl/pnW7R>.

5 Committee on Eastern European Economic Relations (2011), ‘Roads to Visa-free Travel’, <http://goo.gl/ngCfS>.



Putin for his success in German–Russian relations. The announcement was highly criticised by the German public and former recipients of the prize because of Putin’s lack of democratic values, and finally the 2011 awards and ceremonies were cancelled. One can perceive the debate and its result as another litmus test for whether German–Russian relations must be based on joint interests, coming to the conclusion that a Russia-first result based on high-level political friendship is of limited sustainability. Considering this, the German government has been continuously emphasising the importance of bottom-up relations. While sometimes it does not go beyond lip service given on the occasion of high-level summit meetings, the EU–Russia Civil Society Forum is giving new signals involving Berlin and Moscow in a European context. The Forum was officially inaugurated on 28–29 March, 2011 in Prague.<sup>6</sup> The Forum is to a certain extent modelled on the Civil Society Forum of the European Union, but differs because of the lower involvement of the European Commission. On the other hand, the EU–Russia Civil Society Forum is a format for strengthening bottom-up cooperation and being a watchdog of democratic development in Russia.

The Russian parliamentary elections in November 2011 were followed by civil society demonstrations asking for free and fair elections, and for improving the system of the Medvedev/Putin government. Berlin’s policy-makers were as surprised as other Western alliance members, as they had had a critical eye on the presidential election in March 2012. In any case, the future agenda of German–Russian relations depends on domestic developments in Russia. In ideal terms, decreasing the gap between joint values and common interests would improve the conditions for further cooperation. Last year, developments have been indicating a new dynamic in Russia, the importance of international organisations and the limits a personally driven, Russia-first approach. All these factors will have an impact on future developments but opportunities for more sauna or Christmas-tree diplomacy are becoming less common. Using the high potential of German–Russian relations depends on the interests of the other alliance partners such as EU member states, the G8, G20 members and others working with the Moscow–Berlin tandem in a broader sense.

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6 EU Russia Civil Society Forum, <http://goo.gl/cQESm>.

# GREECE

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Relations between Greece and Russia are based in part on the perception of a particular affinity between the two nations in the way both countries experienced the Enlightenment and as a result significant parts of their populations (the religious and conservative right) and their leadership are suspicious of the West. Nevertheless, the record has shown that until now, Greece's bilateral and multilateral relations with Russia have been conducted within the prism of its membership in the European Union and "Europeanisation". Regardless of periodic criticism of Greece breaking ranks with its partners and acting as a Russian "Trojan Horse", it was during the Greek EU presidencies of 1994 and 2003 that EU–Russian relations were advanced. While between 2006 and 2010, cooperation between the two countries increased especially due to a commonality of interests in the energy field, these have entered into a period of deep freeze politically with the advent of George Papandreou as Prime Minister in October 2009 and the focus on dealing with Greece's economic crisis. The only rosy prospect is the ever-growing number of Russian tourists to Greece. Future relations depend in part on Greece's ability to use its leverage in order to enhance relations between the EU and Russia and Russia's attempts to influence the growing anti-Western resentment in Greece as the country is trying to cope with the challenges of painful structural reform.

## Context

Greece and Russia have always had a particular affinity towards each other for a variety of reasons. Part of the answer lies in culture and religion with Eastern Orthodoxy being at the core of this empathy. In part, the conservative right in Greece cultivates this perspective, historically and politically, with its suspicion of the West based on the historical record that neither Russia nor Greece has experienced the Enlightenment. The right's reasoning therefore is based on "the fundamental values of medieval Christian Orthodoxy" (in a way replicating Huntington's argument of a civilisational divide).<sup>1</sup> On the other hand, whereas the advent of the Soviet Union ruptured the aforementioned attachment to the "east", the Greek Communist Party, founded in 1918, remains to this day one of the staunchest believers in Marxist–Leninist orthodoxy, ideology and policy.

The collapse of communism and, in particular, the advent of Vladimir Putin to power in 2000 on the one hand and the ascent to power of George W. Bush in 2001

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1 Andrianopoulos, A. (2008), 'Greece and Russia: dancing to the tunes of Bouzouki or Balalaika?', <http://goo.gl/s4xjU>.

on the other, gave rise to a renewed call for a closer partnership with Russia both on emotive and cultural grounds and as a possible bulwark against US pressures and demands in the fight against global terrorism. The other reason why the conservative right favours a pro-Russia policy has to do with the perceived growing economic, energy-related and geostrategic condominium between Moscow and Ankara and the need to curb it.<sup>2</sup> Also the fact that Greece has been economically challenged and in deep recession since 2008 with public opinion blaming in part bankers, the capitalist system and Western-led creditor states and institutions, has led to a growing clamour for increased ties with Russia. This last point is one that Russia has sought to exploit with its purported offer of a 25 billion USD long-term loan to Greece when George Papandreou, the Greek Prime Minister at the time, visited Moscow on an official visit in February 2010. The loan offer was rejected by Papandreou.

Regardless of the periodic emotive nature of Greek–Russian relations, from a Greek perspective, relations between Greece and Russia are much more nuanced and interest-based within the context and confines of the former’s EU and NATO membership obligations, energy security, the commonality of positions vis-à-vis Kosovo and Cyprus, the perceived balancing with regard to Turkey, and the tug-of-war between the Ecumenical Patriarchate and the Russian Orthodox Church over leadership of the Orthodox world.

Nevertheless, the long introduction regarding the common cultural traits between the two countries has come to the forefront of late in light of the political cold war between Athens and Moscow in 2011. In fact since George Papandreou’s visit to Moscow in February 2010 and the seeming failure to agree on anything of substance in comparison to the six times that Papandreou’s predecessor, Kostas Karamanlis, had met with Vladimir Putin between 2004 and 2009 (in contrast to only twice with Barack Obama), this is indicative of the cold front in relations between the two countries since 2010.

### **Growing Cooperation**

Greek–Russian relations began a phase of heightened cooperation in September 2006 with the official announcement at the highest political level that the Burgas–Alexandroupolis pipeline involving Greece, Bulgaria and Russia would be finally be built some thirteen years after it had been conceived. At that time, the Greek Prime Minister, Kostas Karamanlis, told Vladimir Putin that Greece considers Russia to be “a partner of strategic significance”.<sup>3</sup> Though the financial gains from the deal were not expected to be substantive and the country’s energy needs would not be secured, it “constituted a full-dress rehearsal for the much more consequential and controversial next step in Greek–Russian relations” that came in the form of

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2 Markezinis, V. (2009), ‘Οι ρωσοτουρκικές σχέσεις και η στάση της Ελλάδας’, *ΤΟ ΒΗΜΑ*, 23.08.2009, <http://goo.gl/3z9M>.

3 Bourdaras, G. (2006), ‘Deepening of Cooperation Between Athens and Moscow’, *Kathimerini*, 05.09.2006.

Putin's offer in June 2007 for Greece to be a part of the South Stream natural gas pipeline.<sup>4</sup> This fell in place with Greece's attempt to become a regional energy hub as it implied another energy project requiring its involvement (along with the aforementioned Burgas–Alexandroupolis pipeline and the Interconnector Turkey–Greece–Italy [ITGI] project). Relations with Russia were also upgraded with the decision of the Karamanlis government to buy Russian weapons systems (some 450 BMP-3 infantry fighting vehicles) thereby further expanding Moscow's share of Greece's military procurement market. Furthermore, Moscow was allowed to conduct aeronautical exercises in January 2009 within the Greek airspace over the Aegean Sea.<sup>5</sup> Greece had also been active at the time in ensuring that the EU's Black Sea Synergy policy, because of its inclusive nature aimed at promoting regional cooperation in the Black Sea Region, would take precedence over the Eastern Partnership, which excluded Russia and Turkey, the key hegemon with the European Union in the region. While this growing Russo–Turkish rapprochement was proving popular in Greece, the country was being accused of being a “Trojan Horse” by some observers of Russia's relations with the EU.<sup>6</sup> It was also criticised by some US officials for expanding energy ties with Russia at a time of perceived Russian revisionism, especially in the wake of the Russian–Georgian war of August 2008.<sup>7</sup>

A different take on the aforementioned could suggest that Greece's perceived pro-Russian stand is one of balancing given its deeper understanding of Russia and the willingness of Russian elites to do business with Greece. A careful analysis also shows that the nature of the bilateral relationship does not negatively affect the EU dimension of the relationship and that Greece's behaviour is “Europeanised” and “embedded in the language of a multilateral EU approach and on working towards a strategic partnership with Russia”.<sup>8</sup> In fact, Greece has played a crucial role in enhancing EU–Russian relations both in 1994 when during the Greek presidency the EU–Russia Partnership and Co-operation Agreement (PCA) was signed and then again in 2003 during the Greek presidency when the Four Common Spaces were advanced. Even on the important issue of energy security, there has been no clear EU position.<sup>9</sup> In fact, today many EU member states hedge their bets much as

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4 Tziampiris, A. (2010), ‘Greek Foreign Policy and Russia: Political Realignment, Civilizational Aspects, and Realism’, *Mediterranean Quarterly*, vol. 21, no. 2, p. 80.

5 Ibid., p. 82.

6 Leonard, M. and Popescu, N. (2007), ‘A power audit of EU–Russian relations’, London: European Council on Foreign Relations, pp. 27–30, <http://goo.gl/YOxcF>. Similarly, Cyprus was also accused of supporting Russia's interests to the detriment of its EU obligations.

7 See Tziampiris, op. cit., p. 82.

8 Christou, G. (2010), ‘Bilateral Relations with Russia and the Impact on EU Policy: The Cases of Cyprus and Greece’, *Journal of Contemporary European Studies*, vol. 19, no. 2, p. 226.

9 See Triantaphyllou, D. (2007), ‘Energy Security and Common Foreign and Security Policy (CFSP): The Wider Black Sea Area Context’, *Southeast European and Black Sea Studies*, vol. 7, no. 2, pp. 289–302. Also see Triantaphyllou, D. and Tsantoulis, Y. (2011), ‘Russia in EU and US Foreign Policy: The Energy Security Dimension’, in Cebeci, M. (ed.) (2011), *Issues in EU and US Foreign Policy*, Plymouth: Lexington Books, pp. 271–292.

Greece has done in having a stake in multiple energy projects (even when these might compete with each other).

### **In Deep Freeze since 2010**

The growing, at least rhetorical, “easternisation” of Russia’s foreign policy under the two terms of Putin’s presidency with its anti-West and anti-NATO tilt, calls for a Eurasian Union in October 2011 and even more recently, presidential candidate Putin’s announcement of a massive modernisation of the country’s armed forces are all indicative of Russia’s approach to foreign policy and its cultivated use of bilateral political, economic, and cultural ties with countries like Greece.<sup>10</sup> While this approach might find support in Greece, in particular, within its conservative right, it undervalues the EU straightjacket within which Greece operates in its foreign policy-making. At no recent time have these competing approaches been so evident as in 2011 when relations between Greece and Russia were practically non-existent at the bilateral level.

The coolness of relations has been reflected in a number of “political” incidents during the course of 2011 which indicate Moscow’s discontent with Athens and the ever-changing nature of the various energy projects involving both countries. The foreign policy orientation of the Papandreou government in Greece (6 October, 2009–11 November, 2011) has been one that, other than a short-lived attempt to refresh the rapprochement between Greece and Turkey, has been high-jacked by the sovereign debt crisis and the need to secure the requisite bailout funds to keep the country’s finances afloat. As a result foreign policy had been practically sidelined much as has been the case across the EU with finance ministers assuming the role and visibility previously reserved for foreign ministers. A cursory look at the European Council on Foreign Relations’ European Foreign Policy Scorecard 2012 suggests the EU’s overall inability and failure to project itself upon the world stage in its relations with other major powers as it has been both “distracted” and “diminished” by the euro crisis.<sup>11</sup> As a result, the EU’s efforts in pushing through its agenda with Russia in 2011 were rated as “C+” while Greece was deemed to have been indifferent.

Specifically, in 2011, a spat developed as a meeting in Moscow between the Greek foreign minister and his Russian counterpart had to be cancelled twice at the request of the Greek side in December 2010 and in July 2011. Moscow saw this as contempt on the part of Athens.<sup>12</sup> As a result, the Russian side only accepted to meet the Greek Foreign Minister on the margins of the UN General Assembly in New York in September. Sergei Lavrov also met Stavros Dimas, his new Greek counterpart, on the sidelines of the OSCE ministerial council in Vilnius in December. On the Russian

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10 See, for example, Putin, V (2012), ‘Being Strong’, *Foreign Policy*, 21.02.2012, <http://goo.gl/96Tgb>.

11 European Council on Foreign Relations (2012), *European Foreign Policy Scorecard 2012*, London: European Council on Foreign Relations, <http://goo.gl/pVRpC>.

12 Avgerinos, T. (2011), ‘Greek-Russian Relations on “Ice”’, (in Greek), *Epikaira*, 08.06.2011.

end, both Alexander Grushko and Vladimir Titov visited Athens in their capacity as Deputy foreign ministers in May and October 2011, respectively. At the highest political level, relations were limited to periodic telephone conversations between George Papandreou and Dmitry Medvedev in 2011. Relations had also soured as a result of the cancellation of the €1.7 billion order of the BMP-3 weapons system. On the energy front, the Bulgarian side's indecision to proceed with the Burgas–Alexandroupolis pipeline project has also put a damper on energy cooperation and on the country's plan to be an energy hub as the viability of the ITGI has also come under scrutiny.<sup>13</sup>

There was high-level political interaction between the two countries in late January 2012 when Antonis Samaras, the Greek opposition leader, visited Moscow and was received by Vladimir Putin among others.<sup>14</sup> This visit was warmly greeted by the conservative right in Greece and the out-of-character meeting with Putin could be interpreted as an attempt by Moscow to rekindle relations around the theme of “traditional” friendship with Greece. To many in Greece, the expected Putin–Medvedev switch at the helm of Russia in March 2012 seems to personify the affinity between the two countries and an alternative to the rising anti-Western sentiment in Greece as a result of the economic crisis and the demands by the country's creditors.

On the economic front, according to official figures to date (covering the first 9 months of 2011), although Greek exports to Russia are on the rise, the overall trade balance is negative.

	Jan.–Sep. 2011 (in euros)	Jan.–Sep. 2010 (in euros)	% change
<b>Greek exports</b>	290,684,421	220,456,705	+31.85
<b>Russian exports</b>	3,200,778,207	3,482,412,469	–8.08
<b>Overall trade</b>	3,491,462,628	3,702,869,174	–5.70
<b>Trade balance</b>	–2,910,093,786	–3,261,955,764	–10.78

Source: Office of Economic and Commercial Affairs, Embassy of the Hellenic Republic in Moscow, 08.12.2011.

On the tourism front, the interaction has been increasing with some 370,000 Russian tourists having visited Greece in 2010 compared to 290,000 in 2009.<sup>15</sup> According to the Athens News Agency, it is estimated that some 600,000 Russian tourists visited Greece in 2011 with estimates for a 20–25% rise in 2012.<sup>16</sup>

13 Tsakiris, T. (2011), ‘The Battle of the Pipelines: The Need for a Greek Plan B’, *ELIAMEP Briefing Note*, 6/2011.

14 Geropoulos, K. (2012), ‘Samaras tries to rekindle ties with Russia’, *New Europe*, 29.01.2012, <http://goo.gl/iNRGV>.

15 Embassy of the Hellenic Republic in Moscow (2011), ‘Annual Report of the Economy of the Russian Federation for 2010’ (in Greek), June 2011.

16 *Athens News Agency-Macedonian Press Agency* (2012), ‘Estimates for a 20-25% Rise in Tourism from Russia’, (in Greek), 28.02.2012, <http://goo.gl/grbLI>.

## Quo Vadis Greek–Russian Relations?

With the growing concern surrounding the geopolitical consequences of the Greek crisis and deep malaise on the home front, Greeks and their leaders may be looking for ways to strengthen their hand.<sup>17</sup> The Samaras visit to Moscow in January 2012 and his reception by Vladimir Putin as Greece's next prime minister underlines the fact that relations between the two countries could potentially warm up again after a long period of frost. On the one hand, the growing hostility to all things western in Greece provides Russia with a welcome platform for strengthening its bilateral ties on a variety of fronts. These include energy where there is a commonality of interests between the two countries to ensure that they work together despite the Bulgarian government's decision to cancel the Burgas–Alexandroupolis project. Greece will continue trying to balance out its interests both in the South Stream pipeline and the Southern Gas Corridor. Also, both the ITGI and the Trans-Adriatic Pipeline (TAP) are meant to carry Russian oil. Russia still has an interest in selling weapons systems to Greece despite the failure of the BMP-3 deal as Greece might need spare parts for some of its Russian-made military hardware. The question is whether Greece can maintain its European and Euro-Atlantic orientation while pursuing a more proactive policy towards Russia and other global players in promoting its political and economic interests. Should there be growing resentment in Greece from a perceived lack of EU solidarity for its woes, Russia may well make inroads on emotive grounds about the need for a closer partnership. On the other hand, the economic crisis compels Greece to rethink objectives and priorities in its foreign affairs and the return of the policy of balancing and contributing to the improvement of relations between the EU and Russia is one that merits serious consideration. The problem is that Greece over the short to medium term will continue to devote its energy in dealing with the economic crisis and reforming its public sector while at its helm it will have weak coalition governments with weak leaders that could easily be swayed by the anti-Western sentiments of their electorates and that would be tempted by the increasingly anti-Western Russian camp. The question thus is how to avoid becoming a "Trojan Horse" for real by keeping the "Europeanisation" component of Greece's foreign policy as the principal guiding force as it re-evaluates its relations with the Russian Federation.

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17 See, for example: Lesser, I. (2011), 'Greece: A Geopolitical Crisis', *GMF Blog*, 23.06.2011, <http://goo.gl/18obA>. Also see: Dokos, T. (2012), 'Who Lost Greece? The Geopolitical Consequences of the Greek Crisis', *ELIAMEP Policy Paper*, no. 18, <http://goo.gl/9BKgb>.

# HUNGARY

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This paper is aimed at giving a comprehensive, policy-oriented overview on the contemporary relations between Hungary and the Russian Federation. The question to be answered is whether and to what extent Hungary has managed to realise its policy objectives to intensify its economic contacts with Russia and to decrease its dependency on natural gas at the same time. The author argues that though from the Hungarian side there is considerable will to improve bilateral economic and trade relations with Russia, in fact only moderate successes were achieved in 2011. In the framework of EU–Russian relations, Hungary has been supportive of visa liberalisation, Russia's constructive cooperation with the Eastern Partnership, as well as Russia's WTO membership. In terms of bilateral relations, in 2011 Hungary prioritised the development of economic and trade relations with Russia, driven by the purpose of intensifying relations with the wider East. Therefore, it is not surprising that the December 2011 parliamentary elections in Russia were received in Hungary without any major official criticism or debate. Both the political elite and the public seem to be committed to a pragmatic, interest-based relationship, regardless of domestic Russian political developments.

## **The General Foreign Policy Context and the Hungarian EU Presidency**

The present Hungarian government of Viktor Orbán that came to power in 2010 voiced its intent in the government programme to open up the Hungarian economy towards the East, including Russia, primarily in economic terms.<sup>1</sup> This had to be done, of course, by maintaining the advantages originating from EU membership. Besides the government programme, Orbán and members of his cabinet often emphasised in various interviews that the government wanted to re-launch cooperation with Russia on a pragmatic basis.

The first half of 2011 was naturally dominated by the EU presidency. In the official presidency programme<sup>2</sup> not much was said about Russia. Hungary only declared that the presidency supported the WTO accession of Russia and the presidency “sought to achieve progress in the visa dialogue with Russia, Ukraine and Moldova”.

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1 'A Nemzeti Együttműködés Programja', 22.05.2010, p. 39, <http://goo.gl/PHuot>.

2 'Strong Europe. The Program of the Hungarian Presidency of the Council of the European Union', p. 54, <http://goo.gl/bwuN5>.



In the first half of the presidency period, on 7 February 2011 Hungarian Minister of Foreign Affairs János Martonyi was invited to Moscow by his Russian colleague, Sergey Lavrov. This was the first foreign ministerial visit to Russia in the last five years. Martonyi declared that besides visa liberalisation and WTO accession, Hungary was also supporting the strengthening of the EU–Russia Partnership for Modernisation and the settlement of the Transnistrian conflict. Lavrov expressed his hope to see some progress in the project of the EU–Russia Security Committee during the Hungarian presidency.

In the general framework of EU–Russian relations, Hungary puts its economic interests in first place, and is rather reluctant to criticise Russia about questions of human rights and democracy. Naturally, Budapest follows and obeys the relevant EU policies and guidelines, but is not engaged in anything more than that. There is no bilateral human rights dialogue going on between Budapest and Moscow. For example, though some EU member states were in favour of following the US and introduced a visa ban on those Russian officials who were involved in the murder of Sergey Magnitsky, Hungary considered the case “unclear”, and did not join the initiative. The same applies to the territorial integrity of Georgia. Budapest, naturally, supports the re-integration of the breakaway regions, participates in the EU Monitoring Mission (EUMM) and did not recognise the “elections” in Abkhazia and South Ossetia – but makes no effort to put additional pressure on Russia in these issues,<sup>3</sup> unlike, for example, how Poland or Great Britain often does by frequently mentioning the Russian troop presence in Georgia, etc. All in all, one can well agree with the assessment prepared by the European Council on Foreign Relations in 2010, in which Hungary was called a “friendly pragmatist” concerning its relationship with Russia.<sup>4</sup>

Following the end of the EU presidency the importance of bilateral issues has grown again in Hungarian foreign policy. Regarding Russia, the outlines were set by Viktor Orbán during his briefing for the Hungarian Heads of Missions serving abroad on 31 August, 2011. Orbán spoke about a “competition for allies”, namely that several members of the transatlantic community were competing for establishing close alliances with Russia, China and the Arab countries. Consequently, as Orbán declared, Hungary should do the same and strive for a deeper alliance with these countries, though naturally without giving up the transatlantic commitment.

These intentions were further confirmed and strengthened by a new comprehensive document that was published by the Ministry of Foreign Affairs in December 2011, titled “Hungarian Foreign Policy after the EU Presidency”.<sup>5</sup> Though the document did not name any new priority or objective regarding Russia, it

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3 Interview with Hungarian diplomat, 11.10.2011.

4 Leonard, M. and Popescu, N. (2007), ‘A power audit of EU–Russian relations’, London: European Council on Foreign Relations, <http://goo.gl/YOxcF>.

5 Külügyminisztérium (2011), ‘Magyar külpolitika az uniós elnökség után’, <http://goo.gl/B117d>.

confirmed that the Hungarian commitment to a pragmatic relationship did not change even after the EU presidency was over.

The new document was launched only a few days after the Russian parliamentary elections, which took place on 4 December, 2011. The elections and the following demonstrations were intensively covered by the Hungarian media, and also by the academic community. A number of analytical papers were published on the prospects of the possible democratisation, but the government remained surprisingly silent and avoided any extensive criticism.

Contrary to the general desire to intensify bilateral relations, in summer 2011 an unusually serious political scandal broke out: charges of espionage, violation of state secrets and abuse of power were raised against the former leaders of the Hungarian domestic counter-intelligence service. According to the charges, the accused leaders let a private company have access to the personnel data and confidential information of the secret service, which had close ties with Russia. The extent of the damage was naturally not published. Among the accused are two former directors of the secret service and also former Minister of Security Services György Szilvássy. The trials are currently going on. It is not yet known whether and how this issue is going to affect bilateral relations.

### **Economy, Trade and Energy**

The Orbán government came to power with the intention of solving all the problematic bilateral issues preferably in one package deal and thereafter improving bilateral trade significantly.<sup>6</sup> Bilateral trade has already shown steady progress since 2002,<sup>7</sup> except the natural setback caused by the financial crisis, but the new government has intended to boost it even more. However, there were several sources of tension in the bilateral economic relations inherited from the previous years. The general plans of the Hungarian government to decrease energy dependency on Russia were indeed not welcome in Moscow. A sensitive question indeed was related to the 21.22% share of the Russian Surgutneftegaz in the MOL Hungarian Oil and Gas Company. Besides, Russia intends to participate in the reconstruction of the Paks nuclear power plant, about which the decision is likely to be made soon. Another problematic issue is the recently defaulted Malév Hungarian Airlines, in which the Vneshekonombank held a 5% property share, and provided also a €120 million loan in 2010.

The most important trade-related event of 2011 was the session of the Hungarian–Russian Intergovernmental Committee on Economic Cooperation in Moscow on 17–18 March. According to the official news about the meeting, mostly questions of energy security, energy pricing and nuclear cooperation were

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<sup>6</sup> Interview with Hungarian diplomat, 11.10.2011.

<sup>7</sup> For more information, see the website of the Hungarian Statistical Office, [www.ksh.hu](http://www.ksh.hu)

discussed, along with mapping the possibilities of mutually participating in large national development projects in both countries. Minister of National Development Tamás Fellegi had a closed-door meeting with Deputy Prime Minister Igor Sechin and Minister of Finance Aleksey Kudrin, in the course of which they discussed all the problematic questions. Following the meeting, a declaration on a modernisation partnership was signed by Fellegi and First Deputy Prime Minister Viktor Zubkov.

Fellegi, who also held the position of Government Commissioner for Hungarian–Russian Economic Relations until his resignation in December 2011, met Viktor Zubkov several times during the year. In October 2011 following their seventh meeting in Budapest, Zubkov was also received by Prime Minister Orbán. This was the highest-level meeting in Hungarian–Russian bilateral relations in 2011. However, nothing very concrete was published about the results of these meetings; the official declarations spoke mostly about “intensive dialogue”.

Concerning the numerical results in the field of trade, Hungarian–Russian trade turnover increased by more than 24% compared to 2010, according to the available January–October data. However, bilateral trade showed a negative balance, as Hungarian exports to Russia grew by only some 7%, reaching the approximate value of 3 billion USD, while imports increased by 32.5%, to the overall value of approximately 7.4 billion USD.<sup>8</sup> Hungarian exports to Russia were composed of machinery and transport equipment (53.92%), processed goods, mostly medicines (38.2%) and agricultural goods, food, drinks and tobacco (6.53%). Imports from Russia were dominated by energy resources (90.56%), while raw materials constituted a share of 4.7%. Processed goods, mostly chemicals, made up 3.97%.

All in all, according to these data one can state that although Budapest managed to intensify its trade relations with Russia in 2011, Hungarian exports grew much less than imports. Hence, the negative trade balance with Russia practically could not be improved at all.

The only exception is agriculture, which indeed proved to be a prospective field of cooperation. The government’s strategic objective was to intensify Hungarian food exports to the Russian Federation. Following the visit of Hungarian Minister of Rural Development Sándor Fazekas to Moscow on 7 February, 2011, Hungary was given the phytosanitary audits necessary for importing certain food products (processed meat and dairy products) to the Russian Federation in July. However, taking into account the minuscule share of agricultural goods in Hungarian exports to Russia, these successes should not be overestimated.

### **Decreasing the Dependency on Russian-origin Natural Gas**

In terms on energy security, and particularly concerning natural gas, Hungary is highly dependent on the Russian Federation. More than ninety percent of the

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8 Hungarian Central Statistical Office, [www.ksh.hu](http://www.ksh.hu).

imported natural gas comes from Russia through the Brotherhood pipeline that crosses Ukraine. As Hungary itself has no significant transit positions, the situation may well be described as a triple dependency: Hungary lacks any alternative sources of natural gas, any alternative transit route and also transit position.

Hence, diversification has been high on the energy security agenda of the consecutive Hungarian governments since the mid-1990s.<sup>9</sup> Budapest is actively participating in building gas interconnectors across the wider Central European region, and in a wider Visegrad Four context it advocates the necessity of building a North–South corridor and thus eliminating energy islands. Hungary’s commitment to the diversification of European gas supply routes is also confirmed by the results of the recently published European Foreign Policy Scorecard 2012 research project.<sup>10</sup>

The previous governments deliberately avoided any final choice between Nabucco and the South Stream, and kept Hungary committed to both pipeline projects. While in opposition, Viktor Orbán often attacked them because of their engagement in the South Stream. However, according to a WikiLeaks cable, in 2010 Orbán admitted to American diplomats behind closed doors that he would have followed the same multi-track policy that the previous governments pursued.<sup>11</sup>

In fact, this was what he did: the new government has continued the multi-track, diversification-oriented policies of its predecessors. The government programme openly aims at achieving “energy independence”. Hence, Hungary has preserved its commitment both to the Nabucco and the South Stream pipelines. Additionally, in September 2010 Viktor Orbán signed the Baku Declaration and joined the AGRI (Azerbaijan–Georgia–Romania Interconnector) project. This move reportedly raised some concern in Moscow.

In addition to these, the construction of new interconnectors that connect the gas systems of Central Europe has also been going on. The Hungary–Romania interconnector was completed in October 2010, the one with Croatia in December 2010, while the Slovakia–Hungary pipeline is just being built. The feasibility study of the Hungary–Slovenia pipeline is also ready.

However, the long-term gas delivery contract with Russia remains an issue of serious concern. The contract with Russia ends in 2014 and as of early 2012, there seems to be no progress towards signing a new one. The Hungarian government intends to launch the negotiations in 2012, in order to avoid time pressure. On the contrary, Russia would like to start the talks only in the very year of expiration, thus

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9 Andzsans-Balogh, K. (2011), ‘The Road to Hungarian Energy Security’, *Journal of Energy Security*, 15.03.2011, <http://goo.gl/Ko34h>.

10 European Council on Foreign Relations (2012), *European Foreign Policy Scorecard 2012*, London: European Council on Foreign Relations, p. 136, <http://goo.gl/pVRpC>.

11 *Origo* (2011), ‘WikiLeaks: Politikai játékszernek használta Orbán az orosz gázvezetékét’, 02.09.2011, <http://goo.gl/d94lk>.

in 2014.<sup>12</sup> *Nota bene*, the next parliamentary elections in Hungary are due to take place in 2014 as well. Thus one may well suppose that Russia intends to use the gas contract negotiations to put direct political pressure on Hungary.

### **Nuclear Energy**

Hungary has a Soviet-type nuclear power plant in the city of Paks with four reactor units. The Paks power station satisfies approximately 40% of the country's electricity needs. In May 2009 the Hungarian government decided to both reconstruct and extend the power plant by building one or two new reactor units, with an approximate capacity of 1600 MW each. The tenders for the construction are not launched yet. However, the United States, Russia, France, and South Korea already voiced their interests in participating in the project.

While still in opposition, in 2009 Viktor Orbán once said in an interview about Paks: "It is a Russian-type power plant. Thus in my opinion neither can we conduct the reconstruction without the Russians, nor can we leave them out of building a new one. Thus Russians are likely to participate [...] in one of the great national endeavours of becoming independent of natural gas."<sup>13</sup>

Thus, it is not surprising that when Orbán came to power in 2010, the Russian participation in the Paks project became an important item of the Russian–Hungarian intergovernmental agenda. According to the press, the Hungarian government intends to quickly move forward. Minister Fellegi met several times with representatives of Rosatom and Atomstroieksport during his frequent visits to Moscow. Ernő Keskeny, Deputy Chairman of the Hungarian–Russian Intergovernmental Commission on Economic Cooperation, declared in an interview in April 2011 that although several competitors are interested in the Paks reconstruction, "The Russian offer will be obviously very strong." The decision has not been made yet, but the government reportedly intends to launch the tender in early 2012.

### **The MOL Case**

The Russian gas company Surgutneftegaz acquired 21.22% of the shares of the MOL Hungarian Oil and Gas Company in March 2009 from the OMW for 1.4 billion euros, thus becoming the largest shareholder of the MOL. The Hungarian state perceived the transaction as an overture of a hostile takeover effort, aimed mostly at the large oil-refining capacities of the MOL. Another probable motivation of the Surgut was to get access to the technical documentation of the Nabucco pipeline, in which

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12 *Piac és Profit* (2011), 'Gáz Magyarországnak: az oroszok nem tárgyalnának még', 01.02.2011, <http://goo.gl/Wc7H4>.

13 Author's translation. 'A parlamentet kell a középpontba helyezni' (2009), <http://goo.gl/dQNWf>.

the MOL has been a key partner. Though with various administrative resources the Hungarian government, along with the MOL management, did their best to keep Surgutneftegaz out of the company's decision-making, this was not a strategy that could have been sustained forever.

Hence, soon after he came to power, Viktor Orbán declared his willingness to "solve the situation" and buy back the shares even at a price much above the market one. Finally on 24 May, 2011 the Hungarian state signed an agreement with Surgutneftegaz on buying back all its MOL shares, for altogether 1.88 billion euros. By selling the MOL shares to the Hungarian state, Surgutneftegaz realised a decent profit of more than 480 million euros in two years' time. Hungary also realised its security-motivated objective of buying back the shares. However, the deal is still far from a win-win situation: Hungary blocked a Russian strategic acquisition effort by using administrative and legal tools that could be termed dubious.

### **Malév**

When the Orbán government came to power, 95% of the extremely non-profitable and heavily indebted Malév Hungarian Airlines was owned by the Hungarian state, following several years of turbulent privatisation and re-privatisation deals that also involved the Russian Airbridge air company of Boris Abramovich. However, 5% of Malév was still owned by the Vneshekonombank (VEB) through the earlier dominant Airbridge. Moreover, VEB provided a loan of €120 million, yet in 2009–2010 that was not paid back following the re-privatisation, thus the issue remained high on the Hungarian–Russian intergovernmental agenda.

Additionally, in December 2011 the European Commission ruled that the financial support given earlier to Malév by the Hungarian state was against EU law, and thus had to be paid back. This was the final blow that, along with the still critical financial situation of the company, led to the sudden default of Malév on 3 February, 2012.

Russian–Hungarian negotiations on Malév were conducted even in mid-February 2012, and VEB was reportedly ready to provide further loans in order to save its earlier investments. It remains to be seen whether VEB will participate in the re-start of Malév in one form or another.

### **Conclusions**

The Hungarian government that came to power in 2010 aims at intensifying its relations with Russia on a pragmatic basis dominated by economic and trade motivations. At the same time, however, it intends to decrease Hungary's dependency on Russian-origin natural gas supplies, which seems to be in a hard-to-solve discrepancy with the overall intensification plans. This double-faced approach is reflected in the relevant official foreign policy documents as well.

Hungary follows the EU-level decisions and policies regarding Russia and supported both Russia's WTO membership and is in favour of visa liberalisation. However, Budapest takes no additional critical actions, and does not get engaged in human rights-related dialogues, in order to not endanger the pragmatic relationship it intends to have with Moscow.

Taking into account these intentions, the answer to the research question of whether 2011 was basically a successful year for Hungary in terms of realising its objectives with Russia is that although Hungary achieved a number of successes, no strategic breakthrough was reached. Hungary, however, made steps towards the long-term objective of decreasing the country's dependency on Russian natural gas. Buying back the MOL shares from Surgutneftegaz was a remarkable success, and construction of various interconnectors that decrease the vulnerability of the Central European gas transport sector has also been going on. However, certain sources of tension not only prevailed, but became even more poignant, like the Malév case and the question of the long-term gas contract that expires in 2014.

All in all, in 2011 Hungary achieved some success concerning its intentions to reset bilateral relations on a pragmatic basis; however, taking into account the issue of the long-term gas contract in particular, it could not persuade Russia to do the same.

# ITALY

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The main themes that dominated the relationship between Italy and Russia in 2011 were the three “usual suspects”: bilateral trade, energy and European security. Italy’s position on the main issues regarding Russia’s relationship with the EU has been generally receptive to Moscow’s demands and eager to involve it as much as possible. This is a typical feature of Italian foreign policy towards Russia that has always favoured a cooperative approach towards Moscow. Certainly, the fact that Eni, Italy’s main energy company, is not only the main international customer of Gazprom, but has also agreed to develop significant cooperation projects with Russia’s giant gas monopoly, which cut through several phases of the oil and gas industry line, both upstream and downstream, certainly plays a role, but this does not account completely for Italy’s Russia policy. The idea lying behind Italy’s cooperative relationship with Moscow is that the big Eastern country is an essential factor in the equation of European security. However, this attitude has generally been limited to declarations, like the well-known Berlusconi plea that one day Russia would join the EU. Also, Italy has mainly attempted to favour the dialogue between Russia and the EU as a whole or the US, but has failed to put forward specific and concrete proposals, for example on issues having to do with the security in the portion of the former Soviet space, which is now a neighbourhood in common between Russia and the EU. Finally, this strong bilateral relationship is likely to continue even with the new Monti government in Italy that has replaced that of Berlusconi.

## **The Main Themes Dominating the Relationship between Italy and Russia**

Both Italy and Russia have seen important developments over the course of 2011: in the former Silvio Berlusconi, who for better or worse has dominated Italian politics for over 15 years, resigned and handed the controls over to a technical government led by former EU Commissioner Mario Monti amid a serious economic and political crisis whose effects reverberated throughout the whole EU. In the latter, the parliamentary elections of December were characterised by the United Russia Party’s unsurprising victory that obtained less than 50% of the votes, down from the 64% of the votes that it got four years earlier. However, these facts did not change the fundamentals of the relationship between Italy and Russia, as the “privileged relationship” between the two countries has not seen any change under the new Italian executive and it is not going to do so. The main themes that dominated the relationship between Italy and Russia in 2011 were the three “usual suspects”: bilateral trade, energy and European security. Although less important,



the cultural aspect should also be factored in, not only because it has always been a reciprocal element of attraction, although more by Russians towards Italy than vice versa, but also because 2011 was the year of Italian language and culture in Russia and the year of Russian language and culture in Italy. The abovementioned topics have for a number of years constituted the pillars upon which the close relationship between Rome and Moscow has developed. As far as trade and economic issues are concerned, Italy is Russia's third main partner inside the EU, after Germany and the Netherlands.<sup>1</sup> The turnover of the bilateral trade exchange in 2010 was €21 billion, up from the €18 billion of the previous year and in the first two quarters of 2011 it totalled €12.8 billion.<sup>2</sup> After the Netherlands, Italy is the second buyer of Russian exports within the EU and even though Italian exports to Russia have lately been suffering from a decrease in competitiveness vis-à-vis the cheaper products of other countries, Italy still ranks 7<sup>th</sup> among the main suppliers to Russia, being preceded by China, Germany, the United States, Ukraine, Japan and France. Notwithstanding Russia's difficult investment environment, there are over 500 Italian companies operating there, mainly in the Moscow area.<sup>3</sup> Besides its important investments in the energy sector, through its main energy company, Eni, and energy provider, Enel, Italian companies are mainly active in the following sectors: high-tech, telecoms, carmakers, household appliances and aeronautics. As for Russian exports to Italy, the lion's share is made up by energy. Currently, Italy imports 24% of natural gas and 13% of crude oil from Russia.<sup>4</sup> Russia is the first energy supplier of Italy, but a closer look at the data reveals that in the last twenty years Italy has succeeded in diversifying its suppliers (Algeria, Libya, Gulf countries), to the extent that Russia's share of overall Italian gas imports has gone down – and significantly so – while oil imports have oscillated above and below 15 percent after an initial surge.<sup>5</sup> As a result, former Italian Foreign Minister Franco Frattini had a point when, referring to the recurrent critiques levelled at Italy for its supposed energy dependence on Moscow, he retorted that Italy “depends less on Russia for its energy needs than other countries”<sup>6</sup> and has “one of the most diversified portfolios of energy suppliers in Europe”. On the other hand, it is a matter of fact that not only is Eni the main international customer of Gazprom, it has also agreed to develop significant cooperation projects with Russia's giant gas monopoly, that cut through several phases of the oil and gas industry line, both

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1 Arbatova, N. (2011), 'Italy, Russia's Voice in Europe?', *Russie.Nei.Visions*, no. 62, <http://goo.gl/BeypZ>.

2 Ministero degli Affari Esteri (2011), 'I nuovi rapporti tra Italia e Russia', 27.12.2011, <http://goo.gl/I9maF>.

3 De Bonis, M. (2009), 'Roma e Mosca, amore e affari', *Limes*, 3/2009, pp. 153–160.

4 Alcaro, R. "Neither hidden ally nor true foe. Italy's idiosyncratic affair with Russia", in David, M., Gower, J. and Haukkala, H., *National perspectives on Russia: European foreign policy in the making*, Routledge, forthcoming 2012, p. 3.

5 Ibid.

6 'Италия выступила против Nabucco и поддержала "Южный поток"' (2009), <http://goo.gl/Fhx55>, cited in Arbatova, N., op. cit., p. 10.

upstream and downstream (extraction and production, transport, distribution) worth billions of euros. In 2007 Eni agreed to buy gas from Gazprom until 2035, in a move intended to secure Italy's purchase of energy from Russia over a long time and to consolidate an already extremely solid strategic and commercial relationship. The most important among the many reproaches that the United States and the EU have advanced to this strategic relationship, arguing that it would increase European security dependence on Russia, is possibly the Eni-Gazprom agreement to build the South Stream pipeline. The project, due to be completed by 2015, is supposed to bring up to 63 billion cubic metres (bcm) from Russia to south-eastern European countries through an offshore pipeline under the Black Sea. The point is that most analysts see the South Stream project as a clear alternative to the Nabucco project that is supposed to bring Caspian gas to Europe through Turkey. The European Commission and a number of EU countries and also the United States have stressed that since Nabucco will bypass Russian territory, it will allow the EU to effectively diversify its energy supplier countries. As time goes by, however, while the prospects for the building of Nabucco are diminishing, the South Stream project is progressing and it is attracting the interest of companies from different EU countries. On September 16, 2011 Eni and Gazprom signed a number of agreements in Sochi, one of which provides for a change in the ownership structure of South Stream AG, the company in charge of building the offshore section of the South Stream. Eni sold 30% of its share to two companies, France's *Electricité de France* and Germany's *Wintershall* that ended up acquiring, respectively, 15% of the company, while Eni is left with 20% of it. Gazprom retained its 50% ownership.

Obviously, the strong Eni-Gazprom partnership does have much political influence on the relationship between the two countries. Thinking the contrary would not just be naïve, it would not allow the relations between Rome and Moscow to be fully understood, and this is widely shared among the international diplomatic community. However, it would also be an oversimplification of reality to assume that Italy's cooperative attitude towards Russia is due only to trade and commercial interests. In fact, there is much more to that. Italy has since the end of the Cold War embraced the idea, shared by other European countries, most notably Germany, of engaging Russia in a constructive dialogue with both NATO and the EU about European security and associating it with the West's main fora of dialogue, such as the G7/8.<sup>7</sup> This attitude was more pronounced under the Berlusconi governments for two reasons: on the one hand, he had constantly tried to appear as an effective mediator between Washington and Moscow, boasting good relationships with both capitals. This led him to overemphasise the role that he himself and Italy at large would have played in a number of circumstances to help bring together the two actors, like on the occasion of the set-up of the NATO-

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7 Alcaro, R. op. cit., p.4.

Russia Council during a meeting held in the Italian military base of Pratica di Mare, near Rome, back in 2002. Secondly, the strong and often excessive role Berlusconi tended to assign to personal relationships between political leaders has often resonated well in non-Western countries, like Russia, while it was generally not well received in the US or in other EU countries.

### **Significant Developments in Bilateral Relations in 2011**

2011 was marked by a number of summit meetings between Medvedev/Putin and Berlusconi and by other very important meetings between Eni's Chief Executive Officer (CEO) Paolo Scaroni and the President of Gazprom, Alexei Miller. On February 16<sup>th</sup> a summit between Italy and Russia was held in Rome, with the participation of Berlusconi and Medvedev, each of them accompanied by a number of ministers as well as by a business delegation. On that occasion, a number of important bilateral agreements were signed: 1) an energy deal between Gazprom and Eni, which paved the way for the transfer from<sup>8</sup> Eni to Gazprom of half of the former's share in the company in charge of the development of the Elephant oilfield in Libya. Contextually, the two parts agreed to finalise a deal on the sale of the gas that will be produced in Siberia by Severenergia, a company owned by Gazprom and Eni; 2) a defence deal, by which Italian personnel and non-sensitive material directed to Afghanistan would pass through Russian airspace, following a similar agreement, signed in Sochi on 3 December, 2010 regarding the railway transit of Italian troops and material; 3) the year of Russian language and culture was inaugurated in Italy, while the year of Italian language and culture was inaugurated in Russia. On June 1<sup>st</sup>, on the margins of the celebrations for the 150<sup>th</sup> anniversary of Italy's unification, Berlusconi met Medvedev in Rome, first in a bilateral talk, then in a trilateral one, extended to US Vice President Joe Biden. Over the meeting the three of them discussed a number of pending issues, including missile defence. Ten days earlier, Italian President of the Republic Giorgio Napolitano, who has played an influential role in the forging of some aspects of Italy's foreign policy, had called for NATO to continue engaging Russia in the debate over missile defence, in spite of the difficulties.<sup>9</sup> On June 24<sup>th</sup>, Italian Minister for Foreign Affairs Frattini and Deputy Prime Minister and Finance Minister Alexei Kudrin co-chaired the meeting of the Italian–Russian Council for Economic Cooperation. The two parties agreed to further economic cooperation, in particular as far as the transfer of technology is concerned. Frattini also expressed Italy's full support for Russia's accession

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8 Ministero della Difesa (2011), 'Difesa: accordo Italia – Federazione russa su uso spazio aereo per transito uomini e materiali per Afghanistan', 16.02.2011, <http://goo.gl/KGgG8>; Eni (2011), 'Eni e Gazprom firmano nuovi accordi' 16.02.2011, <http://goo.gl/1L1xW>; Ministero Beni Culturali (2011), 'Inaugurato l'anno della cultura e della lingua russa in Italia e della cultura e della lingua italiana in Russia', 16.02.2011, <http://goo.gl/J4FIX>.

9 Napolitano, G. (2011), 'Intervento del Presidente Napolitano alla NATO Defence College in occasione del suo 60° anniversario', 20.05.2011, <http://goo.gl/4uDtM>.

to the World Trade Organization (WTO) and to the Organisation for Economic Co-operation and Development (OECD).<sup>10</sup> The Gazprom–Eni cooperation aimed at building the South Stream pipeline was reaffirmed in a meeting between Scaroni and Miller, which was held in Rome on September 5<sup>th</sup>.<sup>11</sup> On November 10–11 Italian Chief of Defence Staff General Biagio Abrate met his Russian counterpart, General Makarov, who announced that the two countries would carry out another joint military exercise in 2012, as a follow-up of the training operation that had taken place in Russia in September and that involved Italy's Alpine troops. Makarov also announced that Russia was interested in buying Italian tanks, as this cooperation would be instrumental in achieving a good level of cooperation in the field in crisis situations.<sup>12</sup>

### **Italy's positions on the main issues structuring Russia's relationship with the EU**

Italy's position on the main issues regarding Russia's relationship with the EU has been generally receptive to Moscow's demands and eager to involve it as much as possible. Italy has adopted a favourable position on possible visa liberalisation for Russian citizens for a number of reasons, not least out of the desire to attract more Russian tourists.<sup>13</sup> On the way to Warsaw's Eastern Partnership (EaP) summit, Italy had put forward two requests: that the strengthening of relations with countries from Eastern Europe would not result in a weakening of relations with the countries from the southern Mediterranean and that the EaP would involve Moscow in some of its projects. As mentioned above, this is a typical feature of Italian foreign policy towards Russia that has always favoured a cooperative approach towards Moscow. The idea behind it is that the big Eastern country is an essential factor in the equation of European security. However, this attitude has generally been limited to declarations, like Berlusconi's well-known plea that one day Russia would join the EU. Also, Italy has mainly attempted to favour the dialogue between Russia and the EU as a whole or the US, but has failed to put forward specific and concrete proposals, for example on issues having to do with security in the portion of the former Soviet space that is now a neighbourhood in common between Russia and the EU. Here, a contribution of ideas and proposals from Italy would be expected. However, "Italy seems strikingly uninterested in such undertakings, as if it considered it a waste of time because of Russia's predictable

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10 Ministero degli Affari Esteri (2011), 'Italia-Russia: alla Farnesina il Consiglio per la Cooperazione Economica', 23.06.2011, <http://goo.gl/07oiy>.

11 Eni (2011), 'Incontro di lavoro a Mosca tra Alexey Miller e Paolo Scaroni', 05.09.2011, <http://goo.gl/DvvZY>.

12 Ministero della Difesa (2011), 'Visita del Capo di Stato Maggiore della Difesa in Russia', 11.11.2001, <http://goo.gl/hFMtT>.

13 Popescu, N. (2011), 'On EU–Russia visa free travel (Part 1)', *EU Observer Blogs*, 15.09.2011, <http://goo.gl/gatLY>.

stubborn resistance to Western initiatives".<sup>14</sup> Similarly, "Italy has also been equally timid when the initiatives have come from Moscow".<sup>15</sup> More in general, it seems that Italy's EU policy and Italy's Russia policy proceed in parallel, without creating the necessary synergies between the two that would help to achieve some of the stated objectives. This may also be partly due to the difficult balancing between loyalty to the EU and NATO and the "privileged relation" with Moscow.

### **Domestic Reactions/Debate as Regards Russian Elections**

The Putin–Medvedev switch of positions in view of the presidential elections due on 4 March, 2012 announced in late September basically did not catch anyone by surprise. Political leaders did not discuss the issue at length, but the media gave it wide coverage for a few days. Generally, the comments were negative and emphasised the total lack of transparency and democratic accountability of this decision. Many articles argued that this blow to the Russian people and to democracy would have negative repercussions and reported the comments by a number of analysts, according to whom, after elected President of Russia in March 2012, Putin would not be able to complete two six-year terms in this position.

Russian elections did not catch much attention from Italian political leaders, because in early December domestic politics had the upper hand. The new government led by Mario Monti had been in power for only a couple of weeks and the whole focus of Italy's politics was whether the new executive would take Italy out of the difficult economic and political situation, which had put at risk the whole "Eurozone" and whether it would receive the constant support from all political parties and under what conditions. On the other hand, the media coverage of Russia's parliamentary elections was quite extensive. Most of the comments and analysis emphasised the fact that even if the United Russia party retained a comfortable majority, with around half of the votes, the results were a blow to Putin.<sup>16</sup> According to the foreign policy editor of Italy's main daily, Franco Venturini of the *Corriere della Sera*, "The King Is Naked" and many articles by foreign policy experts underlined that at the end of the day what Russian citizens are asking for is not that different from what the Arab Street had been asking for during the revolts.<sup>17</sup>

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14 Alcaro, R. op. cit., p.12.

15 Ibid.

16 Lombardozzi, N. (2011), 'Russia alle urne: schiaffo a Putin', *La Repubblica*, 05.12.2011, <http://goo.gl/aqqggg>.

17 Parsi, V. E. (2011), 'Un regime non al passo dei tempi', *La Stampa*, 05.12.2011, <http://goo.gl/oHzZ5>.

# LATVIA

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2011 was a relatively quiet year in Latvian–Russian relations as no significant shifts in bilateral relations between Latvia and Russia could be identified. The traditionally precautionary attitude towards all Russian activities and Russia-related matters on the regional, global and EU levels was paralleled by a more pragmatic policy of both countries based in economic interests. Even though the traditional ethnic and language issues dominated the Latvian domestic scenery, the increased cooperation in the transit sector and the modernisation of connections as well as the increasing improvement of economic relations in general were the main topics in bilateral relations. Last year did not demonstrate any major shifts in Latvia's strategy towards Russia within European Union institutions or NATO. Latvia easily goes along with the EU position if it does not significantly contradict its interests towards Russia. Latvia supports active engagement, criticisms as well as stalling in the EU–Russian relations. 2011 was a year of financial turmoil and growing discussions on the next Multiannual Financial Framework in the European Union, leaving traditional energy issues and major changes in EU–Russian relations relatively aside. This is also clearly evident in Latvian–Russian relations.

## **The Main Themes in Latvian–Russian Relations (and the EU Context)**

The year 2011 in the relations between the Republic of Latvia and the Russian Federation can generally be characterised by two dominant trends. Firstly, the continued attempts to make the relations between both countries “pragmatic”. “Pragmatisation” involves toning down negative, unfriendly political rhetoric and putting the emphasis on politically less sensitive questions like economic cooperation. The second topic dominating the media space and discourse on Latvian–Russian relations has been the activities of antagonistic political activists and parties on ethnicity-related issues.

The pragmatic approach has been gradually evolving since Latvia joined the European Union and NATO in 2004. The political success since then has culminated mainly in two major events: the signing of the border agreement between Latvia and Russia in 2007 and the first official visit of Latvian President Valdis Zatlers to Russia in December 2010. The emphasis and enthusiasm of the presidential visit dominated official Latvian and Russian political relations in 2011: “Latvia's interests were aimed at the creation of stable neighbourly relations with the Russian Federation, and the widening of the economic relations. Further dialogue with the

RF was based on the achieved results during the state president's visit to Moscow in December 2010..."<sup>1</sup>

Latvia's attempts to build its relations with Russia on pragmatic terms and lessen the role of political rhetoric have been inseparable from Latvia's engagement with the European Union: "Strengthening equal and mutually-beneficial relations with Russia ... within the common EU foreign policy",<sup>2</sup> states the declaration of Valdis Dombrovskis's previous government. The position of the new coalition and government formed in October 2011 changed slightly by even more extensively emphasising the importance of the EU and NATO in Latvia's foreign policy and relations with Russia: "We will facilitate cooperation between the EU, NATO and Russia based on Latvia's interests. We will continue a European value-based dialogue with Russia all along the bilateral relations spectrum founded in mutual respect and equality."<sup>3</sup> Governments' support for EU institutions is a traditional approach followed by the Ministry of Foreign Affairs and numerous governments as the European Commission, the collective decision-making process and the greater political and economic influence projected by the EU gives Latvia additional leverage to negotiate with Russia and to disguise its criticisms and dislikes behind the EU decision-making veil.

Economic cooperation between Latvia and Russia as well is tightly related with Latvia's membership in the European Union and the EU's competences in external trade policy and the EU–Russia partnership agreement. In addition, around 50 different bilateral cooperation agreements are concluded or are currently in the process of ratification<sup>4</sup> between both countries, thus gradually establishing a clear set of rules and a legal framework for cooperation between the countries. The most important in negotiations currently is a bilateral agreement on mutual direct investment protection. At the same time, Latvia continuously emphasises the role and necessary multilateral presence of the EU institutions.

Because of this more pragmatic policy Latvian and Russian economic cooperation also demonstrated stable growth in 2011. The increase in trade in the last year was around 35%.<sup>5</sup> At the end of 2010 trade turnover exceeded 2 billion USD,<sup>6</sup> affirming Russia as the third-largest trade partner of Latvia with a share in Latvia's imports and exports of around 10–11%. Moreover, Russian businesses

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1 'Ārlietu ministra ikgadējā ziņojuma projekts par paveikto un iecerēto darbību valsts ārpolitikā un par paveikto un iecerēto turpmāko darbību Eiropas Savienības jautājumos', 10.01.2012, <http://goo.gl/C5N9G>.

2 Cabinet of Ministers (2011), 'Order No. 67. Valdis Dombrovskis Government Action Plan', <http://goo.gl/voBkh>.

3 Cabinet of Ministers (2011), 'Declaration on the Planned Policies of the Cabinet of Ministers led by Valdis Dombrovskis', 25.10.2011, <http://goo.gl/g2Haf>.

4 Embassy of the Russian Federation in Latvia (2012), 'Российско-Латвийские Отношения', <http://goo.gl/QHvc9>.

5 Embassy of the Russian Federation in Latvia (2012), 'Торгово-Экономические Отношения Между Россией И Латвией', <http://goo.gl/LUw4g>.

6 Ministry of Foreign Affairs (2011), 'Latvijas un Krievijas attiecības', 12.09.2011, <http://goo.gl/e3h1m>.

appear to express more interest in investing in Latvia as well as buying Latvian enterprises. Russian businesses apparently benefit from buying Latvian companies (whose value is reduced because of the economic crisis) in a rapidly improving Latvian macroeconomic environment.

Despite the widely spread public perception that Russia's economic activity in Latvia should be seen as yet another instrument for gaining and strengthening its political influence, Russian investments are not seen as negative *per se*. Latvian state officials<sup>7</sup> tend to highlight that closer cooperation and the conclusion of bilateral agreements becomes possible only when the Russian political establishment so wishes, because especially in case of big businesses they apparently receive a "political blessing". For this reason, Latvian state institutions favour the balancing and diversification of foreign direct investments from different countries instead of avoiding Russian businesses in particular.

The second main topic that in spite of "pragmatisation" has not left the political agenda and even had its resurrection in 2011 is the question of historical correctness and legacy in the form of the Russian ethnic group in Latvia. Even though this issue is mostly considered as domestic, many observers relate the activity of former National Bolshevik Vladimir Linderman or the pro-Russian political party Harmony Centre (*Saskaņas centrs*) with increasing Russia's influence in Latvia.

The turmoil in Latvia's parliamentary politics and convenient possibilities to use referenda as instruments for raising political popularity used by both Latvian nationalist party National Coalition (*Nacionālā apvienība*), as well as the Linderman-led organisation Native Language (*Dzimtā valoda*) and currently the largest political fraction in the parliament, Harmony Centre, has put the language and ethnical issue back on the agenda. As Russian minority rights issues are traditionally linked and officially defended by Moscow, the preparation for the referendum on the introduction of the Russian language as the second official state language is mostly understood as a clear attempt to increase influence in Latvia.<sup>8</sup>

Nevertheless, it is evident that the "pragmatisation" tends to avoid questions of democratic and civil ethnic tensions. Still, at the end of November the current Minister of Foreign Affairs of Latvia, Edgars Rinkēvičs, stated that the language referendum on 18 February, 2012 has not yet affected the stable relations and positive developments in economic and political spheres.<sup>9</sup> However, the Minister still admits that the non-citizen issue is a traditional sphere of interest and rhetoric to Russian officials.

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7 Author's interviews with representatives of the ministries of Foreign Affairs, Economics and Transportation in April-June 2011.

8 See for instance: Chausovsky, E. (2011), 'Dispatch: Significance of Latvia's Russian Language Referendum', 01.12.2011, <http://goo.gl/CbRW0>; Kārlis Daukšs: Veģe, I., Mediņa, I. Spēka demonstrācija *Neatkarīgā Rīta Avīze* Latvijai, 30.11.2011, <http://goo.gl/5qXPJ>.

9 Pantelējevs, A. (2011), 'Interview with Edgars Rinkēvičs', *Diena*, 24.11.2011, <http://goo.gl/280OA>.



The interest of Russian officials in the language referendum and non-citizen matters was clearly demonstrated by the Russian Ministry of Foreign Affairs<sup>10</sup> and Russian Foreign Minister Sergey Lavrov, stating that the referendum is an expression of the struggle for justice and that native language is a European value and it should be tried to be legally regulated on the European level.<sup>11</sup> Thus, not only Latvian authorities, but also Russian officials take into account Latvia's membership in European institutions and the possibility to shield away inconvenient discussions with Russia. Because of these permanent Russian criticisms, Latvia's foreign ministry has made a promise for 2012 to "Act against attempts of malevolent use of the tragic events of the 20<sup>th</sup> century and the results they brought to Latvia, as well as ungrounded criticisms of Latvia in bilateral relations as well as international organisations".<sup>12</sup>

Therefore, the main topics in Latvian–Russian relations have been related to the European Union framework both economically and politically. Moreover, the most significant bilateral developments in 2011 involve the EU framework as well.

### **Significant Developments in Bilateral Relations in 2011**

Taking into account "pragmatisation" in Latvian–Russian relations and the shift of decision-making towards the EU level, the occasional bilateral meetings of politicians and officials and the annual Latvian–Russian intergovernmental commissions have emerged as the main formats of political cooperation between the countries. The intergovernmental commissions deal with economic issues rather than politically impregnated questions of historical justice, ethnic and language issues, security matters, etc. The 5<sup>th</sup> Latvian and Russian Intergovernmental Commission on Economic, Scientific-Technic, Humanitarian and Cultural Cooperation that took place in June 2011 is considered a success as well. During the meeting not only several disputes among businesses were addressed,<sup>13</sup> but also a declaration on partnership in modernisation was signed between both countries.

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10 See for instance, Ministry of Foreign Affairs of the Russian Federation (2011), 'On the Human Rights Situation in Several World Countries', 28.12.2011, <http://goo.gl/xYCOR>.

11 *Leta* (2012), 'Krievijas ārlietu ministrs: Referendums par krievu valodu ir izpaušme tieksmei pēc taisnīguma', 18.01.2012, <http://goo.gl/50FT2>.

12 'Ārlietu ministra ikgadējā ziņojuma projekts par paveikto un iecerēto darbību valsts ārpolitikā un par paveikto un iecerēto turpmāko darbību Eiropas Savienības jautājumos', 10.01.2012, <http://goo.gl/C5N9G>.

13 Most significant dispute between businesses that was an important issue on the economic agenda in 2011 was the attempt of the Russian SVEZA to acquire control over Latvian plywood producer Latvijas Finieris. Because of the Russian company's initial announcement that it aims to destroy Latvijas finieris as an inconvenient competitor, shareholders refused to sell the company. This resulted in various attempts to use diplomatic, political and economic pressures in order to convince the Latvian side to sell the 21<sup>st</sup> largest Latvia's company, including attempts to limit the supply of raw wood to Latvia as well as buying the company offshore.

2011 was no exception in the relatively frequent bilateral meetings. Two meetings of Latvian ministers of foreign affairs with the Russian counterpart took place within a larger multilateral framework. Namely, during the Baltic Sea Council sessions Lavrov met with former Minister Ģirts Valdis Kristovskis in Oslo in June and with E. Rinkēvičs in December in Vilnius. Bilateral meetings also took place between the officials of the ministries of foreign affairs, the State Audit Office of Latvia and the Accounts Chamber of the Russian Federation and parliamentary cooperation groups.

An exceptional event in bilateral relations was the first meeting of the Latvian–Russian Committee of Historians in Moscow in November 2011. As the understanding and common position on historical aspects is constantly one of the apples of discord it did not cease to exist in Latvian–Russian political relations in 2011. Many politicians and experts therefore have significant trust and hopes in the success of the Committee of Historians and potential future official recognition by the Russian authorities of the Soviet occupation of Latvia. In addition, along with the continuous work of the border demarcation commission (the actual demarcation of the borderline was started), the first meeting of a committee on military burial places took place in Moscow.

The question of Soviet occupation and the results of the Soviet regime remain an important constitutive part not only in intergovernmental discussions, but also domestic. Politicians of the Harmony Centre in 2011 not only published a book addressing the facilitative influence the authoritarian regime in Latvia had on the events of June 1940, but on the day of the 11<sup>th</sup> Saeima elections for the first time recognised the fact of Latvia's occupation.

One of the visible events in Latvian–Russian relations in 2011 was the visit of Minister of Transportation of the Russian Federation Igor Levitin to Riga in April during which the modernisation of the railway and motorway system was agreed to be of central importance to both countries.<sup>14</sup> The importance of Latvian Russian transit infrastructure had already several months earlier been emphasised by the Latvian Ministry of Transportation and then-Minister Uldis Augulis. Moreover, an actual motorway reconstruction has taken place in order to substitute the semi-collapsed highways connecting Riga and Moscow with a four-lane highway.<sup>15</sup> Construction is largely cofinanced by EU funds. Modernisation of the railway connection between the two capitals can only become possible through the attraction of finances within the EU's Multiannual Financial Framework 2014–2020. Moreover, the main investments of Russian business in Latvia traditionally go into either the transit or energy spheres. A related issue on the agenda has been the problems and modernisation of the Latvian–Russian border checkpoints.

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14 Ministry of Transportation (2011), 'Krievijas vēstnieks pauž gatavību aktīvi sadarboties Latvijas tranzīta koridora attīstīšanā', 01.12.2011, <http://goo.gl/eaK4h>.

15 *Leta* (2011), 'Plāno būvēt arī četru joslu ātrgaitas automaģistrāli Rīga-Maskava', 07.04.2011, <http://goo.gl/l0hVm>.

Transportation companies both of Latvian and of European and Russian origin experience significant losses because of the inefficient work of border checkpoints.

In spite of frequent meetings between Latvian and Russian officials and the positive trends in diplomatic relations between both countries, continuous work was related to arranging the Russian presidential or prime minister's visit to Latvia. Especially after Sergey Naryshkin, the head of the bureau of the President of the Russian Federation, during his meeting with newly-elected President of Latvia Andris Bērziņš, emphasised the positive and friendly tendencies in Latvian–Russian relations.<sup>16</sup>

Thus, the main bilateral topics in Latvian and Russian relations in 2011 remained cooperation in the transit sector, contradictory historical perspectives, border demarcation and a potential Russian presidential visit to Latvia. Besides regular diplomacy and individual economic disputes between businesses, the year 2011 did not provide any crucial shifts or changes in Latvian–Russian relations.

### **Latvia's Positions on the Main Issues Structuring Russia's Relationship with the EU**

Latvia's pragmatic policy towards Russia is visible not only on the bilateral level, but also on the EU level. Issues related to Russia have always been among the Latvian priorities in the EU. Latvia traditionally, very cautiously and carefully, addresses the issues related to Russia, even though most of its positions tend to be positive regarding the further engagement of Russia and the European Union or even NATO. In EU foreign policy issues Latvia has traditionally supported the Union's position both on global issues, as well as Russia-related matters. No sudden changes in this approach could have been observed during the year 2011.

On the other hand, Latvia also tends to support common EU policies and projects that contradict Russia's interests. The first to be mentioned is the energy sector. Latvia has been supporting electricity and gas-sector diversification projects, including active lobbying of the Liquefied Natural Gas terminal for the Baltic States to be built through funding from the European Union. Similarly, Latvia actively supports and implements the Baltic Energy Market Interconnection Plan (BEMIP).

The Third Package for Electricity and Gas Markets and de-monopolisation of the gas sector have been a central economic struggle on the domestic as well as the EU level. According to the agreement, *Latvijas Gāze* has a monopoly on the use of the gas infrastructure in Latvia until 2017, while the market should be liberalised by April 2014 at the latest. Latvia has generally supported the European energy policy in the Lisbon Treaty and the creation of a common European energy market.

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16 Ministry of Foreign Affairs (2011), 'Valsts prezidents un Krievijas prezidenta administrācijas vadītājs vienisprātis par pozitīvām tendencēm abu valstu attiecībās', 02.08.2011, <http://goo.gl/NFBhQ>.

However, it has objected as usual to specific regulations, for instance, to the separation of property rights on the production and distribution of energy in 2008.

Latvia also goes along with the European Union position in matters of visa liberalisation, but also demonstrates a rather reserved attitude towards the issue. As stated by former Minister of Foreign Affairs Ģ. V. Kristovskis: "We support the visa-free regime with Russia as much as the whole European Union...but it is a long-term issue...it is a matter of Russia's modernisation, values, economic cooperation, attitude towards the neighbouring countries... It will not happen next year or even five years later."<sup>17</sup> The reserved attitude itself clearly originates in domestic security matters and an unwillingness to open the border to potential immigrants.

Latvia also supports the common position on Russia's membership in the World Trade Organization. It is assumed that Russia's membership in the organisation will facilitate the reduction and abolition of several trade protectionism measures that Russia has adopted against Latvian products. Moreover, it would reduce the import duties on several products that Latvia exports to Russia, such as agricultural products, food products, fish products, pork, alcoholic beverages, etc.<sup>18</sup> Thus, the Baltic State congratulated Russia on its accession to the organisation.<sup>19</sup>

Last but clearly not least the issue that should be addressed is current NATO–Russia relations. Latvia continues to see and support NATO as its main security guarantor. In this context, Latvia has supported US and NATO plans for installing an anti-missile shield in Eastern Europe as well as in the Baltic Sea. Naturally, the tension in US–Russian relations and increasing armament in the Baltic region is declared as unwanted, but the role of NATO in Latvia's security is assuring.<sup>20</sup>

Thus, Latvia's position towards common EU policies and decision-making is aimed at appearing loyal and supportive, while nevertheless keeping in mind its cautious and volatile relations with the Russian Federation. Latvia sees the common EU position as a convenient mechanism for dealing with Russia, especially on issues that have been impossible to manage on a bilateral level.

### **Latvia's Reaction to 2011 Russian Duma Elections**

While the reactions of Latvian politicians to the announcement of Russian leadership on the presidential casting did not demonstrate any surprise or additional discussions, the Russian Duma elections and the following protests were addressed

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17 Cālite, A. (2011), 'Latvijas ārpolitika – nepārtrauktības princips, vērtības, jaunas vēsmas', *Latvijas Vēstneša portāls*, 24.05.2011, <http://goo.gl/ufhq1>.

18 *Leta* (2011), 'Latvijas Vēstnesis: Par Krievijas uzņemšanu Pasaules Tirdzniecības organizācijā', 20.12.2011, <http://goo.gl/qeVhl>.

19 Ministry of Foreign Affairs (2011), 'Ārlietu ministrs apsveic Krievijas Federāciju ar pievienošanos PTO', 16.12.2011, <http://goo.gl/2GpNG>.

20 *Leta* (2011), 'Rinkēvičs: Latvijas kā NATO dalībvalsts drošība ir labās rokās', 20.12.2011, <http://goo.gl/BQzc6>.

more conspicuously, though still very modestly. The potential return of Vladimir Putin as President of the Russian Federation was not unexpected and was even logical if Russian political culture and Russia's history are taken into account. The Duma election results and the protests were politely criticised by Prime Minister Valdis Dombrovskis, who stated that the protests against the election results in Russia outline a certain democratic deficit in the country.<sup>21</sup> The reaction of the Latvian Ministry of Foreign Affairs was slightly stronger – that Russia should regard democratically accepted norms and that Latvia fully joins the announcements made by Catherine Ashton on the suppression of protesters.<sup>22</sup>

Similar reactions were also identified among the Latvian population. Not only had two members of the Latvian parliament and the OSCE Parliamentary Assembly called the Duma elections undemocratic,<sup>23</sup> but also only 34% of the Latvian working-age population<sup>24</sup> considered the Russian elections democratic. At the same time, of the 52% of Russian citizens living in Latvia that participated in the elections 77% voted for United Russia (Единая Россия),<sup>25</sup> thus again demonstrating the importance of Russian political developments in Latvian society.

Thus, Latvia's relations with Russia in 2011 were based on a systematic improvement of relations while strictly following its alignment with European Union and NATO structures. Latvia's reactions towards Russia's elections were subtle but also a continuous attempt to position itself as a country caring about democratic processes and human rights. "Pragmatisation" of relations therefore does not exclude some traditional human rights rhetoric between both countries, while it evidently is improving the relations between the countries on an economic level. The duration of these positive trends in Latvian–Russian relations will clearly depend on the attitudes of both the next Russian president and Latvian politicians contemplating the political aspects of the growing economic interdependence between the countries.

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21 *Leta* (2011), 'Dombrovskis: Notikumi Krievijā parāda noteiktu demokrātijas deficītu šajā valstī', 07.12.2011, <http://goo.gl/Clc2f>.

22 Miķelsons, M. (2011), 'Latvijas ĀM aicina Krieviju rēķināties ar demokrātiju', *IR.lv*, 07.12.2011, <http://goo.gl/XgGWd>.

23 *Delfi* (2011), 'Novērotāji no Latvijas Valsts domes vēlēšanas Krievijā neuzskata par demokrātiskām', 05.12.2011, <http://goo.gl/qzJkm>.

24 Skruzis, J. (2011), 'Pētījums: Krievijas domes vēlēšanas par demokrātiskām uzskata trešdaļa Latvijas iedzīvotāju', *LETA*, 20.12.2011, [http://leta.lv/archive\\_item.php?print=true&id=E19EE52F-70FB-44CF-801A-CB009C80E73A](http://leta.lv/archive_item.php?print=true&id=E19EE52F-70FB-44CF-801A-CB009C80E73A).

25 *Baltic News Network* (2011), 'Balsojums Baltijā par Vienoto Krieviju – ieskaitīts!', 08.12.2011, <http://goo.gl/ltFs8>.

# LITHUANIA

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Lithuanian and Russian relations in 2011 were a classic example of a connection between a small and a large state intertwined in the course of history: clashes of identity, different interpretations of (recent) history combined with an asymmetry of power in their geopolitical setup, in addition to different trajectories in terms of democracy and political culture. Regardless of the ever-relevant security concerns about the “big neighbour”, the Lithuanian government makes an effort to consider Russia among the stakeholders and future contributors to Western civilisation. However, the ball is not in Lithuania’s court most of the time. Parliamentary and presidential elections in Russia in 2011 and 2012 did not bring about changes in bilateral relations, which are currently based on pragmatic cooperation and attempts to depoliticise economics and history. The main themes between Lithuania and Russia in 2011 were legal cooperation, energy security, demarcation of borders, cross-border collaboration and endeavours to start negotiations over Russian compensation for the Soviet occupation. Last but not least, today’s Russia, as a single country, is the largest export and import partner for Lithuania.<sup>1</sup>

## Background

Since the reestablishment of independence, the Lithuanian–Russian relationship has not been at ease. Gediminas Vitkus aptly described it as aporetic, which means impassable and in a state of perplexity.<sup>2</sup> Both countries, de facto still part of the USSR, were on good terms until the August 1991 coup d’état – Lithuania even struck her first international agreement with Russia in July 1991.<sup>3</sup> Diplomatic relations between the countries were established in October 1991 and after heated political tensions and protracted negotiations, Russian military troops left Lithuania in August 1993. However, Lithuania’s drive towards the West and distancing itself from the Soviet legacy soured the bilateral relationship and Lithuania’s image in Russia, as well as the Baltics in general, has become increasingly more vilified. Viatcheslav Morozov observed that Russia has numerous times attempted to

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1 The author is grateful to Associate Professor Dr. Dovilė Jakniūnaitė and Vilija Gelažauskaitė for comments and the Lithuanian Foreign Ministry for the assistance during interviews.

2 Vitkus, G. (2006), *Diplomatinė aporija: tarptautinė Lietuvos ir Rusijos santykių normalizacijos perspektyva*, Vilnius: Vilniaus universiteto leidykla.

3 Lopata, R. (2007), *Apie diplomatinę aporiją*, *Politologija*, 2007, nr. 2.

portray the EU newcomers, the Baltic States, as the “black sheep in the EU herd”, i.e. “un-European” countries violating the rights of national minorities or even sympathising with Nazi legacies.<sup>4</sup> The Levada Analytical Centre revealed that in the last decade the Russian population tended to perceive the Baltic States as among the most unfriendly countries in the world. For instance, Lithuania has firmly taken its place among the top five unfriendly states according to the opinion polls in 2005–2009. Indeed, lukewarm at best, bilateral Lithuanian–Russian political relations for the last twenty years have been affected by two major factors, namely clashes of national identities and asymmetry of powers.

### **Conflicting Identities and Imbalance of Power**

Living memories and issues related to historical justice do polarise the relationship. The Soviet period has been interpreted differently in Lithuania and Russia. Loss of sovereignty, annexation and the accompanying Soviet atrocities and deprivations still haunt judgments about the past in Lithuania – one of the key obstacles for the improvement of bilateral relations is a Lithuanian requirement to negotiate with Russia over compensations for the harm inflicted by the Soviet occupation.<sup>5</sup> Although Aleksandr Solzhenitsyn once said that “For us in Russia, communism is a dead dog, while, for many people in the West, it is still a living lion”,<sup>6</sup> the communist era has nonetheless been to various degrees institutionalised as a source of Russian national identity. Moreover, the Baltic regional identities in general still rest on anti-Soviet sentiments and geopolitical security concerns.<sup>7</sup> They are fuelled by political worries of a different kind. One of them is Russia’s increasing proclivity to use energy resources as a means of political pressure seen in the form of embargos on energy exports for a great number of Central and Eastern European countries. Russia, for example, ceased exporting crude oil to Lithuania via the “Druzhba” pipeline in July 2006 after Lithuania had declined woos from Russia and opted instead for the Polish company PKN Orlen, which bought the Mažeikių nafta oil refinery. Russia’s next-to-hysterical reaction to the transfer of the Bronze Soldier monument in Estonia in 2007 and subsequent cyber attacks, the war with Georgia in 2008, the sudden deaths of the Kremlin’s political opponents abroad and in Russia proper, let alone Moscow’s control of the media, the broadcast of propaganda and revisions of

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4 Morozov, V. (2004), ‘Russia in the Baltic Sea Region: Desecuritisation or Derogalisation’, *Cooperation and Conflict*, vol. 39, no. 3, pp. 317–331.

5 In June 1992 Lithuanian citizens voted for the requirement that Russia compensate Lithuania for the Soviet occupation and annexation and thereof the Lithuanian parliament adopted a corresponding law in June 2000.

6 Solzhenitsyn, A. I. (1980), *East and West: the Nobel Lecture on Literature, All World Split Apart, Letter to the Soviet Leaders, and an Interview with Alexandr Solzenitsyn by Janis Sapiets*, New York: Harper and Row, p. 163.

7 Jurkynas, M. (2007), *How Deep is Your Love? Baltic Brotherhood Re-examined*, Vilnius: Vilniaus universiteto leidykla.

Baltic histories and lately the rigged 2011 Duma elections have put a part of the Baltic political establishment in a nearly constant state of alert, bordering at times with political obsession, if not paranoia.

Lithuania has a perfect comprehension of the power asymmetries in its bilateral relationship with the bigger neighbour. With that in mind, since the penultimate EU enlargement in 2004, Lithuania has endeavoured to employ the EU framework and institutions as a channel to customise the EU with the help of the Nordic, Baltic and Central European countries and to introduce into the European agenda Lithuanian interests, values, norms and experiences. Since 2004 Vilnius has launched a more active foreign policy looking for comrades-in-arms in the EU and focusing on the Eastern neighbourhood, Russia, energy independence and transatlantic relations. Increased Lithuanian interest in the Eastern neighbourhood is a “specialisation” in the form of a transfer of experiences of post-communist transformation and tried and tested European values of democracy, rule of law and human rights.<sup>8</sup> In 2008 Lithuania even made an attempt to block a negotiation mandate for EU–Russian negotiations about the renewal of the Partnership and Cooperation Agreement – the European Council of Foreign Relations (ECFR) fittingly named Lithuania as a “Cold War Warrior” in 2007.<sup>9</sup> It hardly comes as a surprise that Lithuania’s priorities for its presidency of the EU Council for the second half of 2013 embrace areas of energy security, the Eastern partnership, external borders and the EU’s Baltic Sea strategy. The ECFR noted in the latest European Foreign Policy Scorecard that Lithuania could be called a leader in the fields of relations with Russia on protracted conflicts, energy issues and the diversification of gas supply routes to Europe.<sup>10</sup>

### **Towards Pragmatic Relations**

Although the current Swedish foreign minister, Carl Bildt, holds his argument about the Baltic “litmus test” or evaluation of Russia’s behaviour through the Baltic lens<sup>11</sup> as currently valid,<sup>12</sup> a majority of Lithuanians at the beginning of 2011 considered the normalisation of Lithuanian–Russian relations among their top priorities.<sup>13</sup> However, the Russian foreign minister, visiting the OECE summit in

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8 Ironically, opinion polls from November 2011 showed that 62 percent of the respondents would opt for cheap gas and electricity even in the case of dependency on Russia and 42 percent consider that Lithuania should remain silent about human rights in Russia in order not to harm bilateral relations. Černiauskas, Š. (2012), ‘Apklausa: 70 proc. gyventojų mieliau rinktųsi ekonominę gerovę, o ne Lietuvos nepriklausomybę’, *Delfi.lt*, 09.02.2012, <http://goo.gl/SUAMA>.

9 ECFR (2007), ‘A Power Audit of EU-27-Russia Relations by Mark Leonard & Nicu Popescu’, <http://goo.gl/shRbL>.

10 Vaisse, J. and Kundnani, H. (2012), *European Foreign Policy Scorecard 2012*, London: European Council on Foreign Relations, p. 136, <http://goo.gl/pVRpC>.

11 Bildt, C. (1994), ‘The Baltic Litmus Test: Revealing Russia’s True Colors’, *Foreign Affairs* vol. 73, no. 5.

12 Author’s conversation with Carl Bildt at a Bertelsmann Stiftung Conference, September 2006.

13 Mindaugas, J. and Gelažauskaitė, V. (2012), ‘Impact Assessment of Visa Free Regime between EU and Russia: the Case of Lithuania’, *Lithuanian Annual Strategic Review*, forthcoming.



Vilnius in December 2011, noted that there was little trust in Lithuanian–Russian relations.<sup>14</sup> The Conservatives leading the right-of-centre Lithuanian cabinet since late 2008 have been traditionally politically suspicious of Russia's politics, especially abroad. While in the opposition, the Conservatives heralded "Russia's containment strategy", which has publicly been virtually not mentioned ever since they took over the reigns of the government. In a similar vein, the incumbent Lithuanian president since 2009, Dalia Grybauskaitė, approved of a tangibly more silent foreign policy than her predecessor, the Lithuanian–American Valdas Adamkus. During her stint, Lithuania renewed bilateral meetings on the highest political level and both the Lithuanian president and the prime minister met Russian Prime Minister Vladimir Putin in early 2010.

In spite of political anxiety, Lithuania and Russia were trying to develop pragmatic relations throughout 2011, as the Lithuanian government exerted efforts to implement a strategy of bilateral relations based on the depoliticisation of economics, history and culture by looking for mutually acceptable human values and historical justice without radical changes in Lithuanian foreign policy even after the parliamentary and presidential elections in Russia.<sup>15</sup> Politicians and intellectuals agree that the vertical of power in Russia did not change after the elections; however, Russian society showed promising signs of dissatisfaction with the falsified electoral results. Last year Russia remained Lithuania's biggest economic partner, not to mention being a geopolitically important actor in the Baltic Sea area. The key topics dominating the public and official bilateral agenda in 2011 were legal cooperation, energy issues, demarcation of the state border, cross-border cooperation and compensation for the Soviet occupation, though the results were barely discernible.

In 1996 both countries set up the Intergovernmental Commission for Trade, Economic, Scientific, Technical and Cultural Cooperation, which outlines guidelines and produces projects for bilateral collaboration. The meeting of the commission or its chairpersons takes place on an annual basis. The 8<sup>th</sup> meeting was organised in October 2011. The Lithuanian side is represented by Foreign Minister Audronius Ažubalis, and Minister of Transportation Igor Levitin leads the Russian side. During the last meeting of the commission, both parties signed an agreement about the construction of the bridge over the Nemunas River between the cities of Panemunė and Sovietsk (Tilžė). The bridge will be built by employing earmarked EU funding. After the EU and Russia had started to implement the action plan for the Partnership for Modernisation in May 2010, Lithuania signed a bilateral declaration concerning this partnership during the last meeting of the Intergovernmental Commission in October 2011. The commission decided to set up a working group on border

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14 *Ižinios.lt* (2012), 'Premjeras: santykiai su Rusija gali būti geresni tapus nepriklausomiems nuo jos energijos šaltinių', 24.01.2012, <http://goo.gl/v0pSj>.

15 Ažubalis, A. (2012), 'Rusijos sulaukymo nereikės, kai Lietuvoje nebus norinčių parsiduoti', *Delfi.lt*, 15.03.2012, <http://goo.gl/IVYAI>.

crossing checkpoints in order to collect information on issues of management, efficiency and legal cooperation in the area of customs. The commission noted that the border demarcation would physically be over in 2012 and legally in 2014. Lithuania raised an unresolved issue concerning the compensation of deposits held by Lithuanian citizens in the former USSR Vnesokom bank and accentuates that Lithuania did not take over the rights and obligations of the USSR so the compensation is just a matter of financial justice. Last but not least, Lithuanians reminded Russia to start a dialogue about a joint evaluation of the Soviet past, disclosure of crimes, memorialising victims and the reestablishment of justice. However, Russia refuses to discuss this matter on political grounds. Lithuania, in turn, is preparing a mechanism for legal assistance, which would enable concerned Lithuanian citizens to address courts in Russia.

There were three meetings between high-ranking Lithuanian and Russian officials last year. Apart from the aforementioned sitting of the Intergovernmental Commission, the Lithuanian foreign minister visited Moscow in February 2011 in order to meet his counterpart, though no agreements or common declarations were signed.<sup>16</sup> Likewise, Russian Foreign Minister Sergej Lavrov visited Vilnius in December 2011 during the Lithuanian presidency in the OSCE. During this meeting the Lithuanian side expressed its wish to start launching the Forum of Trust, which would consist of members of NGOs, culture and academia with the aim of discussing a complex set of cooperation issues on the non-governmental level – the Russian answer is yet to arrive.

The neighbouring Kaliningrad (Karaliaučius) region, as part of the Russian Federation, has been high on the Lithuanian–Russian agenda. The countries founded a Long-Term Cooperation Council between regions of Lithuania and the Kaliningrad region in June 2000 and the 7<sup>th</sup> meeting of the Commission on Economic Cooperation, Trade and Energy at the council took place in June 2011. The main topics of the discussion were increasing trade turnover and Lithuanian exports to the Kaliningrad region, small and medium business opportunities, issues related to the Baltijsk nuclear power station and navigation in the Curonian Lagoon. Furthermore, one of the issues concerning EU–Russian relations and simultaneously the Kaliningrad region is the liberalisation of the visa regime for the inhabitants in the border areas. Lithuania has so far not seen the whole Kaliningrad region as part of a visa-free regime, instead focusing on 30–50-kilometre wide state border zones on both sides of the border. Lithuania supports the abolition of EU visas for Russian citizens in the long term and considers this process as technical rather than political: when Russia meets the technical criteria according to the common steps towards a visa-free regime, the reciprocal introduction of a visa waiver becomes easier.

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16 Jakniūnaitė, D. (2011), 'Russia and Lithuania', in Tüür, K. and Morozov, V. (eds) (2011), *Russian Federation 2012: Short-term prognosis*, Tartu: Tartu University Press, p. 133.

Energy security has perhaps been more dominant in public discourse in Lithuania than bilateral relations with Russia. Prime Minister of Lithuania Andrius Kubilius reportedly said Lithuanian and Russian relations might turn for the better after Lithuania becomes independent of Russian sources of energy, above all fossil fuels.<sup>17</sup> After the shutdown of the second reactor of the Ignalina power station in 2009, Lithuanian imports of gas and oil come solely from Russia. Taking into consideration the perspective of an embargo of Russian energy sources, Lithuania is about to construct the new Visaginas nuclear power plant, which will be developed by the Japanese company Hitachi. Estonia, Latvia and Poland are anticipated to take part in the project. However, Russia has also announced its plans to build a nuclear power station near Baltijsk (Piliava) – this technically raises environmental and nuclear safety concerns on the Lithuanian side. The environmental impact assessment according to the UN Espoo Convention has not been carried out yet. Politically, this future nuclear plant in the Kaliningrad region is regarded as an obstacle for the Lithuanian nuclear project, because also taking into consideration the Belarusian plans to build a nuclear power station near the border with Lithuania, the perspectives of competition in the sphere of nuclear energy in the region raise questions about viability and commercial rationale.

Another issue that pesters bilateral relations is the implementation of the EU Third Package for Electricity and Gas Markets, which foresees to separate production and supply from the transmission networks. The Lithuanian government, despite objections from the Russian company Gazprom, is firmly committed to making this package come true in 2012 and to resolve the issue of Lithuanian company Lietuvos dujos, in which Gazprom holds 37 percent of the shares. No wonder that Lithuania pays the highest price in the EU for Russian gas. Aiming to diversify energy imports, the Lithuanian authorities decided in 2010 to build a liquid natural gas terminal in the Baltic Sea as an alternative to the gas imports from Gazprom. Moreover, Lithuania delivered a complaint to the European Commission referring to the abuses of Gazprom's monopoly in Lithuania and required the company to reduce the price of gas. Gazprom declined the requirements and addressed the Stockholm Arbitration Court in June 2011.

The main hinging legal issues encompass unsigned documents related to the 2006 EU–Russia Readmission Agreement, as well as on cooperation during emergencies, pollution in the Baltic Sea, real estate of the Lithuanian and Russian embassies in Moscow and Vilnius, cemeteries of soldiers, civilians and victims of war and repressions, cooperation in areas of culture, science, education and youth policy, establishment of culture information centres, cooperation in usage and protection of water resources in the Nemunas basin, procedures related to social guarantees for Russian soldiers and pensioners permanently residing in Lithuania, travelling of residents of border areas, cooperation concerning the fight against

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17 Ibid.

(organised) crime, including collaboration in the fight against the distribution and consumption of narcotic and psychotropic materials, cooperation in aviation search and rescue, usage of the resources of Lake Vištytis for tourism and recreational purposes, cooperation in the provision of pensions, double taxation of income and capital and avoidance of fiscal infringements and recreational navigation and water tourism in the Curonian Lagoon and water roads of Lithuania and Russia. For the latter, the Lithuanian side asked the Russian counterparts in the Intergovernmental Commission to open a border crossing point in Rybacij (Rasytė) so that navigation in internal Lithuanian and Russian waters would become widely accessible.

In 2011 both countries agreed to proceed on the preparation of a joint action plan in the case of pollution incidents in the Baltic Sea and negotiations over the real estate of diplomatic missions. Cooperation in aviation search and rescue continued in 2011–2012. From an environmental point of view, Lithuania is concerned with potential pollution related to the Russian D6 oil extraction platform close to the Curonian Spit which is included in the UNESCO World Heritage List. Lithuania and Russia negotiated last year about the cemeteries of soldiers, civilians and victims of war and repressions. The countries disagree on whether the protection should incorporate monuments erected outside the places of burial – Russia wants to include them in the list of protected objects, whereas Lithuania objects to this stand, arguing the protection should include only the monuments within the perimeter of cemeteries.

The Lithuanian government rejected the idea that economic relations with Russia should become a hostage of high politics. According to the Foreign Minister of Lithuania, the economy must be based on criteria of profit and transparent competition.<sup>18</sup> On the economic side, Russia was the number one export and import partner for Lithuania last year<sup>19</sup>: Russia made up 16.6 percent of total exports and 32.8 percent of total imports. The Lithuanian–Russian trade turnover hit 10.77 billion euros. Exports in 2011 increased by 36.3 percent and comprised 3.34 billion euros; the corresponding figures for imports were 29 percent and 7.43 billion euros. The trade balance, in turn, was negative with 4.09 billion euros. The main exports items were dairy products and vehicles and transport means, whereas imports were dominated by energy resources, oil, gas and electricity, which in sum comprised nearly 90 percent of total imports. Lithuania imported 98.4 percent of its crude oil, 97.1 percent of its natural gas and 59.8 percent of its electricity from Russia in 2011. Russia is the 5<sup>th</sup> largest country in terms of foreign direct investments, with 674 million euros. In general, in the field of political economy Lithuania supports Russian membership in the WTO, anticipating transparent and Western standards of bilateral trade with Russia in the future.

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18 Ažubalis, A. (2012), op. cit.

19 Lithuanian Department of Statistics, <http://goo.gl/3Euho>.

# POLAND

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Polish–Russian relations in 2011 were rooted in the events of the previous year. On the one hand there existed the memory of Russia’s understanding of Polish feelings and of the situation after the plane crash in Smolensk. On the other hand difficulties began to overshadow this atmosphere of reconciliation. The main topics in bilateral relations still focused on the past (Katyn, Smolensk), but not less on the issues serving future relations (agreement on the visa regime in the Kaliningrad region, cooperation for modernisation, the establishment of the Centre for Polish–Russian Dialogue and Understanding). Some disappointment is seen, in official statements and in public opinion polls, as relations are not as good as they were envisaged in 2010. Nevertheless positive attitudes prevailed. Political and economic cooperation was accelerated. Russia’s domestic and external policy was watched carefully and commented on broadly, especially Russia’s uncertainty of development either towards a more democratic and cooperative power or the maintenance of its zero-sum game and authoritarian approach. Poland, also in connection with its EU presidency, supported engaging Russia in global and regional initiatives and cooperation. More sceptical attitudes towards Russia among leading Polish political parties were expressed only by the Law and Justice party.

## Bilateral Relations

The year 2011 began with a fresh memory of an official visit by Dmitry Medvedev, the President of Russia, to Poland (6–7 December, 2010). During this meeting, President Bronisław Komorowski said: “We are turning over a new leaf as far as Russian–Polish relations are concerned. This will also be a fine chapter in this book of mutual relations which we have been writing for a millennium.” Some steps planned for 2011 were announced concerning the past such as both presidents taking patronage over commemorating the Smolensk crash at its site, and further work on the full disclosure of documents regarding the Katyn crime. But the Polish president also declared that Poland as a member of NATO and the EU would like to develop relations with Russia on as good a level as possible and by doing this he said, “we wish to sway the general course of EU and NATO politics regarding relations with our important Eastern neighbours”.<sup>1</sup> Ministers who accompanied both presidents declared that the question of economic cooperation should be treated separately from politics. This visit could be envisaged as promising

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1 ‘President of Russia in Poland’ (2010), <http://goo.gl/OECSZ>.

an opening of a new period after the highly emotional events of 2010, which influenced mutual relations.

In January there were three events that caused tension. Firstly, a final report of the Interstate Aviation Committee (IAC) investigating the crash presented on 12 January by Russia was rejected by the Polish government as one-sided. It did not take into account Polish remarks. It also dismissed any possible causes stemming from the operations of the control tower and the condition of the airport. Secondly, the Supreme Court in Russia rejected the request of the Russian association Human Rights Centre Memorial<sup>2</sup> to release documents concerning the discontinuation of Katyn's investigation in 1990–2004. And finally, a Polish court closed an extradition process concerning Chechen leader Ahmed Zakaev, in spite of the demands of Russia. But these events were "softened" by official statements from both countries. President Medvedev confirmed Russia would continue the process of disclosure of Katyn's events. Though Prime Minister Tusk rejected the Russian version of the Smolensk crash report, he nevertheless expressed his belief that cooperation will improve: "For many months we have been engaged in a difficult process of building better, satisfactory relations between Poland and Russia. Both countries have shown quite a lot of flexibility and courage. (...) The Smolensk catastrophe (...) has given us new hope after the wave of empathy and compassion that the Russians – both politicians and ordinary people – have shown towards the Polish people. All this has led us to believe that, paradoxically, even such a tragic catastrophe can help in building positive Polish–Russian relations. And this is why we cannot allow any oblique statements or negligence to be an obstacle on our way to satisfactory relations between our countries. (...) We hope that neither the Poles nor the Russians will run short of imagination in this matter."<sup>3</sup>

The official Polish position towards Russia was presented by Foreign Minister Radosław Sikorski in the Sejm in March 2011. He expressed his belief that in spite of those who still "live in the past" Russia is developing and opening up to the outside world, "though it does so according to a cultural code different to ours". Poland has to reject "the logic that states that anything that is bad for Russia must be good for Poland". He also thought that despite difficulties the balance of relations is positive and "our philosophy of making gestures of good will and then acting on the basis of reciprocity has been proven to work".<sup>4</sup> A debate in the Sejm after the minister's speech only confirmed lasting division lines among the political elite. The Law and Justice party criticised the conciliatory position of the Polish government towards Russia and the lack of decisions, which could protect Polish interests against

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2 'Human Rights Work of "Memorial"', <http://goo.gl/FIHdA>.

3 Tusk, D. (2011), 'Speech by the Prime Minister, Donald Tusk on 13 Jan 2011 after the publication of IAC report on the Smolensk plane crash', <http://goo.gl/3GDIf>; see also: Tusk, D. (2011), 'Speech by the Prime minister during the parliamentary debate on the government's action following the Smolensk plane crash', <http://goo.gl/sMduH>.

4 'The Minister of Foreign Affairs on Polish Foreign Policy for 2011', 12.03.2011, pp. 9–10, <http://goo.gl/sO6Hx>.

Russian politics. It concerned the Smolensk crash report, the North Stream gas pipeline, the American missile shield installations in Poland, and bilateral economic agreements on gas and food products.<sup>5</sup> The Social Democrats were glad about the improvement of relations and proposed developing more links focused on the common particular problems, such as programmes for modernisation, and Kaliningrad.<sup>6</sup>

Despite these problems, the following months brought several positive developments.<sup>7</sup> In February the Russian ambassador informed about the decision on the legal rehabilitation of the Katyn victims and the following months concentrated on the question of how to implement it in line with Russian legislation (however without completing it successfully in 2011). The first meeting in Kaliningrad (February 21<sup>st</sup>) of the parliamentarians from Russia, Poland and Germany concerned the past along with security and energy policy in Europe.

The first anniversary of the plane crash was dominant in April. There was a mixture of tension and positive signals. The latter prevailed. Interviews with the Polish prime minister were commented on in Russia. Speaking to the BBC *Newsnight* programme on 7<sup>th</sup> April, Donald Tusk said the Russians were trying to cover up some aspects of the catastrophe not because of some dark secrets, but because they do not like to admit weaknesses.<sup>8</sup> In an interview of 8 April, he commented on the then-current situation between Russia and Poland: "Right after the accident, which happened on Russian territory, the most important thing was to prevent the deterioration of Polish–Russian relations. On that issue, not everyone in Poland or Russia has been helpful. Despite the fact that the Russian authorities have not always taken an appropriate stance during the investigation into the causes of the accident, one can still say that the process of reconciliation that we began four years ago has continued to move forward".<sup>9</sup> The planned visit of the two presidents to Smolensk and Katyn on April 10<sup>th</sup> was overshadowed by the conflict on the text on the stone placed for the Smolensk catastrophe (the Polish version mentioning Katyn was replaced by the Russian one, omitting this reference).<sup>10</sup> But the same time the Russians handed over 11 volumes of declassified documents relating to the 1940 Katyn massacre. Both presidents took part in the

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5 'Sprawozdanie stenograficzne, 87 pos. Sejmu RP', 16.03.2011, pp.16–18, <http://goo.gl/owO8q>.

6 Ibid., p.19.

7 Anna Walkowiak, summarising relations in period between January and October, presented a figure which confirms the impression that apart from the January/February period positive developments in mutual relations prevailed. Walkowiak, A. (2010), 'Stosunki Polska – Rosja', *psz.pl*, 08.11.2010, <http://goo.gl/laEwT>.

8 *Newsnight BBC* (2011), 'Tusk: Russians 'partly to blame' for Smolensk catastrophe', <http://goo.gl/z0Zfv>, <http://goo.gl/6OTJ>.

9 *Spiegel* (2011), 'Interview with Polish Prime Minister Donald Tusk', 04.08.2011, <http://goo.gl/X7swX>.

10 This 'battle on the commemorating stones' also included placing in May by unknown persons a board in Russian language in the memorial of a camp for the Red Army soldiers in Strzałkowo from 1919–1921 in memory of 8 000 brutally killed soldiers in Polish camps in this period, which was removed by Polish authorities.

71<sup>st</sup> anniversary commemoration. Bronisław Komorowski emphasised that this was the first time for a President of Russia to visit the Polish cemetery in Katyn: "These are successive steps, important steps, steps in the right direction down the road that we have travelled for so many years." He also added: "We also bow our heads in reverie and in prayer before the 'death ditches' in which the Russians, Ukrainians and Belarusians murdered with equal bestiality were hidden. For the Katyn forest is a silent witness to the fact that the Stalinist system was also cruel to its own citizens." He expressed a need to think not only of the past but also of the future, in order to "not succumb to the fatalism of history, to the fatalism behind which there lurks a temptation of imperial domination or a fear of that domination. Even though a lot divided them in the past, Poland and Russia may now expand their relations in such a way as to overcome this fatalism of the past."<sup>11</sup>

Reconciliation was supported by the establishment, in April, of the Centre for Dialogue and Understanding (director Sławomir Dębski). This outcome was a result of the work of the Polish–Russian Working Group on Difficult Matters (co-chaired by Adam Rotfeld), which concluded its work with a recommendation to set up a centre of this kind. A "mirror" centre was also established in Russia (formally from 1 January, 2012). Warsaw's centre has an initial budget of about 1 million euros. Among its responsibilities are: research and publishing; organisation of conferences, symposia, lectures and debates; initiating and promoting Polish–Russian youth exchanges; fostering cooperation between Polish and Russian academic and expert communities, academic centres and non-governmental organisations; and providing financial support for projects conducive to dialogue in Polish–Russian relations.<sup>12</sup>

Apart from the dominant historical, human and cultural aspects there was also a first sign of military cooperation when Polish and Russian military aircraft jointly performed training procedures concerning terrorists attacks on passenger planes (in June). However, we should see great importance first of all in economic relations. Polish exports to Russia were characterised by a high growth rate – for the first 11 months of 2011 they increased by around 31%, reaching \$7.9 billion; the increase was about 12 percentage points higher than the corresponding ratio for total Polish exports. Russia occupied 6<sup>th</sup> place in Polish exports (7<sup>th</sup> in 2010) and 2<sup>nd</sup> place in Polish imports (3<sup>rd</sup> in 2009). According to Russian data, Poland has been the 9<sup>th</sup> most significant trading partner of Russia in terms of the value of trade turnover (excluding CIS countries). There was also an increase in Polish investments in Russia

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11 Komorowski, B. (2011), 'Address by the President of the Republic of Poland on the 71st Anniversary of the Katyn Massacre', 11.04.2011, <http://goo.gl/o7JA7>.

12 See: Centre for Polish-Russian Dialogue and Understanding, <http://goo.gl/k4XHh>; Centre for Polish-Russian Dialogue and Understanding (2011), 'Ustawa z dn. 25 marca 2011', *Dziennik Ustaw*, no. 76, <http://goo.gl/QRCH1>.



in the cumulative account at the end of September 2011 that amounted to 688.2 million dollars.<sup>13</sup>

The calendar of business enterprises in bilateral relations in 2011 was quite full. Among them were official meetings, visits and seminars concerning solving problems which could help in accelerating cooperation, e.g. on changes to the agreement on cross-border rail transport, on air transport liberalisation, energy efficiency, small and medium enterprises, the banking and finance sectors, customs and tourism, and agriculture.<sup>14</sup>

A Polish public opinion poll in 2011 mirrored exactly the turns in official bilateral relations, as well as in the general political atmosphere towards Russia. The poll conducted in February showed a rapid decrease of optimism concerning mutual relations and much lower trust in Russia's readiness to explain the Smolensk catastrophe (71 percent estimated Russia's effort as "bad", 17 percent as "good" while in May 2010 it was respectively 34% and 50%). Polish-Russian relations were estimated as "good" by 12 percent (in May 2010 by 29 percent), and as "bad" by 42 (in May 15 percent), and 75% said that the Russian report from January was unreliable. But it was also associated with the prevailing long-term belief that both states are able to build good relationship (62 versus 32 percent of sceptics).<sup>15</sup> Russia in 2011 was still seen as a much more "unfriendly" than "friendly" neighbour (55 versus 19 percent), but in comparison to a previous poll from 2005 this opinion in fact improved (it was 68 versus 9 percent).<sup>16</sup> These public opinion polls also confirm the attitudes of the political elite. Supporters of the governing Civic Platform (and Social Democrats) are more "positive" towards Russia than supporters of the Law and Justice party.

## **Bilateral Relations in the Context of the EU**

Bilateral relations cannot be separated from the broader international context. Poland took active part in some initiatives because of its EU presidency. For example Polish Deputy Prime Minister Waldemar Pawlak, after the signing of bilateral EU-Russian relations in the package of accession to the WTO on December 16<sup>th</sup>, was satisfied that the long-lasting process was completed during the Polish presidency. He stressed that "Russia was the largest economy still outside the WTO system, which brings together more than 150 countries. An ambitious package of

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13 See more details, including useful comparative data on the Polish-Russian economic cooperation, the value of dynamics, the structure of the trade in the report: Ministry of Economy (2012), 'Notatka informacyjna o Federacji Rosyjskiej i polsko-rosyjskiej współpracy gospodarczej', 30.01.2012, <http://goo.gl/1vbgo>.

14 A full list of economic contacts: <http://goo.gl/1vbgo>.

15 Centrum Badania Opinii Społecznej (2011), 'Komunikat z badan CBOS, BS/28/11', March 2011, <http://goo.gl/u2B2P>.

16 Centrum Badania Opinii Społecznej (2011), 'Komunikat z badan CBOS, BS/71/11', June 2011, <http://goo.gl/4tYnn>.

accession commitments to open the Russian market for EU partners, intensify the trade relations of the Union and Russia and their trading partners belong to the WTO".<sup>17</sup> He also noted that according to the analysis of the European Commission after the implementation of the provisions of the agreement by Russia's accession, the annual value of EU exports of goods to the Russian market may increase up to 4 billion a year.

This is a very important aspect because the EU's deficit in trade with Russia is increasing every year (up to 67 billion euros after the first nine months of 2011) as an effect of oil/gas prices. And Poland shares the biggest real deficit among the EU's members (1/8 of the EU's deficit) importing over 90 percent of its oil and ca. 70 percent of gas. In this context the Polish Ministry of Economy also tried to encourage exports to the Customs Union and the Common Economic Area of Russia, Belarus and Kazakhstan. The value of Polish exports to these countries was about 11 billion dollars in 2011 and could also increase thanks to the WTO agreements.<sup>18</sup> A puzzle concerns the results of such Russian initiatives like establishing a free trade area of eight countries of the CIS (Armenia, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan and Ukraine), or like the idea of the Eurasian Union also proposed by Prime Minister Putin in October. It is considered on the one hand as a Russian attempt to keep influence on the former Soviet republics and on the other hand as a sign that the EU's concept of integration is a tempting example, even if Russia does not seem to understand that the Union can be successful only when it is built on compromise and democratic principles.<sup>19</sup>

The energy market is vitally important for Poland. In 2011 Poland hoped, also in the framework of its EU presidency, to have an influence on shaping energy policy. Russia is obviously a crucial supplier, but which should also be under careful scrutiny. Poland, like some other new member-states, engaged the European Commission in bilateral gas relations with Russia to increase Polish negotiating potential and to improve the conditions of gas cooperation with Gazprom. The EU is determined to launch the principles of a liberalising gas market and to protect its consumers against any monopoly that can jeopardise its own strategic relations with Russia. During the EU/Russia summit in December, President Medvedev was not able to persuade the Commission of the need for a special set of rules for Gazprom.<sup>20</sup> Poland is also interested in the development of the common energy policy of the

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17 Pawlak, W. (2011), 'Wicepremier Pawlak: Rosja w WTO dzięki staraniom polskiej prezydencji', 16.12.2011, <http://goo.gl/qO7cQ>.

18 Baniak, R. (2011), 'Wiceminister Baniak: Polscy przedsiębiorcy chcą eksportować na Wschód', 22.11.2011, <http://goo.gl/d4OkZ>.

19 Wiśniewska, I. (2011), 'Signing an agreement on a free-trade zone within the CIS', 26.10.2011, <http://goo.gl/IKTkz>.

20 See more on Polish approach towards energy policy: Łoskot-Strachota, A. (2011), 'The EU internal market – a stake or a tool in European-Russian gas relations', 24.06.2011, <http://goo.gl/JCmY3>; also Brunarska, Z., Jarosiewicz, A., Łoskot-Strachota, A. and Wiśniewska, I. (2011), 'Between energy security and energy market integration. Guidelines for the future development of the EU's external energy policy in Europe's neighbourhood', 13.06.2011, <http://goo.gl/8tKP0>.

EU in the context of changes among neighbours' situations, particularly Germany. The German government's decision to abandon nuclear power will be followed by its investments in power plants running on natural gas and coal. The largest supplier of natural gas for Germany (33%) remains Gazprom, which could lead to the strengthening of Russian influence not only on Germany. According to some Polish experts, Gazprom would also undoubtedly influence its decisions, and gain access to strategic information on the gas and electricity markets in Central and Eastern Europe, including the Polish market. It will also try to stop the Nabucco project.<sup>21</sup>

The Centre for Polish–Russian Dialogue and Understanding and the Polish–Russian Group on Difficult Matters presented a report in Brussels on EU–Russian relations (November 2011). It was prepared, in a significant step, jointly by Polish and Russian authors. They agreed on a common position on all questions shared by both sides, highlighted where there are differences and suggested how they can be overcome. Generally they stressed that the EU and Russia should build their relations upon two principles: constructive engagement and accountability.<sup>22</sup> The liberalisation of the visa regime has played an important role in Polish–Russian relations in 2011. The report on the visa issue said: “The easing of requirements for small-border travel between the Kaliningrad area and the adjacent regions of Poland should be seen as one of the first steps to ensure more convenient travel between Russia and the EU. The progress achieved in this area could be used as an example and an additional argument in favour of the abolition of visas for citizens of both parties. The experiences of Russian–Polish and Russian–Finnish cooperation should help to eliminate the existing myths and fears about the implementation of visa-free regulations.”<sup>23</sup> This agreement was signed on December 14<sup>th</sup> in Moscow, during the visit of Minister Sikorski.<sup>24</sup> It was estimated as not only a success of Polish–Russian relations but also of the Polish presidency.<sup>25</sup>

Improvements in relations at the end of 2011 were preceded by difficult negotiations and political “games” as noted on the Polish side. First, the EU–Russia summit was not a success. One day before it, Prime Minister Putin criticised the desirability of visa facilitation for the Kaliningrad oblast by bringing it under local border traffic regulations as Russia has no special interests for that region at the

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21 Mazur, K. (2011), ‘German companies strengthen their cooperation with Russian gas suppliers’, 24.10.2011, <http://goo.gl/qsu1G>.

22 The Centre for Polish–Russian Dialogue and Understanding (2011), ‘Rethinking EU–Russian relationship. Interim Report of the Polish–Russian Group on Difficult Matters’, <http://goo.gl/KIRBY>.

23 Ibid, p. 7.

24 See: ‘Agreement between the Government of the Republic of Poland and the Government of the Russian Federation on the Rules of Local Border Traffic’, <http://goo.gl/BQwNM>.

25 Fomina, J. (2011), ‘Local border traffic agreement for the Kaliningrad region: a success story of the Polish presidency and a trust-building exercise for Poland and Russia’, *Batory Foundation*, <http://goo.gl/4UwuK>.

expense of others. It was read as pressure to adjust the visa regime quickly. During the meeting, however, neither the WTO talks nor the visa regime moved ahead.<sup>26</sup>

In the field of security in 2011 Russia sent a mixture of hard and soft signals. Minister Sergey Lavrov called for closer cooperation with the European Union in the field of external security, indicating the need to create new institutions, such as the EU–Russia Committee for Foreign and Security Policy.<sup>27</sup> The Polish–Russian report, mentioned above, stressed strongly that the EU and Russia working together could do a lot for global and regional order and security. The report pointed to three main areas: frozen conflicts, concerns for the stability of the shared neighbourhood and threat perception in the area from Lisbon to Vladivostok. It noted that there is no disagreement at the semantic level when it comes to the relevance of key concepts such as indivisibility of security, predictability and transparency, mutual respect and accounting for respective interests. The differences begin when particular solutions are discussed.<sup>28</sup>

In November, before the summit in December 2011, the foreign ministers of Poland and Germany sent an open letter to Catherine Ashton proposing intensive work on the common position towards Russia. They expressed their belief that a strategic partnership was possible. Ideas for consideration included that the EU–Russia partnership has the potential to contribute to security in the Euro-Atlantic area and beyond. This could be practical cooperation within the scope of the CSDP, which has to be based on mutual trust and eliminating the zero-sum logic characteristic of Russia.<sup>29</sup>

### **The External and Domestic Policy of Russia from the Polish Point of View**

Security matters in Europe are strongly connected with NATO. Poland's focus was on discussions concerning the anti-missile defence system. In 2011 these were in deadlock. Polish commentators noted such steps like an identical message to the heads of NATO member states sent in May by President Dmitri Medvedev, reminding about Russia's position and its search to obtain guarantees from the Alliance that this system would not be directed against Russia itself.<sup>30</sup> On June 8<sup>th</sup>, a meeting of the NATO–Russia Council was held at the level of defence ministers. No progress was achieved. In Poland it was noted: "Regardless of whether Russia

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26 'Vladimir Putin opposes visa facilitation for the Kaliningrad oblast' (2011), <http://goo.gl/8IHkZ>; 'The impasse in the Russian-EU relationship continues' (2011), <http://goo.gl/d2fZx>.

27 'Sergei Lavrov on conditions for Russian co-operation with the West' (2011), <http://goo.gl/TaWrU>.

28 The Centre for Polish-Russian Dialogue and Understanding (2011), 'Rethinking EU–Russian relationship. Interim Report of the Polish-Russian Group on Difficult Matters', p. 8, <http://goo.gl/KIRBY>.

29 Joint letter of Minister Sikorski and Minister Westerwelle, Warsaw-Berlin, 08.11.2011, p. 2, <http://goo.gl/x89yN>.

30 'Russia hardens its position on plans to build anti-missile shield' (2011), <http://goo.gl/0rjD4>.

decides to escalate the political dispute over the shield, or whether it adopts the tactic of prolonging the negotiations, the chances of modifying the shape of the MD system or preventing the deployment of its components in Central and Eastern Europe are limited."<sup>31</sup> Several months later (November 23<sup>rd</sup>) President Medvedev issued a statement in which he accused the United States and other NATO member states of a lack of readiness to consider Russian proposals regarding missile defence. This was seen as "a manifestation of Russia's helplessness about the US plans for the deployment of the missile defence system in Europe".<sup>32</sup>

Analyses of Russia's international politics continued to notice that it seemed to be uncertain how to react and act and was choosing an ambivalent position. Events in Arab countries were among the leading global questions of 2011. Polish commentators interpreted that the Russian decision to abstain from voting on the UN Security Council resolution sanctioning the use of force against Libya was influenced primarily by the attitude of the Arab countries, which expected intervention. But by accepting the resolution, Russia has behaved in an unusual way, giving up the principle of non-interference in the internal affairs of other states. Also during the following months Russia's policy in the Middle East remained cautious. Its reaction has been defensive and adaptive and its position and role in the region remain limited. A disagreement between President Medvedev and Prime Minister Putin on the evaluation of the Western military intervention in Libya was seen as a possible explanation. In addition, there were general internal disputes amongst the political elite with one part sceptical about changes and the other part estimating them as natural social evolution. This approach was mirrored in an open position towards the opposition movements, even if Moscow still nominally supported a particular regime.

Such two-track behaviour was noted in other areas. For example Russia (12 May) signed an agreement on Arctic Council cooperation with others members, signalling its readiness for compromise, but simultaneously declared some unilateral actions in this region. Another crucial region for Russia – the Caucasus – seemed to be an unsolved and deteriorating problem. The North Caucasus has to be safe before the Olympics in three years but in the context of more terrorist attacks (including on Moscow's Domodedovo Airport on 24 January) Russia is rather going to isolate this part of the country. The implication is a lack of further investment and a halt to development. Within the Commonwealth of Independent States, Russia tried to build the country's position as a donor, also visibly appreciating softer power instruments (a national strategy of the Russian development assistance system has been prepared). However, Russia is expecting measurable and direct political and economic benefits in return.

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31 Kaczmarek, M. and Żochowski, P. (2011), 'Russia on the missile shield – no prospects for agreement', 15.06.2011, <http://goo.gl/nqFEJ>.

32 Kaczmarek, M. (2011), 'Russia is threatening to respond to the US missile shield in Europe', 23.11.2011, <http://goo.gl/Uthct>.

Obviously domestic Russian politics were also scrutinised carefully in Poland, particularly the elections. When on September 24<sup>th</sup> President Dmitri Medvedev and Prime Minister Vladimir Putin announced their election scenario – swapping places – Polish commentators stressed that this was predictable if disappointing. After the December 4<sup>th</sup> elections to the Russian State Duma, won by United Russia, commentators pointed out that the ruling party achieved a much inferior result to that of four years ago. But the main change was connected with a large number of electoral violations that were made public, and have become the subject of much discussion. The scale of post-election protests was noted as unprecedented for Russia. All of this showed how far Russian society has evolved. This evolution was greeted as a sign of a wider concern for democracy and the rule of law. It was also appreciated that the government's attitude to the protesters was changing, as the police were calm and media reporting much more open. Again it showed that the strategy of Putin had lost some of its effectiveness.<sup>33</sup>

Though the year 2011 did not bring rapid changes to Polish–Russian relations it can be seen as a period of continuing progress and demonstration of good will despite the difficulties. After the Polish parliamentary elections Donald Tusk and his party again received a mandate to govern, which will mean a balanced approach towards Russia during the next period.

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33 On these topics, see many press comments in leading Polish media, including „Gazeta Wyborcza”, „Rzeczpospolita”, „Polityka”, and first of all many deep analysis by experts of leading think tanks, The Polish Institute of International Affairs (PISM), [www.pism.pl](http://www.pism.pl) and the Centre for Eastern Studies (OSW), [www.osw.waw.pl](http://www.osw.waw.pl).

# PORTUGAL

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In 2011, relations between Russia and Portugal evolved against the backdrop of a governmental change in the sequence of general elections, which took place in June 2011. The latter development particularly affected the intensity of the bilateral diplomatic contacts, as reflected in high-level visits. The cooperation continuously advanced throughout the year. However, most of the efforts made should only bear fruit in the course of 2012, as it is likely to be the case of the bilateral Declaration on the Modernisation Partnership. On the other hand, the two countries' authorities identified the potential value of bilateral relations to tackle the economic crisis. This was demonstrated by the opening of the first Permanent Exhibition of Russian Manufacturers in Lisbon in June. Russia's conclusion of the negotiations conducive to the WTO accession was welcomed by the Portuguese authorities, which viewed this event as paving the way to the New EU–Russia Agreement. Both the unfolding of the Corfu process and the electoral process in Russia were interpreted in light of the traditional national views on Russia's place in the European Security Architecture and the evolving Russian democratisation process. Portugal showed itself as being in favour of closer EU–Russian relations, but against any *rapprochement* which might end up limiting the EU's room to manoeuvre or that of its member states. Finally, the cooperation with the Polish counterparts in the context of the Eastern Partnership Summit held in Warsaw in September 2011 stood out as an interesting development, although fundamental divergences regarding the membership of Eastern European countries, such as Ukraine and Moldova, continued to prevail.<sup>1</sup>

## Introduction

In 2011, relations between Portugal and Russia were not as dynamic as in previous years. The major reason for this was a governmental change as a result of the general elections held in June. The new Social Democrat Prime Minister, Pedro Passos Coelho, took office, while the Conservative Paulo Portas became the Minister of State and Foreign Affairs.<sup>2</sup> The resulting political transition phase

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1 Besides being based on secondary sources (e.g. official documents, press reports), this contribution draws on interviews conducted with the Portuguese foreign policy-makers, between November 2011 and February 2012, in Lisbon.

2 Prior to becoming the Minister of Foreign Affairs of Passos Coelho's government, Paulo Portas, was the leader of the People's Party (CDS-PP), the junior member of the coalition government headed by the Social Democratic Party (PSD).

inevitably slowed down the pace of Portuguese diplomacy, especially as far as the bilateral relationship was concerned. In addition to this, the major focus of Portuguese diplomacy was the Portuguese presidency of the UN Security Council. Consequently, bilateral meetings and consultations only took place on the margins of the summits of international organisations, notably the UN, OSCE, and NATO. An illustrative example of this was the meeting between Paulo Portas and Sergey Lavrov on the 21 September, 2011 on the margins of the UN General Assembly.

On the other hand, representatives of both countries advanced the work towards the conclusion of cooperation agreements, on the basis of previously identified mutual interests. Working contacts, meetings<sup>3</sup> and visits took place on a regular basis, but all these endeavours were only expected to bear fruit in 2012. The bilateral Declaration on Modernisation Partnership (see below) and the Agreements on Military Cooperation and the Fight against Terrorism stand out as two cases in point.

### **Impact of the Economic and Financial Crisis**

Portugal was severely affected by the economic and financial crisis in 2011. As a response, the newly elected Portuguese government identified increasing national exports as a major task, in the accomplishment of which the country's foreign policy should get particularly involved. Not surprisingly, the Portuguese Investment and Trade Agency (AICEP), including its branch in Moscow, has seen its status elevated to one of a key foreign policy actor.<sup>4</sup>

That said, it should be underlined that the financial and economic crisis was not without consequences for the relations between Lisbon and Moscow. Indeed, it led to the interruption of two large-scale projects in Portugal and one in Russia. These were the ethylene production facility planned to be located in Sines, the high-voltage cable factory in Setúbal, and the high-standard Portuguese Village tourist complex on the Black Sea coast with the 2014 Sochi Olympic games in view. Despite that, both parties seemed to perceive the various opportunities stemming from the bilateral cooperation as topical and timely tools to cope with the prevailing crisis, hence the common decision of not redirecting the diplomatic effort elsewhere.<sup>5</sup>

This is to say that while Portugal got caught in the eye of the economic and financial storm affecting both Europe and the Eurozone, Portuguese–Russian economic relations did not come to a halt. Besides the previous contacts and links

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3 For instance, on the 17th of October 2011, a meeting of the Intergovernmental Commission Russia-Portugal took place as usual, this time in Lisbon.

4 Agência para o Investimento e Comércio Externo de Portugal, which in November 2011 became subordinated to the Ministry for Foreign Affairs. *Diário da República*, 2.ª série – N.º 222 – 18.11.2011, Despacho n.º 15681/2011, p. 4571.

5 Interview with the Ambassador of Russian Federation to Portugal, Pavel Petrovski, to the 'Voice of Russia', 22.12.2011. <http://goo.gl/wAhR9>.



already existing between the two countries, which have considerably flourished after the Portuguese airline company (i.e. Transportes Aéreos Portugueses – TAP) started operating direct flights between Lisbon and Moscow (in 2009), a new element came into play in the bilateral economic relationship: the “Multi-Industry Permanent Exhibition of Russian Manufacturers”, which was inaugurated in June 2011, in Lisbon. This exhibition gathering together 62 Russian companies was the first of its kind to take place on EU territory.<sup>6</sup>

### **Declaration on Modernisation Partnership**

While in the course of 2011 many bilateral agreements on the modernisation partnership were signed between Russia and individual EU member states, no declaration of this type was signed between Russia and Portugal. This development was all the more intriguing if one considers that the Portuguese–Russian relationship in terms of interchange of technological know-how had been traditionally described as rather open, especially when compared to Russian relations with other EU member states.<sup>7</sup> Indeed, the Instituto Superior Técnico of the Technical University of Lisbon (IST), the Moscow State University as well as Moscow State Technical University have been cooperating and exchanging technology in the domain of renewable energy sources since 2008. The flagship project resulting from this kind of know-how interchange was the DelPlan2 – software designed to improve the functioning of electricity networks, which was developed by a team based at the IST and eventually adapted, in a very successful manner, to be used in Russia.<sup>8</sup>

Against this background, the Russian representatives showed an inclination towards listing specific projects in the future bilateral declaration. In its last version, however, the document has acquired a more comprehensive nature in covering various areas, while the individual projects were placed on the backburner for requiring further specification and deepened cooperation amongst the parties. The Portuguese ambition towards the conclusion of a more inclusive document was reflected in the way the preparatory process leading up to the drafting of the declaration was organised. This involved extensive inter-ministry cooperation

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6 Embassy of Russian Federation in Portugal (2011). ‘Exposição de Produtos das Empresas Russas’, <http://goo.gl/wAhR9>.

7 This draws on the views of Igor Zolkin, the long-standing Commercial Counsellor of the Embassy of the Russian Federation in Portugal, who has made various statements to the press and presented the Russian perspective on the cooperation with Portugal at different seminars and conferences.

8 Since 2004, the year of creation of the company Novermet (Noverment Lda, in Portugal, and OOO Novermet in Russia), both parties have agreed upon the objective of promoting the exchange of the high-technological information in the energy management area. Information on Novermet and DPlan2 available at: <http://goo.gl/Qe6hK>.

which took place throughout the year, prior to the document's presentation to the Russian counterparts in December.<sup>9</sup>

Incidentally, the Russian activism behind the promotion of the Modernisation Partnerships at a bilateral level has sometimes been viewed with suspicion by EU member states. Generally speaking, it was interpreted as representing not only an attempt to divert EU attention from such sensitive issues as human rights, but also an expedient to mitigate the controversy around Russia's democratisation setback. From the Portuguese viewpoint, this generally perceived problem did not present itself. This was because the general Declaration placed special emphasis upon democracy and human rights issues by linking know-how transfer to social reforms, and the Bilateral Declaration conveyed a similar concern as reflected in the use of a similar phraseology.<sup>10</sup>

### **Russia's Accession to the WTO and the Perspectives of the New Agreement**

The conclusion of negotiations between Russia and the WTO on the accession in December 2011 was viewed as a very positive development by the Portuguese authorities. This outlook did not spring only from the fact that Russia's commitment to WTO dispositions had the potential to help accommodating national concerns, such as those related to long-needed agreement on capital investment stability or to the illicit production of both Port and Madeira wines in Russian territory. The Portuguese diplomats also expected that the country's future accession to the WTO would finally put an end to the long-standing "irritants" prevailing in the EU–Russian relationship like the Trans-Siberian over-flights while paving the way to the adoption of the New Agreement to substitute the Partnership Cooperation Agreement (PCA). The Portuguese diplomats believed that, ideally, EU–Russian relations should not be simply regulated by WTO rules: both regional actors should adopt more advanced regulations in a spirit that could be designated "WTO Plus". On the other hand, the Portuguese officials recognised that this was a scenario that was only realistic in the long-run due to the continued Russian objections to the New Agreement and the difficulties raised by the negotiations around energy issues due to their unpredictable character.<sup>11</sup>

In more general terms, Russia's accession to the WTO was expected to potentially trigger a change in the Russian elite's stance on competition thereby leading them to regard the latter as a source of peaceful coexistence between states in Europe.

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9 Information based on interviews with Portuguese diplomats, conducted at the Ministry of Foreign Affairs, Lisbon, January 2012.

10 Information based on interviews with Portuguese diplomats, conducted at the Ministry of Foreign Affairs, Lisbon, January 2012.

11 Information based on interviews with Portuguese diplomats conducted at the Ministry of Foreign Affairs, Lisbon, January 2012.

According to the Portuguese officials, the main difficulty in EU–Russian relations was related to the fact that the Russian leadership has never comprehended the nexus between the success of the European economic integration process and interstate competition. In fact, it was hoped that the benefits of competition upon the WTO accession would eventually change the zero-sum thinking cultivated by the Russian officials to date. For example, this could move authorities in Moscow to view the deepening of EU–Ukrainian relations as not directed against Russia, or as something excluding or undermining the privileged rapport between Russia and Ukraine.<sup>12</sup>

### **EU–Russian relations in the Context of the Security Architecture Debate in 2011**

After Dmitry Medvedev’s European Security Treaty proposal, originally put forward in 2008, had been critically received by the EU member states, the Corfu process became the platform to negotiate and eventually accommodate Russian views. With few exceptions, this process was largely stalled in 2011. The Portuguese standpoint on the reasons behind this negative outcome is shared by many EU member states. On the one hand, there was the electoral cycle in both Russia and the US. On the other hand, there were the diverging conceptions of security cooperation dynamics that should inform relations between the involved parties. From the Portuguese point of view (which was in line with that of other EU and NATO countries), security cooperation should be founded on an inclusive notion of security encompassing, among other aspects, respect for human rights and fundamental freedoms. For Russian authorities security cooperation should be strictly based on a politico-military dimension.

While appreciating the perception of threat felt amongst the Central and Eastern European member states vis-à-vis Moscow, the Portuguese diplomats advocated the position that EU–Russian cooperative dynamics should be improved at all levels, notably economic, social and cultural. Furthermore, according to the Portuguese diplomats, the deepening of EU–Russian relations should not take place at the expenses of the Union’s or the EU member states’ freedom of action. Even though there were considerable benefits stemming from closer relations between Russia and the EU, internal divisions within the Union (or about wider EU governance so as to comprise Russia) were a luxury that the latter simply could not afford given its exposure to fierce international competition involving other centres of power.<sup>13</sup>

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12 Information based on interviews with Portuguese diplomats, conducted at the Ministry of Foreign Affairs, Lisbon, February 2012 (v.f. Fn.1).

13 Information based on interviews with Portuguese diplomats, conducted at the Ministry of Foreign Affairs, Lisbon, February 2012.

## **Parliamentary and Presidential Elections in Russia**

The Portuguese posture regarding Vladimir Putin's candidacy to a new presidential term was marked by circumspection. Vladimir Putin was the candidate of the "party of power"; and the forthcoming electoral process was seen as being yet another stage of moving away from the fledgling democratisation process. From the Portuguese point of view, Russia needed to be exposed to criticism which was seen as a precondition for future changes in the Russian political system. However, it was important to bear in mind that there were limits about what could be achieved through criticism; and that the consolidation of democratic trends in the country could only to be achieved in the long term. Some empirical evidence of democratic changes was already noticeable, nevertheless. From the Portuguese perspective, Russia under Dmitry Medvedev's administration differed significantly from Russia during Vladimir Putin's era, with the position of the middle class being strengthened. This had major implications in the domestic power politics given the increase in the number of players operating in the political system. Looking at the future, it was expected that Russia under the third term of Vladimir Putin would be different from that under Dmitry Medvedev. Against this backdrop, the Portuguese officials were of the opinion that the timing and the type of criticism over Russian affairs originating from the EU had the potential to positively influence the evolution of the political situation within this country.

## **Eastern Partnership and the Accession Perspective**

In the second half of 2011, Poland took over the presidency of the EU. The country was determined to provide an unprecedented impetus to an Eastern dimension, something that should not be detached from the Polish support of the EU membership ambition cherished by some Eastern European countries, especially Ukraine. Indeed, the accession of Eastern European states had consistently been an important element characterising the Polish post-EU membership foreign policy. Although the Polish presidency developed itself in a post-Lisbon context, the country managed to "upload" some of its most relevant national interest to EU foreign policy by securing the organisation of the Eastern Partnership Summit held on 30 September, 2011 in Warsaw. It also left an imprint on Portuguese foreign policy since there was an unprecedented dynamism instilled in issues related to both the Eastern Partnership and EU relations with Eastern European states. During the time that Poland was at the Union's helm, close consultations were held between the Polish embassy and the Portuguese diplomats who were often invited to participate in conferences and seminars dedicated to the topics dealing with the European Neighbourhood Policy. These consultations were especially intense prior to the Eastern Partnership Summit. The growing attention ascribed to Eastern European matters by a Southern European country like Portugal was

considered an important political output of Polish diplomatic endeavours. This is so especially because the summit itself was – and still is – easily (mis)labelled as a “failure” due to the Belarusian withdrawal from the initiative and the division that emerged between the EU and non-EU participants regarding the final declaration.

Incidentally, the close contacts and cooperation between the Portuguese and Polish counterparts did not manage to overcome a clash in relation to one important issue: whether the ENP should be seen as completely separate from membership prospects (regarding the accession-willing countries like Ukraine and Moldova). The Portuguese foreign policy-makers espoused the strict separation between the enlargement and the ENP, while Poland did not necessarily see such a separation as something set in stone, thereby accepting the possibility of accession for especially compliant ENP participants. This major divergence caused a delay in both the negotiations and eventual signing of the final Declaration of the Eastern Partnership.<sup>14</sup>

Portugal has been presenting itself as a supporter of the EU enlargement process despite not perceiving many tangible (national) benefits resulting from it. The official stance regarding the Ukrainian and Moldovan immigrants in the country has been equally positive, which gives national authorities a good, concrete reason to support the EU enlargement to the East. That said, Portuguese diplomats tended to emphasise that the enlargement was by no means an end in itself, and therefore, the view that this process should be carried on “at any price” was unacceptable. This means that the “quality” of the enlargement process, as enshrined in Art. 49, should be considered an EU priority. From the Portuguese standpoint, the enlargement dynamics should enable the EU to get stronger and should only benefit a country (e.g. Ukraine or other accession-willing countries) when it is both willing and able to get into the Union’s politico-institutional fold.<sup>15</sup>

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14 Joint Declaration of the Eastern Partnership Summit, Warsaw, 29–30 September 2011, <http://goo.gl/yn1H9>. According to the information of the interviewed high officials, the final Declaration took four months to be negotiated and consensus could only be achieved at the seventeenth version of the text.

15 Information based on the interviews with Portuguese diplomats, conducted at the Ministry of Foreign Affairs, Lisbon, February 2012.

# ROMANIA

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Romanian–Russian relations after the fall of communism look like an Argentine tango: one step ahead, couple of steps lateral, improvisation and nostalgic music in the background. On paper bilateral relations have developed steadily since 2003, with a continuous increase of economic relations and the majority of political problems being solved. In practice, these relations have no unsolvable issues, but they are complicated because Russia has no interest in setting up a clear settlement of “borders” with its former vassal state. One cannot understand the actual relations without taking into consideration the historical legacy and the permanent struggle in the last two decades to reset the relations between a former Slavic hegemon and a Romance-speaking country that joined NATO and the EU. Beyond the diplomatic rhetoric and the existence of a Treaty for Friendly Relations there are still issues to be settled directly as well as at the multilateral level. The most important issue under discussion is related to the Romanian decision to join the EPPA/American Missile Defense system. Even though economic relations and trade between the EU and Russia increased and the EU–Russia Summit set up clear goals and actions, these relations are far from their potential. To sum up, relations between Romania and Russia could be characterised by the saying: “good fences make good neighbours”.

## **Main Themes Dominating Romanian–Russian Relations**

If one looks at the website of the Romanian Embassy in Moscow or the website of the Russian Federation in Bucharest, one can claim that relations are somehow frozen at the level of 2009, except some news about cultural events.

The evaluation of Romanian and Russian relations in 2011 cannot be understood looking at the present bilateral relations only; one should look at Russian relations with the EU or NATO to comprehend the complexity of its relations with its Western neighbours. The fact that Romania is a member of NATO or the EU is just one side of the coin to explain the complexity of foreign affairs. The other side is related to the post-imperialist mind-set of Russian policy-makers that would rather deal with great powers or alliances than directly with a specific country that once was a member of their geopolitical realm. That is the first angle for understanding Russian relations with a former Warsaw Pact ally that became part of Western Europe.

Another angle is the historical legacy, the relations seen as a path dependency. One can better understand the problems, issues and quality of foreign relations between Romania and Russia based on their complicated historical heritage. In

the last two centuries, parts of territory (populated mostly by Romanians) changed ownership several times. From the Romanian point of view, the most painful events were related to the consequences of the Molotov–Ribbentrop Pact in 1939. From time to time, these historical peculiarities continue to trigger conflicting readings and critical positions. Romanians found themselves as losers of World War II and they blame the Soviet military and overwhelming political pressures for the abolition of the monarchy and the establishment of a totalitarian communist dictatorship. The regime change was accompanied by brutal repression, detention, deportation and dispossession on a massive scale. On the Russian side, they saw the Ion Antonescu government as a “fascist regime” responsible for attacking Russia in 1941. As an outcome of the historical legacy the Romanian public perceived Russia as a danger during the post-Cold War period.

The public opinion barometers produced by the Paul Lazarsfeld Society from Vienna showed the development of threat perceptions in Eastern Europe between 1992 and 1996. In 1992, the Romanian public was obsessed with a Russian threat (more than 60% of the population); quite different from the perception of other Eastern European countries (average about 35%). This can be explained by the historically grown perceptions of Russia as the main enemy as well as by the contextual claims of Russia’s involvement in the Romanian revolution in 1989 or the war in Transnistria in 1991 when general Lebed launched very direct statements to threaten Romania.<sup>1</sup> In general, the perception of external threats decreased from 1992 to 1996, but the perception about the Russian threat remained high for Romanians, peaking at 55%. A more recent study on the perception of Russia has been produced by the project “The Perception of Russia in the Trilateral Romania, Republic of Moldova and Ukraine” and showed that about 40% of the population still considers Romanian–Russian relations as bad and very bad.<sup>2</sup>

Therefore, the negotiations on the Treaty on Friendly Relations and Cooperation were not easy and proceeded with some friction. It took almost ten years to conclude them (signed on 4 July, 2003). Ever since, the main political stake has been to bring normality and predictability into bilateral relations, in particular through a direct and pragmatic dialogue and cooperation. Diplomatic rhetoric claims that promoting friendly relations with the Russian Federation is essential for regional stability in South-eastern Europe. After signing the treaty (2003) bilateral relations grew steadily, President Putin visited Romania in 2008 on the occasion of the NATO summit and total trade grew year by year to reach a total of €5.91 billion in 2008 and decreased by 56% in 2009 to rise again in 2010 when Romania exported €751 million of goods and imported goods of €1745 million, with a deficit of €965 million. In the following years relations have been overshadowed by some

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1 See Zulean, M. (1999/2000), “Threats Perception and Security Policy in Post-communist Romania”, *Central European Issues*, vol. 5, no.2.

2 Chifu, I, Nantoi, O and Shusko, O. (2010), *The perception of Russia in Romania, Republic of Moldova and Ukraine*, Curtea Veche Publishing House.

diplomatic incidents in 2010 when two diplomatic scandals, one in Bucharest and one in Moscow, heated up relations based on allegations of espionage.

As a consequence of the sinuous historical legacy some contentious issues are still on the bilateral agenda. From the Russian point of view some issues are related with: transferring the ownership rights for buildings that belonged to the former Soviet Union to the Russian Federation, or manufacturing of conventional weapons in Romania under the Soviet trademark AKM or the removal of the Soviet Soldier Memorial. From the Romanian point of view the return of the "treasury" handed to Moscow during the World War and never returned should be another issue in debate. That might be considered an easy issue bearing in mind that Romania and Russia don't share a common border.

However, the biggest issues between Romania and Russia arise at the multilateral level and are related with: energy security; the Transnistria breakaway region; Black Sea initiatives; Moldova policy; or, very recently, the Romanian decision to join the US initiative European-based Phased, Adaptive Approach for Missile Defense/EPAA. On the Russian side, the new Russian Military Doctrine adopted in 2010 considers NATO as the main danger to Russian national security.<sup>3</sup>

One of the important issues that played a major role in bilateral relations in the last two decades springs from the historical dispute regarding the political orientation of Moldova and collateral problems generated by its Transnistria breakaway region. Russia considers the former Republic of Moldova as belonging to its "near abroad" geopolitical space of interests and directly controls the Transnistria region. On the other hand, Romania's main goal towards Moldova was to strongly back Moldovan efforts to approach the EU and to help to preserve its kin identity (2/3 of the population being Romanians). Included in the European Neighbourhood Policy in March 2003, the Republic of Moldova endorsed the EU-Moldova Action Plan in February 2005 while an informal support group for the Republic of Moldova's European action was created at the Foreign Affairs Council (FAC) of January 2010 at Romania's initiative. The Moldovan pro-European orientation supported by Romania was boosted by the early elections in June 2009 that brought into power the Alliance for European Integration and sent the long-lasting communist government in opposition. However, Romania doesn't clash directly with Russian foreign policy on Moldova, recently being accepted to re-take its place in the "5+2" arrangement of negotiation regarding the status of Transnistria. The only allegations on Romanian involvement in the civil unrest in April 2009 were expressed by Moldovan Communist President Vladimir Voronin and the Russian media – no official statements from Russia.

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3 Совет Безопасности Российской Федерации, 'ВОЕННАЯ ДОКТРИНА РОССИЙСКОЙ ФЕДЕРАЦИИ', <http://goo.gl/EbNco>



## Significant Developments in 2011

In the first half of 2011 there were concrete steps to develop relations on a bilateral track and dispel the mistrust of diplomatic incidents from 2010. Interest in developing economic cooperation at different levels was re-stated: at the governmental level; at the business-to-business level; and the Chamber of Commerce and Industry. In the second part of the year the Intergovernmental Commission on economic and technical-scientific cooperation reconvened in Moscow (3–4 October, 2011) after a pause of almost four years.

Irrespective of the dynamics of political relations, trade and the economy have come to know some positive trends – for the first half of 2011 trade increased by 35.7% compared to the same period of the previous year. Russian Ambassador Churilin stated in February 2011 that “There is nothing special I can say about the present state of relations; they develop in a certain way, but no important progress has been made of late. Relations are normal, with no sudden increase. There is great potential that manifests in the most unexpected way.”<sup>4</sup> But the rhetoric heated after the Romanian announcement that it would sign a bilateral agreement with the US to host American interceptors at the Deveselu military base.

Despite the fact that Romania and the US consulted Russian leaders during all stages of negotiations and guaranteed that the interceptors were kinetic and against rogue Middle East states, the Russian side demanded legal guarantees from the United States that its missile defence shield in Romania would not target Russia’s strategic nuclear forces. The initial reactions came from non-politicians, such as Admiral Viktor Kravchenko, former Russian navy chief of staff, who said that “the new US anti-missile defence base in Romania would break the balance of power in the Black Sea area once it started operation”<sup>5</sup> but they reached the official level after the agreement entered into force in December 2011. Thus, in November 2011, President Medvedev raised the prospect of Russia launching missile attacks on European Union member states such as Poland, Romania and Spain as well as Turkey.<sup>6</sup>

## Romanian Positions on EU–Russian Issues

Romania reaffirmed its support for all European policies towards Russia at the recent EU–Russia Summit in Brussels (15 December, 2011), including the accession of Russia into the WTO. As the documents of the summit claimed, Russia remains the EU’s third most important trading partner in goods (after the US and China),

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4 *Bucharest Herald* (2011), ‘Russian ambassador: Romanian-Russian relations are good enough, but not first-rate’, 18.02.2011, <http://goo.gl/voPkS>.

5 *Xinhua.Net* (2011), ‘New missile shield in Romania tests Russian-U.S. relations’, 05.05.2011, <http://goo.gl/Js6aO>.

6 *The Telegraph* (2011), ‘Dmitry Medvedev threatens US over planned missile defence shield’, 23.11.2011, at: <http://goo.gl/Fu3wA>.

with €87 billion in exports to Russia (6.4% of all EU exports, 4<sup>th</sup> place after the US, China and Switzerland) and €158 billion in imports in 2010 (10.5% of all EU imports, 3<sup>rd</sup> place after China and the US, mostly natural resources). The EU is thus by far the largest market for Russian goods.

Below there are some of the main issues both on the EU–Russia agenda and with concern to Romania:

- The EU's Common Neighbourhood with Russia: While cooperation and dialogue are the basics in a policy seeking to engage Russia, it would be equally important for Russia to deliver results. Unfortunately most of what Romania shares regionally with Russia is the legacy of the protracted conflicts, which continue to stir threats to regional and national security in a most comprehensive way. The interaction with Russia towards the advancement of their resolution is still marred by a certain frustration over what Russia continues to claim to have lost after the dissolution of the Soviet Union. Russia never gave up its traditional appetite for spheres of influence. Therefore, its reluctance to the Eastern Partnership and Black Sea Synergy would come as no surprise. This goes hand in hand with the way Russia has traditionally built its influence in the region, favouring controlled stability at the cost of promoting human rights.
- Partnership for Modernisation (PfM): The European Union and Russia signed a joint statement on the Partnership for Modernisation at the 25<sup>th</sup> Summit on 31 May–1 June, 2010. After receiving a draft proposal from Russia, the Romanians handed over a counter-proposal at the end of September 2011. Based on the substance of this approved text, on 4 October, 2011, the co-chairmen of the Intergovernmental Bilateral Commission on cooperation in economic and technical-scientific fields signed a declaration by the co-chairs on cooperation on partnership for modernisation in Moscow. Ideally modernisation should be pursued in a context where the rule of law is strengthened and where there is a vibrant civil society. Thus, Romania sees the Partnership for Modernisation as a natural complement to a new EU–Russia legal framework.<sup>7</sup>
- Visa liberalisation: While acknowledging the good prospects for building upon the positive dynamics of the visa process with Russia, consistency should be applied in shaping up the steps both in relations with Russia and other countries of the Eastern Partnership – Ukraine and the Republic of Moldova.

### **Romanian Debates on Russian Elections**

Despite the fact that the European Parliament or High Representative Ashton took positions about the protests in Russia after the Duma elections and the Putin–Medvedev switch, the issue was not on the agenda of the Romanian public or policy-makers. Barely a few Romanian TV stations covered the issue.

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7 See 'On the Russia-EU initiative *Partnership for modernisation*', <http://goo.gl/vwRkx>.

To summarise the media discourse, the expected comeback of Vladimir Putin as president would have implications on the policy that the Kremlin will pursue both internally and externally. Internally, the current challenges to the rule of law and respect for human rights and fundamental freedoms are to become worse. Among the most challenged would remain: the independence of the judiciary, and a genuine fight against corruption with increasing transparency in the decision-making process. As shown by the most recent State Duma elections, the rather controlled political pluralism would continue to remain an appearance to be played by the Kremlin in order to prevent vocal criticism by the democratic community.

The whole process of preparing the upcoming elections was a preview for the scenario whereas Vladimir Putin would take over the position of president. There are question marks on the exercise of updating the electoral law and on its very outcome, mainly its prospect to become a real tool in ensuring free and fair elections. Despite stated intentions to strengthen the rights of the electorate, much of the additional legislation adopted to enact the electoral law does nothing in effect, except for limiting the actions and vote choice of the electorate. Given the peculiarities (a considerably limited number of monitors) of Russia's invitations addressed to the OSCE/ODIHR to observe the legislative and presidential elections, it seems that the most logical effect pursued is claiming their legitimacy worldwide.

However, 2012 appears to be a hot year because of the presidential elections in Russia and parliamentary and local elections in Romania, and we expect to see an exchange of harsh statements. The prospects of the NATO Summit in Chicago can also stir hot air into the debates.

# SLOVENIA

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The Republic of Slovenia and the Russian Federation established diplomatic relations on 25 May, 1992. The highest political representatives of both states estimate bilateral relations as excellent and even talk about privileged partnership. Most of the attention is being devoted to economic and business issues as well as cooperation in the field of culture and humanities. The latter has especially been an important dynamo in Slovenian–Russian relations since the early 1990s. In 2010 and 2011 we witnessed several high-ranking visits on both sides also due to some important milestones in economic and cultural relations between the countries. Slovenia has been keen on preserving the good relations with Russia built in the last 20 years. On one hand it has been leaving the big-picture political relationship with Russia in the hands of the EU; however, in the bilateral relationship it has been promoting good economic and cultural cooperation without explicit negative reactions towards some Russian foreign policy actions in contrast with some other EU members. In parallel, within the EU–Russian relations Slovenia as an EU member remains bound by EU policies; however, it tends to speak in favour of Russia, e.g. it advocates full liberalisation of the EU visa regime in relation to Russia. Similarly, Russia has also been interested in continuing to work on its good bilateral relationship with Slovenia and keeping it strong. However, in 2012 some important political changes will occur and the political pace of bilateral relations between the countries could be re-determined. Nevertheless, the economic and business cooperation along with the relations in the field of culture and humanism should remain to bind the nations of Slovenia and Russia in a positive and optimistic manner.

## **Relations between the Russian Federation and the Republic of Slovenia**

The year 2010 presents an important political milestone in Slovenian–Russian bilateral relations. In November President of the Republic of Slovenia Danilo Tűrk accomplished an official visit to the Russian Federation at the invitation of President of the Russian Federation Dmitry Medvedev. Although diplomatic relations were established on 25 May, 1992 and politicians were meeting regularly stressing that the relations were good, it was only the first official visit of the Slovenian president to the Russian Federation. Still, the first official visit of the Russian president to the Republic of Slovenia is still being awaited. Nevertheless, as Medvedev pointed out, the “relations are truly strategic and based on partnership” and in recent years they

“had been developing very dynamically in all fields”.<sup>1</sup> Slovenia and Russia developed intensive and cooperative relations in the field of culture and humanities from the early 1990s as well as fruitful economic and business cooperation especially in the last ten years. “In cooperation, investment potential had been growing but should be further strengthened”, Medvedev added in 2010 when the presidents signed the Declaration on Partnership for Modernisation between the Republic of Slovenia and the Russian Federation making Slovenia also one of the countries to be actively involved in Russian modernisation. Russia also desires to promote cooperation in the field of science and high technology.

In 2011 we witnessed several high-ranking visits of Russian politicians to Slovenia. In March Russian Prime Minister Putin arrived with a strong economic delegation for his first official visit to Slovenia. That this visit was aimed at primarily developing business cooperation was confirmed by the signing of the South Stream Slovenia LLC Shareholders Agreement in Ljubljana, which establishes a joint project company to implement the South Stream project in Slovenia.<sup>2</sup> The construction of the pipeline has also become the leading project in Slovenian–Russian economic relations. In April Russian Foreign Minister Sergey Lavrov paid a visit to Slovenia to review bilateral and multilateral relations and cooperation. The foreign ministers emphasised the intensification of the political dialogue and called for a further consolidation of cooperation, particularly in economy, culture and science and opened the Russian Scientific and Cultural Centre during the second part of the meeting.<sup>3</sup> In May Slovenian President Türk visited Moscow on a working visit at the invitation of Russian President Medvedev as a continuation of the cooperation between the presidents agreed in November 2010 to hold periodic working discussions. The presidents mostly paid attention to international topics, especially to some open issues of European security and the development of security and cooperation mechanisms in Europe.<sup>4</sup> The last but not the least important was the visit of the president of Russia’s State Duma, Boris Gryzlov, who came to Slovenia in July along with representatives of the Russian Orthodox Church to take part in the 95<sup>th</sup> annual ceremony at the Russian chapel commemorating Russian soldiers who died in prison during World War I. During his visit it was also stressed that Moscow and Ljubljana intend “to actively boost the parliamentary dimension” of their bilateral cooperation.<sup>5</sup>

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1 ‘President Türk holds talks with Russian President Medvedev and Prime Minister Putin’ (2010), <http://goo.gl/kJWtc>.

2 Gazprom (2011), ‘Gazprom and Geoplin Plinovodi agree on setting up joint project company South Stream Slovenia LLC’, 22.03.2011, <http://goo.gl/SrDWr>.

3 The Ministry of Foreign Affairs (2011), ‘Foreign Ministers Žbogar and Lavrov discuss continuation of enhanced cooperation between Slovenia and Russia’, <http://goo.gl/0bLrx>.

4 ‘Meeting of President Türk with Russian President Medvedev’ (2011), <http://goo.gl/05ol3>.

5 Gryzlov, B. (2011), ‘Duma Speaker Highlights Good Slovenian-Russian Relations’, *STA*, 30.07.2011, <http://goo.gl/ZqnsH>.

The main two themes dominating the relationship between Slovenia and Russia since the early 1990s have been economic and business cooperation and relations in the field of culture and humanities. The latter especially represent an important dimension in the relations between the countries. In addition to the common Slavic roots and the spiritual background of the Slavic nations in the cultural heritage, it was also a mutual inclination lasting throughout history that helped to pave the way for good relations.<sup>6</sup> One of the focal moments was the tragedy of the Russian war prisoners who lost their lives in World War I building the mountain road on the Vršič pass. Later on a memorial chapel was built at the foothills of the Julian Alps that has become the main symbol of friendship between the Slovenian and Russian nations.

After World War I many Russian intellectuals, actually part of the Russian elite, also notably contributed to Slovenian academic development. When 20 years ago the Republic of Slovenia was established, the Russians were officially invited for the first time to take part in the commemoration at the Russian chapel. At the same time an idea to found the Slovenia–Russia Association arose. Since Slovenian diplomacy in the 1990s took a rigid and passive stance in relation to the Russian Federation, it was the Slovenia–Russia Association, founded in 1996, that took the initiative. Every year it organised a commemoration at the Russian chapel with the participation of the highest Russian political officials and representatives of the Russian Orthodox Church. Besides genuine friendship amongst the Slovenians and Russians coming to Vršič, Slovenia and Russia also made significant progress in culture and humanities. Various bilateral agreements are being implemented and some important projects that can be described as joint brands, e.g. the Forum of Slavic Cultures that has successfully operated on the international scale since 2004 with its headquarters in Slovenia. In bilateral relations special importance is also given to the Russian Scientific and Cultural Centre in Ljubljana and Russian Information and Cultural Centre in Maribor opened in 2011.

Culture and humanism in Slovenian–Russian bilateral relations represent an important connecting link between the countries, something that cannot be claimed for EU–Russian relations. As Coker states,<sup>7</sup> “despite numerous attempts to build genuine partnership, EU–Russian relations have remained full of misunderstandings and frustrations” and one of the core reasons is in the diverging identities of actors. The controversy between them should therefore be considered as a “divergence of values rather than a clash of the individual interests of their elites”.<sup>8</sup> After all, in the last decade Russia defended its independence, rejected the Western democratic messianism<sup>9</sup> and tried to position itself as the “Other

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6 Delo.si. (2011), ‘Gantar in Grizlov za nadgradnjo dobrih odnosov’, 31.07.2011, <http://goo.gl/EeZqu>.

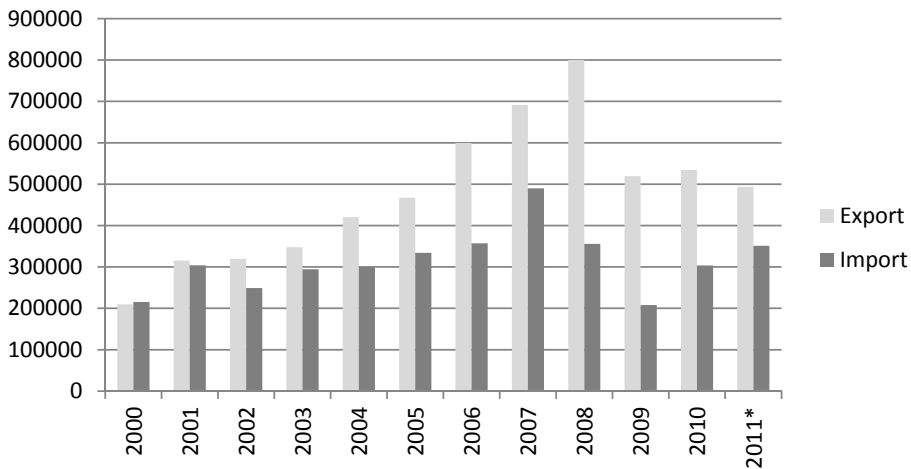
7 Barysch, K., Christopher, C. and Leszek, J. (2011), *EU–Russian relations Time for a Realistic Turnaround*, Brussels: Centre for European Studies.

8 Mezhev, B. (2008), ‘Modern Russia and Postmodern Europe’, <http://goo.gl/2YNLQ>.

9 Kosachev, K. (2007), ‘Russia and the West: Where the Differences Lie’, <http://goo.gl/fwJgR>.

Europe”.<sup>10</sup> However, culture is at the centre of Russia’s self-understanding and good bilateral relations based on the common spiritual background of the Slavic nations in the cultural heritage between the existent and potential EU member states (especially from ex-Yugoslavia) and Russia could notably contribute to better understanding one another and finally also to the convergence of the identities of the EU and Russia in the future without opting for either a European or a Eurasian model.

Similarly, economic relations between Slovenia and Russia have been developing intensively and the level of economic exchange has been growing since 2000; however, in 2009 bilateral economic relations were seriously affected by the global financial and economic crisis, which led to a significant downside in the level of economic exchange (see graph 1). The current trends in the last two years have been positive and the pace of trade indicates that the countries “have overcome the consequences of the global crisis in bilateral cooperation”.<sup>5</sup>



Graph 1: Trade between the Republic of Slovenia and Russian Federation, 2000–2011 (in €1000)

\* Data for the year 2011 available only for the first 11 months.<sup>11</sup>

The Slovenian–Russian partnership applies not only to interstate relations, but also to the ties between regions,<sup>12</sup> namely almost 200 Slovenian companies are present in more than 50 Russian regions exporting pharmaceuticals (42% in 2010), communications systems and electrical equipment, mechanical installations and paints. On the other side, Slovenia imports mostly oil and gas products (60% in 2010),

10 Krastev, I. (2007), ‘Russia as the “Other Europe”’, <http://goo.gl/9rtsN>.

11 Statistical Office of the Republic of Slovenia (2012), ‘Izvoz in uvoz po državah, Slovenija, kumulativni podatki’, <http://goo.gl/RSOEP>.

12 Slovene-Russian Business Club (2012), ‘Economic cooperation’, <http://goo.gl/bqhkN>.

nickel and aluminium products from Russia.<sup>13</sup> From this perspective Slovenian–Russian trade relations fully reflect EU–Russian trade relations. The backbone of Russian exports to Slovenia is namely oil, gas and other mostly unprocessed raw goods. Slovenia on the other side exports mostly processed goods, especially pharmaceuticals, to Russia. However, in contrary to the EU, Slovenia in its trade of goods with Russia shows a large surplus – in 2010 its exports (€534 million) were 76% higher than imports (€303 million). Russia was the third-biggest non-EU trade partner of Slovenia in 2010 after Croatia and Serbia;<sup>14</sup> however, it still accounts for only a small share of trade. Nevertheless, the extent of trade between them has been steadily growing since 2000 (€415 million) and peaked in 2007 (€1.18 billion). Similarly, the share of Slovenian exports to Russia has been increasing from 2.2% in 2000 to 4% in 2008. After the crisis, the numbers dropped, but in the last years they have been rising again and Russia remains a trading partner with great future potential for Slovenia. The extent of imports from Russia has been rising since 2000 (€215 million) and peaked in 2007 (€489 million). Imports significantly dropped in 2008 and 2009; however, it sharply increased in 2010 and 2011 (see figure 1).

**Figure 1:** Trade between the Republic of Slovenia and Russian Federation, 2000–2011

Year	Export (€1000)	Share of Total	Import (€1000)	Share of Total	Total Trade (€1000)	Change in Trade	Trade Balance (€1000)
2000	209,873	2.21%	215,366	1.93%	425,239		–5493
2001	315,437	3.05%	303,912	2.68%	619,349	45.65%	11,525
2002	319,671	2.92%	248,949	2.15%	568,620	–8.19%	70,722
2003	347,538	3.08%	294,380	2.41%	641,918	12.89%	53,158
2004	420,198	3.29%	299,578	2.12%	719,776	12.13%	120,620
2005	467,462	3.25%	334,215	2.11%	801,677	11.38%	133,247
2006	599,504	3.58%	357,056	1.95%	956,560	19.32%	242,448
2007	691,623	3.56%	489,979	2.28%	1,181,602	23.53%	201,644
2008	799,914	4.04%	355,890	1.54%	1,155,804	–2.18%	444,024
2009	519,421	3.24%	208,047	1.22%	727,468	–37.06%	311,374
2010	534,471	2.93%	303,511	1.53%	837,982	15.19%	230,960
2011*	493,470	2.61%	350,960	1.72%	844,430		142,510

Source: Statistical Office of Republic of Slovenia, 2012<sup>15</sup>

Trade between the countries is being supported by agreements on cooperation, joint ventures and business delegations. Both sides show the intention and

13 Public Agency of the Republic of Slovenia for Entrepreneurship and Foreign Investments (2012), 'Russia – bilateral economic relations with Slovenia', <http://goo.gl/R3wEC>.

14 Statistical Office of the Republic of Slovenia (2012), 'Izvoz in uvoz blaga po državah', Available at: <http://goo.gl/UQAey>.

15 Statistical Office of the Republic of Slovenia (2012), op. cit.



willingness to further develop economic ties, promote joint ventures on third markets and also expand economic cooperation to the area of high technology. Finally, Russia is also interested in cooperation in the field of energy, assured Putin as the CEOs of Gazprom Miller and Geoplin plinovodi Eberlinc in March 2011 signed the South Stream Slovenia LLC Shareholders Agreement in Ljubljana.<sup>16</sup>

Even though the creation of a joint company demonstrates a serious approach to the project's implementation in Slovenia the realisation of the project remains uncertain. Besides that, the project raises manifold issues connected to the questions of energy diversification and dependency from Russian gas in the EU as well as to the new EU energy legislation. The "Third Energy Package", which calls for the unbundling of over-concentrated ownership namely imposes limits on the ownership of pipeline infrastructure by gas suppliers, meaning that Gazprom could be prevented from implementing new projects such as the South Stream as integrated entities or forced to sell off parts of the South Stream network in the EU.<sup>17</sup> However, as Putin stressed, Russia and the EU are "in the process of constructive talks" and Moscow's stance is that Russian pipelines should be exempted from the new EU energy liberalisation rules. Similarly, Slovenia advocates that Russia should seek exemption. Namely, the Slovenian minister of the economy stated in March 2011 that the new gas legislation enabled exemptions for certain projects and that it would be the right way for Russia to try to gain an exemption for the new gas pipelines in Europe.<sup>18</sup> Finally, Russia already proposed to the EU to exempt transnational pipelines from the new rules.

On the other hand, the South Stream pipeline is also a strong competitor to the Southern Corridor and the planned Nabucco gas pipeline due to its route and the fact that it will probably need gas from the same fields. The Southern Corridor bypassing Russian soil should connect the EU with the Caspian (and Middle Eastern) gas basins. Besides the Nabucco and South Stream, two other projects have also been competing to gain access to Caspian countries' gas markets, Interconnector Turkey–Greece–Italy (ITGI) and the Trans-Adriatic Pipeline (TAP).<sup>19</sup> Recently a new project has also been mentioned, the South East Europe Pipeline (SEEP).<sup>20</sup> The diverging and sometimes conflicting interests of individual EU member states connected to the abovementioned projects often hamper the complete development of the Southern corridor as proposed by the Commission.

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16 Cabinet of the Prime Minister of the Republic of Slovenia (2011), 'Russian Prime Minister Vladimir Putin pays an official visit to Slovenia', <http://goo.gl/szXEZ>.

17 Siddi, M. (2011), 'EU energy security, The Russia factor and future prospects for the Southern Corridor', *TEPSA Brief*, <http://goo.gl/5YZXf>.

18 *EurActiv.com*. (2011), 'Russia takes on board Slovenia in South Stream venture', 24.03.2011, <http://goo.gl/vdnG1>.

19 Sartori, N. (2012), 'The European Commission's Policy Towards the Southern Gas Corridor: Between National Interests and Economic Fundamentals', *IAI Working Papers* 12 | 01, <http://goo.gl/9F92x>.

20 Soltanov, E. (2012), 'The South East Europe Pipeline: Greater Benefit for a Greater Number of Actors', *IAI Working Papers* 12 | 02, <http://goo.gl/xXqQX>.

That energy security remains mainly a national issue has also been demonstrated by countries that otherwise support the Nabucco (including Slovenia); however, they have agreed to bilateral transit agreements with Russia paving the way for realisation of the South Stream pipeline thus keeping multiple options open as the realisation of the Nabucco remains unclear.

Slovenia as a member of the EU remains bound by the legislation of the EU and its common policies; however, it tends to speak generally in favour of Russia. It supports the Partnership for Modernisation between Russia and the EU and advocates full liberalisation of the EU visa regime in relation to Russia, which would, according to Slovenian President Türk, “facilitate communication among people and their business cooperation”.<sup>21</sup> He also sees the abolishment of visa restrictions as an important means of the further development of EU–Russian relations. After all, the relations between the EU and Russia, dense and complex as they are, touched bottom after the war in Georgia in 2008 and the gas cuts in January 2009 and the Partnership for Modernisation represents an initiative to rebuild them. The Slovenian president clearly stressed that the EU should consider its relations with Russia at the top priority level – if the thinking of the EU is to be strategic and long-term, then the partnership with Russia should be of central importance.<sup>22</sup> That Russia appreciates the substantial contribution of Slovenian diplomacy within the dialogue between Russia and the EU was stressed by Russian Foreign Minister Lavrov in April 2011.<sup>23</sup>

Presidents Medvedev and Türk, who met three times in two years, in addition to regularly discussing EU–Russian relations, also discussed some open issues of European security, the development of security and cooperation mechanisms in Europe and NATO. Since both countries “share a similar point of view on many crucial international issues”, they have decided to cooperate more closely in international affairs, the Kremlin stated in November 2010.<sup>24</sup> Slovenian President Türk supported the efforts of President Medvedev in tackling the situation in Nagorno-Karabakh and also advocated the involvement of the OSCE Minsk Group, where Russia has a leading role as well as the more active role of the EU.<sup>25</sup> Similarly, in May 2011 the presidents agreed that “apart from the efforts already in progress, the engagement of the EU” in Moldova and Transnistria as well needed to be strengthened.<sup>26</sup> The position of the Slovenian and Russian presidents coincided in the belief that a multipolar world required changes, namely the European security mechanisms were still too overloaded with past bipolar characteristics and

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21 ‘President Türk concludes his official visit to Russia in Samara’ (2010), Available at: <http://goo.gl/zyFdu>.

22 ‘President Türk holds talks with Russian President Medvedev and Prime Minister Putin’ (2010), <http://goo.gl/kJWtc>.

23 The Ministry of Foreign Affairs (2011), op. cit.

24 *Delo.si*. (2011), ‘Slovenija in Rusija za skupno zunanjepolitično fronto’, <http://goo.gl/jCwtD>.

25 The Ministry of Foreign Affairs (2011), op.cit.

26 ‘Meeting of President Türk with Russian President Medvedev’ (2011), <http://goo.gl/05ol3>.

therefore Slovenia supported the Medvedev initiative to develop a new European security treaty.<sup>27</sup> Considering the relations between Russia and NATO, Slovenia and Russia agreed that the progress achieved at the NATO–Russia Summit in Lisbon should be strengthened. Slovenian President Türk stressed that “the NATO–Russia Council should gradually gain the position of a decision-making body next to its consultative function” and become a standing, efficient and robust authority of international cooperation. Finally, Slovenia and Russia agree on the significance of the principle of nuclear non-proliferation.<sup>28</sup>

Relations between Slovenia and Russia have been evolving dynamically in the last decade. While Slovenian diplomacy was kind of reserved in its relations with Russia in the 1990s and culture along with common Slavic roots was the one thing binding the two countries and their nations, since 2000 Slovenia and Russia have developed intensive economic and business cooperation. Seriously affected by the economic crisis in 2008, it has been rapidly improving in the last two years and both countries plan to intensify their cooperation in the fields of education, science and high technology as well. In the past Slovenia has been leaving the big and delicate political issues with Russia in the hands of the EU and on the bilateral level in contrast to some other EU members it generally tended to avoid negative reactions on some Russian foreign actions. A rare exception happened in 2007 when then-Slovenian Prime Minister Janša avoided meeting with Russian President Putin in St. Petersburg at the Economic Forum. However, “mutual respect for different opinions, as also reflected in Slovenian–Russian relations, is of key importance for successful cooperation”, stressed Russian Foreign Minister Lavrov in April 2011.<sup>29</sup>

Finally, there have been no official reactions as regards the expected switch at the helm of Russia or any political debate in connection to the Duma elections in December 2011 and the consequential demonstrations in Russia. Nevertheless, although the years 2010 and 2011 were fruitful for relations between Slovenia and Russia, it has to be mentioned that in February 2012 a new government in Slovenia was set up. Janez Janša once again became prime minister, while the Ministry of Foreign Affairs was taken over by Karel Erjavec. Lacking any diplomatic experience he appointed two secretaries-general, Božo Cerar and Ljubo Senčar, former diplomats at the EU and NATO missions. Similarly, in spring 2012 a new Russian president is to be elected. Although relations between Slovenia and Russia seem to be in excellent shape, it will be the task of new (old) figures to re-determine the future course on the political level. However, economic and business relations and especially the relations in the field of culture and humanism should remain as those to bind the nations of Slovenia and Russia in a positive and optimistic manner.

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27 Delo.si. (2011), ‘Slovenija in Rusija za skupno zunanjepolitično fronto’, <http://goo.gl/jCwtD>.

28 ‘Meeting of President Türk with Russian President Medvedev’ (2011), <http://goo.gl/05ol3>.

29 The Ministry of Foreign Affairs (2011), ‘Foreign Ministers Žbogar and Lavrov discuss continuation of enhanced cooperation between Slovenia and Russia’, <http://goo.gl/0bLrx>.

# SWEDEN

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While backing a common EU policy towards Russia, Sweden's relations with their big neighbour have improved in recent years as manifested in state visits. One reason for Russian displeasure until 2009 was Swedish lingering in permitting the Nord Stream gas pipeline across its economic zone in the Baltic Sea and its lack of interest in the project. On the other hand, throughout the 2000s Swedish imports of Russian oil and mutual trade have grown considerably, despite problems with Russian bureaucracy, protectionism and the EU visa requirement. Swedish economic aid to Russia has been largely replaced by multilateral cooperation, partly in the EU Northern Dimension framework. Even though political relations greatly improved after the fall of communism and the dissolution of the USSR, new problems cropped up. Sweden consistently supported the new Baltic States and their joining NATO and the EU in the face of Russian resistance, as well as the strivings of other post-Soviet states to join the democratic West. Along with Poland, Sweden launched the EU Eastern Partnership for six post-Soviet states, which Russia views as an intrusion into its sphere of interest. A guiding principle in Swedish relations with Russia is the promotion of democratic and human values as codified in international law and EU legislation, and this also dictates the Swedish view of Russia's internal development. Sweden has repeatedly criticised violations of these principles in Russia, for example regarding the elections. This has also soured official relations.

## Introduction

Though bigger than its Nordic and Baltic neighbours, Sweden is a relatively small EU country with its 9.5 million inhabitants. It is a firm believer in democratic and human values, it is an affluent socially-oriented market economy and a supporter of international cooperation and international law. Since Sweden became an EU member in 1995, its policy of non-alignment has gradually been replaced by integration and cooperation in the EU framework, including international operations under NATO command in the former Yugoslavia and Afghanistan. Unlike most of its Western neighbours Sweden is not a member of NATO.<sup>1</sup>

Being a small country Sweden thus seeks security in a wider context and backs a common EU policy towards Russia. It supports the conclusion of a comprehensive and legally binding agreement between the EU and Russia based on common values and commitments.

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<sup>1</sup> For a survey, see Doerer, F. (2008), *In search of security after the Collapse of the Soviet Union*, Stockholm University.

Since Vladimir Putin came to power in 2000 Swedish–Russian bilateral relations have been rather cool on the political level. After attending the EU summit in Gothenburg in June 2001, when Sweden held the EU chairmanship, President Putin did not accept invitations to come to Sweden for an official visit, which slightly resembled his boycott of the Baltic States, but there was a normal exchange on the ministerial and lower levels. By contrast, Putin and his successor Medvedev had a very frequent exchange with for example Finland. When Sweden again held the EU chairmanship in 2009 and invited Medvedev to the EU summit in Stockholm, he long hesitated for various reasons (see below).<sup>2</sup>

However, he did come and had a friendly meeting with Prime Minister Fredrik Reinfeldt, whom he invited to Moscow. When Reinfeldt came in March 2010 on the first official visit in ten years, Medvedev commented that this long delay was “completely unacceptable”. The meeting resulted in several bilateral agreements and showed that the relations had been normalised.<sup>3</sup> Another sign of this was the fact that Putin came to Sweden for the first time in his capacity as Prime Minister in March 2011, declaring that Sweden is an old and very important partner to Russia.<sup>4</sup>

## Energy Issues

The most important reason for Russian displeasure with Sweden since 2005 was probably its lack of interest in and criticism of President Putin’s favourite project, Nord Stream, which aimed at building a natural gas pipeline across the Baltic Sea to Germany, and Swedish lingering with giving permission to laying the pipeline through its economic zone. When Sweden finished its environmental assessment of the project and said yes in November 2009, Medvedev quickly decided to go to Stockholm.

The reason for the Swedish lack of interest in joining the Nord Stream and importing gas from Russia is the fact that Sweden, different from many Eastern and Central European states, has very little use of natural gas. Rather than on fossil fuels, it relies on electricity, which is predominantly produced domestically by hydro and nuclear power plants. Sweden thus has no urge to conclude separate energy deals with Russia like for example Germany and has no problems in favouring a unified EU energy policy for the benefit of Central European states dependent on Russia.<sup>5</sup>

However, Sweden still needs to import oil, mainly for its transport sector. Since the 2000s, independently of political relations, Swedish imports of oil from Russia

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2 Rolf Gustafsson, “Ryskt missnöje med svensk linje”, *Svenska Dagbladet*, 18.09.2009.

3 Medvedev, D. (2010), ‘News conference following Russian-Swedish talks’, 09.03.2010, <http://goo.gl/Q0rbD>.

4 Government of the Russian Federation (2011), ‘Prime Minister Vladimir Putin and Swedish Prime Minister Fredrik Reinfeldt hold talks’, 27.04.2011, <http://goo.gl/yAyzX>.

5 Hagström, E. and Oldberg, I. (2009), ‘Cool neighbours. Sweden’s EU presidency and Russia’, *Russie. Nei.Visions*, no. 42, pp. 11 ff, <http://goo.gl/9H8RW>.

have grown exponentially (by 28 percent only in 2010–11), so that Russia now has become its main oil provider even if some of the oil is re-exported, and raw oil makes up about 70 percent of Swedish imports from Russia. This fact is of course noted with satisfaction in Russia, but it should also be noted that this oil import does not lead to undue dependence, since the oil is delivered by tankers, which can be replaced, whereas pipelines bind the parties together much more tightly.

The same market condition applies to the Swedish import of nuclear fuel from Russia. When visiting Sweden in 2011 Putin offered Russian technology for nuclear power stations, which he claimed is the best in the world (!), as well as collaboration on nuclear waste disposal. Swedish authorities most certainly have little interest in these proposals, though the second one touches a raw nerve in the Swedish nuclear debate. As for energy in general, Sweden is especially keen on promoting and selling energy efficiency and the use of renewable energy sources, considering the problems with climate change and global warming. Putin also evinced an interest in this and an agreement was reached to create a common centre for this.<sup>6</sup>

### **Economic Relations**

Turning now to economic relations between Sweden and Russia in general, one can observe that despite the political differences, mutual trade grew in 1999–2008 by about 500 percent, primarily thanks to rising world market prices and the resulting Russian economic recovery. Due to the global financial crisis there was a dip in 2009, but in 2010 trade grew by 23 percent, leading to a total of 600 percent over ten years. While Swedish imports were dominated by energy products, Swedish exports mainly consisted of industrial products in the fields of telecommunications and transport, and semi-manufacture of paper and steel. Sweden is one of the top ten direct investors in Russia with about 400 companies on the market, most famously IKEA, which is one of the biggest foreign firms in Russia outside the energy sector. In 2011 Putin especially praised Volvo and truck maker Scania for “wise” investments in Russia. Following the example of the EU and several member states, Sweden signed a declaration of partnership in modernisation with Russia based on the principles of democracy, rule of law and human rights, specifically in the spheres of environment, management practices, innovation and space exploration.<sup>7</sup>

However, there are several problems. Even though Russia is Sweden’s 11<sup>th</sup> largest trading partner (2010), it only accounts for 2.3 percent of Swedish exports and 5.6 percent of imports, which means that the partners are not very important to or dependent on each other. Sweden has more trade with small Nordic neighbours

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6 Government of the Russian Federation (2011), ‘Prime Minister Vladimir Putin and Swedish Prime Minister’, 27.04. 2011, <http://goo.gl/yAyzX>; p. 2; Medvedev, D. (2010), op. cit.

7 Government of the Russian Federation; Prime Minister Putin, p. 1, “News conference”, p. 1; Regeringskansliet, ‘Ryssland’, <http://goo.gl/MFqmO>.

and Poland, and Russia has much more trade with Finland. Further it should be noted that the trade is highly imbalanced in Russia's favour,<sup>8</sup> while Russia wants Sweden to import more industrial goods. As noted above, Sweden puts special stress on environmental issues, while Russia is more interested in promoting economic development and transport, for example in the Arctic.

Swedish representatives have also complained about Russian bureaucracy, rampant crime, unclear rules and protectionism. Russia has repeatedly raised its timber export duties in order to protect its own industry. As late as April 2011 Putin called for Swedish understanding for this and lauded an agreement on setting up a timber plant in Siberia. Since the tariffs hit the Swedish and Finnish process industries hard, the governments protested and called on Russia to abide by agreements with the EU on acceding to the World Trade Organization (WTO) and supported its application. When Russia finally was admitted in December 2011 – after 18 years of negotiations – this was welcomed by Sweden as a step towards more transparency, less corruption and bureaucracy. It was expected to reduce customs duties by 20 percent, thus facilitating Swedish exports to Russia and the vision of doubling them by 2015.<sup>9</sup>

Another problem hindering trade and other exchanges is the well-known visa issue. As a member of the EU Schengen zone, Sweden is obliged to require visas for Russian citizens, but its procedures are among the most lenient in the Union, and the number of Russian tourists visiting Stockholm has grown significantly. Nevertheless, Russia has long called for scrapping the visas and insisted on reciprocity, apparently as a matter of prestige. When in Stockholm in April 2011, Putin pointed out that some EU states have abolished visas for certain crime-ridden states (former colonies in Latin America and Africa), and highlighted the lack of Swedish consulates in Russia.<sup>10</sup> Sweden on the other hand has complained about ever-changing Russian rules, including problems with residence registration and invitations, which has resulted in the fact that the number of Swedish tourists to Russia has not grown since the Soviet times. In the hope of reciprocal steps, Putin in 2011 announced a decision to resume a tourist ferry service between Stockholm and St. Petersburg, allowing passengers to sleep on board and visit the city for three days without visas. This initiative was welcomed by Sweden.<sup>11</sup>

Another form of economic relations besides trade since the 1990s has been Swedish economic assistance in order to facilitate the Russian transition to democracy and market economy. Sweden focussed on promoting regional development and environment in Northwest Russia including Kaliningrad, partly

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8 Swedish imports first half of 2011: 30.7 billion SEK, exports 13.7. (Exportrådet, Handelsstatistik, Russia, <http://goo.gl/lkgC3>).

9 Regeringskansliet, (2011), 'Ryssland tar steget in i WTO', 16.12.2011, <http://goo.gl/fxEUR>.

10 There is one in Moscow, one in St. Petersburg, while the third one in Kaliningrad was abolished in 2009.

11 Government of the Russian Federation, 'Prime Minister Putin', p. 2.

in the frameworks of the Council of the Baltic Sea States (CBSS), and the Barents Euro-Arctic Council (BEAC). After Sweden joined the EU, its assistance became more multilateral and channelled through the EU Northern Dimension framework, which was a Finnish initiative. As the Russian economy recovered in the 2000s, Sweden decided to gradually phase out its bilateral projects by 2010 and focus on more long-term neighbourhood cooperation according to the "Strategy for Swedish Support for Democracy and Human Rights in Russia" until December 2013.<sup>12</sup> Further reasons for this shift will be addressed below.

### Swedish Eastern Policy

Turning now to the political and security-related relations between Sweden and Russia, there have been several reasons for conflict or tension throughout history. After several wars and the loss of Finland to Russia in 1809, Sweden avoided conflict with Russia and remained neutral during the two wars, but it remained Western-oriented and distrustful of Russia/the Soviet Union. This attitude was reinforced by the communist take-overs in Eastern Europe, the shooting-down of Swedish aircraft over the Baltic Sea, the Wallenberg case, espionage affairs, the stranding of a Soviet submarine in Swedish waters and other incidents.

As noted above Sweden greeted and supported the transition to democracy and market economy in Russia and Eastern Europe. Political relations with Russia greatly improved, and even a military exchange started with visits and common exercises. At the same time new problems cropped up. The Swedish Social Democratic government aided the Baltic independence movements more than most other Western states on the spot, which was facilitated by the fact that Sweden in 1940 had (shamefully but under cross-pressure) recognised their incorporation into the Soviet Union, and the centre-right coalition government under Carl Bildt (1991–1994) played an important role as a mediator in negotiations on the withdrawal of Russian troops from the Baltic States, which Russia also appreciated.<sup>13</sup> Subsequent governments supported the striving of the Baltic countries to become members of the EU and NATO (which also strengthened Sweden's geo-strategic position) and did not agree with the Russian view that the Russian-speaking minorities were discriminated against. Sweden was one of the most active EU supporters of Estonia in 2007, when Russians in Tallinn violently protested against moving a war monument. While Russia imposed economic sanctions on Estonia, Sweden delivered equipment for the Estonian police.<sup>14</sup>

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12 Sveriges ambassad i Moskva, 'Vi knyter ihop säcken', <http://goo.gl/OVrXN>; Regeringskansliet (2010), 'Strategi för Sveriges stöd till demokrati och mänskliga rättigheter i Ryssland', 23.09.2010, <http://goo.gl/QUPj0>.

13 Schori, P. (2010), *Draksåddens år*, Leopold förlag, p. 181 ff; Fredén, L. P. (1994), *Svensk säkerhetspolitik och de baltiska staternas första år i självständighet 1991–1994*, Atlantis, Stockholm.

14 Cullberg, J. (2008), 'Svenska försvaret hjälpte Estland vid rysskravallerna', *Dagens Nyheter*, 27 June 2008; Interfax, 2 May 2007.



Sweden further welcomed the democratic “colour” revolutions in Georgia in 2003 and Ukraine in 2004 and their strivings for NATO and EU membership, something that President Putin strongly opposed. When Georgia in August 2008 tried to re-conquer South Ossetia and Russia occupied parts of Georgia under the pretext of averting “genocide” against Russian citizens and then recognised South Ossetia and Abkhazia as independent states, Foreign Minister Bildt reacted more sharply than other EU leaders. As temporary chairman of the Council of Europe Committee of Ministers he went to Tbilisi and condemned the Russian violation of Georgia’s territorial integrity as an act of aggression incompatible with international law and comparable with Serbia’s interventions in the 1990s and Hitler’s interventions in Central Europe in the 1930s.<sup>15</sup> Russian diplomats strongly condemned Bildt’s comparison with Hitler (which the Swedish opposition also did), did not accept an invitation to Stockholm by Bildt and his statement was again mentioned in connection with Medvedev’s trip to Stockholm in 2009.

However, different from several Central European EU members Bildt and his British colleague David Miliband did not oppose the resumption of negotiations on a new EU–Russia partnership agreement, even though they deplored Russia’s actions against Georgia.<sup>16</sup> After this, Bildt was again welcome in Russia, and Medvedev excused Bildt’s “rash” statement as an accident.<sup>17</sup> After a break, the military exchange between Sweden and Russia also continued.<sup>18</sup>

Another reason for Russian displeasure with Sweden was the fact that Sweden, along with Poland, in 2009 launched the EU Eastern Partnership (EaP) programme, which aims to promote democratic and market reforms in six former Soviet republics and integrate them with the Union. This Russia saw as an intrusion into its sphere of influence. However, the issue soon lost most of its edge. In early 2010 Viktor Yanukovich was freely elected president in Ukraine, reneged on joining NATO, made deals with Russia and impaired relations with the EU by restricting the democratic opposition. In Belarus Vladimir Lukashenko – after winning the presidential election in December 2010 – clamped down on the political opposition and thereby made participation in the EaP impossible. These events were naturally deplored by Sweden and other EU members,<sup>19</sup> but pleasing to Moscow.

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15 Government Offices of Sweden (2008), ‘Situationen i Georgien’, 09.08.2008, <http://goo.gl/FBI3o>.

16 Government Offices of Sweden, (2008), ‘Statement by foreign ministers’, 10.11.2008, <http://goo.gl/2hcKC>; Björklund, M. (2008), ‘Svenskt ja till förhandling mellan EU och Ryssland’, *Dagens Nyheter*, 11.11.2008.

17 Bildt, C. (2009), ‘Nyttiga överläggningar’, 11.02.2009, <http://goo.gl/c6dh0>.

18 Министерство обороны Российской Федерации (2011), ‘Morskie pekhotintsy Baltiskogo flota posetili bazu’, <http://goo.gl/WqBrn>.

19 Government Offices of Sweden (2011), ‘Statement of Government Policy’, 16.02.2011, p. 5, [www.swedengov.se/content/1/c6/16/11/118/dc78c337.pdf](http://www.swedengov.se/content/1/c6/16/11/118/dc78c337.pdf).

## Democratic and Human Values

The above analysis shows that Swedish relations with Russia are largely based on and aim at promoting democratic and human values as codified by international law and EU legislation. This has at times and on certain issues led to conflicts or friction with Russia, even if Russia verbally embraces them.<sup>20</sup> The differences in values and principles come out even more clearly regarding domestic policy and Swedish policy has thus been greatly influenced by Russia's internal development. More bluntly than many EU states, Sweden criticised Russia's move towards authoritarianism under Putin, including restrictions on the freedom of speech, organisation and meetings, criticism that contributed to a cooling of official relations. The Swedish government in 2011 declared that "/Russia's/ institutions must be modernised for Russia to operate under the rule of law with full respect for human rights and democracy".<sup>21</sup> As mentioned Swedish bilateral aid is now focussed on these fields, which however are the most sensitive for the current leadership.

Sweden and others also condemned Russia's wars in Chechnya and called for a political solution, but Russia considered it an anti-terrorist operation and a matter of territorial integrity and rejected all criticism as interference in internal affairs.<sup>22</sup> Even though Russia has squashed the Chechen resistance at home, the issue has continued to cloud relations with Sweden. At the Moscow 2010 meeting, Reinfeldt took up human rights issues, and Medvedev countered by calling on Sweden to extradite two Chechen "bandits", who are refugees in Sweden. Sweden refuses with reference to the lack of evidence and of guarantees of a fair trial.<sup>23</sup>

Sweden has, furthermore, repeatedly blamed Russian presidential and parliamentary elections for not meeting international standards. On the eve of the Duma election in December 2011, a Russian TV channel accused the Swedish embassy of helping the US to organise mass protests in Russia and interfere in its internal affairs. Reinfeldt rejected this as groundless and as part of the electoral campaign.<sup>24</sup> After the election Carl Bildt at an OSCE summit in Vilnius characterised it as neither free nor fair and predicted that Russia had entered a more unstable phase of political development.<sup>25</sup> This was borne out by the huge demonstration in Moscow on 24 December.

Concerning the presidential election in March 2012 Sweden long pinned some hope on Medvedev, as it had welcomed his statements about the need for the rule

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20 See the partnership agreement referred to in footnote 7 above.

21 Government Offices of Sweden (2011), 'Statement of Government Policy', 16.02.2011, p. 6.

22 Oldberg, I. (2006), 'The war on terrorism in Russian foreign policy', FOI report.

23 President of Russia (2010), "News conference", following Russian-Swedish talks', 09.03.2010, <http://goo.gl/Q0rbD>.

24 *NEWSru.com* (2011), 'Премьер Швеции заявил, что фильм НТВ "Голос ниоткуда" был снят в рамках предвыборной кампании власти', 07.12.2011, <http://goo.gl/zgVSH>.

25 Bildt, C. (2011), 'USA och Ryssland', 16.12.2011, <http://goo.gl/tzAWc>.

of law and a comprehensive modernisation of society. Contrary to Putin's assurance in April 2011, when he was asked by the press whether he would run for president, that "don't worry – you will like it", most Swedes like many Russians were clearly disappointed by the decision of switching posts in September. However, Swedish leaders did not officially support any one candidate, since the most important is whether the process is fair and equal and the institutions are legitimate. As a small EU member Swedish policy must be guided by universal principles and values.

# TURKEY

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Russia has become explicitly one of the priority axes in Turkish foreign policy. The relationship is less and less centred on the Western factor. In 2011 bilateral efforts focused on working out the details and mechanisms of the agreements reached in the last two years. Meetings gave way to lengthy negotiations. Pragmatic dealings emancipate the relationship from a zero sum logic. The removal of visas is seen on the Turkish side as an important step ahead for the elimination of psychological barriers. In 2011, the negotiation agenda in energy relations proved to be busy. Russia's refusal to renegotiate the take-or-pay obligation led to the cancellation of the 25-year old gas supply agreement via the Westline. Turkey's acceptance of the South Stream deal in the very last days of 2011 gave fresh momentum to bilateral energy ties. The activation of the Joint Strategic Planning Group in 2011 enhanced the political significance of the bilateral relations. Turkish and Russian views on regional issues with global implications are converging more and more. This can principally be explained by geographical proximity. However, this political convergence could not yet transform into a genuine strategic partnership. The one, which is arguably being developed, has a defensive basis in order to take action in the face of possible regional instabilities.

## **General Outlook on the Trends of Previous Years**

The strengthening of bilateral Turkish–Russian links in the 2000s helped both countries in overcoming the legacy of the Cold War. Increased interactions verging towards interdependence provided the key. The rapprochement with Russia has proven to be the most profound strategic move in Turkey's foreign policy. The attempt to redefine a relationship heavily burdened by history entails a reconciliation dimension where the main actors are tourists and businessmen.

The construction of the Blue Stream natural gas pipeline made Turkey more than 60% dependent on Russia for energy and the 2008 war between Russia and Georgia was a good litmus test. The conflict put bilateral relations under strain and at the same time shed light on the cost of a return of the Cold War. Turkey's distance from a sharply critical campaign launched against Russia by other NATO allies and partners was appreciated by Russia. The decrease of polarisation in regional affairs as a result of the administration change in the US and the subsequent reset policy along with the effects of the financial crisis contributed to the further improvement of Turkish–Russian bilateral ties. The relationship gained higher visibility with Prime Minister Putin's visit to Ankara in August 2009. Russia has explicitly become

one of the priority axes in Turkish foreign policy, in Minister Davutoğlu's words, "one of the most important elements of the multidimensional foreign policy".<sup>1</sup> The relationship is less and less centred on the Western factor. The destructive rivalry, which prevailed in the past, is progressively paving the way for competition and cooperation on a win-win basis. In 2010–2011, both President Gül's and Prime Minister Erdoğan's visits to Russia included a stopover in Kazan, the capital of the Republic of Tatarstan.

### **Milestones in the Elaboration of the Work Agenda**

In August 2009, during Prime Minister Putin's visit to Ankara, fifteen intergovernmental agreements and seven special protocols were signed.<sup>2</sup> More precisely, the terms of the trade-off for enhancing cooperation in the energy field were being set. Turkey granted permission to Russia to conduct seismic and environmental studies in its exclusive economic zone in the Black Sea within the framework of the South Stream. Russia also expressed interest in providing a throughput guarantee for the planned Samsun–Ceyhan oil pipeline by allowing Russian and Kazakh crude (transiting Russia) to fill the pipeline. Cooperation in the field of nuclear energy was also on the agenda. In March 2010, emphasis was placed on two main issues during President Gül's visit to Moscow: cooperation in the field of nuclear energy and visa exemption. The work agenda of the year 2011 was designed in 2009 and 2010. Bilateral efforts focused on working out the details and mechanisms of the agreements reached in the last two years. Meetings gave way to lengthy negotiations. Pragmatic dealings emancipated the relationship from a zero sum logic. There was no sense of victory or defeat. Turks felt more and more like they were negotiating on equal footing with their Russian counterparts.

The newly set High Level Strategic Cooperation Council met for the first time during the prime minister's visit to Moscow and Kazan on 14–16 March, 2011. The main focus was on trade and business. Prime Minister Erdoğan was accompanied by a number of cabinet ministers and a large business delegation.

The visa exemption agreement became effective on 17 April, 2011 after the signature of the readmission agreement. The initial protocol to lift visas was signed in May 2010. The removal of visas is seen on the Turkish side as an important step ahead for the elimination of psychological barriers, and a marker of the attention that Russians pay to their ties with Turkey.

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1 Davutoğlu, A. (2010), 'Fostering a Culture of Harmony', *Russia in Global Affairs*, no. 1, January-March 2010, <http://goo.gl/vsHW2>.

2 Markedonov, S. and Ulchenko, N (2011), 'Turkey and Russia: an Evolving Relationship', 19.08.2011, <http://goo.gl/EENH6>.

## **Evolution of Economic Relations**

Unlike the geopolitical relationship, the economic relationship between Russia and Turkey has long served as an instrument to foster and advance bilateral political contacts. In 2008, Russia displaced Germany to become Turkey's largest trading partner with an annual trade volume totalling 38 billion USD.<sup>3</sup> In 2011, the volume of the bilateral trade was 30 billion USD. Russia ranked again second after Germany.<sup>4</sup> Approximately 3 million tourists visit Turkey every year. The share of the Turkish construction sector carrying out contracts in the Russian market has reached 25 billion USD.<sup>5</sup> The number of Turkish companies active in Russia is about 2000 with a total investment of 7 billion USD.<sup>6</sup> Even though they are not as substantial as the Turkish investments in Russia, they are notable Russian investments made in Turkey, transportation and energy being the most notable. However, the trade volume heavily favours Russia, because of the large energy trade going to Turkey that includes natural gas and oil.<sup>7</sup> The accession of Russia to the WTO in 2011 came as good news mainly for Turkish vegetable and fruit exporters who are being affected almost every summer by the discretionary decisions of Russian customs.

## **The Backbone of the Bilateral Ties: Energy**

Russia plays a critical role in Turkey's energy supply security as it provides around 68% of its natural gas supply and 50% of its crude oil imports. Turkey has become Russia's second-largest energy importer. In 2010, Russia supplied 18 bcm of gas to Turkey, about 60% of Turkey's total domestic gas consumption. The annual gas consumption is nearly 37 bcm.<sup>8</sup> Turkey has signed six gas agreements, and three of them have been signed with the Russian Federation. Russia is Turkey's largest supplier in natural gas. The Blue Stream, linking Turkey and Russia beneath the Black Sea, has indeed increased Turkey's energy security. Turkey hasn't been affected by transit disputes and the direct flow of gas has never been disrupted; as a matter of fact Russia is Turkey's most reliable supplier (Russia even increased the volume when the gas flow from Iran was suspended). Recent deals raised the prospects of Gazprom's involvement in building gas storage depots and power plants in Turkey and a plant to liquefy natural gas in Ceyhan and joint exploration

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3 Ibid.

4 The foreign trade data of Turkey are available on the website of the Ministry of economy, <http://goo.gl/fZ6cB>.

5 Özbay, F. (2011), 'The Relations between Turkey and Russia in the 2000', *Perceptions*, Autumn 2011, vol. 16, no. 3, pp.69–92, <http://goo.gl/cIKZT>.

6 *Today's Zaman* (2011), 'Turkey, Russia, Eye Increased Cooperation in Business, Trade', 19.03.2011, <http://goo.gl/bRSsP>.

7 Ibid.

8 Energy Delta Institute (2011), 'Gazprom's Istanbul supplies cancelled over pricing dispute', <http://goo.gl/8NN9g>.

and production activities by Russian and Turkish companies in third countries.<sup>9</sup> On 12 December, 2009, a consortium made up of Gazprom, South Korea's KoGas, Malaysia's Petronas and Turkey's TPAO was awarded a contract to work in the Badra field – one of the smallest – in Eastern Iraq.<sup>10</sup>

In the aftermath of the August 2009 Putin–Erdoğan meeting in Ankara, a consortium led by Atomstroyexport presented an offer to build and operate the first nuclear power plant in Turkey. The tender was cancelled due to a court decision in November 2009. After Fukushima, Turkey's commitment to the nuclear power plant became questionable. The tender was annulled by the State Council. The allocation of the contract for nuclear power plant construction to Russia through an interstate agreement rather than the tendering process has been a source of relief for Russia and has clearly pointed out Turkey's determination.<sup>11</sup>

In 2011 the negotiation agenda in energy relations proved to be busy: the Russian side demanded that Turkey make a definitive statement about the nuclear power plant tender and declare their position on the Blue Stream. The Turkish side expected Russia to take the necessary steps regarding the Samsun–Ceyhan pipeline and an appeasement of the take-or-pay principle in the natural gas agreement.<sup>12</sup>

### **The Take-or-Pay Obligation and the Cancellation of the Gas Supply Agreement via the Westline**

In November 2011, the state-owned Turkish Petroleum Pipeline Corporation, or BOTAŞ, decided not to renew the 1986 gas deal which expired in December 2011 since Gazprom refused to cut prices. Under the agreement Russia was supplying about 6 bcm of natural gas to Turkey annually through Ukraine, Bulgaria and Romania.<sup>13</sup> The cancellation means that Turkey loses some 15% of its gas needs. The Westline provided gas for Istanbul, the country's biggest city.

Pricing is not the only issue. Take-or-pay obligations pose a further problem. After overestimating its gas needs in previous contracts, Turkey has been drawing far less than it had contracted under the long-term take-or-pay deal.<sup>14</sup> Turkey

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9 Punsmann, B. (2010), 'Search for Regional Accountability and Ownership in the Shared Neighbourhood: Can a Turkish-Russian Partnership Coordinated with EU Actions Open New Perspectives for Peacebuilding in the South Caucasus?', *European Security and Defence Forum Workshop paper*, <http://goo.gl/xpne9>.

10 Linke, K and Vietor, M. (eds), (2010), 'Prospects of a Triangular Relationship, Energy Relations between the EU, Russia and Turkey', Friedrich Ebert Stiftung, International Policy Analysis, April 2010, <http://goo.gl/ceRsR>.

11 Özbay, F. (2011), op. cit.

12 Ibid.

13 *Ria Novosti* (2011), 'Turkey Ends Gas Deal with Russia', 02.10.2011, <http://goo.gl/0Ckrk>.

14 Çoşkun, O. and Bryanski, G. (2011), 'Turkey, Russia Reach South Stream Gas Deal', *Cyprus Mail*, 28.12.2011, <http://goo.gl/IZDTG>.

consistently falls short of taking the full volumes of Russian gas stipulated in the contracts.<sup>15</sup> Turkey imported 18 bcm of gas in 2010 and 2011 instead of the 30 bcm contracted with Russia. Not all of the 30 bcm is take-or-pay.<sup>16</sup> Moscow has been tolerating the shortfalls without requiring payment for the volumes not taken.<sup>17</sup>

Turkish Minister of Energy Taner Yıldız explicitly dissipated suspicions that Turkey might be moving away from Russia with the cancellation of the 25-year old supply agreement. He stated: “this doesn’t mean that Russian gas supplies would end or cause any problem between Ankara and Moscow, whose strategic relationship cannot be affected by a few contracts”.<sup>18</sup> Less than two months later, the deal on the South Stream came as an unexpected move. Gazprom and Botaş signed the amended contracts on December 28<sup>th</sup> in Moscow as the South Stream permits were displayed to Prime Minister Putin. It seems that Moscow has agreed on minor concessions on the price of gas supplies to Turkey in 2012.<sup>19</sup> The parties agreed however to transfer 3 bcm of gas that had originally been slated for transport via the Blue Stream to the Westline until Turkish private companies strike a deal with Gazprom.<sup>20</sup>

### **Turkey and the South Stream Project**

A second subsea gas pipeline parallel to the Blue Stream was first mentioned by the Russian side in 2002. In August 2005, President Putin officially proposed to Turkey the building of the Blue Stream 2 pipeline. The main aim of Gazprom was to transit gas to South-east Europe via Turkey. The Turkish side welcomed the offer, but gave priority to the Nabucco project from Turkey to Austria. In response to Turkey’s reluctance to support the Blue Stream 2, Gazprom signed an MoU with Eni in June 2007 to implement the South Stream pipeline project.<sup>21</sup>

Gazprom owns 50% of the South Stream project, which is designed to carry 63 bcm per year of Russian gas to Europe. Italy’s Eni has 20% and France’s EDF and Germany’s Wintershall each own 15%.<sup>22</sup> In September 2011 the signing of a shareholders’ agreement in Sochi to build the offshore section of the South Stream gas pipeline gave new momentum to the project. Unlike the MoU, this agreement is described as legally binding.

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15 Socor, V. (2012), ‘Turkey Gains Little, Ukraine Has Much to Lose in Ankara Backing Russian South Stream’, <http://goo.gl/oy5eV>.

16 Bilgin, M. (2011), ‘Energy and Turkey’s foreign policy: State strategy, regional cooperation and private sector involvement’, *Turkish Policy Quarterly*, September 2011, vol. 9, no. 2, <http://goo.gl/2HooZ>.

17 Socor, V. (2012), op. cit.

18 CNN Turk; *Hürriyet Daily News*, 02.11.2011.

19 Socor, V. (2012), op. cit.

20 *Hürriyet Daily News* (2011), ‘Turkish-Russian Gas Deal Follows the Azeri Accord’, 29.12.2011, <http://goo.gl/WnbJc>.

21 Linke, K and Vietor, M. (eds), (2010), op. cit.

22 Çoşkun, O. and Bryanski, G. (2011), op. cit.



On 28 December, 2011, Turkey finally gave Russia permission to build the South Stream pipeline through its exclusive economic zone.<sup>23</sup> Turkey's acquiescence comes at a sensitive time. Talks between Russia and Ukraine broke down in December 2011 after months of failure to reach an agreement on joint control of the pipelines that currently carry more than half of Europe's gas and have been used in the past as a weapon in price wars between Moscow and Kiev. Ukraine lost its leverage in talks in November when Russia's new northern undersea gas route, the Nord Stream, launched direct delivery of gas to Germany rerouting up to 27.5% of the gas from Ukraine's transit pipeline.<sup>24</sup>

### **Enhanced Political Significance of the Bilateral Relations**

The political significance of the bilateral ties has been growing for the last couple of years because of the progressive change of attitude on the Russian side. Both sides have expressed their desire for bilateral relations to not remain merely economic but also encompass regional and global interests. One of the most important developments shaping these bilateral political relations was the Turkish Parliament's rejection of the 1 March, 2003 Iraq resolution. Turkey's pursuit of a more muscular and independent foreign policy has drawn the interest and attention of Russia. Turkey is progressively becoming a country to be reckoned with. The Black Sea factor played an important role within Turkish and Russian relations.

The activation of the Joint Strategic Planning Group in 2011 is a step forward. Previously Russia had formed similar top-level councils with Germany, France and Italy. Turkey is currently the fourth country. It gathered for the first time in March 2011 with mainly an economic agenda. The second meeting however in January 2012 helped the sides to converge on their position on Iran and Syria. The Turkish side expressed its readiness to work with Russia, acknowledging the importance of its role in the region to solve the Syrian crisis through intense dialogue. Both sides reiterated that Iran's nuclear programme should resume rapidly. Minister Lavrov confirmed that Russia was in favour of the nuclear talks being held in Turkey in case Iran returned to the negotiating table.

Turkey and Russia have similar views on regional issues with global implications, which can principally be explained by geographical proximity. They are located in a region spanning from the Caucasus to the Balkans and from the Middle East to Central Asia. The joint aspiration for a more multipolar and Eurasian world order appears to be an important driving force behind the Turkish-Russian rapprochement. However, this political convergence could not yet transform into a genuine strategic partnership. That which is arguably being developed has a defensive basis in order to take action in the face of possible regional instabilities.

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<sup>23</sup> Ibid.

<sup>24</sup> Ibid.

Since the signing of the Action Plan for Cooperation in Eurasia in November 2001, Turkey and Russia have been thinking of integrating the Caucasus into their bilateral agenda. This attempt has failed so far from developing into a substantive joint action. For Ankara Russia has become the main partner in the challenging task of stabilising the Caucasus. The explicit support given by Russia to the Turkish–Armenian normalisation process led in Ankara in 2010–2011 to expectations that Moscow would accept the linkage that Turkish diplomacy established between the normalisation of relations with Armenia and the settlement of the Nagorno-Karabakh conflict. Ankara expected Moscow to increase its pressure on Armenia to make concessions to Azerbaijan.

Turkey is more and more perceived as a critical country within NATO. Turkey's final decision to host the forward-based radar of NATO's anti-ballistic missile system on its territory has been a point of contention. However, it seems that Russia preferred not to transform the missile system into a major issue in its bilateral relations with Turkey.

Finally the expected Putin–Medvedev switch at the helm of Russia is not a matter of debate in Turkey. It should be underlined that Turkish diplomacy and the public at large have a positive impression of Putin. The absence of a real counterpart during the Yeltsin period was a major source of concern for Turkish diplomacy. The 2000s, the decade of Putin, was a time of flourishing cooperation between the two states. Furthermore, Turkey has never stopped dealing with Putin in the last couple of years.

# UNITED KINGDOM

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The relationship between the UK and the Russian Federation in 2011 was challenged by changes in the international system as much as it was by events inside either Russia or Britain. In the international system, the world was shaken by the “Arab Spring” in the Middle East and North Africa, with the UK taking even military action against the Muammar Gaddafi regime in Libya while Russia attempted to protect its interests in a highly volatile region. Within Russia, the focus of the UK was on David Cameron’s first visit to Russia, the Duma elections and the forthcoming presidential election in 2012. Amongst these major issues, as we shall see, there were also a number of areas that constitute what is normal for the UK–Russian relationship, involving business and espionage. This report will look at the events within the relationship of the UK and Russia in 2011, focusing on detailed chronological analysis and to be accompanied by political analysis of the year’s major events.

## Year in Review

The relationship between the United Kingdom and the Russian Federation reflects that of the mutual disappointment between the West and Russia. The UK is one of the largest foreign investors in Russia while at the same time has been traditionally a location for Russian émigrés and dissidents. The relationship was good before the election of Vladimir Putin to the Russian presidency. Before then, trade, diplomacy and intelligence sharing were relatively healthy though never “normal” in any real sense. Following 9/11, the relationship improved in the area of intelligence sharing aimed at Islamic fundamentalism. However, the trade relationship deteriorated following the treatment of BP and other energy companies in the courts as the Russian government sought to take control of its energy industry, following the nationalisation of the oil giant, Yukos. Finally, in 2006, Russia’s security services assassinated a Russian dissident in London, violating from the British perspective an understanding of mutual respect between the governments. The UK government ejected four Russian embassy staff and the Russian government retaliated in Moscow while also beginning a harassment campaign against UK embassy staff and the British Council. By the time a new government was elected in the UK, the UK–Russian relationship was simmering and at times openly hostile. In 2010, the UK elected a new government that consisted of the Conservative Party and the Liberal Democrats. The question is to what extent this change in government changes the

overall UK–Russian relationship. A review of the year 2011 should give us a sense of any change.

So, 2011 began with an expectation that a new relationship could be established between London and Moscow.<sup>1</sup> As we shall see, the new UK coalition government would be as dogged with problems in its relationship with Russia as was the previous Labour Party governments. The relationship should be better given that the UK is one of the largest foreign investors in Russia, “accounting for \$18.9 billion (£11.8 billion) of Russia’s \$266 billion inward investment since 1991.”<sup>2</sup> At the beginning of the year, there was an attempt to rebuild bridges. Prime Minister David Cameron had initiated a move to pay a political visit to Moscow in 2011. As a response, the Russian government posted a new Ambassador to the UK.<sup>3</sup> Aleksandr Yakovenko had been a deputy foreign minister at the Russian Ministry of Foreign Affairs responsible for the UN and other international organisations. Yakovenko’s main task was to smooth the preparation for the British Prime Minister to visit Moscow. The visit was nearly derailed when *The Guardian*’s Russia correspondent, Luke Harding, was prevented from re-entering the country following coverage of the WikiLeaks scandal. After a threat of the British government to withdraw the prime minister’s visit, the Russian government rescinded the *persona non grata* status of the British journalist.<sup>4</sup>

The coalition government was soon faced with the continued fallout over BP, the international energy firm, and its relationship with state-owned energy firms in Russia. In January, BP and the Russian, state-owned oil company Rosneft, came to an agreement over cooperation in drilling in Russia’s Arctic. While in the UK environmental campaigners attacked the move as irresponsible given the Deepwater Horizon disaster in the Gulf of Mexico, in Russia the agreement came under fire by a group of majority stakeholders in TNK-BP which argued that it had an exclusive arrangement with BP to negotiate any opportunities through the joint venture and thus not singly as BP. The majority investors, Alfa-Access-Renova, were able to block the BP–Rosneft deal through the UK courts. The agreement between BP and Rosneft was also criticised in the UK because the latter company holds substantial assets seized by the Russian government from the oil giant, Yukos. Bob Amsterdam, an international lawyer who represented the interests of former Yukos boss Mikhail Kordokovsky, said, “BP will do anything for people not to talk about the Gulf, and Rosneft will do anything for people not to talk about how it got all

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1 For instance, the British Foreign Secretary, William Hague, was given a rare meeting when visiting Moscow in October 2010.

2 *The Times* (2011), ‘Siberian Chill: Russia has much ground to make up to improve relations with Britain’, 14.02.2011.

3 *The Times* (2011), ‘Kremlin names envoy to mend fraught UK ties’, 31.01.2011.

4 *The Guardian* (2011), ‘Call to halt Russian’s UK visit as Guardian journalist expelled: British government asked to rescind invite to Lavrov Moscow reverses decision to deport correspondent’, 09.02.2011.

its assets.”<sup>5</sup> The UK coalition government was caught between the legal-political arguments over the nature of Rosneft while at the same time attempting to appear pro-business in the face of economic hardship. Doing business in Russia had not become any easier and the position was less tenable than before.

The Western view of Russia also began to change as the concern of cyber security began to become more pronounced in the rhetoric coming from London, Paris and Washington. The Russian cyber attacks against Estonia that occurred in spring 2007 took on a new meaning as the sophistication of further attacks rose to new levels.<sup>6</sup> According to *The Times*, “The leading internet security company Symantec said that 53 percent of critical infrastructure providers it surveyed in October across 15 countries said that their networks had suffered what they perceived to be ‘politically-motivated cyber attacks.’”<sup>7</sup> The new level of sophistication of the cyber attacks was best illustrated by the Stuxnet virus that hit Iranian nuclear reactors in 2010. In an OECD report, the focus was on how cyber attacks to commercial and government networks were increasing and posed a risk to critical infrastructure. An example of such an attack occurred at the end of January when British and US officials announced that they had traced cyber attacks on the London and New York Stock Exchanges and had tracked them to coming from Russia.

By this time, several regimes in the Middle East and North Africa began to respond to popular movements for change. First Tunisia, then Egypt, Libya, and eventually Syria. Russia had strategic interests in the status quo before the fall of the Tunisian regime, as did the UK and other Western countries. Nevertheless, as the West saw an opportunity to promote popular regime change in some countries (Tunisia, Libya) while exerting damage control in others (Egypt), the Russian government was categorically against intervention in the affairs of Middle Eastern states. The fallout would catch the Russian government off guard and strategically lost as even the Arab League changed their stance on some regimes in the region. The tension between Russia and the West came to a head when Russian Foreign Minister Sergei Lavrov made a diplomatic visit to London in February.<sup>8</sup> The visit was supposed to be a time for improving relations between London and Moscow but instead turned into a lecture by the Russian foreign minister on how “the West’s ‘call for revolution’ in the Middle East was ‘counter-productive’ and a drive for ‘democracy of a specific pattern’ in the region would backfire.” While there is little to suggest that one side or the other are more or less correct in their assumptions, there remained the problem that as the regimes began to fall, the position of

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5 *The Guardian* (2011), ‘BP’s Rosneft deal hits trouble in Russia and UK: Share swap threatens rift with existing partners, US politicians concerned over national security’, 17.01.2011.

6 *The Times* (2011), ‘WWII; Web War I hit Estonia in 2007. Now cyber security experts are forecasting a very frightening sequel...’, 7.04.2011.

7 *The Times* (2011), ‘Britain at risk from the internet, warns defence chief’, 31.01.2011.

8 *The Independent* (2011), ‘Russia takes swipe at Britain - during visit to rebuild relations’, 16.02.2011.

Russia vis-à-vis the Middle East and the West began to change, even if only in a limited manner.

For instance, at the beginning of March, the Russian authorities had voiced concerns over the UK's plans for a UN-approved no-fly zone over Libya.<sup>9</sup> No doubt both countries were thinking back to the no-fly zones in both Kosovo and Iraq. However, by the end of the month, Russia and China abstained from a Security Council resolution allowing for airstrikes and no-fly zones to protect the area of Benghazi in Eastern Libya and support for humanitarian intervention. The result was that the UN Security Council passed a resolution allowing the US and some of its NATO and Middle East allies (namely Qatar) to begin armed intervention in Libya.<sup>10</sup> Russia's change in policy is interesting. Russia was keen to block the precedence of airstrikes as a part to humanitarian intervention, though NATO had used the pretence of a much earlier resolution to use airstrikes in Kosovo. The fact is Moscow did change its position and did not veto the resolution allowing for airstrikes and a no-fly zone. The issue is whether the Russian government thought that the resolution would limit NATO airstrikes to humanitarian intervention alone in the strictest sense or whether they assumed that this resolution would be taken as a path towards armed intervention up to the point of putting boots on the ground. I find it hard to believe that the Russian and Chinese governments did not assume that the resolution they were allowing to pass un-vetoed would not lead to the extent of NATO's bombing as we eventually saw Libya. In the end, the change in the Russian position may say more about the Gaddafi regime than about either Russia or China. Even then, the Russian position was not entirely supportive, with Russian Prime Minister Vladimir Putin criticising NATO for trying to assassinate Gaddafi.<sup>11</sup> Nevertheless, by May, even Putin was arguing that it was time for Gaddafi to go.<sup>12</sup>

In September, thoughts of Libya were behind the UK–Russian relationship as David Cameron prepared for his first visit to Russia.<sup>13</sup> The British government sought to promote trade first of all. This was clear from the statements of the government. At the same time, Cameron was under pressure from opposition and Conservative politicians alike to raise the issue of corruption in Russia. Specifically, the focus was on the role of state corruption and its affect on businesses and entrepreneurs in Russia. The focus was moved off the case of the Russian dissident, Alexander Litvinenko, who was killed by exposure to radioactive materials in November 2006. David Cameron was “told to abandon Britain’s ‘ideological obsessions’ over

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9 *The Times* (2011), ‘Where they stand on military intervention’, 11.03.2011.

10 *The Independent* (2011), ‘UN finally takes a stand - now Gaddafi awaits the onslaught’, 18.03.2011.

11 *The Guardian* (2011), ‘Arab uprisings: Diplomacy: US rebuffs British plea for help as Putin attacks ‘death sentence’ on Gaddafi’, 27.04.2011.

12 *The Times* (2011), ‘Russia changes its position on Libya: ‘Gaddafi must go’, 28.05.2011.

13 *The Times* (2011), ‘Forget about Litvinenko, says Russia as Cameron arrives in Moscow to drum up business’ 12.09.2011.

the murder” by Russian authorities.<sup>14</sup> While the visit by the British Prime Minister focused primarily on trade, the consequential discussion in the UK about Russian espionage became more nervous.<sup>15</sup> British intelligence officials stated that Russia was becoming more robust in its attempts to acquire intelligence from UK government agencies and commercial firms. In this context, UK–Russian relations were characterised as returning to the characterisation of the Cold War.

In reflection, the UK–Russian relationship in 2011 had not changed significantly since the Labour government was in office. The one major change is that the coalition government has made more of an effort pressing for trade with Russia, despite disagreements over the intelligence gathering and the “Arab Spring”. The major issues will come as Russia heads towards another election. Rarely does UK foreign policy run through the EU, but opinion in Brussels over the forthcoming presidential election will have more effect than an individual voice in London. And this is reflected in Moscow’s view of London. Seen from Russia, the UK is an agitator and revisionist power (of sorts). At the same time, the EU represents a major challenge to Russia in terms of its energy market and its investment in Russia. The British government would do well to remember this in terms of where it spends its energies in engaging with Russia.

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14 Ibid.

15 *The Guardian* (2011), ‘International: UK and US keep quiet over Russian spies’ campaign against diplomats: Agency uses psychological techniques to harass staff: Book details break-ins, buggings and surveillance’, 24.09. 2011.