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REP Seminar Summary

Soft Power? The Means and Ends of Russian Influence

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Introduction

All definitions of influence aim to express matters of opinion in an objective form. While resources are tangible, power is relational. These difficulties are multiplied when one is talking about soft power. The worldview of people from Western academic circles speaking about soft power can be very distinct from that of people in Central and Eastern Europe.

Why do we need to change some of our conventional thinking in the light of the Russian environment?

We need to consider what business revolves around. What is improper is in the eye of the beholder. In Russia, business is often driven by networks not markets, by understandings rather than rules. It is collusive rather than open and competitive, it brings money and power together, and institutions serve the interests they are supposed to regulate. For those who have succeeded in it, the culture constitutes attraction, and many aspects of western business culture are seen as threatening.

It is a little post-modern to put the emphasis on values. Much of the resonance generated by Russian influences is about shaping and influencing identities. The struggle over historical narratives has a significant influence. There are tensions and arguments which need to be exploited between the modern understanding of community as based on nation and state, and a post-modern, multicultural, understanding based on values. The notion becomes problematic when talking about some of the new EU members, where groups of influence in business and finance have become established from former nomenklatura. For a number of institutional and sociological reasons, many strands of power are blended together in the former Soviet Union; this is underpinned by the fact that many people with intelligence service backgrounds are found in positions of influence.

Among the elites, there is a visceral respect for hard power. Many do not feel secure until they know that people must do as they are ordered. In the West, power is a means to achieve a positive end. In Russia, there is much more respect for the simple power to harm, that does not ask what comes afterwards. Power is seen as an end in itself. Having achieved a significant advance in Georgia, Russia has not reaped a corresponding advantage. The Putin project has achieved a lot in defining what it is against, but not what is for. In the former Soviet Union, there is something coercive even in the most attractive of Russia's offers, and there is always a subliminal sense of resentment against Russian influence.

In Central and Eastern Europe, EU standards are not established. The process of moving towards them runs in parallel to other processes which we do not like to acknowledge. The renovation of elites is ongoing, political power is reconfigured in finance. The culture of business is different. EU integration, like any other form of integration, is inherently disruptive; it has overturned and damaged lives and produced discontent. The new institutions of regulation and law enforcement are often inexperienced, politicised and easily targeted by those with influence and money. The opinion-forming establishment in the West by and large accepts the Putin narrative about Russia in the 1990s and the West's culpability for it. There is disillusionment with the bittersweet fruits of EU enlargement. There are real and powerful apprehensions about the US and the use of American power, which makes many responsive to the notion that Russia is at least European whereas the US is not. Corporate interest, especially in the field of energy, is distrustful of what the EU is doing and thinking, and it feels it has an easier time arriving at an understanding with Gazprom than with regulators at home.

Exerting Influence through Business Links, Investment, and Energy Deals

Business Links and Investment Abroad

One tends to overemphasise the link between Russian business interest and Russian business enterprises. The Russian state is a collection of individuals with various objectives to pursue. Businesses operate in terms of their interests, which depend, for example, on whether they are monopolies or not. The relationship between the attitude of the Russian state and the price of oil is very clear and harmful. If the price stays up, the state will be more confident and less inclined to change. There are some clear instances when Russian state actions are nearer to coercion than attraction, partly because the Russian state is not a very attractive object. There are also instances of significant financial support for research institutions by the Russian state, e.g. *Russkiy Mir*.

There is a spectrum between firms with a direct relationship with the Russian state and those with a relationship of fearful respect. Russian business may in some cases find their foreign operations are complicated by the state's actions. The memorandum leaked by *Newsweek* clearly stated that Russian firms should invest in Ukraine in order to promote Russia's national interest. The question is whether the businesses are consciously acting in the interests

of the state or not; for example investing in telecommunications in Ukraine is not a bad business idea. Does it represent consciously exercised power by the Russian state to achieve clearly defined political ends?

It is difficult to find examples of Russian businesses abroad serving Russian state interests. The businesses are careful to follow western rules as they know they have quite a high barrier of suspicion to overcome. Russian businessmen speak in favour of their own country and modernisation.

Regarding Western investment in Russia, most firms with existing investments are reluctant to criticise the political situation or business climate and prefer to accept the Putin narrative. Some national firms go further than that and are advocates for the Russian system and its potential. There is a combination of horror and accommodation. This could be seen as a form of soft power. But the poor investment climate also acts as a deterrent to other companies. There is reluctance or inability in the West to use its soft power on Russia. This is true not only of the EU but also many enterprises. A typical reaction of any firm that sees other firms in trouble is to deny all connection with them. All UK businesses are under increasing public and government pressure to prove they are not corrupt and are not associated with corruption. This is very difficult to do in Russia. The breadth of existing corruption requires increased caution on the part of Western companies.

The Energy Sector and Investment Abroad

Russian influence through energy resources and industry is very considerable, and it takes both soft and hard forms without much fine tuning. Russia mixes commercial and political objectives in the use of energy resources; sometimes the political component is trumped by the commercial, and sometimes it is not. Russian strategy can be very effective if it is consistent, as in the case of Nord Stream lobbying. But Russia does not always use these tools effectively – it harmed the interests of its own companies in Ukraine and Estonia. Energy resources provide Russia with a source of economic attraction, and a way of achieving economic and political influence using non-traditional and sometimes non-transparent methods.

In the area of natural gas, Russian energy influence reached its high watermark around 2008. The EU response to the 2009 gas crisis was a game changer for Russia. Russia will continue to be a major supplier of the EU, but EU will become gradually less dependent on Russia. It would be good to see a depoliticisation of energy relations between EU and Russia. Russia would like to connect its upstream assets with downstream consumers; for example,

Nord Stream will link fields in Siberia to Germany. Recently there was a flurry of deals, such as Total-Novatek and Exxon-Rosneft, but it remains to be seen how these investors will be treated and how commercially viable those ventures will be. It will be difficult, for example, to make the Stockman project commercially viable.

Russia has exerted commercial influence over the CIS through its existing pipeline networks. Between 1991 and 2008, there were 40 politically motivated disruptions or threats of disruptions. When a Soviet war memorial was removed in Estonia in 2007, Russia ceased gas deliveries to Tallinn. It is impossible to see this as anything other than a politically motivated action because the cut-off caused Russia to lose a significant amount of money.

The South Stream gas pipeline project provoked an array of disagreements between Moscow and Kyiv. If the pipeline is built, Russia will no longer be dependent on Ukraine for transit. The project is an example of using energy influence to achieve economic objectives. When lobbying for South Stream, Russia played off Bulgaria and Romania against each other. While Russia did not have many friends in those countries, it was able to re-establish old networks very effectively and quickly. Gazprom has attempted to take over Hungarian company MOL. There have been significant donations to the social democrats in Lithuania. Russian companies tried to conceal significant financial flows in the Czech Republic in 2009. Two high ranking individuals in Gazprom have a background of doing business in Bosnia. Gazprom has acquired the Serbian oil company NIS very cheaply, possibly in exchange for Russia's supportive stance vis-à-vis Kosovo. The case of RosUkrEnergO is a classic exercise in non-transparency; neither Ukraine nor Russia has taken responsibility for creating the company. The company proved useful for influencing politics in Ukraine. It has had long-term consequences, such as removing an incentive for Ukraine to develop its own oil resources.

Russia has developed important bilateral relations with France, Germany and Italy in the energy sphere. It is prepared to play the long game. Changes are expected in the European gas market. Gazprom is not able to realise all the potential projects it currently controls, which may create opportunities for others. The Russian gas market is going to grow and the European market may therefore become less important, which could lead to a diminishing of the political role of Russian energy resources. If Ukraine reforms its gas market, will it succeed in reducing Gazprom's business influence? Established business practices continue, but generational change means they will be less effective in the future. Liberalisation of the energy sector would have brought

great advantages to Russia; Russian businessmen would have gained seats on the boards of Western companies.

A participant asked about Medvedev's statement that state officials should not appear on the boards of Russian corporations. In response, it was said the comment was aimed at Transneft and Rosneft – companies where Putin's friends have major influence. The behaviour of Russian businesses in non-energy sectors does not seem to constitute political action.

Discussing the power of Russia's business links, it was noted that in the Soviet era, Russian arms exports were important instruments of soft power influence, but the influence has since diminished. When Russia increased export tariffs for Kyrgyzstan-bound oil, it caused a revolution. Russian companies control 50% of Ukraine's energy market, and Russian government supports Russian businesses. It is important for Russia to push out the business interests that are not pro-Russian.

Another participant argued that a Russian company could pursue its commercial interests, and still act in a way which is harmful to the business or political environment. In the West, there is a tension between the political framework and businesses - in Russia they reinforce each other. A participant commented that one can see Telenor in Ukraine as a legitimate business interest which at the same time is acting for Russia. Another participant argued that the telecommunications industry is among the most open, and Telenor is unlikely to be an instrument of Russian influence. Russian businesses in the West have a competitive advantage as their environment is completely different from ours. It was noted that there is a big difference between businesses like Gazprom in a country where democratic standards were established before resource exploration and in those where their creation followed afterwards.

Capital flight from Russia is increasing. One of the issues worrying British businessmen is the new UK legislation on bribery. Things have changed and foreign companies no longer have to give bribes. But if investigation detects bribery in four companies down the line in a business partnership, according to the new legislation the UK partner is liable. This will put British business at a disadvantage.

A participant argued that intermediary companies can serve both a political and commercial goal. They may enrich a small group of people, whilst harming the broader interests of the companies they mediate between. At the same time, they create a web of corrupt commercial and political relations which entrap officials and constrain political agency. Another participant

argued that there was a rationale on the Russian side for the creation of such intermediaries, and at least one individual close to Medvedev was involved.

In conclusion, it was said that the energy sector is different from many other businesses, which is not surprising considering the extent to which energy is tied up with the power of the state. If the Russian state decided it has an interest in using energy as a political tool, it can do so. There is a creeping recognition in Russia that its energy influence in Europe might have peaked in 2008, and state energy companies may be facing a new and more challenging environment.

Session Two

Russian Responses to NATO and EU Enlargement

Over the last decade we've seen a dramatic change in the vision for Eastern Europe, from one where we were looking at a Europe whole and free, at least to Russia's borders, to a divided Europe today. There has been a lot of discussion of Western disengagement and weak local leaders. But we must also recognise Russia's role. Russia saw EU and NATO expansion as a threat to its own integrationist agenda in the 'common neighbourhood'. Russia skilfully took advantage of the weaknesses of local leaders, and the vacuum left by a weakened and disorientated West to reverse the tide of democratization and EU and NATO influence. The strategic roots of Russia's efforts to counter Western influence in Ukraine and the 'near-abroad' pre-date the Orange Revolution. They date back earlier to the shift of power from Yeltsin to Putin, and are a manifestation of Russia's shifting view of itself and its relationship with the West. Russia has now moved away from a belief in the convergence of values. It has grown more authoritarian, more monopolistic, and put forth its own developmental model in competition to the West. Because of the inefficiencies in the Russian model of development, there is an imperative for re-integration. This we saw with the Eurasian Economic Community in 2000, the Collective Security Treaty Organisation (CSTO) in May 2002, the need for maximum extraction from the energy sector, upstream and downstream. Russia sought to separate the 'near abroad' in terms of business practices and security. Whereas under Yeltsin there was an assumption of convergent values with at times conflicting interests, Putin attempted to mask diverging values by emphasising overlapping interests.

In 2002, President Kuchma started to use NATO as a surrogate to balance Russia. That set in train certain initiatives for the exchange of standards and methods which began to worry Russia. When Ukraine declared in May 2002 that it wanted NATO membership, there was a fairly quiet response from Russia, but Putin supposedly called Kuchma twice to try to discourage the signing of a host nation support agreement with NATO. There was an understanding in Russia that this was a serious problem.

NATO was a convenient issue for Russia. It was a way for it to link reform and change with something unpopular. In many ways the West assisted its Ukrainian colleagues in falling into this trap. Considerable efforts were made to impede reform using soft tools, and they had a significant effect. President Yushchenko initially in 2005 did not want to invest capital in NATO membership. He subsequently came out strongly in favour and put pressure on Timoshenko to do the same. This added to tension in the coalition. Yushchenko forced Timoshenko to sign the letter to NATO as a condition of becoming prime minister. Ukrainian politicians were pushed into investing in an issue which did them damage.

Russia responded to these concerns by adopting a new approach. In the case of Ukraine, the main aim was to make democracy appear to fail. The question of Ukraine's accession to NATO was transformed into a civilisational choice and used as a tool to mobilize voters in the East. The issue was used to securitize identity in a manner which was divisive and destabilising.

Russia also aimed to show that Ukraine was an unreliable partner for Western governments. It choreographed an effort to stop the Sea Breeze military exercise with the US, including by mobilising local custom officials to block the passage of key materiel through Crimean ports. The efforts to characterise Ukraine as an unreliable partner had a big impact. Russia has also been active directly and indirectly in the information loops of NATO and its member states, feeding scepticism about Ukraine's commitment and capacity to work with the Alliance. To this day the US is delighted any time an exercise happens. Now US officials have observed that at least we don't have to worry about these kind of problems, not noticing that the people now in power are the same people who had caused these problems a few years ago.

At the same time, those who supported Ukraine's cooperation with NATO pushed Ukraine's officials to invest political capital in an issue which did a great deal of damage to their public standing.

Russia has continued to undermine Ukrainian sovereignty rhetorically. Russia played up separatist issues in the East, in Crimea and even in the West of the

country. The aim was to impede reform, foster chaos, and show Ukraine to be an unreliable partner.

In Russian eyes, NATO was established as an anti-Russian military bloc, and that is what it remains. Any points one can make that NATO enlargement was not designed to protect the West from Russia but to protect the West from itself. Anything that can be said about the dangers posed to Europe by uncertainty and instability cuts no ice. Not simply in the military establishment. The fact that NATO is enlarging then proves that it is aggressive. This is why the NATO accession for Ukraine is so important in Russia. Leave aside the fact that it is deeply insulting.

We must also consider the profound impact of the Kosovo war. It mattered more in Ukraine because in Russia you are not dealing with a pro-NATO establishment. Whatever argument you could make about the necessity or morality of the war, you could not argue that this was a defensive alliance. And at the same time Russia has been very effective at articulating what NATO is: an aggressive alliance aimed against Russia; you join it and we will respond accordingly.

The final problem is that NATO is not relevant to the lives of the average Ukrainian. If you ask a Ukrainian about security concerns, he will tell you about worries over crime, personal security, the need for protections from predatory state structures. One can explain how the EU relates to this in some complex way, but not NATO.

Russian Soft Power in Ukraine

Different countries possess soft power for different reasons. The EU has soft power because it represents a club of prosperous countries, and offers the prospect of joining this club. The EU's commitment to support democracy worldwide is also part of its soft power. China's soft power is due to its economic might and, for the elite, an alternative growth model which is value-free. The Soviet Union also had soft power, based on the dream of a society based on rational and natural justice.

Russian soft power in Ukraine relates to the use of political discourse, the power of narratives. Often when we speak of soft power, we focus on the actions of individuals or particular elite groups. We focus on the foreground of politics. But in Ukraine we have to look at the background, the discursive framework which defines the actions of these individuals.

The soft power of the West and China is based on an attractive vision of the future. By contrast, Russia's soft power looks to the *past*, mobilising the memories and legacies of an imagined and real common history. This is part of what makes Russian soft power so specific.

Russian soft power aims to mobilise constituencies by manipulating identities and influencing the social and political discourse. As a background to this, it should be noted that Ukrainian society's capacity for self-reflection on identity issues is limited. Many people still use Leninist and quasi-Marxist terms of reference which are profoundly at odds with modern reality. Identity is a new word in Russian discourse. National and ethnic identities in Russia and Ukraine are largely understood in primordial terms; constructivist terminology, which understands identity as a form of practice, is seldom employed. As a result, for many Russians and Ukrainians, identity is seen as a measure and test of loyalty to a particular political or ethnic community.

There is a widespread fear in Russia's political elite of being underdeveloped and left behind. This is a leitmotif of Russian history. Russia still wants to integrate with the West, but it wishes to do so on very different terms to those of the nineties. Ukraine's political development thus presents the Russian elite with a problem. How can this country, which is basically the same as us, outrun us, integrate faster or more successfully? This issue was always in the background, but it came to the fore in the Orange Revolution. Suddenly there was a real risk that Ukraine could join the West before Russia. One can see the struggle over WTO membership and the Customs Union in a similar light.

Hence Russia mobilises myths of the commonality of Russia and Ukraine. It appeals to discourses of collective values and a shared glorious past. These include shared historical myths about the origins of Ukraine and Russia; the powerful imagery of the Great Patriotic War; the great Russian language as a common heritage of all Eastern Slavic people.

Much of Russian soft power is focused on elites. Political elites in Russia and Ukraine share similar anxieties. They are parvenus, they came from nothing and feel the need to justify their new status. They invest a lot of effort in the performative aspects of being an elite. The elites want to be Westernized, they mimic the styles of the West. What we see in Ukraine, however, is a double separation. Ukrainian elites mimic the way Russian mimic Westerners.

There are certain 'class interests' shared by Russian and Ukrainian elites. Both are concerned about their security. Many Russian and Ukrainian elites are deeply Soviet people. Out of this come shared political understandings and the discourse of 'stability' which is common to both. Stability is code for

regime security. If you look at the way the Libya issue was presented, it reflects the idea of a commonality of fate between Putin and Gaddafi.

On security issues, Yanukovych has given Russia a lot. On economic issues, he has given Russia something and then he has drawn a red line and he resisting. The Russians were not expecting this. This suggests that having a common business culture does not mean you have a common set of business interests. Ukrainian oligarchs know how to struggle with Russian oligarchs, and in Ukraine they sometimes know how to win. Yet, when it comes to the issues of culture, history and religion, Yanukovych and his supporters are basically supporting the Russian position. They are not sticking up for the position of the Kyiv Patriarch as Patriarch Kirill attempts to increase his mandate to cover Kyiv. They are supporting those who are promoting Russian narratives about the Second World War and Holodomor. Finally, this whole terrain of struggle has become easier for the Russian side because of what is happening in Western Ukraine, where we see a retreat to nativism, nationalism and chauvinism. There is in fact more of a civic opposition in the East of Ukraine than the West, where people are suffering deeply because of his policies.

This notion of global goods being mediated to Ukraine through Russia is important. Most Ukrainian journalists, for example, get their information on the world through the prism of Russian-language information sources. They rely heavily on online resources such as inosmi.ru rather than learning other languages and engaging with the source material directly. This was evident during the revolutions in North Africa. The Ukrainian media was dependent on Russian sources and this influenced the coverage. One often had the sense that when journalists wrote about Libya, they were really talking about Russia. In addition, Russian TV is perceived to be more professional than Ukrainian TV, and Ukrainian mass media tries to model itself on Russian examples. Ukraine is also filtered through Moscow-based media. Much Western coverage of Ukraine is done from Moscow.

A question was raised about the motivation for Russian subsidies to Ukraine. When Russia is subsidising Ukraine, it is questionable who is getting benefits. Putin's associates and those who manage his portfolio are said to be heavily involved in Ukraine, so they have an interest in subsidising the country. The motivation of the Kharkiv Accords was to agree a price which it was believed Ukrainian industry could afford. But the arrangement swiftly became nonsensical because even by comparison to Russia, Ukraine's energy sector is grotesquely inefficient. This differential has been absorbed by other factors,

so within weeks of the agreement Prime Minister Azarov went to Moscow and said Ukraine needed a further discount.

One participant pointed out that you can't treat Russia as a unitary actor. This is shown in the curious case of the Customs Union. Excellent research by the World Bank has shown that the Customs Union will not benefit the economies of any of its members. It is like the colonial preferences which held back British industry in the post-war period. The person promoting Ukraine's entry into the Customs is Sergei Glaziyev, born in Zaporozhye. He has argued for Ukraine's economic integration with Russia since the early 90s. It was Glaziyev who sold the idea of Ukraine's integration to Putin. But if you go to the Ministry of Finance and the Ministry of Economics in Moscow, they have no real interest in the Customs Union. That's not the main issue. They want to get into the World Trade Organisation, They want to internationalise the Russian economy properly to stimulate real growth.

On the military side, some parts of the industry which produces Antonovs for example would like to integrate with Ukraine, but Defence Minister Serdyukov and Rearmament Chief Vladimir Popovkin want to buy hardware from Western Europe. They don't want Ukrainian weapons. So on many issues Russia's position on Ukraine is not unified at all. It was argued in response that whilst Russia may be divided on the Customs Union, when it comes to NATO the Russian elite think and act as one.

One participant noted that it is striking to see the difference in Russian behaviour in the 2004/5 election in Ukraine and 2010. The Russians learnt from the mistakes of the previous presidential elections and made sure they kept a low profile. There was no overt interference. They understood that it was harmful to their own interests.

Panel 3

Russian Influence in the Baltic States

The speaker argued that Russia has used very little of its soft power in the Baltic States, regardless of whether soft power is understood as the attraction of corrupt money or more classical definitions. Russia has always relied on a foreign policy of 'forcing other states to friendship', which excludes real friendship. Russia tried to alter the Baltic States' policies back in the 1990s, when they had economic sanctions imposed on them, and lacked the status of most-favoured nation. Gas cut-offs were quite frequent. The explicit aim

was to force the Baltic States to reverse their language or citizenship policies or abandon their aspirations to join NATO. However, between 2004 and 2008 Russia hasn't really tried to alter policies, but rather to cause trouble and discredit the Baltic States in the international arena.

Between 2004 and 2008 Russia needed external an image of an external enemy in order to mobilize its own domestic audience around the government and to avoid a 'coloured revolution' happening in Russia. The Kremlin panicked and started to organize many pro-Kremlin youth movements and other similar activities. It rotated external enemies rather like the EU rotates its presidency - a new one every six months. And so it was with Ukraine, then Georgia, then the United Kingdom. Then came Latvia, Estonia, and Lithuania. What Russia effectively did was to use propaganda tools to portray a negative image of the former Soviet republics in order to make them less appealing as role models for Russia's domestic audience.

What impact do these policies have in the Baltic States? Some effects were intended, others not. The case of the removal of the Soviet monument from Tallinn's centre created tensions between ethnic Estonians and Estonian Russians, but it also had a positive effect in that it led to some new thinking in the Estonian government. They realized that it is not sufficient to demand that Russians learn Estonian; it is also necessary to speak with them. Another effect was the distortion of debate domestically, but that was barely noticed. For a while it became very hard to criticize the prime minister.

There are big international implications of such conflicts between Russia and the Baltic States. After such incidents, the Baltic States have had to counter international criticism and explain policy decisions. It is nice to acknowledge for a change that Russia now is behaving differently towards the Baltic States and that they don't have to deal with such problems at the moment.

The biggest threat in the Baltic States coming from Russia right now is corrupt money and corruption in general.

On the question of the cultural impact of the Russian diaspora in the Baltic States, one speaker said that the Russian community in Estonia (and similarly in Latvia), is seen as a threat to Estonian citizens in the country in the sense that they might become a 'fifth column' of Moscow. In each of the Baltic States, approaches and attitudes towards Russians living in their country are different. In Estonia it was believed that Russians would hold back Estonia, because Russians in Estonia mainly represent the working class - there are few intellectual figures. But Russians who live in Estonia don't advocate Russia's policies; they are actually very critical of Russia, and they have

become a proper part of Estonian society. So it is possible to say that the Estonian government uses *them* as an instrument of soft power in order to engage with the local Russian community.

A speaker stressed that the Baltic States are quite different from each other. The relationship between society and politicians in Estonia and Latvia is a good example. The trust in political parties in Latvia is low and a party which did well in Latvia involves lots of local Russians. The Russians are more united and they have managed to come out with a message which also attracts some Latvians. In Latvia there are oligarchs and the links between business and politics are unhealthy. In Estonia, relations between political parties and the electorate are normal. Lithuania is different; still there you can find nostalgia for the Soviet Union and there is some evidence of the appeal of Putinism within society.

Russian Influence in Central Asia

Soft Power rests primarily on three resources: culture, political values and foreign policies, but only when foreign policies are seen as legitimate and have moral authority. This is relevant in cases of the Central Asian countries.

In the early Boris Yeltsin years, Central Asia was much neglected as a region. Russia was concentrating its efforts on relations with the West.

After 9/11 Russia became much more proactive in Central Asia, both generally, and specifically by setting up the Shanghai Cooperation Organization (SCO). Central Asia is obviously in a unique geographical and geopolitical situation. Central Asian leaders have to maintain a balancing act between Russian, Chinese and Western influences, and with the presence of US bases this becomes more difficult for countries like Kyrgyzstan. In recent years the whole Soviet heritage has been brought back to the forefront. Russian is still the lingua franca of the region, especially in business and government dealings.

In terms of infrastructure, the Soviet heritage is still very much there in transport links for example. In terms of promoting regional organizations Russia has used several in Central Asian countries to direct its soft as well its hard power, but clearly there are other external factors to be taken into account, the Chinese factor in particular. It is possible to observe a Shanghai 'co-operational spirit' in the collective fight against the so-called 'three evils' of terrorism, fundamentalism and separatism. But the values which have been promoted by SCO are negative and reactive. It has been increasingly

presented as a normative project to battle the so called evils. China and Russia reinforce each others' views regionally, as well as at the global level, through the United Nations Security Council. In some ways they have been quite successful with this vision of the 'failing West' type of security organization. The principle legitimizing factor of the SCO is the right of each state to pursue its own domestic security strategies. This helps to legitimize these authoritarian regimes. Russia's sponsorship of that idea and its acceptance in all the Central Asian states is significant. The events in Kyrgyzstan which led to the overthrow of Kurmanbek Bakiyev's regime showed that Russia wielded less influence than originally thought or at least that it didn't want to act. In general, the SCO is seen in a positive light by the Central Asian states. But Russia is concerned about China's Soft Power projection in the longer term.

The common Soviet heritage is very important in the Central Asian region. Culturally it may have less importance, though because the region can be seen as modernist. The significance of Russian diaspora in the different states varies. The number of Russian language speakers among Central Asians has declined. In Tajikistan, for example, the number of schools using Russian has fallen by two thirds over a ten-year period. This may be a sign of decline in Russia's Soft Power influence in the region. For the coming generation there is a sense that they are less orientated towards Russia, despite the fact that the younger generation mainly watches Russian television or reads Russian language media. But that might be because there are not many alternatives.

Russia is making a lot of effort to reduce the dilution of the Russian language in secondary and higher education. It has established a CIS University and is trying to increase the number of universities offering a joint education together with Russian universities. In the 2009 National Security Strategy Russia put a high priority on Russian language in Central Asia, and emphasized the importance of establishing a common information telecommunications network within the CIS. Many of these initiatives will be subject to finance availability, and some have already become victims of the global and regional economic crisis.

The Central Asian countries are dependent on Russia's economy. Russia, meanwhile, needs Central Asian energy resources if it is to continue to supply Europe. Eastern Siberia is still an undiscovered country and Russia cannot go forward without knowing that it has a 'back-up' in Central Asia, and there is going to be competition with China. Energy is still the main instrument with which Russia maintains its influence in Central Asia.

Russia still has influence in Central Asia on economic, political and also, increasingly, normative levels. But Russia's own domestic problems suggest that hard power will still be needed to amplify soft power.

On the treatment of migrant CIS workers in Russia, the first speaker said that in Central Asia people are aware that they have to pay bribes to officials in order to get a better job or a better environment. But it is hard to tell if the bribes are worse or better than back home. A second speaker argued that there have been reports on TV about Azerbaijani workers' treatment in Russia. The financial conditions aren't as beneficial they used to be. There are also a TV reportage covering xenophobia towards citizens from Georgia, Azerbaijan and Armenia.

A speaker asserted that Russia is looking to increase its exports of food. Last summer Russia tried to close off Kazakh and Belarusian markets, through agreements and to close off Ukraine through shadow networks. Russia's desire to monopolize the grain market has meant Ukraine has lost big profits abroad. This pushed international food prices up.

Russian Influence in the Caucasus

The domestic and foreign policies of all three Armenia, Azerbaijan and Georgia are influenced by many factors – external powers, local economic and social problems and history. They have varying degrees of latitude in plotting their own independent course, yet none are fully masters of their own destiny. With their predilection toward interstate conflict, the region presents a complex arena for Russian soft power.

Russian influence here can be seen in the effects of the August 2008 Russia-Georgia war, Nagorno-Karabakh, domestic politics, energy and economics, diasporas, migration and remittances, the Russian Orthodox Church and language, culture and the media.

Russian influence has diminished considerably in Georgia since it took control of Abkhazia and South Ossetia. Fewer politicians can be seduced and the barriers to Russian capital have increased. The target of Russian soft power vis-à-vis Georgia since the war has largely been the West. The aim has been to blacken the Georgian government's name and undermine the Georgian narrative of events.

By contrast, Russian influence in South Ossetia and Abkhazia has increased more than ever before. While creeping annexation was the story before August 2008, today it is more overt. The economic dependency of both

entities on Russia is total. ‘Softer’ approaches include: further *passportizatsiya*, encouragement of tourism, money in healthcare and culture promotion, extensive contracts and agreements with the separatist governments, the purchasing of real estate, increased Russian language-learning in schools, the provision of legal assistance and the restoration of air, rail and road traffic, Russians sent to work in the administrations of the separatists governments and geological explorations conducted by Russia in both areas.

The continuation of the Nargorno-Karabakh conflict gives Russia influence – particularly as the distracted US is not an impartial actor either and the EU barely registers.

Russian political control in the South Caucasus stems from the economic sphere, but it is not confined to it. In politics, there is a visa-free regime between Russia and Armenia, an alliance between the major – ruling – political parties, and inter-governmental committees have been set up to “agree” on the simultaneous adoption of identical national laws and foreign policy concepts. In Georgia, by contrast, Russia has relatively little direct influence. For a serious political party to take money from Russia would be the kiss of death if exposed. Vladimir Putin has met opposition politicians from Georgia (the only instance where this Putin has met opposition politicians in post-Soviet states). For Azerbaijan, whose relations with Russia fluctuate (as opposed to being generally good in the case of Armenia and generally bad in the case of Georgia), the political picture is more complex. Russia has relatively little direct control, but it is satisfied with the current government whose predictable, autocratic style is easier to deal with than a more overtly pro-western leadership might be. There is particular backing for the pro-Russian groups within the Azerbaijan’s top elite. The head of the presidential administration Ramiz Mekhtiyev and Ilham Aliev’s own clan grouping are known to be particularly close.

President Kocharian effectively sold off Armenia to the highest bidder. That bidder was generally Russia. For example, 80% of Armenia’s energy structure is Russian-owned. Russia controls the majority of the Iran-Armenia gas pipeline, thus ensuring that Armenia cannot become a transit country should Iranian gas ever reach European markets. It has bought up all of Armenian hydroelectric and nuclear power stations save two, in exchange for writing off Armenian debt. Gazprom now owns 75% of its Armenian subsidiary, ArmRosGazprom. Outside of energy, the Russian airline company Sibir owns 70% of the Armenian airline company Armavia. The state-controlled Russian bank Vneshtorgbank owns 70% of the Armenian Saving

Bank. Russia has effectively bought up Armenia's entire national railway network with a \$570 million investment. Russia controls most of the mining operations in Armenia. It has also made significant inroads into the Armenian telecommunications sector with Beeline the main mobile network provider. Finally, in 2010 Russia granted Armenia a preferential loan of \$500 million over 15 years to help it pull out of financial crisis. The implications of this for Armenia's sovereignty are clear.

Russia's tremendous success in inserting itself into Armenian society has meant a more difficult journey in Azerbaijan. Theoretically, Azerbaijan should be Russia's most important partner in the South Caucasus but there have been small successes only. Russia is not as big a player in the Azerbaijan energy sphere as one might expect. Russia controls only one oil pipeline – Baku-Novorossisk. The opening of the Baku-Tibilisi-Ceyhun (BTC) pipeline which transports Caspian oil to the west, bypassing Russia, reduced Azerbaijan's dependence on Russia. Russia now seeks to reduce Kazakhstan's participation in BTC. Lukoil is the only Russian oil company present in Azerbaijan. It is not an operator and holds no majority stakes. Russia's electricity giant, United Energy Systems is an important player with a share in Azerenergy, Azerbaijan's own electricity monopoly – though not as much as it would like due to energy exchanges and the unification of distribution systems.

Russian attempts to ensure Georgia under Saakashvili does not flourish are also notable, with companies and entire states being warned off investment in Georgia. More publicized was the economic embargo imposed on Georgian exports to Russia in 2006 which hit Georgia's wine-producing regions hard.

Azerbaijan has approximately two million citizens working in Russia and their salaries constitute 70 per cent of the income outside of Azerbaijan's main cities. The Azeri population resident in Russia also constitutes a hold insofar as Russia has threatened to deport illegal workers and impose a visa regime. Another source of threat comes in the form of possible stirring up of separatist sentiment within ethnic minorities in Azerbaijan – especially the Talysh on the border with Iran and the Lezgins on the border with Russia. The latter, especially, is a possible flashpoint for future conflict where Russia has means, if not currently motive.

As Georgia and Armenia have their own brands of Orthodox Christianity, there is, paradoxically, more opportunity for the ROC in secular Muslim Azerbaijan – where the Russian diaspora is the largest. In Armenia, where 98% of the population is a member of the Apostolic Church, there is less

room for manoeuvre. There is a Russian church in Yerevan and settlements in the north of the country.

In addition, Moscow State University established a branch in Baku (the staff is mainly comprised of visiting Russian professors), and Russian cultural and educational events are held throughout the country with partnerships in science too. The picture is darker for Georgia again with Russia's state-controlled TV and its numerous lobbying firms digging up dirt and accusing the government of a multitude of sins – some true, some not. The Russian language and interest in Russia in general is in decline among the younger generation. Russia simply cannot compete with European and American culture or education, or technology.

In sum, despite the evident American retreat from the South Caucasus (and European lack of willpower), and the increasing number of extra-regional players in the area – Turkey and Iran for instance, Russian levers of influence are primarily economic (and military) in Armenia, whose relationship with Russia has reverted to the kind it had within the USSR; it is scarcely visible in Azerbaijan, and is essentially negative PR- and economy-related regarding Georgia. Azerbaijan and Georgia share concerns over Russia (which Armenia does not, at least openly) but have different ways of dealing with their common neighbour – Georgia with a good deal less subtlety. This helps protect Azerbaijan against Russia, though it does not help it in resolution of its territorial conflict. After all, both have roughly 20% of their respective territories occupied.

Russian Soft Power in the West and Policy Implications

Much of the discussion of Russian soft power is really a discussion of Russian foreign policy. With that in mind, Russia has five foreign policy goals: to ensure that no major international decision is made without Russian involvement; to maintain the status quo in the Euro-Atlantic area, in other words no enlargement of NATO or the EU; to ensure no western-inspired regime change; to promote the business interests of the elite; to use western technology and know-how to promote Russian modernization. In the meantime, Russia is also increasingly preoccupied with the rise of China.

The speaker doubted the impact of Russian lobbying in the US. By contrast to the large lobbies in the US – the Armenians and the Israelis – the Russians are not particularly united except on some major issues. Moreover, Russian émigrés are not very influential. Ultimately, Russia is less interesting for the US than for the EU. The US does not need Russian energy or products. Less

than 1 per cent of US trade is with Russia. That said, Ketchum is the PR agency of choice for Russian PR in America and one should not forget 'Valdai' – an important Russian soft power project. Generally, though, Russian lobbying money has not been successful although it must be said that Russia Today's viewers are increasing – it presents a negative image of the US and is appealing to those who don't know much about US foreign policy (in the provinces, for example).

From the Russian perspective, the reset is a success – they are satisfied with START and the policy on sanctions on Iran. They believe they are being accorded more respect. The US also views the reset as successful. After August 2008, it was clear that the US was in too deep in Georgia. The Obama administration has recalibrated its relationship with the post-Soviet space. Twenty years ago we had different expectations for the post-Soviet States.

There is less US public comment on what is happening in Russia these days. The analytical and expert community in the US (and Germany for that matter) does understand what's happening. But they also understand that that they have to deal with Russia, and the best way to achieve this is to move them into multilateral organisations.

The second speaker focussed on policy implications for the US. He noted that US policy on Russia was still centred on hard security issues (this was also true under Clinton and Bush). The relationship needs more texture and ballast than the security relationship can provide.

The reset is actually one of the Obama administration's few foreign policy successes. While it may be true that common business interests do not equate to common business culture, this may well be a domestic, not foreign policy issue.

Basically, the US should be tough with every company which operates on US territory. As far as energy is concerned, one should remember that oil is a global market. Gas is not. The West needs to get its own house in order. We need to be tough on unbundling too. Shale gas appears to be the game changer. This will create pressure on long-term gas contracts.

A third speaker argued that whilst the rationale for a tough stance on Russia is compelling, it's a hard question for a policy-maker. The President does not devote that much of his time to Russia. Also, the situation in Russia is not actually black and white as is sometimes portrayed. Most heads of Russian businesses have little interest in politics. They are very serious, very hard-nosed businessmen and their motives are profit-based. Putin's speeches may have meaning for foreign policy, but what do Russian elite really care about?

Russia was adamantly opposed to intervention in Libya but had no impact at all. This led the speaker to be highly sceptical about Russian soft power in the US.

Russia, like other petro-states, has a lot of cash from energy revenues and they use some of it for lobbying. But this is quite normal for businesses. Russian 'tech investors' in the US are worth looking at: mail.ru (previously known as Digital Sky) owns five per cent in Zinga, Twitter, Groupon and Facebook. It is not clear who Digital Sky's money is. At least 25 per cent of share holdings are owned by close Putin associate Alisher Usmanov, the CEO of Metalinvest (who has a shady past). Other Silicon Valley entrepreneurial companies want this model and are now in a race to get lenient deals on the same terms as Digital Sky. By buying, say, five per cent of a company, and not demanding too much, like a seat on the board or 'preferred shares' (where equity holders get paid first), it's a very attractive model if you're an entrepreneur and it's changing the way Silicon Valley operates. Pro-Kremlin pundit Andanik Migranian's lunch appointments in Manhattan are not nearly as important as the tech investors meetings in Silicon Valley. This is where Russia is making an impact on a fast-moving, important part of the global economy.

In the energy space, the picture is much more complicated. There are plenty of ups and downs (downs especially if you're Russia and in the gas business these days – an horribly mismanaged industry where Russia has squandered its wealth). It's damaged its brand and relationships. We make jokes about Gerhard Schroder and his cosy relationship with Russia but what about concrete facts? EoN, a major company in Russia, is going to lose between 700 million and 1.4 billion dollars this year because of its contract with Russian gas. They want out. EoN are not docile, their share price is being hammered and they're unhappy. They're trying to let go of their shares in Gazprom and convince the Russians to let them out of their contract. Russia is facing a transformation of the global gas market and it is not coping well.

Oil is complicated. Russia benefits from oil being more than 100 dollars a barrel of course but we don't know where future barrels are going to come from as western Siberian fields deplete. Russia's BP and Exxon deals are interesting. The westerners provide all the up-front costs in complicated areas which are beyond Russia's current technical capacity (to go solo on), in exchange for a set percentage in a joint venture if and when the fields are proven and they start producing. This is how US companies operate, they're used to operating in complicated environments and they know what they're doing. So we should not worry so much about Russia putting the squeeze on

investors. In the case of the BP–TNK-BP dispute, a global energy major has once again fallen into the Russian snake pit. TNK-BP has been irritated for a lot longer than the current/latest imbroglio because of the limitations put on its world-wide activities and expansion by BP, while BP needs the cash to pay off the Gulf of Mexico disaster bill. This is not TNK-BP at odds with Sechin. The big four in TNK-BP are serious. They're probably not Kremlin-guided, they're just tough guys pushing hard to get what they think they deserve.

But to prove the linkages, the networks of Russian influence, we need to see a map, a web. Otherwise, it may well be true (and let's face it, some of the Eastern European countries Russia is operating in have pretty weak leaderships and institutions themselves) but it's just anecdotal and we don't really know what we're talking about. But we need to know where our vulnerabilities lie. Ultimately, we don't really know what the Russians want. And many don't care. Mark Zuckerberg deliberately chose not to do due diligence on Alisher Usmanov. He just didn't want to know. And so everyone who went afterwards with deals also got away with it. So if our own standards have slipped, it's hard to sit on the moral high ground and say deals should not be done. Another expert noted that there is an inter-agency committee that looks at the security implications of major Russian (or any other country's) investments in the US, but that there had never been any problem (even though the Russians complain about it as being a Cold War relic!)

Many Russian companies that are not focussed on exporting (ie not Transneft or Gazprom for example) have little interest in the Russian state and are just 'doing their thing'. They just want to be listed, to be public companies, making serious money. Indeed, they themselves are hindered by the terrible perception of Russia in western markets and bad management culture. Some, however, are very good indeed, such as Kaspersky labs (the second largest anti-virus manufacture in the world) has just done some very large deals with the West. That's success – and it removes you from some internal problems. Companies have now modified their behaviour after Khodorkovsky – they are commercial, not political, not challenging Putin. But this view was countered strongly by others and reminded the audience that we should not be dismissive about Russian business culture where we are dealing with carnivores. Similarly, another audience member suggested that in fact, one should not be quite so blasé about Russians companies in Silicon Valley, and that there was more there than may meet the eye. He expressed surprise that the Americans were not examining this more closely. But the original speaker disagreed saying that the Russian high-tech companies like it when business

is freer to operate. Of course, it is different when the stakes are higher. And Russians do not act the same. If Sechin had a position on the board of BP, and Russia was the majority stakeholder who knows how the company would have responded to the Gulf of Mexico disaster.

The point was made that the EU and the US are different things when it comes to Russian influence. One should not forget 'Londongrad' in particular. Russia has a particularly special relationship with London (geographical proximity, political stability, the education system etc).

The same questioner asked about the possibility of the US acknowledging that the Cold War is over by opening up some of its nuclear facilities to Russia for inspection. One of the presenters replied that an arms control structure will indeed require a degree of intrusiveness that we've never experienced before. It's a big challenge. The US may first propose some transparency initiatives. Missile defence, too, depends really on how much 'ankle' the Americans are willing to show. The Russians are interested not, of course, because they share US concerns on Iran, but because they want access into US programmes. In the case of non-strategic weapons, the Russians are *very* resistant. Russia's nuclear weapons are the one thing that makes it equal to the US. So one of Russia's core objectives is that nothing is done to marginalize Russia's status in that arena or the Americans would ignore Russia even more. There's nothing left.

Another participant asked why the Russians abstained (as opposed to vetoing) on UN Resolution 1973. Because it didn't matter to them, was the reply (at least not as much as the other interests they had at stake). Also, once Russia knew that China and the Arab league signed on, it was not going to isolate itself. Ultimately, no one paused to consider the Russian position over Libya.

Another expert noted the first speaker's outlines of Russian foreign policy goals – specifically, preventing 'western-inspired' regime change and managing China's rise – and likened it to Dmitri Trenin's thesis of Russia as part of the 'New West'. The question was also raised about where the reset is going. Is it running out of steam? The speaker replied that the reset was not purely instrumental, though that is its core. The 'low-hanging fruit' has been picked. Now the hard stuff is around the corner – new START, Iran (where interests are still fundamentally different) etc. And for that, the expert replied, we probably need to wait until after the Russian and US elections. However, it was thought that an umbrella missile defence agreement with Russia and NATO probably would be signed in June 2011, but then it has to be

implemented. Russia's foreign policy goals are actually less ambitious now. Some people in Russia try to project power unreasonably, but their basic concern is not having more governments in the neighbourhood join the West.

The Russian diaspora in the US is rather unique. It is certainly not united or particularly pro-Russian. An expert journalist present suggested that the Russian diaspora was a perversion of soft power. Whatever Russia is doing to influence policy in the US, this is not a lever for them to bank on. In fact, the diaspora in London has actually had a negative effect on UK-Russia relations. It was suggested that the west must not lose sight of the appeal of western ways of doing things – and *western soft power*. The journalist also noted that Sergei Lavrov also uses the term 'soft power' (*myagkaya sila*), so it has entered the language at the elite level in Russia.

Turning to Ukraine, one of the speakers suggested (cynically) that there was a sigh of relief when Yanukovich was elected and the US administration didn't have to deal with the fragmented Orange coalition and NATO expansion any more. There was concern over the withdrawal of western influence on Ukrainian civil society. But what is worrying is not Russia's policy on Ukraine, but the absence of a coherent EU policy on 'new Europe'. Freedom House has recently downgraded Ukraine but it showed that in fact we have not lost influence on Ukrainian civil society. Ukrainian elites and civil society were very concerned and the Freedom House report had a big effect. But it may not change their behaviour.

On Georgia, no one in the administration wanted to make the decision on rearming Georgia (even to fight in Afghanistan alongside US troops), for fear of antagonising Russia. A reluctance to get too involved. If the US doesn't have to do too much with Russia's neighbours, then so much the better

Another participant commented that Russia may have a grand plan for the west, but it also has an exit strategy. The investment climate in Russia is worrying, although Russia is now admitting that it needs FDI. Moreover, Russia will join the WTO. This is just politics. It is not about the details. Continuing, the Germans have developed an elaborate framework for dealing with Russia, he said. EU unbundling hurts EU members, but the Russians have no other way.

Another speaker agreed that the sooner the better as far as Russian WTO (and then the OECD) entry was concerned. It would soothe resentment. However, this is very different from Russia bringing anything constructive to the WTO table, which it will not. They will use it as a forum to advance

parochial Russian interests. Kudrin, though, has said it will change the way multinationals operate in Russia.

A member of the audience asked about the 'softer end' of Russian Soft Power, citing cultural events in London, the Winter Olympics in Sochi the World Cup and even Skolkovo outside Moscow. It was generally agreed that Russian culture was important and there should be more promotion of it.

Finally, the scope of this whole 'investigation needs to be widened. What does it mean, for example, that Russia has greater influence in Israel these days?

The chairman closed by saying that if you're looking at Russian power, then Russia is still inclined to the coercive rather than the attractive side of the spectrum. On the other hand, Russia has so many problems still to come and great difficulty maintaining its reach and adjusting to the world energy revolution. But Russia could be such a better power if it really did explore its ambition to modernize in a genuine spirit. Russian companies which do well are the ones which act for themselves and try not to care about Putin's policies. The poor Russian investment climate and criminality are so bad that we can only hope against hope that 2012 will bring real change. If not, we must recognize that recent events in North Africa may well migrate to Russia – and really will be a serious problem.