

Chatham House Report

Keir Giles, Philip Hanson, Roderic Lyne, James Nixey,  
James Sherr and Andrew Wood

# The Russian Challenge



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International Affairs

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The Royal Institute of International Affairs

Chatham House  
10 St James's Square  
London SW1Y 4LE  
T: +44 (0) 20 7957 5700  
F: + 44 (0) 20 7957 5710  
[www.chathamhouse.org](http://www.chathamhouse.org)

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*7 May 2015: Towing cables are attached to a Russian T-14 tank after it breaks down in Red Square during the dress rehearsal for the 2015 Victory Day parade.*

The new T-14, formally displayed for the first time at the parade on 9 May, has become a symbol for Russia's far-reaching rearmament and military modernization programme. The reported advanced design and capabilities of the tank and its related series of other new armoured vehicles have been the subject of widespread discussion among defence experts, both within Russia and abroad. But the introduction of the tank comes amid growing doubt over the capacity and sustainability of Russia's defence industry – and of the economy as a whole – while subjected to external sanctions and domestic inefficiencies.

# Contents

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	About the Authors	iv
	Acknowledgments	v
	Executive Summary and Recommendations	vi
	Резюме и рекомендации	ix
1	Introduction	1
2	Russia's Changed Outlook on the West: From Convergence to Confrontation <i>Roderic Lyne</i>	2
3	An Enfeebled Economy <i>Philip Hanson</i>	14
4	A War of Narratives and Arms <i>James Sherr</i>	23
5	Russian Foreign Policy Towards the West and Western Responses <i>James Nixey</i>	33
6	Russia's Toolkit <i>Keir Giles</i>	40
7	Russian and Western Expectations <i>Andrew Wood</i>	50
	Summary of Recommendations	58

# About the Authors

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**Keir Giles** is an associate fellow of the International Security Department and the Russia and Eurasia Programme at Chatham House. He is also a director of the Conflict Studies Research Centre (CSRC), a group of subject matter experts in Eurasian security. His career began in aviation in the early 1990s, working with Soviet military and paramilitary aircraft in Crimea. He went on to write for several years as Russia correspondent for a range of military and civilian aviation journals, and to join the BBC Monitoring Service, where he specialized in military and economic issues in the former Soviet space. He was seconded to CSRC in 2005 while it was still part of the UK Defence Academy (UKDA), and in 2010 brought key team members into the private sector after the closure of the UKDA's non-technical research programmes. He now oversees CSRC's research and publications, while continuing to write and publish on his own specialist area of Russian approaches to conventional, cyber and information warfare.

**Philip Hanson** is an associate fellow of the Russia and Eurasia Programme at Chatham House and professor emeritus at the Centre for Russian and East European Studies of the University of Birmingham, where he also served as director from 2001 to 2002. He has held positions at the UK Treasury, the UK Foreign & Commonwealth Office, the UN Economic Commission for Europe, and Radio Liberty; and has been a visiting professor at Michigan, Harvard, Kyoto, Södertörns and Uppsala universities. He has worked mainly on the Soviet and Russian economies, with occasional excursions into other topics. His books include *Regional Economic Change in Russia* (co-edited with Michael Bradshaw) and *The Rise and Fall of the Soviet Economy*.

**Roderic Lyne**, deputy chairman of the Chatham House Council, was a member of the UK diplomatic service from 1970 to 2004, serving as British ambassador to the Russian Federation from 2000 to 2004. From 2005 to 2007 Sir Roderic was a member of the Task Force of the Trilateral Commission on Russia and co-authored, with Strobe Talbott and Koji Watanabe, a report to the Commission entitled *Engaging with Russia: The Next Phase*.

**James Nixey** is head of the Russia and Eurasia Programme at Chatham House. His principal expertise concerns the relationships between Russia and the other post-Soviet states. His publications include *The Long Goodbye: Waning Russian Influence in the South Caucasus and Central Asia*; 'Russia's Geopolitical Compass: Losing Direction' in *Putin Again: Implications for Russia and the West*; and 'The South Caucasus: Drama on Three Stages' in *A Question of Leadership: America's Role in a Changed World*.

**James Sherr** is an associate fellow and former head, between 2008 and 2011, of the Russia and Eurasia Programme at Chatham House. He was a member of the Social Studies Faculty of Oxford University from 1993 to 2012; a fellow of the Conflict Studies Research Centre of the UK Defence Academy from 1995 to 2008; and director of studies of the Royal United Services Institute from 1983 to 1985. He has published extensively on Soviet and Russian military, security and foreign policy, as well as energy security, the Black Sea region and Ukraine's efforts to deal with Russia, the West and its own domestic problems.

**Andrew Wood** is an associate fellow of the Russia and Eurasia Programme at Chatham House. Since his retirement from the British diplomatic service in 2000, as ambassador in Moscow from the summer of 1995, he has held positions with a number of UK-based companies with Russian interests as well as others active in other former Soviet countries. He co-wrote a book, *Change or Decay*, with Lilia Shevtsova published by the Carnegie Institute in November 2011 and has been a regular contributor to Chatham House publications, as well as to material produced by *The American Interest*.

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Responsibility for any errors of fact or analysis, as always, lies with the authors.

# Executive Summary and Recommendations

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The war in Ukraine, and Vladimir Putin's bid to overturn the post-Cold War international settlement in Europe, have forced many Western governments to reappraise their approach to Russia. Until 2003, it was widely believed that a modernizing Russia might be accommodated into the international system as a constructive and benign actor. Variations on this view have given way to the realization that Russia, on its present course, cannot be a partner or ally, and that differences outweigh any common interests.

Russia faces mounting internal difficulties, including a weakening economy and a political culture that stifles enterprise and society. The combination of these forces imperils both security in Europe and stability in Russia. The Russian challenge, which this report sets out to examine, is therefore twofold: it is a challenge to the West, in terms of managing the increasing threats Russia poses to international order; and to Russia itself.

President Putin's options are uncomfortably narrow. Russia's longer-term interests would best be served by structural reforms at home and mutual accommodation with outside powers, small as well as great. But such policies would threaten the ability of Putin and his circle to hold on to power. While a reforming Russia would benefit from closer integration with the European Union, the Kremlin now opposes EU enlargement into its claimed 'sphere of interest' as adamantly as the enlargement of NATO. Putin has intensified the policies he adopted following his return to the titular presidency in May 2012: increased domestic repression; more centralized direction of the economy; the fomenting of anti-Western nationalism; increased defence expenditure; and the pursuit of hegemony over as much of the post-Soviet space as possible.

These choices have boxed the regime in. Russia needs reform, but the domestic political obstacles to it are daunting. At the same time, if Moscow maintains its current course – in both economic management and international relations – this will be increasingly dangerous for Europe and costly, if not disastrous, for Russia.

The questions addressed in this report are how far those costs will rise, whether Russia can bear them, what will happen if it cannot, and how the West should respond in the near and longer term.

## Deconstructing the Russian challenge

### Russia's changed outlook on the West

President Putin's 'new model Russia' is that of an independent Great Power resuming its geopolitical position on its own terms. This reflects a deep sense of insecurity and a fear that Russia's interests would be threatened if it lost

control of its neighbourhood. The model is fundamentally at odds with a Europe that has moved on to a different conception of international order. As a result, the prospect of a strategic partnership with Russia, yearned for by many in the West, has become remote in the face of incompatible interests and irreconcilable values.

Putin's model plays strongly to the personal interests of the clans affiliated with his personal leadership, but it has been marketed to appeal to the patriotic instincts of the wider Russian population. The ruling group's control of the economy and the levers of power – civil administration, the armed forces and the security organs – will not be easily shaken. However, the regime is now facing the most serious challenge of its 15 years in power. Over time, economic pressures, combined with the unsustainable extent of top-level corruption, will generate a growing imperative for change. The new model Russia is not sustainable, and Western governments need to consider their responses to various scenarios for change.

### An enfeebled economy

The Russian economy has moved into recession. If and when it returns to growth, this will be sluggish at best. The influences dragging down Russian economic performance are structural, conjunctural and geopolitical. In the long term, the possibility of growth is severely limited by the decline in the economically active workforce and the constraints the Putinist system places on competition and private investment. Market pressures and external conflict pose additional challenges of uncertain duration. However long they last, Russia will find it economically difficult to sustain its current and planned levels of energy exports and its ambitious rearmament programme.

By themselves, EU and US sanctions are unlikely to provoke such economic distress as to force Russia to step back in Ukraine. On the contrary, they provide the Russian leadership with a handy scapegoat for 'stagflation'. The pressure on the regime exerted by sanctions none the less remains important while the confrontation continues. The critical element in the new geo-economic competition between the West and Russia is the extent of Western economic support for Ukraine.

### Ukraine: a war of narratives and arms

The conflict in Ukraine is a defining factor for the future of European security. The Kremlin perceives that Europe lacks the will to pay the necessary price to defend its principles. Moscow has underestimated the coherence and resilience of Ukraine, but this does not mean that it cannot achieve its core objectives: to wreck Ukraine if it cannot control it, to preserve Russia's western borderlands as a 'privileged

space', and to make Europe accept that 'there can be no security without Russia'.

For the Kremlin, war is a clash of wills as much as resources. In the absence of constraints on Russian military power, the risk is not that Russia could impose a military solution, but that it might enforce a political one that would damage the West's interests and nullify its efforts. A solution based on terms dictated by today's Russia would not last.

### Russia's foreign policy towards the West

There has been no sudden change in direction in Russia's foreign policy or values since the beginning of the crisis over Ukraine. Russian ambitions and intentions had been telegraphed for well over a decade, but the West found it easier at the time to disregard them and indulge in the fantasy that Russia was progressing towards a liberal-democratic model with which the West felt comfortable. The war in Ukraine is, in part, the result of the West's laissez-faire approach to Russia.

The West views former Soviet states as fully sovereign countries. As a result, Putin's determination to re-establish Russian primacy in its former dependencies is the crux of the 'Russian challenge' to Europe. But additional challenges are created by Russia's illegitimate activities in the European Union, such as market monopolization and the co-option of elites, its desperate quest for equality with the United States, and its pursuit of what it sees as its own interests regardless of the implications for itself and others.

### Russia's toolkit

The Russian government has pursued its interests by means of a wide range of hostile measures against its neighbours, none of which are compatible with European notions of cooperative international relations. In addition to well-publicized instances of energy cut-offs and trade embargoes, other tools include subversive use of Russian minorities, malicious cyber activity of various forms, and the co-option of business and political elites. One of the most distinctive ways in which the Kremlin sustains leverage over its neighbours is by keeping long-running disputes alive or frozen for potential future use.

Two specific levers that have developed rapidly since the armed conflict with Georgia in 2008 are Russia's armed forces and its information warfare capabilities. Both have been employed to great effect during the crisis over Ukraine; and both can be expected to be used elsewhere in the future. Continued intensive investment in military capability, despite Russia's economic difficulties, is intended to narrow the capability gap with Western militaries led by the United States, and thereby to reduce further the risk inherent in Russia's possible future military interventions.

### Russian and Western expectations

The root cause of the Ukraine crisis lies in Russia's internal development, and its failure to find a satisfactory pattern of development following the collapse of the Soviet Union. Putin and his circle are not the same as Russia and its people, and their interests do not necessarily coincide.

The West has neither the wish nor the means to promote, or for that matter to prevent, regime change in Russia. But Western countries need to consider the possible consequences of a chaotic end to the Putin system.

### Recommendations

Western policy-makers will continue to differ in their assessments of the extent of the Russian challenge and the best ways to respond to it. But the consensus is emerging that Russia cannot be integrated into the sort of rules-based international order in Europe that all European states subscribe to, unless and until there is a fundamental change of direction in Moscow. It is a change that must come from within.

The West therefore needs to develop and implement a clear and coherent strategy towards Russia. As far as possible this must be based on a common transatlantic and European assessment of Russian realities. In particular, policy must be based on the evidence of Russia's behaviour, not on convenient or fashionable narratives.

Overall Western cohesion is critical for success. The main actors, at least, need to be aligned and working closely together. This Western strategy needs to include the following clear goals, and establish the near-term means and longer-term capabilities to achieve them.

### Strategic goals for the West

- To deter and constrain coercion by Russia against its European neighbours, for as long as is needed, but not to draw fixed dividing lines. The door should be kept open for re-engagement when circumstances change. This cannot be expected with any confidence under Putin, and it cannot be predicted what the next regime will look like. But there is a reasonable possibility that the decline of the Russian economy, the costs of confrontation and the rise of China will incline a future Russian leadership to want to re-engage with the West.
- To restore the integrity of a European security system based on sovereignty, territorial integrity and the right of states to determine their own destinies.



- To find better ways to communicate to the Russian regime and people that it is in their long-term national interest to be a part of a rules-based Europe, not an isolated regional hegemon.
- To explain Western policies consistently and regularly in discussions with China, and to all former Soviet states, most of which have reason to be concerned about Russian policies, whether or not they admit it. Governance is flawed in several of these states, but that is no reason to leave them hearing only the views of the Kremlin.
- To prepare for the complications and opportunities that will inevitably be presented by an eventual change of leadership in Russia.
- Not to isolate Russia or its people. President Putin's regime is already doing that very effectively. It is not in the Western interest to help him cut the Russian people off from the outside world.
- EU energy policy should aim to deprive Russia of political leverage in energy markets, rather than to remove Russia from the European supply mix. To this end, the momentum generated by the EU's Third Energy Package and the cancellation of the South Stream pipeline project needs to be consolidated. This should be done through further measures against opaque, anti-market practices by Russian state energy companies, and through the acceleration of steps already in train to eliminate 'energy islands' in Europe.
- Western states need to invest in defensive strategic communications and media support in order to counter the Kremlin's false narratives. Promoting truthful accounts of Western policies and values, in an intelligent manner that is relevant to audiences, is essential. This must happen both on a national level, and through EU and NATO cooperation. Channels of contact to ordinary Russians (including through education and other interpersonal links) should be sustained.

#### Specific policy objectives

- The reconstruction of Ukraine as an effective sovereign state, capable of standing up for itself, is crucial. This requires the input of much greater effort (political and human resources as well as financial; and a major programme of technical assistance) than has been the case up to now. Ukraine's failure would deepen instability in Eastern Europe, increase the risk of further Kremlin adventures, and diminish the prospects for eventual beneficial change in Russia.
- The EU's Eastern Partnership needs to be transformed into an instrument that enables the European Union and individual member states to reinforce the sovereignty and economies of Eastern partners which have proved willing to undertake serious political and economic reform.
- The effectiveness of sanctions against Russia depends on their duration as well as severity. The issue that triggered sanctions was the violation of Ukraine's territorial integrity, and until that issue is fully addressed sanctions should remain in place. In particular, it is self-defeating to link the lifting of sanctions solely to implementation of the poorly crafted and inherently fragile Minsk accords.
- The West should not return to 'business as usual' in broader relations with the Russian authorities until there is an acceptable settlement of the Ukrainian conflict and compliance by Russia with its international legal obligations.
- NATO must retain its credibility as a deterrent to Russian aggression. In particular, it needs to demonstrate that limited war is impossible and that the response to 'ambiguous' or 'hybrid' war will be robust.
- Conventional deterrent capability must be restored as a matter of urgency and convincingly conveyed, to avoid presenting Russia with inviting targets.
- Individual EU member states, as well as the European Union as a whole, including through the External Action Service, need to regenerate their capacity to analyse and understand what is going on in Russia and neighbouring states. This understanding, and greater institutional expertise, must then be used as a basis for the formation of policy.

Pursuing these goals and achieving these objectives will ensure that the West is better prepared for any further deterioration in relations with Russia. Vladimir Putin must not be accommodated for fear that any successor would be even worse. This accommodation has already failed. Whether the present leadership endures or is prematurely replaced, the way ahead will be complex and potentially turbulent. The events of the last 18 months have demonstrated conclusively that when dealing with Russia, optimism is not a strategy.

# Резюме и рекомендации

Война в Украине и попытки В.В. Путина разрушить сформировавшуюся после холодной войны систему международных отношений в Европе заставили многие западные государства пересмотреть свое отношение к России. До 2003 года считалось, что обновленная Россия может стать конструктивным и здоровым членом международного сообщества. Однако постепенно пришло осознание того, что пока Москва придерживается своего нынешнего политического курса, она не может быть партнером или союзником, и что существующие различия перечеркивают любые общие интересы России и Запада.

В России нарастают внутренние проблемы – слабеющая экономика и политическая культура, которая душит деловую и гражданскую инициативу. Все это угрожает как безопасности в Европе, так и стабильности самой России. Иными словами, существующий российский вызов – главная тема этого доклада – имеет двоякую природу: с одной стороны, он брошен Западу, который вынужден противодействовать растущей российской угрозе существующему международному порядку, а с другой стороны, это вызов и для самой России.

У президента В.В. Путина ограничен выбор действий. С точки зрения долгосрочных интересов России самым разумным было бы провести структурные реформы внутри страны и достичь взаимовыгодных договоренностей с различными по своей мощи и влиянию внешними игроками. Однако такая политика поставила бы под угрозу возможность В.В. Путина и его окружения удержаться у власти. Несмотря на то, что реформированная Россия выиграла бы от более тесной интеграции с Европейским Союзом, Кремль сейчас выступает против расширения ЕС за счет стран, входящих в его заявленную «сферу интересов», на которую он претендует, так же жестко, как когда-то выступал против расширения НАТО. В.В. Путин стал активнее реализовывать ту политическую стратегию, которая была принята им после возвращения на пост президента в мае 2012 года. Последняя включает ужесточение репрессий внутри страны, усиление централизованного управления экономикой, разжигание антизападных националистических настроений, увеличение расходов на оборону и стремление к установлению гегемонии на широком постсоветском пространстве.

Этот политический выбор загнал режим в тупик. России нужны реформы, но им мешают серьезные политические препятствия внутри страны. В то же время, если Москва продолжит придерживаться нынешнего курса, как в сфере экономического управления, так и в сфере международных отношений, это усилит угрозу для Европы и приведет к серьезным, если не катастрофическим, последствиям для самой России.

Авторы данного доклада пытаются ответить на следующие вопросы: какова возможная цена этих последствий? Сможет ли Россия с ними справиться? Что произойдет в противном случае? Как Запад должен реагировать на российские процессы в ближайшей и более длительной перспективе?

## Структурируя проблему российского вызова

### Изменение в российском восприятии Запада

«Новая модель развития России», предлагаемая президентом В.В. Путиным – это независимая «Великая Держава», восстанавливающая свое геополитическое положение на собственных условиях. Эта модель отражает глубокое чувство неуверенности и опасений того, что интересы России пострадают, если она потеряет контроль над соседними странами. Такая модель в корне расходится с концепцией международного порядка, которую приняла Европа. Поэтому перспектива стратегического партнерства с Россией, к которому стремились многие на Западе, становится все более призрачной из-за несовместимости интересов России и Запада и конфликта их ценностей.

Полностью отвечающая личным интересам кланов, обязанных В.В. Путину своим существованием, широким слоям российского общества эта модель преподносится в патриотической упаковке. Не так легко будет ослабить то влияние, которое правящая группировка осуществляет над экономическими и политическими рычагами – в гражданской администрации, в вооруженных силах и в органах безопасности. Однако сейчас режим столкнулся с самыми серьезными проблемами за пятнадцать лет своего существования. Со временем экономические проблемы в сочетании с безудержной коррупцией на высшем уровне вызовут растущую потребность в переменах. Новая модель развития России неустойчива, и западным правительствам следует разработать возможные варианты реагирования на различные сценарии таких перемен.

### Слабость экономики

Экономика России перешла в стадию рецессии. Даже когда экономический рост восстановится – если это вообще произойдет – он будет в лучшем случае вялым и неустойчивым. Факторы, тормозящие рост российской экономики, имеют структурный, конъюнктурный и геополитический характер. В долгосрочной перспективе, возможность роста будет серьезно ограничена сокращением экономически

активного населения и мерами, которые путинская система использует для ограничения конкуренции и частных инвестиций. Рыночные факторы и внешние конфликты создают дополнительные проблемы на неопределенную перспективу. Независимо от того, как долго эти проблемы будут оставаться нерешенными, России будет экономически трудно поддерживать экспорт энергоносителей на текущем и планируемом уровне и финансировать свою амбициозную программу перевооружения.

Сами по себе, европейские и американские санкции вряд ли спровоцируют такие экономические трудности, которые заставят Россию отказаться от своей политики в отношении Украины. Напротив, для российского руководства они являются удобным объяснением, на которое можно списать существующую стагнацию. Тем не менее, санкции оказывают ощутимое давление на режим при продолжающейся с Западом. Масштаб западной экономической помощи Украине является важным фактором в новой геэкономической конкуренции между Западом и Россией.

#### Украина: война трактовок и оружия

Конфликт в Украине является определяющим фактором в обеспечении европейской безопасности в будущем. Кремль считает, что Европе не хватает готовности заплатить необходимую цену для защиты своих принципов. Москва недооценила единство и стойкость Украины. Но это не значит, что ей не удастся достичь своих основных целей – если не взять под контроль, то хотя бы расчленив Украину, сохранив западные окраины России в качестве своего «привилегированного пространства» и заставить Европу признать, что «безопасности без участия России не может быть».

Для Кремля война – это противостояние не только ресурсов, но и воли. При отсутствии факторов, сдерживающих российскую военную силу, риск состоит не в том, что Россия сможет навязать военное решение, а в том, что ей удастся реализовать политический сценарий, который нанесет ущерб интересам Запада и сведет на нет его усилия. Разрешение конфликта, основанное на условиях, продиктованных современной Россией, не может быть устойчивым.

#### Внешняя политика России по отношению к Западу

С начала кризиса вокруг Украины в российской внешней политике и ее ценностях не произошло никаких кардинальных изменений. Россия сигнализировала о своих амбициях и намерениях более десяти лет назад, но тогда Западу было удобно не обращать на это внимания и предаваться фантазиям, что Россия развивается в

направлении либерально-демократической модели, устраивавшей Запад. Война в Украине – это, кроме прочего, результат политики попустительства, которую Запад осуществлял по отношению к России.

Запад считает бывшие советские республики полностью суверенными странами. Поэтому стремление В.В. Путина восстановить российское господство в странах, которые были в прошлом подвластны ей, – суть «российского вызова» для Европы. Но существуют еще и дополнительные проблемы, такие как незаконные действия России в ЕС по монополизации рынка и кооптации европейской элиты, ее отчаянная погоня за равноправием с Соединенными Штатами и стремление, невзирая на последствия для себя и других, продвигать собственные интересы или то, что она считает таковыми.

#### Российский инструментарий

Правительство России продвигает свои интересы с помощью широкого спектра мер, направленных против своих соседей. Ни одна из них не совместима с европейскими понятиями международных отношений, основанных на сотрудничестве. Кроме известных случаев прекращения поставок энергоносителей и наложения торгового эмбарго, применялись и другие инструменты, такие как использование подрывного потенциала российских зарубежных общин, различные формы кибератак и кооптация деловых и политических элит. Один из самых типичных способов, которые использует Кремль для сохранения рычагов влияния на своих соседей – это разжигание старых конфликтов или их замораживание для возможного использования в будущем.

Два конкретных инструмента внешнеполитического влияния, чей потенциал Москва активно развивала после вооруженного конфликта с Грузией в 2008 году – это вооруженные силы России и ее ресурсы по ведению информационной войны. Оба инструмента весьма эффективно использовались во время кризиса вокруг Украины и, скорее всего, в будущем будут опять использованы в других местах. Интенсивное наращивание Москвой собственного военного потенциала, несмотря на экономические трудности, имеет целью сократить отставание от западных вооруженных сил, во главе с Соединенными Штатами, чтобы уменьшить риск, связанный с возможной российской военной интервенции в будущем.

#### Ожидания России и Запада

Коренная причина кризиса вокруг Украины кроется во внутреннем развитии России и ее неспособности

найти удовлетворительную модель развития после распада Советского Союза. Путин и его окружение – это не Россия и ее народ, и их интересы не обязательно совпадают.

Запад не имеет ни желания, ни средств, чтобы содействовать или препятствовать смене режима в России. Но западные страны должны учитывать возможные последствия хаотического развала путинской системы.

## Рекомендации

Среди западных политиков будут сохраняться разногласия в оценке серьезности проблемы России и того, как лучше реагировать на нее. Однако уже складывается консенсус относительно того, что Россию невозможно интегрировать в европейский международный порядок на основании правил, признанных всеми европейскими государствами, до тех пор пока не произойдет кардинального изменения кремлевского курса. И такое изменение должно произойти изнутри.

Поэтому Запад должен разработать и внедрить четкую и последовательную стратегию по отношению к России. Насколько возможно, такая стратегия должна основываться на общей трансатлантической и европейской оценке российских реалий и понимании поведения России, а не на удобных или модных мифах и стереотипах.

Сплоченность Запада – критический фактор конечного успеха. По крайней мере, главные западные игроки должны координировать свои действия и работать в тесном взаимодействии между собой. Западная стратегия должна включать следующие четкие цели и предусматривать краткосрочные и долгосрочные средства их достижения.

### Стратегические цели Запада

- Сдерживать и ограничивать попытки принуждения со стороны России по отношению к ее европейским соседям – сколь долго это будет необходимо, – но не создавать при этом фиксированных разделительных линий. Двери должны оставаться открытыми для возобновления взаимодействия с Россией в будущем, когда изменятся обстоятельства. Нельзя с уверенностью ожидать, что это произойдет при В.В. Путине, но также невозможно предсказать, каким будет следующий режим. В то же время существует вполне резонная вероятность, что

спад в российской экономике, расходы на конфронтацию и подъем Китая положительно повлияют на готовность будущего российского руководства к возобновлению сотрудничества с Западом.

- Восстановить целостность европейской системы безопасности, основанной на суверенитете, территориальной целостности и праве государств самостоятельно определять свою судьбу.
- Найти более эффективные способы убедить российский режим и российский народ в том, что их долгосрочным национальным интересам отвечает интеграция России в основанную на правилах Европу, а не изоляция в качестве регионального гегемона.
- Регулярно и систематически объяснять политику Запада в дискуссиях с Китаем и всеми бывшими советскими республиками, большинство из которых имеют основания для обеспокоенности российской политикой, даже если они в этом не признаются. В некоторых из этих стран далеко не безупречная система управления, но это не означает, что они должны слышать только точку зрения Кремля.
- Подготовиться к осложнениям и возможностям, которые неизбежно представятся, когда в России, наконец, произойдет смена руководства.
- Не изолировать Россию и россиян. Режим президента Путина уже занимается этим весьма эффективно, и помогать ему изолировать россиян от внешнего мира не входит в интересы Запада.

### Конкретные цели и задачи политики Запада

- Решающее значение имеет трансформация Украины в эффективное суверенное государство, способное постоять за себя. Для этого требуется гораздо больше усилий (политические, человеческие и финансовые ресурсы, а также масштабная программа технической помощи), чем то, что делалось до сих пор. Крах Украины усугубит нестабильность в Восточной Европе, увеличит риск новых авантур со стороны Кремля и ограничит перспективы потенциальных благоприятных перемен в России.
- Проект ЕС «Восточное партнерство» должен стать инструментом, который позволит Европейскому Союзу и его отдельным членам укрепить суверенитет и экономику восточных партнеров, проявивших готовность провести серьезные политические и экономические реформы.

- Эффективность санкций против России зависит от их продолжительности и жесткости. Санкции были введены в ответ на нарушение территориальной целостности Украины и должны оставаться в силе до тех пор, пока этот вопрос не будет полностью решен. В частности, привязывание отмены санкций исключительно к выполнению плохо проработанных и изначально хрупких минских соглашений обречено на провал.
- Запад не должен возвращаться к сценарию сотрудничества с Россией в более широком контексте отношений с российскими властями до тех пор, пока не будет достигнуто приемлемое урегулирование украинского конфликта и пока Россия не начнет соблюдать свои международные правовые обязательства.
- Энергетическая политика ЕС должна быть направлена на то, чтобы лишить Россию политических рычагов контроля над энергетическими рынками, а не на ее исключение из европейского энергобаланса. Для этого необходимо поддерживать динамику, сложившуюся благодаря Третьему энергетическому пакету ЕС и отмене проекта по строительству газопровода «Южный поток», принимая дальнейшие меры против непрозрачных, антирыночных действий со стороны российских государственных энергетических компаний и ускоряя уже запущенные процессы по устранению «энергетических островов» в Европе.
- Западные государства должны вложить средства в оборонительные стратегические коммуникации и поддержку СМИ, чтобы противостоять кремлевской пропаганде. Важно иметь возможность объективно представлять западную политику и ценности, грамотно и доступно разъясняя их целевой аудитории. Это

должно осуществляться как на национальном уровне, так и через сотрудничество в рамках ЕС и НАТО. Необходимо поддерживать каналы контакта с простыми россиянами (в том числе, посредством образовательных программ и других межличностных связей).

- НАТО должна сохранить свою состоятельность в качестве фактора сдерживания российской агрессии. В частности, альянс должен продемонстрировать, что ограниченная война невозможна, и что на «двусмысленную» или «гибридную» войну последует решительный ответ.
- Необходимо срочно восстановить обычные силы сдерживания и убедительно показать, что у России не будет легкодоступных целей.
- Отдельные государства-члены ЕС, а также Европейский Союз в целом, в том числе через свою Европейскую службу внешнеполитической деятельности, должны восстановить ресурсы, которые бы дали возможность анализировать и понимать процессы, происходящие в России и в соседних с ней государствах. Это понимание, в сочетании с более глубокой организационной экспертизой, должно стать основой для формирования политики.

Стремление к этим целям и их достижение поможет Западу лучше подготовиться к дальнейшему ухудшению отношений с Россией. Нельзя идти на уступки Владимиру Путину из боязни, что его преемник будет еще хуже. Такой подход уже доказал свою несостоятельность. Что бы ни случилось – останется ли нынешнее руководство у власти или произойдет досрочная смена власти – впереди лежит сложный и, возможно, турбулентный путь. События последних 18 месяцев убедительно показали, что в отношениях с Россией оптимизм – проигрышная стратегия.

# 1. Introduction

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In the introduction to a previous Chatham House Report on Russia – *Putin Again: Implications for Russia and the West* – published in February 2012, the authors remarked that ‘the West will feel Russia’s pain’ as it ‘lashes out while in denial of its own condition’.

Some of the authors of *Putin Again* have once more contributed chapters to this new report, describing how both the pain and the denial they predicted are now making themselves felt. But none of them foresaw just how radically and rapidly Russia would move to challenge the post-Cold War security order, seizing Crimea within two years of Vladimir Putin’s return to the Kremlin in May 2012 and embarking on the dismemberment of eastern Ukraine.

This report examines four key questions. First, what caused this challenge? Second, where is Russia heading? Third, what are the possible geopolitical consequences in the widest sense? And finally, at the tactical and strategic levels, how should the West act and react?

The authors of this report believe that the major Western actors have yet to absorb the full implications of Russia’s descent into authoritarian nationalism. It will take greater imagination than has been shown to date to develop an effective response to Moscow’s manoeuvres, supported as they are by both traditional and unconventional methods and means. Western strategy will have to take account of two incontrovertible facts. First, Moscow and the West have competing, conflicting and entirely incompatible agendas. Second, Putin is a fundamentally anti-Western leader whose serial disregard for the truth has destroyed his credibility as a negotiating partner. Consequently, it is unwise to expect that any compromise with Putin will produce long-term stable outcomes in Europe.

To date, the United Kingdom has not settled on a truly strategic approach. Meanwhile the Obama administration and many European leaders apparently still hope that the crisis will somehow fade away. But the precedent of Georgia in 2008 demonstrated that even if Ukraine were to disappear from the headlines, this would not imply a return to peace and stability in Europe. The West would dearly like Ukraine’s President Petro Poroshenko to patch up some sort of an accommodation with Putin, so that attention can be turned to other pressing global problems. This report warns how short-sighted and futile such an arrangement would be.

The report addresses six important aspects of the Russian challenge. In Chapter 2, Roderic Lyne outlines the background to current events, tracks the evolution of Putin’s outlook on the West, and explains the president’s new model for Russia, concluding that it is unsustainable. Philip Hanson examines this unsustainability in Chapter 3, showing how Russia’s economic decline is as much due to long-term structural factors as it is to contemporary pressures. James Sherr contributes an analysis of Russia’s involvement in the struggle over Ukraine in Chapter 4, and highlights the risks posed by Western inaction in the face of Russian political manoeuvring. James Nixey argues in Chapter 5 that Russian foreign policy has, in fact, not changed significantly for over a decade, and that the desire for control over the post-Soviet periphery (and consequent inevitable adversarial relations with the West) is a persistent factor in Moscow’s planning. In Chapter 6, Keir Giles analyses the tools deployed by the Russian state to maintain that control – with a particular focus on Russia’s upgraded military capabilities, refined information warfare techniques and distinctive interpretation of ‘soft power’. Andrew Wood completes the circle in Chapter 7, urging the West to consider how it will deal proactively with the risks of Russia after Putin.

Vladimir Putin has chosen the strategic approach of rebuilding ‘Fortress Russia’. It is a key contention of this report that his policy risks both figurative and literal bankruptcy for Russia, and potentially the premature departure of its current leader. The timing of this departure and the nature of what may follow cannot be predicted. The West’s key players must plan for all eventualities, at the same time as resisting Russia’s illegitimate and illegal activities today.

The report finishes by offering specific recommendations to address both current and future challenges. It constitutes a plea for Western governments to think much more deeply about the level of support that should be provided to Ukraine; about how future crises can be pre-empted or at the least managed better; and above all, about how Russia can be managed over the long term for the greater security of Europe.

# 2. Russia's Changed Outlook on the West: From Convergence to Confrontation

Roderic Lyne

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If Russia continues along its course of the past few weeks, it will not only be a catastrophe for Ukraine. We would not only regard it as a threat as neighbouring states of Russia. It would not only change the relationship of the European Union as a whole with Russia. No, it would, I am absolutely convinced, hugely damage Russia not least of all, both politically and economically.

*Chancellor Angela Merkel, speaking in the Bundestag, 13 March 2014*

## Introduction

This chapter reviews the way in which Russia's outlook on the West has changed during the 15 years since Vladimir Putin assumed power, leading from convergence to confrontation. A different model of Russia has emerged, aspects of which are examined in more detail in the chapters which follow.

For the past year and a half, the West's relationship with Russia has been viewed largely through the prism of Ukraine. Of necessity, the West reacted tactically to Russia's annexation of Crimea and further attempts to destabilize Ukraine. However the crisis has brought to the surface much wider questions about Russia's direction of travel and the strategic approach that the West should adopt. The pursuit of a 'strategic partnership' has failed, for now. The Cold War paradigm does not fit (except as a piece of polemics). Russia is a much richer and more assertive power than in the Yeltsin years, but the extent of its 'resurgence' tends to be exaggerated by both domestic and Western commentators: it is a power limited by a relatively weak economic foundation.

The concept of 'the West' is itself unclear. It has always been geographically inaccurate, but during the Cold War the 'Eastern' and 'Western' blocs were readily definable. I have used the term in this chapter for want of a better collective description of the democracies which belong to NATO or the EU or the G7, or which align with those countries. The Ukrainian crisis has demonstrated, however, that Western cohesion is not to be taken for granted. The West is no longer a bloc, under clear leadership and with a degree of internal discipline in the face of a common adversary. Securing and sustaining a consensus among 'Western' states on the response to Russia's actions in Ukraine has been a difficult process.

The starting point for a sensible strategy needs to be an accurate appreciation of the problem. In a report published in February 2015, the European Union Committee of the UK House of Lords commented that, 'Over the last decade, the EU has been slow to reappraise its policies in response

to significant changes in Russia' and that 'there has been a strong element of "sleep-walking" into the current crisis, with Member States being taken by surprise by events in Ukraine'.<sup>1</sup> The EU should not have been taken by surprise. The evidence has been in plain view.

Vladimir Putin set out in 2000 to restore Russia's status as a Great Power through economic development rather than military might. He initially sought to modernize and diversify the economy, reducing its dependence on natural resources. He wanted Russia to be part of the international status quo and 'truly integrated into Europe'.<sup>2</sup> But, from the middle of 2003, the Putin administration began to change course. The Russia of 2015 is no more diversified; has an economy in decline; is investing heavily in rearmament; rejects international law and the status quo in favour of disruption and confrontation; and has abandoned all thoughts of a strategic partnership with Europe, let alone with the United States.

I have drawn heavily on the words of Putin because he is the embodiment of the regime and its key decision-maker and spokesman. Some argue that there is excessive personalization in Western analysis of Russian policy. It is certainly the case that Putin has reflected feelings that are broadly held within Russia and has enacted policies that have strong support within powerful constituencies (including the military, the security organs and the state bureaucracy). The direction of travel would not automatically change if he were to leave. Putin is not acting alone but has exercised power with a phalanx of associates; and underpinned his position by playing to, and skilfully manipulating, populist sentiment. But it is also clear that, to quote Dmitri Trenin, 'on all important issues, the Russian political system is driven by one and only one decision-maker: Vladimir Putin. His power is often likened to that of a monarch or a czar and is supported by a long tradition of Russian governance.'<sup>3</sup>

## Putin's first term: the integrationist model of convergence and partnership

Three themes predominated in Putin's first three-and-a-half years in office. He set out to rebuild a strong state, reversing the fragmentation of the Yeltsin years; this was to be the instrument for the modernization of Russia, as a competitive market economy and a democratic, law-based society; and Russia would integrate ever more closely with the advanced countries of the world on a basis of shared

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<sup>1</sup> House of Lords European Union Committee: 'The EU and Russia: Before and Beyond the Crisis in Ukraine', HL Paper 115, Stationery Office, 20 February 2015.

<sup>2</sup> Annual address to the Federal Assembly, 16 May 2003.

<sup>3</sup> Dmitri Trenin: 'Russia's Breakout from the Post-Cold War System: the Drivers of Putin's Course', Carnegie Moscow Centre, 22 December 2014.

values. Before the end of his first term, in March 2004, the first of these objectives was beginning to override the second and the third.

In the 'Millennium' manifesto that he issued on 29 December 1999, on the eve of assuming the presidency, Putin declared: 'Our state and its institutions and structures have always played an exceptionally important role in the life of the country and its people.'

As prime minister, he was the principal instigator of the renewed campaign, from October 1999, to bring secessionist Chechnya back under central control – which Yeltsin had failed to achieve in the first Chechen war of 1994–96.

In his first set-piece 'Annual Address to the Federal Assembly' of 8 July 2000, Putin argued that a 'vertical of power' and 'dictatorship of the law' were essential for the governance of Russia: 'The authorities must be guided by the law and the single executive power vertical that is formed in accordance with it ... we insist on a single dictatorship – the dictatorship of the law.' To exercise stronger control over Russia's regions and their governors (who at the time were still independently elected), Putin created seven federal districts under presidential appointees. His explicit purpose was to consolidate 'the structures of the presidential vertical of power in the territories'.<sup>4</sup>

Putin's proclaimed objective on coming to power was not to change Russia's direction of travel, but rather to use a stronger state as a more effective instrument of modernization. He sought to combine 'the universal principles of a market economy and democracy with Russian realities'.<sup>5</sup> Russia's place in the world depended on the success of economic reform. In asserting in his Millennium manifesto that Russia 'was and will remain a great power', Putin stressed that in the modern world might did not depend on military strength but on the ability of a country to create and use advanced technologies, ensure the wellbeing of its people, protect its security and uphold its interests in the international arena. In his annual address of 2003, he said that the 'ultimate goal' of returning Russia 'to its place among the prosperous, developed, strong and respected nations ... will only be possible when Russia gains economic power. ... We can achieve this kind of Russia only through sustainable and rapid growth.' This in turn depended on producing competitive goods and services

and on private initiative, both from Russian business and from foreign companies working in Russia – 'the driving force of economic growth'.

Putin was equally clear, early on, in proclaiming adherence to universal and democratic values. Russia had:

entered the highway along which the whole of humanity is travelling. Only this way offers the possibility of dynamic economic growth and higher living standards. ... We have come to value the benefits of democracy, a law-based state, and personal and political freedom. ... History proves all dictatorships, all authoritarian forms of government are transient. Only democratic systems are intransient.<sup>6</sup>

He argued in his first annual address that Russia needed political parties with mass support (not 'parties of officials which are attached to the government'), a truly free media and freedom of speech.

In seeking closer integration with the West, Putin sought to revive a trend towards partnership which had faltered in Yeltsin's second term, especially during NATO's 1999 bombing campaign against Yugoslavia. He invited the NATO secretary-general to Moscow and began to develop friendships with Western leaders. The West in turn welcomed the emphasis on reform and gave active support through multilateral and bilateral programmes. Russian foreign policy, said Putin in his 2001 annual address, should be based on 'clearly defined national priorities, pragmatism and economic effectiveness'.<sup>7</sup> Economic interests should be protected. A good reputation was important: 'this is why we must fulfil all our long-term commitments and agreements'.<sup>8</sup>

At this stage Putin did not see a conflict between Russia's interests in the 'near abroad' (the former Soviet states on its borders) and closer relations with the West. While he gave top priority to 'further integration in the CIS',<sup>9</sup> he described integration with Europe as 'one of the key areas of our foreign policy': 'our efforts to build up a partnership with the European Union will become even more important'.<sup>10</sup> Year after year, Putin wanted to speed up the process of acceding to the World Trade Organization (which was not finally achieved until 2012).

He put down markers that Russia wanted its place in the world to be respected, and its voice to be heard in decision-making, but stated the case in much milder terms than he was to use later. In his 2001 annual address, he asked Russia's international partners to acknowledge Russia's

<sup>4</sup> Annual address to the Federal Assembly, 8 July 2000.

<sup>5</sup> 'Millennium' manifesto, 29 December 1999.

<sup>6</sup> Ibid.

<sup>7</sup> Annual address to the Federal Assembly, 3 April 2001.

<sup>8</sup> Ibid.

<sup>9</sup> In 2000 the Commonwealth of Independent States comprised Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan and Uzbekistan. Ukraine had been a founding member in 1991 but refused to ratify the CIS charter in 1994, and had the status of a participant but not an official member.

<sup>10</sup> Annual address to the Federal Assembly, 3 April 2001.



interests in 'strategic stability, disarmament, NATO expansion and forming the foundations of the world order in the twenty-first century'. NATO should uphold the terms of the 1997 Founding Act and should not ignore the opinion of the international community.

By 2002, in the wake of the 9/11 attacks on the United States, and with Russia's economy improving, Putin was optimistic in his annual address that the international attitude towards Russia was changing:

the period of confrontation has ended. We are building constructive, normal relations with all the world's nations ... in the world today, no one intends to be hostile towards us ... After 11 September last year, many, many people in the world realized that the 'cold war' was over ... a different war is on – the war with international terrorism. ... Our major goal in foreign policy is to ensure strategic stability in the world. To do this, we are participating in the creation of a new system of security, we maintain constant dialogue with the United States, and work on changing the quality of our relations with NATO. ... Russia is being actively integrated into the international community.

Russia's active support for the United States after 9/11 was rewarded by full membership of the G8 and the upgrading of the NATO–Russia Council at a specially convened summit in 2002. In 2003 Putin became the first Russian leader since the Victorian era to be invited to the UK on a state visit.

Putin's 2003 annual address followed the US-led invasion of Iraq. He referred obliquely to this, but refrained from attacking the United States by name: 'Terrorism threatens the world and endangers the security of our citizens. Certain countries sometimes use their strong and well-armed national armies to increase their zones of strategic influence rather than fighting these evils we all face.'

In 2003 he reiterated his optimism of the previous year that Russia had taken 'some big steps forward on the road to international integration'. It had become a full member of the G8 and was taking part in the global partnership on non-proliferation of weapons of mass destruction, making progress towards joining the WTO and improving its credit rating. Russia valued the anti-terrorist coalition. The policy of developing a strategic partnership with the European Union was gradually being realized.

Throughout his first term, Putin avoided clashing with the West over the 'near abroad'. He placed a benign interpretation on the enlargement of the European Union up to the borders of Russia. Estonia, Latvia and Lithuania – all former Soviet republics – and five countries formerly within the Warsaw Pact joined the EU on 1 May 2004. In his annual address three weeks later, Putin declared: 'The expansion of the European Union should not just bring us

closer geographically, but also economically and spiritually. ... This means new markets and new investment. Generally it means new possibilities for the future of Greater Europe.'<sup>11</sup>

Most strikingly, Putin chose not to make a big issue of the enlargement of NATO. He had put down a marker that 'we see the CIS area as the sphere of our strategic interests' and 'tens of millions of Russians live in these countries'.<sup>12</sup> The NATO applicants came from outside the CIS, and the subject of NATO's expansion was conspicuously absent (bar his one glancing reference in 2001) from the set-piece annual addresses of Putin's first term.

Russian officials and generals made clear privately that the applications, in particular, of the three Baltic states to join NATO, together with those of yet more former members of the Warsaw Pact (Bulgaria, Romania and Slovakia), were deeply unwelcome. However, in the wider context of closer integration with Europe and the United States and of a strengthened Russia–NATO relationship, the Kremlin chose not to make strong public objections or by other means to obstruct the process.

Ten days before NATO's Prague summit of November 2002 was to approve the accessions, Putin met NATO Secretary-General George Robertson in Brussels. He expressed satisfaction with the work of the NATO–Russia Council and confirmed that Russia would be represented at the Council's meeting in Prague by Foreign Minister Igor Ivanov. He hoped that the enlargement would not 'undermine the military stability and security in the common European space, or damage or prejudice the national security interests of Russia'. He appreciated the existing cooperation, but 'Russian military organizations take their own view of this situation and they make assessments of the possible deployment of forces to the territory that is affected by enlargement'.

Putin was asked by a journalist whether Russia might possibly join the Alliance. He replied that the matter had never been raised, but added that, if cooperation continued to develop and NATO continued to transform in a way that corresponded with Russia's security interests, Russia could consider 'a broader participation in that work'.<sup>13</sup>

In sum, during its first term the Putin administration's perspective of Russia's relationship with the West broadly reflected the obverse view from West to East. There were some sharp points of disagreement, but the across-the-board hostility of the Cold War appeared to be a thing of the past. Extensive contacts had developed between non-state actors of every kind. Integration was the leitmotif. Strategic partnership was the goal.

<sup>11</sup> Annual address to the Federal Assembly, 26 May 2004.

<sup>12</sup> Annual address to the Federal Assembly, 16 May 2003.

<sup>13</sup> Joint press conference of President Putin and NATO Secretary-General George Robertson, Brussels, 11 November 2002.

## About turn: divergence and confrontation

From the middle of 2003, it became increasingly apparent that the mood in the Kremlin was changing. Russia was becoming richer. The urge to restore its historical role as an independent Great Power and to reverse the perceived humiliation of the years of weakness since 1991 was strongly felt. The balance of power within the upper echelons shifted towards hard-liners opposed to reformist and Westernizing tendencies. Policy began to move away from Putin's proclaimed goal of closer integration with the West and towards a very different model.

### Internal governance: the state versus civil liberties

There had always been a tension between Putin's determination to rebuild a strong state, with the president at the apex of a vertical of power, and the democratic values which he claimed to espouse. The concept of 'loyal opposition' – that politicians or the media or non-governmental organizations can criticize a government's actions without their loyalty to the nation being called into question – is hard to transplant and not one that someone of Putin's background can easily understand. Speaking in 2000 about civil society, Putin had asserted: 'We are not always able to combine patriotic responsibility for the destiny of our country with what Stolypin once called "civil liberties".' He had concluded that work was needed for civil society to 'become a full partner of the state'.<sup>14</sup> Likewise, while calling for free media, he had criticized (not without reason) the dependence of the media on the commercial and political interests of owners and sponsors who allowed the media to be used as 'a means of mass disinformation, a means of fighting the state'. His solution was for the state to 'create legal and economic conditions ... for civilized information business'.<sup>15</sup>

Since his election, Putin had incrementally used the presidential powers embodied in Yeltsin's 1993 constitution to bring the legislature, judiciary, media and regional administrations under ever-tighter Kremlin control. From the middle of 2003 it became evident that these powers were being used not for the modernization of Russia, but for the consolidation of power and wealth in the hands of Putin and his close associates.

The Yukos affair – the arrest of Platon Lebedev in July 2003 and of Mikhail Khodorkovsky in October, and the subsequent transfer of the assets of the Yukos oil company

to the state-owned Rosneft chaired by Igor Sechin<sup>16</sup> – was a signal that the tensions between reform and state power were being resolved in favour of the latter. Khodorkovsky was not only the independently minded head of one of Russia's most successful private-sector corporations. He was also a man with political ambitions who had not been afraid to challenge Putin in public.

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The Duma elections of December 2003 were another indicator – so heavily manipulated that the combined representation of the liberal Yabloko and SPS parties fell from 51 seats to seven.<sup>17</sup> In February 2004 the liberal prime minister, Mikhail Kasyanov, was replaced by the reactionary Mikhail Fradkov (a former official of the Soviet Ministry of Foreign Trade and since 2007 the head of the Foreign Intelligence Service, the SVR). The presidential election in the following month was little more than cosmetic, with Putin facing a field fairly described as Lilliputian and claiming 72 per cent of the vote. Some reformers were dismissed; some drifted out of the administration voluntarily in the period that followed; some have remained to this day, but have been marginalized.

### Economic policy: the state versus free enterprise

Whereas the administration had accomplished some important structural reforms during Putin's first term (including legislation for the freehold ownership of land, reforms to the judicial system and the break-up of the state power-generation monopoly), it became clear in the course of 2004 that further restructuring was off the agenda. In 2000, Putin had called for protection of property rights, equality of conditions of competition, and the freeing of entrepreneurs from administrative pressure, corruption and 'excessive intervention by the state in spheres where

<sup>14</sup> Annual address to the Federal Assembly, 8 July 2000.

<sup>15</sup> Ibid.

<sup>16</sup> Sechin had worked with Putin in the mayor's office in St Petersburg. He was a deputy head of the presidential administration during Putin's first two terms as president, also becoming chairman of Rosneft in July 2004.

<sup>17</sup> The Organization for Security and Co-operation in Europe declared the elections to be 'free but not fair' and said they had failed 'to meet many OSCE and Council of Europe commitments for democratic elections'.

it should not be present'.<sup>18</sup> There had been little progress towards these objectives, and from 2004 the idea of reducing the state's role was reversed. It became the policy instead to bring the commanding heights of the economy under the control of large organizations (many owned wholly or substantially by the state) which were directed by people close to the Kremlin. This enabled the people in power to siphon off a great deal of the nation's wealth at the expense of the modernization of the economy, the private sector and entrepreneurship. 'Diversification' of the economy became little more than a slogan, while the administration relied ever more heavily on resource nationalism. The role of privately owned small and medium-sized enterprises in the Russian economy has remained pitifully low.

If there was one factor above others that triggered this change of direction, it was the rise in the oil price, which tripled (in real terms) between 1998 and 2004.<sup>19</sup> With its new wealth, the Kremlin felt able to ignore both economic liberals at home and advice from abroad. (A notable example of the latter was a speech in Moscow in June 2004 by the economist Stanley Fischer, who had given sympathetic attention to Russia during his time at the International Monetary Fund. Evidently concerned about the direction of policy, Fischer warned of the need to continue structural reform, improve the investment climate, demonstrate a clear commitment to the rule of law and the protection of property rights, attack corruption, reduce state intervention and promote competition.)

#### External relations: the West as a competitor, not a partner

In a speech in Moscow in December 2003, the former Swedish prime minister Carl Bildt raised concerns:

Many in the West are questioning whether there has been a change in the direction of the development of Russia. ... The events of the last few weeks of 2003 have demonstrated the risk of a crisis and political confrontation in different vulnerable regions bordering on both Russia and the European Union. ... Is Russia prepared to continue in its efforts to pursue reform policies that will commit it to cooperation and integration with the rest of Europe? Will Russia work to establish the rule of law, together with a political system that is more democratic and less managed?

He warned that disagreement over Georgia could lead to 'the fracturing of the country with long-term and serious consequences'.<sup>20</sup>

Many factors contributed to the deterioration of Russia's relations with the West; and the process was not uniform – relations with the United States and the United Kingdom moved on a different trajectory from those with, for example, Germany and France. The Kremlin felt inadequately rewarded for its support of the United States after 9/11, with the latter reluctant to engage in bilateral negotiations on 'strategic stability'. Instead the Bush administration withdrew from the Anti-Ballistic Missile (ABM) Treaty in June 2002 and developed plans to deploy a missile defence system in Europe, with installations in Poland and the Czech Republic, which caused growing concern in Moscow.

Chechnya was a running sore. Putin portrayed the conflict as Russia fighting on Europe's front line against Islamist terrorism, and was visibly angered by criticism of Russian methods (including questions raised about the deaths of 130 hostages in the Dubrovka theatre siege of October 2002). The Russian authorities objected that a political representative of the Chechens, Ahmed Zakayev (a former theatre director and culture minister) was able to travel freely in the West; after a British court rejected a Russian request for Zakayev's extradition in 2003, raids were mounted on British Council offices in Russia in apparent retaliation. After a series of terrorist acts in 2004 (the assassination of Chechen leader Ahmed Kadyrov in May, the Nazran raid in June and the bombing of two airliners in July), the Kremlin lashed out against perceived enemies when over 300 hostages, half of them children, were killed in the mishandled Beslan school siege in September. Putin declared:

We appeared weak. And the weak are beaten. Some want to tear away the fattest possible piece, while others help these aspirants in so doing. They still believe that Russia poses a threat to them as a nuclear power. That is why this threat must be eliminated, and terrorism is just another instrument in implementing their designs.<sup>21</sup>

His close adviser Vladislav Surkov went further, accusing foreign cold warriors of impeding a financial blockade and the political isolation of the terrorists: 'Their goal is the destruction of Russia and the filling of its huge area with numerous dysfunctional quasi-state formations.' Surkov pronounced that a 'fifth column of left-wing and right-wing radicals' had emerged in Russia – 'fake liberals and real Nazis' with 'common sponsors of foreign origin'.<sup>22</sup> In the wake of Beslan, though with no logical connection to the siege, Putin announced that regional governors would henceforth be appointed rather than elected: a step away

<sup>18</sup> Annual address to the Federal Assembly, 8 July 2000.

<sup>19</sup> In 1999, oil and gas revenues contributed \$40.5 billion to Russia's GDP. From 2001 to 2004, the contribution averaged \$73.5 billion annually, and between 2005 and 2008 it averaged \$264 billion. The figure reached an average of \$437 billion in 2011–13. Quoted in Vladislav Inozemtsev, 'Building Russia's European Home', Gulfnews.com, 8 January 2015.

<sup>20</sup> Carl Bildt's December 2003 speech was published as an article in *Russia in Global Affairs*, February 2004.

<sup>21</sup> Address of 4 September 2004, accessed via <http://kremlin.ru/events/president/transcripts/22589>.

<sup>22</sup> Interview with Deputy Head of the Presidential Administration Vladislav Surkov, *Komsomolskaya Pravda*, 29 September 2004, quoted in *Eurasia Daily Monitor*, 30 September 2004.

from democracy which drew criticism from US President George W. Bush and Secretary of State Colin Powell.

At the centre of the widening rift between Russia and the West, as Carl Bildt had perceived, lay both a direct conflict of interests over what the EU termed its 'new neighbours' and Russia its 'near abroad', and value systems which were becoming impossible to reconcile. The flaws and contradictions in Putin's approach to integration were coming to the surface.

### Conflicting interests in the 'post-Soviet space'

Since the collapse of the Soviet Union, there has been a latent conflict of interests between the West and Russia over the status of the other 14 post-Soviet newly independent states. In the Western view, the sovereignty of these states is paramount, and they must be free to determine their own affiliations without threat or coercion. In the UN Charter, the 1990 Charter of Paris, the 1994 Budapest Memorandum and numerous other agreements, Russia pledged to respect their independence, sovereignty and territorial integrity. In the Russian view, these states are to a greater or lesser extent historically part of Russia, acquired independence accidentally rather than through a formal settlement of the post-Cold War order, are intimately linked to Russia through myriad personal and economic connections, and form Russia's security perimeter. They must therefore be recognized as within Russia's 'sphere of strategic interests', and must not be permitted to act in ways or form affiliations that are deemed to be contrary to Russia's strategic interests.

The two views cannot be reconciled.

The attitude of the Putin administration is not a new departure. When Yeltsin formed the Commonwealth of Independent States (CIS) in December 1991 with the presidents of Ukraine and Belarus, the Russian leadership intended it to be a vehicle to maintain common defence arrangements and a common economic space across most of the former Soviet Union. Fearful of the consequences of the sudden fragmentation of a nuclear-armed superpower, Western governments supported the formation, under Russian leadership, of the CIS as an instrument of stabilization. Senior Russians made clear in private that they still expected to exercise a dominant influence.<sup>23</sup> Russia acknowledged the independent status of the new members of the United Nations *de jure* but found it hard to accept *de facto*. Even Yeltsin's foreign minister, Andrei

Kozyrev, who favoured closer relations with the West, insisted that 'the states of the CIS and the Baltics constitute the area of concentration of Russia's vital interests' and warned (in April 1995) that 'there may be cases when the use of direct military force may be needed to protect our compatriots abroad'.<sup>24</sup>

The conflict of interests remained latent until late 2003. The focus of East–West relations up to that point was on healing the division of Europe and building bridges between Russia and Western organizations and states. Putin, as noted, had set parallel objectives of further integration in the CIS and integration with Europe.

In November 2003, the Kremlin suffered two reverses in neighbouring states. In divided Moldova, a plan for a settlement on Russian terms brokered by Putin's aide Dmitry Kozak was rejected by President Vladimir Voronin after the EU and the United States had lobbied against the deal. More ominously for Moscow, in Georgia Russia was unable (despite last-minute diplomatic efforts) to prevent the pro-American Mikheil Saakashvili from supplanting President Eduard Shevardnadze in the Rose Revolution.

In March 2004 (a fortnight after Putin's re-election as president) Estonia, Latvia and Lithuania became members of NATO. While Putin had accepted in 2002 that this would happen, and the decision did not involve the installation of new NATO bases in the Baltic states, the intrusion – to Russian eyes – of NATO into territory formerly part of the Soviet Union was another negative step at a time of worsening relations with the West.

The year ended with the Orange Revolution in Ukraine. The presidential election of 21 November 2004 was perceived to have been rigged in favour of Viktor Yanukovich. After popular protests, the Supreme Court ruled that a second election should be held. This produced a clear victory on 26 December for Viktor Yushchenko.

The Orange Revolution, especially, led to a clear and lasting change in Putin's outlook. He had intervened directly on behalf of Yanukovich in the election campaign. The result was seen in Moscow as a personal humiliation for him and damaged his authority. Many saw the Orange Revolution as an existential threat to Putin's administration: the spectacle of successful popular revolts in neighbouring countries overturning corrupt and autocratic regimes was an alarming precedent which the Kremlin did not wish to see repeated in Russia. Worst of all, liberal Western-oriented leaders had been elected in

<sup>23</sup> Sir Rodric Braithwaite, then British Ambassador to the USSR, has recorded that in 1991 President Gorbachev's (liberally inclined) diplomatic adviser told him that: 'In a decade or two decades, Russia will reassert itself as the dominant force in this huge geographical area. Meanwhile Yeltsin will have no choice but to assert Russia's position if it is challenged: his entourage will see to that. So if the Ukrainians are too provocative – over the Crimea, for instance – he will have to weigh in with force of necessary. That is in no one's interest.' Rodric Braithwaite, 'Russia, Ukraine and the West', *The RUSI Journal*, 159:2, May 2014, p. 1.

<sup>24</sup> Quoted by Robert Blackwill in 'Russia and the West' in Robert Blackwill, Rodric Braithwaite and Akihiko Tanaka: *Engaging Russia: A Report to the Trilateral Commission: 46*, The Triangle Papers Series (New York: The Trilateral Commission, 1995), pp. 7–8.

Ukraine and Georgia with open political support from the West. Putin appears to have been encouraged to believe that the uprisings were neither spontaneous nor internally generated, but had been organized by malign forces from the West. He evidently felt that he had been betrayed by the United States and other Western governments whose friendship he had cultivated. His policy of bridge-building had not borne the fruit he desired.

Having convinced himself that the United States and its allies were bent on 'tearing' Ukraine, Georgia and other states away from Russia, Putin abandoned thoughts of partnership with the United States and NATO. He built up the perception that they were encroaching on or seeking to encircle Russia, and announced a programme of rearmament in response. Russia reverted to the role of competitor and opponent to the West.

Thus in Putin's annual address in 2006 he declared that 'the arms race has entered a new spiral' through new technology and 'the danger of the emergence of a whole arsenal of so-called destabilizing weapons'; and that 'far from everyone in the world has abandoned the old bloc mentality and the prejudices inherited from the era of global confrontation'. He announced a plan for the restructuring of the Russian armed forces and a large increase in defence procurement, including an increase in the strategic nuclear force, in order to 'respond to attempts from any quarters to put foreign policy pressure on Russia'.<sup>25</sup>

In the following year, Putin made headlines with an outspoken attack on the United States at the annual Munich Security Conference. He denounced the 'pernicious' concept of a unipolar world, with 'one master, one sovereign', which had been 'proposed after the Cold War'. 'Unilateral and frequently illegitimate actions ... have caused new human tragedies. ... Today we are witnessing an almost uncontained hyper use of force – military force – in international relations, force that is plunging the world into an abyss of permanent conflicts ... the United States has overstepped its national boundaries in every way.' Putin cited plans for the militarization of outer space and the anti-missile defence system in Europe as well as Western pressure on Russia to comply with the CFE Treaty<sup>26</sup> by removing its bases from Georgia and Moldova.

The NATO with which Putin had sought broadening cooperation in his first term was depicted in his 2007

Munich speech as a threat. NATO expansion, he asserted, did not relate to modernization of the Alliance or ensuring security in Europe, but represented 'a serious provocation that reduces the level of mutual trust ... against whom is this expansion intended? And what happened to the assurances our Western partners made after the dissolution of the Warsaw Pact? ... Now they are trying to impose new dividing lines and walls on us.'<sup>27</sup>

In 2008 the clash of interests in the post-Soviet space turned into conflict. There were two precursors. First, in February 2008 Kosovo declared its independence from the Federal Republic of Yugoslavia. This was opposed by Russia (still bitterly resentful of NATO's military operation over Kosovo in 1999) but recognized by most Western states. Secondly, in April the NATO summit in Bucharest declined applications from Georgia and Ukraine to join the Membership Action Plan (MAP – the official pathway to membership), but agreed to 'intensive engagement' about their applications, welcomed their aspirations for membership, and 'agreed that these countries will become members of NATO'. The Bucharest compromise papered over a rift between the Bush administration, which favoured Georgian and Ukrainian membership, and some European NATO members led by Germany, which thought that this would be premature and dangerous. The mixed signal pleased no one and had a disastrous effect: it appeared to substantiate Russian fears that NATO was bent on 'capturing' Georgia and Ukraine.

**In August 2008 Russia responded to Georgia's NATO aspirations with force. After five years of intermittent harassment of the Westernizing and US-backed Saakashvili administration, it lured Georgia into a short, ugly and ill-judged war.**

President Putin met NATO leaders in Bucharest and stated Russian opposition to Georgian and Ukrainian membership, to plans for missile defence installations in Poland and the Czech Republic, and to recognition of Kosovo. Three days later, he held the last of 28 meetings with President Bush and continued to argue in vain for a joint missile defence programme in place of the US scheme. A relationship that had started warmly in Ljubljana in 2001 had soured long before its cool end in Sochi in 2008.

<sup>25</sup> Annual address to the Federal Assembly, 10 May 2006.

<sup>26</sup> The Treaty on Conventional Armed Forces in Europe, signed by 16 NATO and six Warsaw Pact states on 19 November 1990.

<sup>27</sup> Russian policy-makers have long argued that the West gave, and then broke, assurances that NATO would not enlarge. Contradictory accounts have been produced of conversations between Western and Soviet leaders in 1990–91. The critical point is that there was never any written agreement on this subject. The first three new members, Poland, Hungary and the Czech Republic, did not join NATO until 1999. By then, NATO had taken steps to allay Russian concerns. These included commitments not to deploy nuclear weapons on the territory of the new members and not permanently to station substantial combat forces further east. In 1997 Russia and NATO signed the 'Founding Act' in which they declared that they 'do not consider each other as adversaries' and defined mechanisms for cooperation, joint decision-making and joint action, including the NATO–Russia Permanent Joint Council.

In August 2008 Russia responded to Georgia's NATO aspirations with force. After five years of intermittent harassment of the Westernizing and US-backed Saakashvili administration, it lured Georgia into a short, ugly and ill-judged war. Russia sought to justify the subsequent 'independence' declarations by South Ossetia and Abkhazia as legitimized by the example of Kosovo. The West was accused of violating Yugoslavia's territorial integrity but standing up for Georgia's.

Russian leaders were frank about their motives in going to war with a small neighbour which posed no threat to their country. Defence Minister Anatoliy Serdyukov described Georgia as part of Russia's 'zone of influence'. Foreign Minister Sergei Lavrov claimed 'historically conditioned mutually privileged relations' with the ex-Soviet neighbours. Dmitry Medvedev, newly installed as the titular president of Russia, said that the conflict 'was made possible in part by the conceit of an American administration that closed its ears to criticism and preferred the road of unilateral decisions'. Medvedev railed against 'the installation of military bases around Russia, the unbridled expansion of NATO', and threatened to respond to US missile defence plans by deploying Iskander missiles in Kaliningrad and jamming US installations from there.<sup>28</sup> Facets of Soviet diplomacy seemed to be back in play: the 'principle of reciprocity'; 'retaliatory measures'; and limitation of the sovereignty of countries held to be within Russia's 'zone of influence'.<sup>29</sup>

Medvedev also proposed that there should be a new European security treaty to provide a common set of rules. His terms, vague as they were, appeared to offer Russia the right to exercise a veto over NATO membership. As such they were of no interest to the West.

Surprisingly, Russia's 2008 conflict with Georgia did not lead to a fundamental reassessment of the Western approach. French President Nicolas Sarkozy hastily stitched together an agreement that satisfied Putin (and that has left Russian forces in occupation of two regions within Georgia's sovereign borders, Abkhazia and South Ossetia); and Europe returned to business as usual, having launched negotiations for a new agreement with Russia (to replace the Partnership and Cooperation Agreement of 1997) two months before the war in Georgia.

In the following year, the newly elected Obama administration tried to restore a wide-angled cooperative US–Russian partnership in its 'Reset' initiative of 2009. In a similar vein, the EU–Russia summits of 2009 and 2010 launched a 'Partnership for Modernization'. These initiatives leaned heavily on an optimistic belief that Medvedev, as president, would have the latitude to turn back towards the course of integration and modernization. That turned out not to be the case: Putin continued to be the ultimate arbiter. Apart from a new Strategic Arms Reduction Treaty (START) in 2010, the 'Reset' sank almost without trace.

The divergence between Russia and the West became more marked from 2011. The West took exception to Russian support for the Assad regime in Syria; Russia objected to Western policy across the Middle East, including the use of NATO airpower in Libya to facilitate the ouster of Muammar Gaddafi. The Magnitsky and Snowden affairs added bitterness to US–Russian relations, just as the murder of Alexander Litvinenko in London in 2006 continues to be an issue in UK–Russian relations.<sup>30</sup> In vivid contrast to the policy of his first term, Putin's first action on beginning his third presidential term in the spring of 2012 was to boycott the Washington summit of the G8 (the diplomatic top table which he had striven to join): so much for the 'Reset'. In September 2012 US presidential candidate Mitt Romney labelled Russia 'our number one geopolitical foe'.

### Irreconcilable values

Conflicting values do not prevent states from cooperating where their interests so dictate (whether in trade or in opposing common threats or in cultural and interpersonal exchanges of many kinds); but the form of strategic partnership with post-communist Russia mooted by Western Europe and the United States was predicated on a broad alignment of values.

Partnership assumed that Russia was embracing what Putin himself called 'European' values – enshrined in the European Convention on Human Rights and the Council of Europe (to which the Russian Federation acceded in 1996); the values of 'democracy, a law-based state, and

<sup>28</sup> Annual address to the Federal Assembly, 5 November 2008.

<sup>29</sup> The 'Brezhnev doctrine' of limited sovereignty was an attempt to justify the USSR's right to intervene by force in other socialist countries. After the Soviet invasion of Czechoslovakia, Leonid Brezhnev declared: 'When forces that are hostile to socialism try to turn the development of some socialist country towards capitalism, it becomes not only a problem of the country concerned, but a common problem and concern of all socialist countries' (speech in Warsaw, 13 November 1968). The doctrine was abandoned by President Gorbachev.

<sup>30</sup> Sergei Magnitsky was a Russian lawyer, who was known for uncovering massive fraud committed by Russian officials. After reporting the corruption to the authorities, he was detained in 2008 on suspicion of aiding tax evasion. His colleagues at Hermitage Capital Management, where he was a legal adviser, insist the charges were fabricated. He died in prison less than a year into his detainment after being subjected to torture and beatings. An official investigation into his death was ordered by the then President Dmitry Medvedev in 2009, but was dropped in 2013. Despite his death he was pronounced guilty of tax fraud in 2013. In December 2012, after pressure from Magnitsky's former boss Bill Browder, the US Congress adopted the Magnitsky Act, which allows the US to withhold visas and freeze the financial assets of Russian officials believed to have been involved in human rights violations. In retaliation Russia banned Americans from adopting Russian orphans under the 'Dima Yakovlev Law'. In 2013, the former CIA employee and NSA contractor Edward Snowden leaked NSA and other intelligence files on US intelligence operations against allied countries to the media. Snowden fled the US and ended up in Moscow, where he was granted one-year temporary asylum status, which is annually renewable.

personal and political freedom' proclaimed by Putin in his Millennium manifesto, and before that by Yeltsin.

Self-evidently the Kremlin has moved a very long distance away from these values, with a rubber-stamp legislature, tightly controlled elections, state-controlled courts, curbs on freedom of expression, and repression of dissent, opposition movements and NGOs, to the point where Russia's continued membership of the Council of Europe has come under question.

Where once the Russian leadership used to claim that it shared and was part of Europe's value system, it has relapsed into the Soviet practice of responding to criticism with accusations of double standards and demands to cease interference in Russia's 'internal affairs'. Foreign Minister Lavrov has asserted that the Westphalian system 'placed differences in values beyond the scope of intergovernmental relations'<sup>31</sup> (an argument that would have been approved by his Soviet predecessor Anatoliy Gromyko). Putin has spoken of 'an increasing influx of money from abroad being used to intervene directly in our internal affairs', and warned that "civilization" has been replaced by democratization, but the aim is the same – to ensure unilateral gains and one's own advantage, and to pursue one's own interests'.<sup>32</sup> When announcing the annexation of Crimea he described domestic critics as a 'fifth column' and a 'disparate bunch of national traitors' (echoing the inflammatory language used by Surkov in 2004, after Beslan). In March 2015 he claimed that:

Western special services do not give up their attempts to use non-government groups to discredit Russian authorities and destabilize the internal situation in Russia. They are already planning actions for the period of the forthcoming elections in 2016 and 2018.<sup>33</sup>

Referring to opposition movements, Putin said that 'it makes no sense to argue with those who work on orders from outside, who serve the interests of not their nation but an alien nation or nations'.<sup>34</sup>

## The new model Russia: Putinism in 2015

The foreign policy of President Vladimir Putin's Russia seems to be writing a new chapter in a book we thought we had closed a long time ago.

*Norbert Röttgen, Chairman of the Bundestag Foreign Affairs Committee*<sup>35</sup>

The crisis in Ukraine is explored in the chapter by James Sherr. As a result of Russia's use of armed force and annexation

of territory in a manifest breach of international law, the widening rift with the West has become a direct confrontation. It is now beyond question that the values espoused by the Putin regime and the methods by which it pursues its interests abroad cannot be reconciled with partnership.

Today's Putinist model departs from the integrationist and modernizing aspirations of 1990–2004, but is not genuinely 'new'. It is reactionary rather than innovative; not geared to the future but inspired by the past – by Russia's history in the 18th and 19th centuries with elements of the Soviet legacy added in. What are its distinguishing features?

It is the model of an independent Great Power resuming its position on its own terms. In Putin's words, 'Russia is a country with a history that spans more than a thousand years and has practically always used the privilege to carry out an independent foreign policy'.<sup>36</sup> He depicts Russia as one of a small group of states that could claim to be sovereign: 'China, India, Russia and a few other countries. All other countries are to a large extent dependent either on each other or on bloc leaders. ... Russia will either be independent and sovereign or will most likely not exist at all'.<sup>37</sup> For Russia 'true sovereignty ... is absolutely necessary for survival'.<sup>38</sup>

Russia's power, in this model, rests on a triad: renewed economic strength (stemming from natural resources); the armed forces (in which the administration is now investing heavily, after a long period of decline); and an ideology of nationalism and patriotism, infused by history and the Orthodox Church (intertwined with the state as it was in Tsarist times).

The state is authoritarian and founded on a single institution, the 'vertical of power' reaching downwards from the president through the bureaucracy and the security organs. Citizens enjoy many more civil liberties than in Soviet times, but not universally and only to the extent that they do not challenge the control of the ruling group. The disabled and orphaned are underprivileged; homosexuals are sanctioned; racism is rife; adherents of minority religions (including Russia's large Muslim population) are vulnerable.

Putin's model straddles the line between patriotism and ugly expressions of nationalism and xenophobia (for which populist movements linked to the Kremlin have become notorious). The 'historical military memory of

<sup>31</sup> Article in *Russia in Global Affairs*, August 2007.

<sup>32</sup> Annual address to the Federal Assembly, 26 April 2007.

<sup>33</sup> Federal Security Service board meeting, 26 March 2015, accessed via <http://en.kremlin.ru/events/president/news/49006>.

<sup>34</sup> *Ibid.*

<sup>35</sup> 'Germany Should Be a Leader on the World Stage', *Financial Times*, 21 March 2014.

<sup>36</sup> Speech to the Munich Security Conference (Wehrkunde), February 2007.

<sup>37</sup> Meeting with the Valdai Club, 14 September 2007.

<sup>38</sup> Annual address to the Federal Assembly, 4 December 2014.

the Fatherland<sup>39</sup> is to be preserved. He has spoken of Russia's 'civilizing mission on the Eurasian continent'.<sup>40</sup> Russia's traditional values stand in opposition to Western liberalism, which is treated as subversive. In the Middle East, according to Putin, the 'destruction of traditional values' and 'progressive' models of development have resulted in barbarity.<sup>41</sup>

### Putin's model straddles the line between patriotism and ugly expressions of nationalism and xenophobia.

This model reflects a deep sense of insecurity. A fear that Russia would be threatened if it lost control of its neighbourhood: 'It is not just about Crimea but about us protecting our independence, our sovereignty and our right to exist.'<sup>42</sup> A fear of Western ideas and exemplars. A fear of the infiltration of Islam (not just Islamist extremism) from the Caucasus and Central Asia. And an unpublicized fear that China's growing power casts a shadow over the thinly populated and economically vulnerable Russian Far East (knowing that the Chinese have not forgotten that they were obliged to cede 1.5 million square kilometres to the Tsar in the mid-19th century).

Putin's own language, which at times verges on the paranoid, reveals a defensive mentality. To justify his authoritarian control and aggressive tactics on Russia's periphery, he has painted a picture of Russia as a victim and target of Western attack over the centuries: 'the infamous policy of containment, led in the eighteenth, nineteenth and twentieth centuries, continues today. They are constantly trying to sweep us into a corner.'<sup>43</sup> When the USSR broke up, Russia 'was not simply robbed, it was plundered'.<sup>44</sup> The Americans 'decided they were the winners, they were an empire, while all the others were their vassals. ... They never stopped building walls.'<sup>45</sup> The Western partners, led by the United States, had 'controlled' a whole series of 'colour revolutions'. In Ukraine in 2014, 'outwardly the opposition was supported mostly by the Europeans; but we knew for sure that the real masterminds were our American friends. They helped train the nationalists, their armed groups, in Western Ukraine, in Poland and to some extent in Lithuania.

They facilitated the armed coup.'<sup>46</sup> Had Russia not acted in Ukraine, NATO's navy would have been in the port of Sevastopol in Crimea, creating 'not an illusory but a perfectly real threat to the whole of southern Russia'.<sup>47</sup>

Under the pressure of recent events, Putin has taken to repeating the accusation he first made after the 2004 Beslan massacre that the West is supporting terrorism in Russia. This surfaced in his remarks to the Valdai Club in October 2014, in his annual address of December 2014, and in his press conference of 18 December, when he said: 'After the fall of the Berlin Wall and the break-up of the Soviet Union, Russia opened itself to our partners. What did we see? A direct and fully-fledged support of terrorism in North Caucasus. They directly supported terrorism ... this is an established fact.' He has never quoted evidence to substantiate his 'established fact'.

In response to the perceived threat, Putin stresses the need to strengthen Russia's defences: 'The ramping up of high-precision strategic non-nuclear systems by other countries, in combination with the build-up of missile defence capabilities, could negate all previous agreements ... and disrupt the strategic balance of power.'<sup>48</sup> Russia would respond to these challenges, including through high-precision weapons systems and new strategic missiles. No one would 'ever attain military superiority over Russia'.<sup>49</sup>

Russia retains a capacity to use military power both for demonstrative effect (as on the borders of NATO) and to play a role (through the supply of equipment, intelligence and advisers, or limited deployments) in regional conflicts, such as Syria; but the primary purposes of Russia's forces are to defend and maintain security within Russia; and to dominate – to the exclusion of others – Russia's perimeter.

The perimeter is the former Soviet Union, claimed by Russia as a zone of influence and within its strategic interests. Putin has sought to justify his case partly in terms of a duty to protect the 'tens of millions' of 'compatriots' who have opted to remain in other sovereign states – principally Ukraine, Belarus, Latvia, Estonia and Moldova. He has unilaterally claimed them as 'co-citizens'<sup>50</sup> and has asserted rights to intervene on their behalf (and for the most part not at their request) that go far beyond the limits of international law.

<sup>39</sup> Annual address to the Federal Assembly, 12 December 2012.

<sup>40</sup> Annual address to the Federal Assembly, 26 April 2007.

<sup>41</sup> Annual address to the Federal Assembly, 12 December 2013.

<sup>42</sup> Press conference, 18 December 2014.

<sup>43</sup> Address on the annexation of Crimea, 18 March 2014.

<sup>44</sup> Ibid.

<sup>45</sup> Press conference, 18 December 2014.

<sup>46</sup> Documentary programme broadcast on the Russian television channel Rossiya, 14 March 2015.

<sup>47</sup> Address on the annexation of Crimea, 18 March 2014.

<sup>48</sup> Annual address to the Federal Assembly, 12 December 2012.

<sup>49</sup> Annual address to the Federal Assembly, 4 December 2014.

<sup>50</sup> Annual address to the Federal Assembly, 25 April 2005.



The second leg of the Russian claim is historical and cultural. Putin constantly invokes 'a thousand years of Russian history'. When annexing Crimea, he argued that Prince Vladimir's 'spiritual feat of adopting Orthodoxy predetermined the overall basis of the culture, civilization and human values that unite the peoples of Russia, Ukraine and Belarus'. Crimea had 'always been an inseparable part of Russia'. It was the Bolsheviks who had erroneously decided to add 'large sections of the historical South of Russia to the Republic of Ukraine'.<sup>51</sup> While it is true that Ukraine and Belarus had little or no previous history as states independent of Russia, the Kremlin's argument cannot override the formal recognition of the new sovereign states by the world, including Russia, in the 1990s; or the legitimacy which attended the birth of today's Ukraine following a 90 per cent vote for independence in the fairly conducted referendum of 1 December 1991.

Although, as the past year has shown, many Russians cherish a vision of reincorporating Ukraine and Belarus (and probably Moldova) within a Greater Russia, and this cannot be excluded in the future, the current leadership does not appear to be bent on full annexation, which would entail costs it cannot afford. But under Putin's model, the post-Soviet states must exercise their sovereignty within limits set by Moscow. The three Baltic states have escaped into a Western camp, but it is likely that they will continue to be subjected to coercive pressures. As the examples of Georgia and Ukraine have shown, any further Western intrusion into Russia's zone will be vigorously opposed.

### Is Putin's model sustainable?

Vladimir Putin and his close associates have been remarkably successful in holding power for 15 years.

They have harvested the fruits of high oil prices. The population is better off: consumption levels are about three times as high as in 1998 (although wealth is very unevenly spread, and the gap between the rich and the poor has widened). The ruling group controls the most important parts of the economy. It has kept a firm grip on the levers of power – civil administration, the armed forces and, most importantly, the security organs. This will not be easily shaken.

Putin has made sure that no prominent figure or opposition movement is in a position to contest power. He has been astute in both responding to and guiding the emotions of ordinary Russians, marshalling patriotic fervour in the face of perceived external threats. The true level of popular support for Putin is hard to gauge,

in the absence of alternatives or of accurate sources of information. There is evidence of widespread dissatisfaction with corruption and living standards. A regime that felt genuinely secure would feel less need to clamp down on critics and opponents.

However, Putin's regime is now facing its most serious challenges yet.

**As a tactic in his battles with the United States and Europe, Putin is trying to put himself at the head of a cabal fighting against a 'unipolar' and liberal world and for a new international order. The bedfellows he has assembled are ill-assorted and the thesis is unconvincing.**

The Kremlin has staked heavily on the confrontation with the West over Ukraine, and more generally over its right to a sphere of strategic interests in which Western influence and involvement would be limited. Putin has portrayed this as an existential struggle for Russia. He cannot afford to be seen to step back. He has to deliver what he can portray as a victory. But the confrontation has been and will continue to be very costly. The longer it lasts, the harder it will be to show that it is beneficial to Russia. Putin has to keep convincing his people that this is a fight for survival.

Russia is short of allies. Most Russians are deeply uncomfortable with the possibility of becoming dependent, as a junior partner, on China. The Kremlin has raised expectations of the BRICS group (five emerging or transitional powers which have little in common) and of a pivot to Asia and the Pacific that cannot be fulfilled. As a tactic in his battles with the United States and Europe, Putin is trying to put himself at the head of a cabal fighting against a 'unipolar' and liberal world and for a new international order. The bedfellows he has assembled are ill-assorted and the thesis is unconvincing.

The Kremlin is also betting heavily on an expensive build-up of Russia's armed forces in contradiction of Putin's earlier assertion that its power and status depended on economic strength rather than military might. The regime faces difficult decisions over the allocation of shrinking resources: will it cut back on social welfare, or on infrastructure, or on support for large corporations (controlled by Putin's associates) – or on the military? Carrying through another five years of rearmament would overstretch the budget; but cutting it back risks discontent in a powerful constituency.

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<sup>51</sup> Address on the annexation of Crimea, 18 March 2015.

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The traditional and authoritarian values promoted by the Kremlin do not sit easily with all Russians. Support for more democratic elections is not confined to the relatively small number of liberals. Many highly educated young Russians have left the country or are seeking to leave. It remains to be seen how far the emergent post-Soviet generation wishes to distance itself from Europe, which has been a benchmark for Russian aspirations since the end of communism.

Meanwhile the nationalist demon is out of its cage. There have been episodes of murderous inter-ethnic violence. Putin has warned in the past of:

a kind of Amoral International, which comprises rowdy, insolent people from certain southern Russian regions, corrupt law enforcement officials who cover for ethnic mafias, so-called Russian nationalists, various kinds of separatists who are ready to turn any common tragedy into an excuse for vandalism and bloody rampage.<sup>52</sup>

Reining in the destructive force of extremist nationalism (including fighters returning from Ukraine) will be a difficult task.

Most crucially, the leadership has for a decade pursued a strategy that – as both Russian economists and outside experts warned – has led to economic stagnation. The decline set in well before the conflict began in Ukraine. Russia's dependence on high prices for hydrocarbons has been cruelly exposed. The consequences for Russia of the conflict with Ukraine – the effect on capital markets and trade, the impact of sanctions and the heavy direct costs of Russian policy – are weighing down an already ailing economy. Patriotism and propaganda may for a while obscure economic failure (Putin has taken to making Orwellian boasts: 'Our produce is of course much better and healthier'<sup>53</sup>) but they do not put bread on the table.

This is not a model that will satisfy Russia's aspirations to become one of the advanced powers of the modern world. Russians are famously resilient, and the country does not appear to be close to a tipping point. Over time, however, declining real incomes and the lack of resources for social and physical infrastructure, combined with the existing resentment at the high levels of corruption, will generate growing pressure for change.

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<sup>52</sup> Annual address to the Federal Assembly, 12 December 2013.

<sup>53</sup> 'We have managed to set up such poultry raising facilities that even Europe does not have. ... Look at the situation with obesity in some countries. It is terrible. This has to do with food. Our produce is of course much better and healthier.' Speech at a meeting of the State Duma in Crimea, 14 August 2014.

# 3. An Enfeebled Economy

Philip Hanson

## Introduction

The Russian economy is in poor shape. Russia's current enfeeblement is not unique, even in Europe: the eurozone is also in trouble. Indeed, both Russia and the eurozone face strong doubts about the very systems on which they are based – Putinism and the common currency, respectively. The Russian systemic problem is politically less acute: its leadership appears for the time being to be popular, and alternatives to Putinism and Vladimir Putin himself are not conspicuous. In two respects, however, it is more acute: Russia has set itself against a large and influential part of the rest of the world and is correspondingly isolated; and, as a medium-developed country with labour productivity about two-fifths that of Germany, it is missing out on the potential of rapid, long-term, 'catch-up' growth.

This chapter starts by setting out the main features of recent and prospective Russian economic performance. Then it reviews the influences on that performance, including that of the recent events in Ukraine and the foreign sanctions they have elicited. It finishes by suggesting some implications for Moscow's Great Power ambitions and for Western policy.

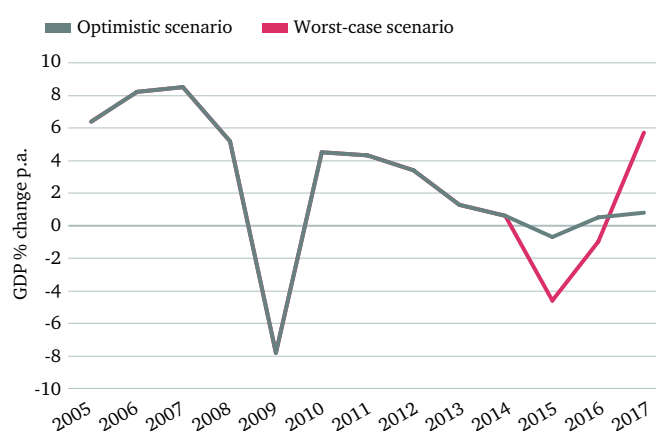
## Economic performance

Russian real GDP fell steeply during the 2008–09 crisis. This was followed, as in many other countries, by a recovery that fell short of a return to pre-crisis rates of growth. Then there was a marked slowdown starting in 2012. The level of economic activity in 2014 was just 0.6 per cent above that of the previous year. Official expectations for the next two years, exemplified in Figure 1 by Central Bank of Russia (CBR) projections of November 2014, are for recession and stagnation.

Those projections are from two, out of many, alternative CBR scenarios. The higher one is close to an earlier Ministry of Economic Development (MinEkon) baseline scenario, which was widely regarded as too optimistic and has since been revised downwards.<sup>54</sup> The lower projection, as far as the period 2015–16 is concerned, is from the CBR's worst-case scenario of 15 December 2014, in which the oil price averages \$60/barrel in both those years and then recovers; this also assumes that sanctions remain in place up to and

including 2017.<sup>55</sup> In March 2015 the government submitted to parliament a revised draft of the 2015 budget in which the average annual oil price was assumed to be \$50/b, the average exchange rate was R61.5 to the US dollar, GDP fell by 3 per cent and consumer price inflation averaged 12.2 per cent. The revisions entailed additional spending cuts (from the version previously approved) to contain the federal budget deficit to 3.7 per cent of GDP.<sup>56</sup>

Figure 1: Russian real GDP, 2005–17 (% year-on-year change)



Sources: Rosstat (historical data); CBR (2014–17 projections).

One consequence of these numbers is that Russia's weight in the world economy has recently edged downwards and is expected to continue to do so for a while at least. Figure 2 illustrates this, using IMF projections for all of the four original BRICs. China and India, the two less developed of these countries, continue (and are expected to continue) to increase their weight in the world economy. Russia and Brazil are not. For Russia, with its leaders' apparent belief in their country's present and future Great Power status, this is of particular concern. Indeed, failing to increase the Russian share of world output is sometimes treated as a definition of stagnation.

During the 1999–2008 boom household consumption was the main driver of Russian growth. Rising oil prices and the resultant rising inflows of petro-dollars made this possible, but of the different sources of increments in final demand for Russian production, consumption predominated. The improvement in Russia's terms of trade, moreover, allowed real incomes and consumption to rise faster than output.

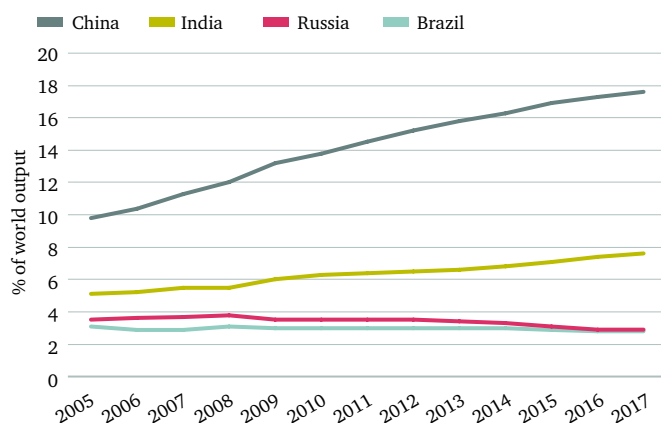
<sup>54</sup> Ol'ga Kuvshinova and Margarita Papchenkova, 'Minekonomrazvitiya prognoziryuet retsessiyu iz-za sanktsii i spada tsen na neft' ['The Ministry of Economic Development forecasts a recession because of sanctions and the fall in oil prices'], *Vedomosti*, 2 December 2014.

<sup>55</sup> The 'worst-case' scenario produces a 2017 GDP 0.2% below the 2014 level; the more optimistic scenario generates a comparable figure of 0.6% above 2014 – not a dramatic difference.

<sup>56</sup> See Deputy Finance Minister Aleksei Moiseev on 16 March on the new budget at [http://www.minfin.ru/ru/press-center/?id\\_4=33119](http://www.minfin.ru/ru/press-center/?id_4=33119), and discussion by Ewa Fischer, 'Amendment to the Russian budget for 2015: an attempt to maintain the status quo' at <http://www.osw.waw.pl/en/publikacje/analyses/2015-03-18/amendment-to-russian-budget-2015-attempt-to-maintain-status-quo>.

This was sustainable as long as the terms of trade continued to improve. The population enjoyed a period of per capita real income growth of the order of 11 per cent a year.

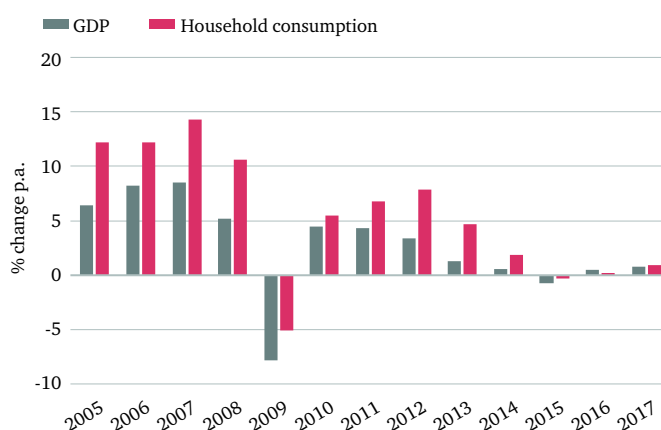
**Figure 2: The BRICs, 2005–17: two up and two down (% of global output)**



Note: The share calculations are based on GDP measured in dollars at purchasing power parity, not at official exchange rates.  
Source: IMF World Economic Outlook database of April 2015.

The 2014–15 crisis has thrown the growth of household consumption into reverse, as Figure 3 illustrates. This means that the expectations of the population at large, as well as those of the leadership, are being challenged. The CBR projections in Figure 3 look comparatively optimistic, but household consumption may nevertheless fare worse than GDP. The state appears to be suspending the indexation of public-sector pay in the face of double-digit inflation.

**Figure 3: GDP and household consumption in Russia, 2005–17 (% p.a. changes)**



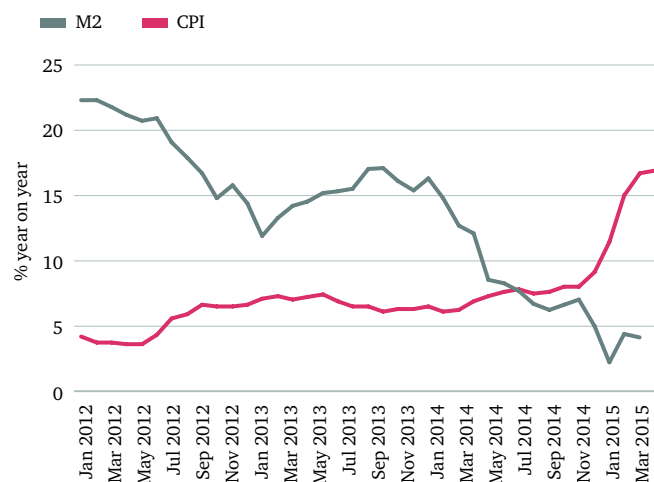
Sources: Rosstat; CBR projections of November 2014 for 2015–17.

Fixed investment, meanwhile, was fractionally down in 2013 and somewhat lower still, down by 2½ per cent, in 2014. Real wage growth driven by productivity growth, driven in turn by investment, does not look to be on the cards in the near term.

What has hit Russian households is an acceleration of inflation, despite moderately restrictive monetary policies, as Figure 4 illustrates.

The CBR expects consumer price inflation to peak in the second quarter of 2015 and then to moderate. January 2015 inflation was 15 per cent year on year; in February the figure was 16.7 per cent and in March 16.9 per cent. The immediate sources of extra inflation in late 2014 and early 2015 were the rapid decline in the rouble, by 41 per cent against the dollar in the course of 2014, and the ‘counter-sanction’ of an embargo on food imports from countries that have imposed sanctions on Russia. Year-on-year inflation in food prices in January 2015 was 20.7 per cent, and in February 23.3 per cent.<sup>57</sup>

**Figure 4: Consumer price index and broad money supply (M2), January 2012–March 2015 (monthly data, % change from previous year)**



Source: CBR [http://cbr.ru/statistics/infl/Infl\\_01032015.pdf](http://cbr.ru/statistics/infl/Infl_01032015.pdf) and <http://cbr.ru/statistics/?PrId=ms&pid=dkfs&sid=dm>.

The fall in the rouble has, up to a point, helped the federal budget. Half of federal budget revenues come from dollar-denominated inflows from exports of oil and gas. When a dollar buys more roubles, it also provides more roubles in these revenues. But the fall in oil prices in the latter part of the year worked in the opposite direction. The upshot was a small federal budget deficit of 0.5 per cent of GDP.<sup>58</sup> There is, however, a separate problem for the regional budgets.

<sup>57</sup> Consumer price index and exchange rates from [www.cbr.ru](http://www.cbr.ru).

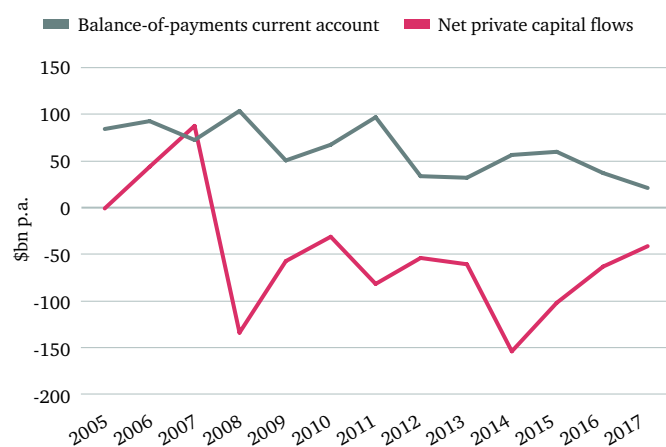
<sup>58</sup> *BOFIT Weekly*, 30 January 2015.

Regional administrations face (in aggregate) a modest deficit, created in part by their efforts to raise the pay of state employees along the lines promised by President Putin in May 2012. Individual regions face particular difficulties, from which they will be bailed out by soft loans from the federal budget.

The recent fall in investment has already been mentioned. One influence on this has been the highest-ever net outflow of private capital. In 2014 this totalled \$154 billion, or close to 10 per cent of GDP if the latter is converted to dollars at the end-year ballpark figure of R60=\$1.<sup>59</sup>

A net private capital outflow has been a feature of the post-communist Russian economy in every year except 2006 and 2007. When it is particularly large and accompanied by a dwindling current-account balance-of-payments surplus, it threatens the comfortable balance-of-payments position that has been the norm for Putin's Russia. Figure 5 depicts the recent situation.

**Figure 5: Russia's current-account balance and net flows of private capital, 2005–17 (\$bn)**



Note: The projections for 2015–17 are those contained in the CBR's baseline scenario.  
Source: CBR, [http://www.cbr.ru/publ/ondkp/on\\_2015\(2016-2017\).pdf](http://www.cbr.ru/publ/ondkp/on_2015(2016-2017).pdf).

## The near future: 2015–16

On 27 November 2014 OPEC decided not to cut crude oil production quotas. Oil prices fell on the news, and so did the rouble. This was followed by a fall in forecasts for the Russian economy in 2015 as the imaginations of the scenario-makers struggled to keep up with events.

Table 1 presents some key points from the 1 December projections for 2015 from one official, one independent and one international forecaster.

**Table 1: Selected projections of Russian economic figures for 2015 based on assumed price of Urals crude**

	Alfa-Bank <sup>a</sup>	CBR	World Bank
Average oil price, \$/b	40	60	70
GDP, % change year on year	-3.8	-4.5 to -4.7	-1.5

Note: Based on different assumptions about the average annual price in 2015.

<sup>a</sup> A later Alfa-Bank estimate (email from Natalya Orlova of Alfa-Bank of 17 December) estimates that in the first quarter of 2015 GDP could be down year on year by 7–10%. When the January and February declines proved to be less than this, Alfa tweaked its GDP forecast for the year to an overall fall of only 2–3% (Alfa-Bank 'Macro Insights', 19 March 2015).

Sources: Alfa-Bank 'Russian Economic Spotlight' of 1 December 2014; CBR as reported by the US–Russia Business Council (USRBC) Daily Update of 16 December 2014; World Bank *World Economic Outlook*.

The first two forecasts bear the scars of the collapse in oil prices and in the currency during the weeks that preceded their publication. Forecasts of these orders of magnitude continued to be generated into 2015. Even so, they may not be durable. The volatility of both key numbers and forecasts serves as a warning of what is the largest single problem for the Russian economy in the short term: an unusually heightened degree of uncertainty. This is considered further in the next section.

By the end of 2014 at least one thing was clear. The country faced a recession. An anti-crisis plan was being prepared, but agreement on it proved difficult. That, along with the vacillations of the CBR – which raised its key interest rate to 17 per cent to combat inflation and capital outflow, and then cut it back unexpectedly to 15 per cent and, from mid-March, to 14 per cent – diminished the business community's already low confidence in policy-making. A degree of consumer hardship looks to be built into these forecasts: inflation is high and MinEkon envisages a clear fall in real wages. Whether this hardship produces anything more than widespread grumbling is another matter.

It is time to start looking at the problems that underlie the Russian economy's weak performance and, apparently, still weaker prospects.

<sup>59</sup> 'TsBR: Ottok kapitala iz Rossii v 2014 vyros v 2.5 raza' ['CBR: the capital outflow from Russia in 2014 rose by 2.5 times'], *Vedomosti*, 16 January 2015.

## Underlying problems

The influences dragging down Russian economic performance are of different kinds: structural, conjunctural and geopolitical.

The *structural problems* limit the trend rate of growth of potential output in the medium term – say, roughly, the next five years. They are:

- The decline in the working-age population; and
- The ways in which the Putinist social and political order limits competition, efficient investment and innovation.

The *conjunctural problems* are largely generated outside Russia, and are of uncertain duration. They tend to reduce Russian economic activity levels below their (already limited) potential. They are:

- The end of quantitative easing in the United States, pulling investment funds away from emerging markets;
- The rapid rise of shale oil and gas production in the United States and Canada, putting downward pressure on world hydrocarbon prices;
- The weakness of the eurozone economies (Europe as a whole takes about half of Russian exports) and some slowing of Chinese growth;

and linked with these tendencies:

- The fall in the oil price; and
- The fall in the exchange rate of the rouble against the euro and the US dollar (and practically all other currencies except the Ukrainian hryvna).

The *geopolitical impediments* to Russian economic growth are:

- The fact that Russia is engaged in a war in Ukraine;
- The economic sanctions imposed on Russia as a result;
- Russian counter-sanctions, notably the embargo on food imports from countries imposing sanctions;
- The move, propelled by Western sanctions but acquiring a life of its own, towards import substitution; and
- An accompanying turn away from liberal economic reform and in favour of the (often corrupt) organs of law enforcement and security.

## Two fundamental concerns

The two structural problems are different in kind from the others listed. The first is demographic: the decline in the economically active workforce that is due to last for some time into the future. The ‘medium’ variant of Rosstat’s projections of working-age population (which incorporates an estimate of net migration) suggests it will diminish by a little over 4 million between 2015 (84.1 million) and 2020 (80.0 million).<sup>60</sup> The number of young entrants to the workforce is falling precipitously, and this is only partly offset by net immigration. The immigrant workers are predominantly from other CIS countries and mostly low-skilled. Their numbers may, moreover, prove to be lower than official statisticians have anticipated. As the rouble has tumbled, the attractions of working in Russia have declined. Many Central Asian migrants are said to be heading for home.

Such demographic changes, raising the ratio of dependants to workers, are not necessarily incompatible with strong economic growth. If one source of growth, labour inputs, diminishes modestly, an increase in the growth rates of capital stock and of labour productivity can counteract that influence on output. Unfortunately, since 2012 investment has been going down. That is for conjunctural reasons, which will be considered below. But Russia’s rate of fixed investment, at around 21 per cent of GDP, has long been modest for an ‘emerging’ economy. And a principal reason for that is to do with what might be called the Putinist system.

### **As the rouble has tumbled, the attractions of working in Russia have declined. Many Central Asian migrants are said to be heading for home.**

There are different accounts of the economic workings of this system. One centres on Russian decision-makers’ alleged ‘addiction’ to the misappropriation of natural-resource rents, primarily from oil and gas, and in particular their use of these rents to subsidize inefficient production units and their workforces inherited from Soviet times.<sup>61</sup>

The Russian economy certainly exhibits a more extreme sensitivity to the oil price than those of other major oil and gas exporters. This showed up in the unusually large fall in Russian GDP in 2008–09 (7.8 per cent). It is currently revealed in the exchange-rate fall against the dollar in the year to February 2015: more than 40 per cent in the case of the rouble, against 19.5 per cent for the Norwegian krone and almost zero for the Saudi riyal, which comfortably

<sup>60</sup> Rosstat demographic pages at <http://www.gks.ru>.

<sup>61</sup> Clifford G. Gaddy and Barry W. Ickes, ‘Russia after the Global Financial Crisis’, *Eurasian Geography and Economics*, 51 (2010), No. 3, pp. 281–311, and *Bear Traps on Russia’s Road to Modernization* (London: Routledge, 2013). For a three-sector analysis see Richard Connolly, *Troubled Times: Stagnation, Sanctions and the Prospects for Economic Reform in Russia*, Chatham House Russia and Eurasia Programme Research Paper, February 2015.

maintained its peg of SAR3.75=\$1.<sup>62</sup> It appears that confidence in the Russian economy is exceptionally sensitive, for an oil-exporting nation, to the price of oil.

The approach followed here is a more general one, and close to the mainstream view of many Russian reformers:<sup>63</sup> that competition, investment, innovation and enterprise throughout the economy are heavily handicapped by a weak rule of law, leaving most business people vulnerable to attacks by ‘the authorities’, often in collusion with better-connected business rivals. The exceptions are precisely those better-connected rivals: businesses that have special relations with powerful political cronies at local, regional or national level (depending, broadly, on the scale of the business). The authorities, in this connection, are the law-enforcement agencies, and they are commonly backed up by purchasable courts. This is the phenomenon of asset-grabbing. It is common and is not confined to small business.<sup>64</sup>

Another ingredient of the system has the same roots: the capacity of the state to intervene directly in what would otherwise be everyday market activities. Inspectors of various public services, for example, collect bribes when supplying electricity connections, certifying workplace safety, or checking fire precautions and the like.

In the absence of a strong rule of law and protection of property rights, incentives to invest and innovate are weakened. So is competition; the famous ‘level playing field’ is highly uneven. This state of affairs did not prevent growth when oil prices were rising, though it will have made it less than it could have been. As Boris Titov remarked, ‘When oil prices are falling, the protection of property becomes the key question.’<sup>65</sup>

In short, when conjunctural and geopolitical factors are tending to depress economic activity, the limitations imposed by the system are no longer covered up. And the general sense that business is developed subject to the will of the authorities (in alliance with well-connected incumbent companies) is likely to have a depressing effect on enterprise.

One way of testing this conjecture is to look at the findings of Global Entrepreneurship Monitor (GEM).<sup>66</sup>

GEM organizes surveys that ask representative samples of the population aged 18–64 such questions as whether they own an established business (defined as one from which they have drawn an income for at least 42 months), whether they have personally provided funding for someone else to start a business and whether they own a new business (defined as one from which they have been drawing income for between three and 42 months).

The results indicate a rather low level of enterprise. Of the 69 countries surveyed in 2012, Russia was 67th by the number of entrepreneurs per hundred respondents of the working-age population.<sup>67</sup>

Table 2 shows some 2013 GEM measures of entrepreneurial activity for Russia and a few other countries. China is included as a fellow emerging economy still under communist rule, the US as a mature, high-income country, and Chile and South Korea as countries recently under authoritarian rule that have begun to be considered democracies.

**Table 2: Measures of entrepreneurial activity, Russia and selected countries, 2013 (% of population aged 18–64 owning established or new businesses)**

Country	Owning established business	Owning new business
Russia	3.4	2.8
China	11	8.9
US	7.5	3.7
Chile	8.5	9.6
S. Korea	9	4.2

Note: For definitions of ‘established’ and ‘new’ see the accompanying text.  
Source: GEM Key Indicators, <http://www.gemconsortium.org/key-indicators>.

The fundamental problem of corrupt state involvement in the operations of business is part of a system in which informal networks and understandings carry more weight than formal rules, and the formal rules are themselves often inconsistent, so that it is difficult to conduct any organized activity without risk of prosecution, if the informal rules of the game permit prosecution. Described simply as ‘*Sistema*’ by Alena Ledeneva,<sup>68</sup> it has the consequence of making members of the political elite, even those conventionally

<sup>62</sup> Exchange rates from [www.xe.com](http://www.xe.com).

<sup>63</sup> For example, Sergei Aleksashenko, ‘*Ekonomika Rossii k nachalu epokhi “posle Putina”*’ [‘The Russian economy towards the beginning of the ‘post-Putin’ era’], *Pro et Contra*, Nos 3–4 (63) (2014), pp. 104–18. See also Alexei Kudrin and Evsey Gurvich, ‘A new growth model for the Russian economy’ (Helsinki: BOFIT Policy Brief No. 1, 2015), particularly at p. 29.

<sup>64</sup> See Philip Hanson, *Reiderstvo: Asset-Grabbing in Russia*, Chatham House Russia and Eurasia Programme, Programme Paper 2014/03, March 2014.

<sup>65</sup> Boris Titov, ‘*Biznes pod “stat’ei”*’ [‘Business under the “article” [of the criminal code]’], *Vedomosti*, 2 December 2014. Titov is the presidential ombudsman for business. While serving in that capacity, he seems to have preserved his previously demonstrated determination to campaign against asset-grabbing.

<sup>66</sup> See its website at <http://www.gemconsortium.org/>.

<sup>67</sup> O. R. Verkhovskaya and M. V. Dorokhina (2013), *Natsional’niy otchet Global’niy monitoring predprinimatel’stva: Rossiya 2012*, <http://www.gemconsortium.org/docs/download/3261>, p. 56.

<sup>68</sup> Alena Ledeneva, *Can Russia Modernise? Sistema, Power Networks and Informal Governance* (Cambridge University Press, 2013).

tagged as liberals, captives of the rules of the game.<sup>69</sup> There are powerful incentives for all members of the elite not to challenge those rules: they keep subordinates vulnerable to selective use of the law, and therefore under control; at the same time they provide those subordinates with the means to acquire some of the illegal or semi-legal gains that the system allows; and their own past behaviour, since they ascended through the same system, would under a rule of law be open to scrutiny.

It follows that the system would not easily be changed peacefully and from within, though peaceful change cannot be ruled out entirely. One ray of hope is the growing readiness of business associations to stand up for fair treatment under the law.<sup>70</sup> But the long-run prospects of successful pressure from an emerging class must be somewhat dimmed by the slow pace of development of that class, illustrated in Table 2 above. The idea that a growing middle class in general, and a growing business class in particular, will want and will press for improved civil rights, including the rule of law, is a familiar one. In Russia it comes up against a Catch-22: a weak rule of law discourages many people from entering business, so the Russian business community grows slowly, weakening the growth of a constituency for the rule of law.

It is for this reason that change in the Putinist system is unlikely in the near term. Two questions follow about the conjunctural and geopolitical burdens on the Russian economy: can the existing system cope with them in the sense of maintaining itself; and will they advance or retard the process of reform?

### The conjunctural and geopolitical problems of the Russian economy

The common ingredient in the most immediate economic concerns of Russian policy-makers is uncertainty. There is great uncertainty about the future oil price, the future exchange rate of the rouble, the prospects of the war in Ukraine, the duration and future severity of Western sanctions, and the likely scope and duration of a policy of state-led import substitution. (There is no uncertainty about the long-term outcome of such import substitution: it won't work; it may, however, provide a temporary boost to production levels.)

All economic activity is conducted under conditions of uncertainty. The immediate problem in Russia now is that uncertainty is unusually high: plausible scenarios are constantly being changed and, at any one time, are widely dispersed over an unusually broad range of outcomes. This situation is exemplified by the CBR's guidelines for monetary and credit policy, published in November 2014.<sup>71</sup> This text drastically revised a previous document published only two months earlier; it contained no fewer than five main scenarios; in addition, a sixth, gloomier than the gloomiest of the five, was mentioned in the text as a 'stress scenario', based on oil at \$60/b. Something close to this has subsequently become the CBR's chosen view.<sup>72</sup>

How much of a problem, however, is posed by the gloomier scenarios? By mid-December 2014 (after the rouble had briefly fallen to 80 to the dollar), a decline of perhaps 4–5 per cent in GDP from 2014 to 2015, followed by stagnation or a small further drop, had become a mainstream view; this might be followed by a rebound in 2017 (see Figure 1 above). In February–March 2015, as the oil price and the rouble seemed to stabilize, the forecasters' visions of the future lightened: MinEkon, for example, came up with a baseline scenario of a 2.5 per cent fall in GDP in 2015, followed by a recovery to +2.8 per cent in 2016.<sup>73</sup> In either case, its longer-run expectation would be for growth varying around the slow trend rate of about 2 per cent a year that was dictated by the limitations of the 'old growth model'.<sup>74</sup>

Western sanctions, despite bravado to the contrary, are seen as part of the problem. The CBR's main projections in November 2014 were differentiated according to what happened to the oil price and the duration of Western sanctions (see Table 3). For each oil-price assumption there is a GDP projection that assumes sanctions are ended in the third quarter of 2015, and another GDP projection that assumes they are maintained until the end of 2017. The differences between the two are, by implication, the CBR projection of the effect of sanctions on the level of economic activity. What evidence these were based on has not been divulged, and the oil-price projections now look highly optimistic, but at least the numbers offer a clue to the bank's thinking about the scale of the effects of sanctions.

<sup>69</sup> See Philip Hanson and Elizabeth Teague, *Liberal Insiders and Economic Reform in Russia*, Chatham House Russia and Eurasia Programme Paper 2013/01 (January 2013).

<sup>70</sup> See Hanson, *Asset-Grabbing*, and Andrey Yakovlev, Anton Sobolev and Anton Kazun, 'Mozhet li rossiiskii biznes ogranichit' davlenie so storony gosudarstva?' ['Can Russian business limit pressure from the state?'], Moscow Higher School of Economics, preprint WPI/2014/01 (2014).

<sup>71</sup> 'Osnovnye napravleniya yedinoi gosudarstvennoi denezhno-kreditnoi politiki na 2015 god i period 2016 i 2017 godov' ['Main directions of the single state monetary and credit policy for 2015 and 2016–2017'], [http://cbr.ru/today/publications\\_reports/on\\_2015\(2016-2017\).pdf](http://cbr.ru/today/publications_reports/on_2015(2016-2017).pdf).

<sup>72</sup> US–Russia Business Council Daily Update, 16 December 2014.

<sup>73</sup> *Ibid.*, 26 March 2015.

<sup>74</sup> Kudrin and Gurvich, 'A new growth model', p. 18.



**Table 3: CBR implicit estimates of the effects of sanctions on Russian GDP, 2015–17 (% p.a.)**

	2015	2016	2017
Oil at around \$95/b	-0.3	-0.6	-1.8
Oil at around \$84/b	-0.3	-1.2	-1.9

Note: The figures for 2015 refer to an effect occurring only in the last quarter of the year, as described in the text.  
Source: as in footnote 71.

Still, most projections do not envisage a steep and prolonged fall in economic activity (more than 5 per cent annual falls in GDP continuing for two years or more), with or without continued sanctions. What of financial stability?

It is routinely and quite rightly observed that the Russian state has considerable financial strength. For a start, its foreign debt is, by Western standards, laughably low. At 1 October 2014 the Russian state owed the outside world \$64 billion.<sup>75</sup> That is 3.3 per cent of what was until recently a \$2 trillion GDP. Even with the rouble at 60 to the US dollar rather than the 32 at which it started 2014, and dollar GDP correspondingly reduced, it is still only around 6 per cent.

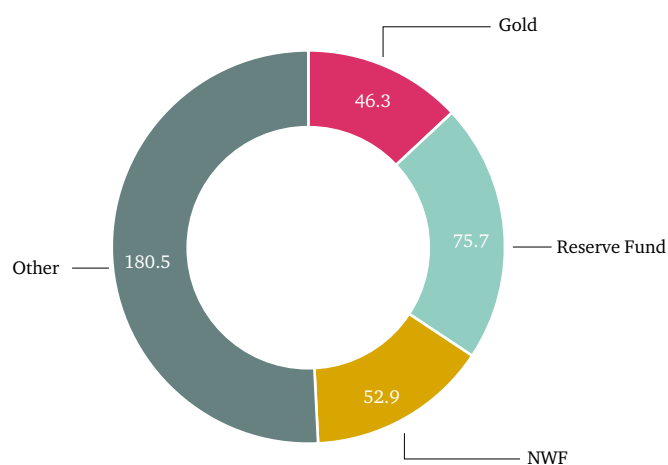
The immediate debt problems lie elsewhere. Non-state debt, including the debt of state-controlled banks and companies,<sup>76</sup> has lately been on a much larger scale: \$614 billion at 1 October 2014. The amount due for repayment by banks and companies in 2015 is \$108 billion.<sup>77</sup> Sanctions have effectively closed off external finance for Russian business.<sup>78</sup> The pressure is on Russian banks and companies to find other sources of credit or to use a larger-than-usual share of their export earnings to repay debt. This has created even bigger queues than usual for state finance, including a Rosneft bid for a soft loan that would be more than half the resources of the National Welfare Fund (NWF).<sup>79</sup> The official purpose of the NWF is to provide long-term back-up for pension funds; it now faces many other claimants, but only 60 per cent of it is supposed to be available for domestic projects.

In short, the pressure on public finances is considerable. If the oil price were to stay below \$60/b for some length

of time, with corresponding effects on budget revenue, and if sanctions remained in place for the medium term, those pressures would remain substantial. This was the main reason why Standard & Poor's, one of three leading credit rating agencies, downgraded Russian sovereign debt from BBB- (investment grade) to BB+ (speculative or 'junk' grade) on 26 January 2015, and later downgraded Gazprom, Gazpromneft, Novatek, Rosneft, Transneft and VTB similarly.<sup>80</sup>

Nevertheless, the state's financial reserves are substantial. At the beginning of April 2015, the gold and foreign-exchange reserves stood at \$356 billion. This was only a little less than the 2014 annual value of imports of goods and services (\$429 billion). Included in the total were gold (\$46 billion), the NWF (\$53 billion) and the Reserve Fund (\$76 billion), designed primarily to support the budget when the oil price is low.<sup>81</sup>

**Figure 6: Russian foreign-exchange reserves on 1 April 2015, by type of reserve (\$bn)**



Note: Amounts add up to \$355 billion, not \$356 billion as mentioned above, because of rounding.

Source: Heli Simola, 'Russia's international reserves and oil funds', BOFIT Policy Brief No. 4, 2015 (23 April 2015).

<sup>75</sup> [http://cbr.ru/statistics/print.aspx?file=credit\\_statistics/debt\\_an\\_new.htm](http://cbr.ru/statistics/print.aspx?file=credit_statistics/debt_an_new.htm).

<sup>76</sup> In this chapter the word 'companies' is used to mean 'non-bank corporations'.

<sup>77</sup> [http://cbr.ru/statistics/print.aspx?file=credit\\_statistics/debt\\_an\\_new.htm](http://cbr.ru/statistics/print.aspx?file=credit_statistics/debt_an_new.htm) and *BOFIT Weekly*, 30 January 2015.

<sup>78</sup> Not totally. Loans from parent companies to affiliates in Russia will mostly be re-financed. Some finance can be raised in Asia on a limited scale (the Tokyo market is closed to Russia). A minor segment of foreign loans is denominated in roubles. And there are occasional special cases like the \$120 million syndicated loan to the Otkrytie company: Ol'ga Shestopal, Dmitrii Ladygin, 'Zapad sdelal "Otkrytie"' ['The West made a "Discovery"'], *Kommersant*, 12 November 2014. But the overall effect is closure.

<sup>79</sup> In November 2014 this was being resisted. Mikhail Serov and Margarita Papchenkova, 'Rosneft' perepishet zayavku v FNB' ['Rosneft will re-write its bid to the FNB'], *Vedomosti*, 13 November 2014. The bid was initially for R2.4 trillion, or around \$50 billion, from a fund with total assets of about \$82 billion. On 15 December 2014, in the middle of a financial storm, it was announced that Rosneft had issued bonds to the value of R625 billion to unidentified purchasers, on soft terms. See *Vedomosti* editorial, 'Nadezhnyi zayemshchik' ['A reliable borrower'], 15 December 2014. This spooked the market, making things worse.

<sup>80</sup> USRBC Daily Update, 26 January 2015 and 4 February 2015.

<sup>81</sup> Data from <http://www.cbr.ru> and <http://minfin.ru/ru/performance/nationalwealthfund/statistics/>.

The most immediate source of risk, then, is bank and corporate debt to the outside world. But that in turn creates additional risks for the public finances. There have been headaches over redrafting the 2015 federal budget to cope with an oil-price assumption of \$50/b instead of \$100/b. One draft produced a deficit equal to 3.8 per cent of GDP, requiring substantial drawing-down of the Reserve Fund. The proposed cuts were resisted, but might not be enough.<sup>82</sup>

In this situation, and particularly in the wake of the rapid rouble depreciation of late 2014, Russian banks have got into difficulties. The CBR relaxed capital requirements in December; there have been runs on some banks, a couple of bank bail-outs and plans for extensive bank recapitalization. A banking crisis at some point in 2015–16 cannot be ruled out.<sup>83</sup>

It looks as though, in the short and medium term, market conjuncture and geopolitical conflicts could create serious problems for the Russian leadership. Default on external debt is unlikely but recession and continued financial turmoil are probable. The main question is how long the recession will last. A stabilization of the oil price around \$60/b, a slowing of inflation and some easing of Western sanctions are all possible during the course of 2015. A combination of those developments would indicate an early exit from recession in 2016. But none of these events is guaranteed. Confidence in Russia is fragile at the best of times, and these are not the best of times.

## Political implications for Russia's Great Power ambitions

The present Russian leadership seeks to make Russia a dominant regional power (at least), able to bend its neighbours to that leadership's will. Keir Giles, in his chapter, sets out the means by which it has pursued this aim. Some of these do not, in macroeconomic terms, amount to a significant burden: cyber warfare, some forms of hostile messaging, purchasing the influence of individuals and information warfare, for example. Others could in some cases entail significant costs but do not necessarily do so in all instances: energy cut-offs, for example, may in the medium term even help a Russian supplier to charge high prices after the cut-off, and the conversion of a neighbour's debt to a stake in its infrastructure may also pay off in commercial terms, even if that was not its main purpose.

Other means of influence, and military power in particular, have high costs that are significant at a national level. Is the enfeebled Russian economy capable of supporting them?

It should be borne in mind that military strength, though most conspicuously exemplified by the United States, is not the prerogative of rich nations. The Soviet Union, though much poorer than the US and its allies and lagging behind in technology, was able to maintain some sort of military balance with them up to its demise. It did this, moreover, with very little help from its Warsaw Pact allies. So Russia is not necessarily debarred by its moderate level of per capita GDP from pursuing what appear to be substantial military ambitions.

**The weak state of the Russian economy will at some stage set limits to the scale and pace of the Russian state armaments programme. Exactly how the conflict over that programme between (broadly) the economic bloc of the government and the military will be resolved remains to be seen.**

Pursuing them it certainly is. Military expenditure rose by 20 per cent a year in the four years between 2011 and 2014. That is in nominal terms, and it is likely that inflation in military hardware procurement is higher than in consumer prices. Even so, there has been a substantial increase in real terms, to over 3 per cent of GDP.<sup>84</sup>

Will the government be able to maintain such increases in military spending, and in the ambitious state armaments programme? First indications are that it will at any rate try. The original budget plan for 2015 envisaged a nominal increase in military spending of 33 per cent, moving the total to 4 per cent of GDP.<sup>85</sup> In early March 2015 the cuts (in the form of postponements) in military expenditure favoured by the Ministry of Finance were still being resisted, but a federal budget deficit of 5.2 per cent of GDP was a possible corollary.<sup>86</sup> That would be extremely difficult to finance and would erode what little confidence the markets retain in Russian policy-making.

The weak state of the Russian economy will at some stage set limits to the scale and pace of the Russian state armaments programme. Exactly how the conflict over that

<sup>82</sup> Tat'yana Nedovina, 'Byudzhet ne soshel'sya v raskhodakh' ['The budget didn't match up on the spending side'], *Kommersant*, 5 March 2015.

<sup>83</sup> Oxford Analytica Daily Brief, 'Russian financial system will be increasingly fragile', 6 March 2015.

<sup>84</sup> *BOFIT Weekly*, 6 March 2015.

<sup>85</sup> *Ibid.*, 10 October 2014.

<sup>86</sup> Nedovina, 'Byudzhet'. There had been some earlier compromises, however. See Ivan Safronov and Dmitrii Butrin, 'Vozrazheniya vstupil v boi s vozrazheniyami' ['Objections went to war with objections'], *Kommersant*, 19 February 2015.

programme between (broadly) the economic bloc of the government and the military will be resolved remains to be seen. It does not follow that the leadership will give up on its pursuit of regional hegemony and its stance of antagonism towards the West.

## Conclusions

The built-in resistance of the Russian policy and business elite to radical reform of the Putinist system makes any change in the underlying operation of that system unlikely in the medium term, short of a regime change. The chances of a smooth and peaceful regime change are low. If some stable and lasting compromise were reached over Ukraine, if sanctions and counter-sanctions were withdrawn, and if uncertainties over the oil price and the rouble were eased, the binding constraints on Russian economic performance would once more be those of demography and system. The trend rate of growth of Russian GDP might then be of the order of 2–2½ per cent a year.<sup>87</sup> This might not satisfy the leaders' ambition for the Russian share of global output to increase. It might even raise doubts about Russia's plans to upgrade its military capabilities. Still, it ought to be liveable.

If those conditions are not fulfilled, and conjunctural and geopolitical uncertainty remains high, the Putinist system will come under more pressure. One particular pressure point would be the leadership's ambitious plans for military upgrading. These plans are expensive, and the conflict of priorities between military ambitions and the public finances could be acute.

Meanwhile relations within the political elite are visibly strained, and the visibility is unusual. For example, Igor

Sechin and one of his Rosneft vice-presidents, Mikhail Leontiev, have criticized Aleksei Kudrin, a former minister of finance and a personal friend of Putin, raising conspiracy theories about whom he had been *really* working for.<sup>88</sup> There is evidence that in mid-2014 President Putin's inner circle of advisers had narrowed and was becoming largely confined to security and defence officials.<sup>89</sup> The subsequent steep fall in the oil price and the rouble brought more meetings involving the president and senior economic officials, but it is not clear whether those officials have regained their former influence on decisions. The prolonged and contentious process of budget revision, mentioned above, suggests that economic policy-making is in disarray.

What do Russia's uncertain economic prospects tell us about sanctions? By themselves, the sanctions in place at the time of writing are unlikely to provoke such economic distress as to generate pressure for radical change. On the contrary, they provide the Russian leadership with a handy scapegoat for stagflation: the West. It has been argued that they also strengthen the forces of nationalism and statism arrayed in Russia against thoroughgoing market reforms.<sup>90</sup> Even if, as seems probable, nationalism and statism were gaining ground in Russian policy-making before 2014, this is a serious unintended consequence of Western sanctions.

The arguments for and against the sanctions so far imposed on Russia, however, are not exclusively or even primarily to do with economic consequences. Sanctions send messages. Reducing sanctions while the situation in Ukraine remains unchanged would send its own message: the West is giving up; you will get away with more adventures. In any case, a test now faces the West that is even harder than maintaining sanctions: propping up the almost bankrupt Ukrainian economy.

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<sup>87</sup> These are not numbers plucked at random. The figure of 2½ per cent is about the level of the 'low' prospect (of three) calculated for 2011–20 by Revold Entov and Oleg Lugovoy in 'Growth Trends in Russia since 1998', in Michael Alexeev and Shlomo Weber (eds), *The Oxford Handbook of the Russian Economy* (Oxford University Press, 2013), pp. 132–61. Kudrin and Gurvich, in 'A new model', suggest the figure is probably less than 2 per cent a year.

<sup>88</sup> See [https://www.youtube.com/watch?v=Cw8ll-3\\_Kx0](https://www.youtube.com/watch?v=Cw8ll-3_Kx0) for Sechin's remarks and <http://www.gazeta.ru/business/2014/12/17/6350425.shtml> for Leontiev.

<sup>89</sup> Konstantin Gaaze, 'Poker dlya odnogo' ['Poker for one'], *New Times*, 1 September 2014.

<sup>90</sup> Connolly, *Troubled Times*.

# 4. A War of Narratives and Arms

James Sherr

## Introduction: a war of perception

In February 2014, the legal order and security system of post-Cold War Europe collapsed. In retrospect, all such breakdowns acquire an aura of inevitability. But their immediate causes are unforeseen and, in the eyes of those with reputations to salvage, ‘unforeseeable’. In these two respects, February 2014 resembles August 1914. There is a third resemblance: the belief that economic interdependence makes such collapses impossible.

But the West is not at war with Russia and, in contrast to 1914, no war fever exists. Chancellor Angela Merkel speaks for the majority of European leaders when she says that ‘there is no military solution’ to the crisis. In Poland and the Baltic states Ukraine’s independence is seen as existentially linked to their own. But to many others in the West, its ‘pivotal’ role is a dubious abstraction, and Ukraine itself is seen as a lost cause. Although Vladimir Putin’s image was falling ‘precipitously’ in Germany well before Crimea’s annexation, his stock is notably higher in Hungary and Greece as well as within anti-establishment parties in France and the United Kingdom.<sup>91</sup> In more mainstream ‘realist’ circles, there is a strong residual view that the post-1991 security order can be repaired, or reformatted, to ensure that a principal pillar of the antebellum system, partnership with Russia, is restored.<sup>92</sup>

The Russian state is not a disinterested observer in these debates. Many of its current custodians, seasoned ‘special service’ professionals, have brought Leninist traditions of ‘ideological struggle’ into the post-modern world. As Keir Giles demonstrates in Chapter 6, Russian investment in the ‘toolkit’ of perception management is unprecedented.<sup>93</sup> Yet this has come as a surprise to many in Europe. In the age of the web and social networks, as in the age of radio and television, the West has led the way in information technology and its commercial application. But such discoveries are not patentable. Nor do they confer a genetic mastery of the political applications of information technology, let alone the methodology of what the Russian state calls ‘information struggle’.

The word ‘struggle’ (*bor’ba*) is not a Russian euphemism for war, but a professional insider’s term denoting adversarial

activity in peacetime as well as in war.<sup>94</sup> Both the term and the practice derive from the USSR’s intensive investment in ‘ideological struggle’, ‘active measures’ and ‘reflexive control’, all of them designed to influence opponents, disorientate them and undermine their effectiveness. As Keir Giles has observed elsewhere, these practices once again constitute ‘a wide-ranging, holistic area of offensive activity by the [Russian] state’.<sup>95</sup>

In the peculiarly Russian sense of the term, ‘information struggle’ is a defensive measure, the product of a belated but intensive and long-term effort to ‘catch up and overtake’ opponents who have used advanced communications, soft power ‘instruments’ and civic mobilization against target states as early as NATO’s Kosovo intervention in 1999. The publication of an ‘Information Security Doctrine of the Russian Federation’ in September 2000 testifies to the depth of interest accorded to these issues over a 15-year period. According to the Ministry of Defence’s 2011 ‘Conceptual Views’ of the information space, even the narrower concept of ‘information war’ (*voyna*) encompasses the ‘undermining [of] the political, economic and social system, and massive indoctrination of the population for destabilizing the society and the state, and also forcing the state to make decisions in the interests of the opposing party’.<sup>96</sup>

‘Undermining’ is not the same as persuading. A prime purpose of Russian information campaigns is to sow doubt in post-modern societies already distrustful of ‘certainty’. Such campaigns also have a habit of deluding those who devise them. Excluding the information dimension of Russian policy might simplify things, but it does not advance understanding of a conflict that will be decided by intellectual and psychological factors as well as material ones. The conflict in Ukraine is a war of narratives as well as arms.

For all this, ‘the state is not pure spirit’, as Trotsky reminded us, and politics and war are not purely subjective phenomena.<sup>97</sup> They create facts, which can be a harsh auditor of the performance of those who claim to be acting in the national interest. The analysis that follows is an attempt to interpose fact into a conflict where, seemingly, ‘nothing is true and everything is possible’.<sup>98</sup>

<sup>91</sup> Hannes Adomeit, ‘Collapse of Russia’s Image in Germany: Who is to Blame?’ *Eurasia Outlook*, Carnegie Moscow Center, 18 February 2014, <http://carnegie.ru/eurasiaoutlook/?fa=54540>; Nigel Farage, ‘I admire Vladimir Putin’, the *Guardian*, 31 March 2015, <http://www.theguardian.com/politics/2014/mar/31/farage-i-admire-putin>.

<sup>92</sup> John J. Mearsheimer, ‘Why the Ukraine Crisis is the West’s Fault’, *Foreign Affairs*, September–October 2014, <https://www.foreignaffairs.com/articles/russia-fsu/2014-08-18/why-ukraine-crisis-west-s-fault>.

<sup>93</sup> See pp. 45, 46–48 of this report.

<sup>94</sup> The Russian terms are *informatsionnaya bor’ba* and *informatsionnoe protivostoyaniye*.

<sup>95</sup> Keir Giles, ‘With Russia and Ukraine, is all really quiet on the cyber front?’, *ARS Technica*, 11 March 2014, <http://arstechnica.com/tech-policy/2014/03/with-russia-and-ukraine-is-all-really-quiet-on-the-cyber-front/>.

<sup>96</sup> ‘Conceptual Views Regarding the Activities of the Armed Forces of the Russian Federation in the Information Space’ [Kontseptual’nye vzglyady na deyatel’nost’ Vooruzhennykh Sil Rossiyskoy Federatsii v informatsionnom prostranstve], RF Ministry of Defence, 2011.

<sup>97</sup> Lev Trotsky, *The Revolution Betrayed*, Chapter 11, <https://www.marxists.org/archive/trotsky/1936/revbet/ch11.htm>.

<sup>98</sup> A view prevalent in Russia itself. Peter Pomerantsev, *Nothing is True and Everything is Possible: Adventures in Modern Russia* (London: Faber & Faber, 2015).

## Ukraine divided: between Russia, the West and itself

However the conflict in Ukraine evolves or ends, its implications will be significant for the West, and not only its immediate protagonists. Ukraine's failure to realize its core objectives – the restoration of its territorial integrity and control of its borders – will have repercussions throughout the NATO treaty area: less so if that failure is confined to Crimea, more so if 'frozen conflict' becomes the 'new normal' in eastern Donetsk and Luhansk. As events in Moldova and the South Caucasus have shown, 'frozen conflict' is a misnomer for a frozen process of conflict resolution. Such conflicts not only poison the body politic; they mutate into fresh conflicts, sporadic or decisive. The potential of escalation is not only a theme of Russian info-war; it is a very real prospect. Yet even if these dangers can be averted, Ukraine will confront problems equal to those it faces at present. It will inherit a humanitarian catastrophe. Macroeconomic stability and energy security will remain precarious. For the better part of 20 years, the country has been irresponsibly governed, and it is far from certain that EU- and IMF-mandated reform will extirpate the instincts of a bloated and avaricious state. These burdens are subjecting an already exhausted country to tests it has not experienced before.

### The pertinent questions are whether Ukraine's divisions are the cause of the armed conflict that broke out after President Viktor Yanukovich left office and whether the conflict has diminished or exacerbated them.

Bad governance is not a *casus belli*. Yet the perception of Ukraine as a 'divided country', a 'failed state' and, *pace* Putin, an 'artificial state' has shaped public attitudes about the conflict and Russia's role in it. How many countries are not divided? Four of the most prosperous countries in the EU – the UK, Belgium, Italy and Spain – are hosts to separatist movements. In contrast to Ukraine, all of them are

blessed with benign geopolitical environments. No powerful neighbours have an interest in their enfeeblement, let alone dismemberment. The pertinent questions are whether Ukraine's divisions are the cause of the armed conflict that broke out after President Viktor Yanukovich left office and whether the conflict has diminished or exacerbated them. It has been argued that the war is a 'battle over Ukrainian identity'.<sup>99</sup> Yet this raises two questions: who decided to wage war over it, and who enabled them to wage it? Recent history does not support the view that the war in Ukraine is a civil war, and only 20 per cent of Ukrainians believe that it is.<sup>100</sup> The view of the Ukrainian majority is supported by evidence as much as by sentiment:

- Between 1992 and 2014, it was the absence of conflict across ethnic, confessional and linguistic lines that was noted by the UN, OSCE and PACE (the Parliamentary Assembly of the Council of Europe), latterly reaffirmed by the UN Special Rapporteur on Minority Issues in January 2015.<sup>101</sup> Between the signing of the Russia–Ukraine State Treaty (31 May 1997) and Yanukovich's fall from power (22 February 2014), Russia brought no official complaint against Ukraine regarding its respect for minority rights.<sup>102</sup>
- Ukraine's proverbial 'balancing act' between Russia and the West is overstated. Under all four of its presidents, Ukraine defined itself as a European state. EU membership has never been a highly contentious issue.<sup>103</sup> It is NATO membership that has polarized society, particularly after the 1999 Kosovo conflict and 2003 Iraq war (wrongly perceived as a NATO-led operation), though support for joining NATO is now at unprecedented levels.<sup>104</sup> Leonid Kuchma, who won the 1994 election as the 'candidate of the east', not only devised a 'multi-vector' policy but a 'distinctive partnership' with NATO that was treated as a blueprint for *de facto* integration. Yanukovich, architect of the non-bloc policy, pursued an Association Agreement with the EU and resisted Ukraine's incorporation into the Eurasian Customs Union, which he believed (correctly) would sound the death knell for his presidency.

<sup>99</sup> For example, Nicolai Petro, 'The Real War in Ukraine: The Battle Over Ukrainian Identity', the *National Interest*, 10 January 2015; 'Save Ukraine!', *Moscow Times*, 19 March 2014 (in which he endorses Moscow's claim that '97 percent of Crimeans ... no longer feel comfortable within Ukraine').

<sup>100</sup> Razumkov Centre, September 2014, [www.uceps.org/upload/1412757450\\_file.pdf](http://www.uceps.org/upload/1412757450_file.pdf).

<sup>101</sup> 'The overwhelming majority of the minority and other representatives consulted by the Special Rapporteur on minority issues during her visit to Ukraine described a history of harmonious inter-ethnic and interfaith relations and a legislative, policy and social environment that was generally conducive to the protection of their rights, including cultural and linguistic rights.' Report of the Special Rapporteur on Minority Issues: Mission to Ukraine (Human Rights Council, Agenda Item 3), 27 January 2015.

<sup>102</sup> The treaty, which obliges the parties to 'respect the territorial integrity and ... inviolability of borders between them', contains general and specific provisions regarding minority rights (Articles 3 and 12). Treaty of Friendship, Cooperation and Partnership between Ukraine and the Russian Federation, 31 May 1997.

<sup>103</sup> According to a survey of the Kucheriv Democratic Initiatives Foundation in January 2015, only 19.9% of respondents nationwide held the view that European integration 'divided Ukrainian society'. At the same time, 29.7% supported membership of the Eurasian Economic Union, which implies (as other polls do) that a proportion of citizens favours membership of both. <http://dif.org.ua/ua/publications/press-relizy/sho-obednue-ta-rozednue-ukrainciv.htm>; <http://dif.org.ua/ua/publications/press-relizy/krim-ne-opituvannja-.htm>.

<sup>104</sup> The Kucheriv Foundation poll places it at 40%, as opposed to 22.4% who favour a non-bloc policy and only 10.1% who support membership of the Collective Security Treaty Organization (CSTO).

### Box 1: Ukraine crisis – timeline

#### 2013

- 21 November** President Viktor Yanukovich abandons the Association Agreement with the EU, seeking closer ties with Russia. Small protests start.
- 30 November–1 December** Riot police brutally disperse student protesters at night. Protests escalate, with over 800,000 people demonstrating in Kyiv – a movement that comes to be known as the ‘Euromaidan’ or just the ‘Maidan’. Significant protests also occur in other cities in Ukraine.
- 17 December** Vladimir Putin agrees to buy \$15 billion of Ukrainian debt and reduce the price of Russian gas supplies by a third.

#### 2014

- 16–23 January** Parliament passes restrictive anti-protest laws as clashes turn deadly.
- 20 February** At least 88 people reportedly die in 48 hours as protesters and police clash in Kyiv.
- 21 February** President Yanukovich signs EU-brokered compromise deal with opposition leaders.
- 22 February** President Yanukovich flees Kyiv. Parliament votes to remove president from power, elects Oleksandr Turchynov acting president and sets elections for 25 May.
- 23 February** Parliament annuls Yanukovich’s August 2012 law allowing oblasts (regions) to adopt Russian as their ‘official’ language. Vetoed by Turchynov.
- 27–28 February** Pro-Russian gunmen seize government buildings in Simferopol.
- 1 March** Russia’s parliament approves President Putin’s request to use force in Ukraine to protect Russian interests.
- 16 March** In Crimea 97 per cent of people are said to have voted to join Russia in a referendum condemned as a sham in the West.
- 17 March** The EU and US impose travel bans and asset freezes on several officials from Russia and Ukraine over the Crimea referendum.
- 18 March** Putin signs a law incorporating Crimea into Russia.
- 7 April** Protesters seize government buildings in Kharkiv, Donetsk and Luhansk in eastern Ukraine.
- 16 April** Ukraine announces the start of an ‘anti-terrorist operation’ against rebel forces.

- 2 May** Clashes in the Black Sea city of Odessa leave 42 people dead, most of them pro-Russian activists.
- 5 May–1 July** Ukraine Ministry of Defence and National Guard units gradually regain control of 23 out of 36 districts seized by the rebels.
- 11 May** The Donetsk and Luhansk ‘People’s Republics’ declare independence after referendums.
- 25 May** Petro Poroshenko is elected president of Ukraine on the first ballot.
- 27 June** The EU and Ukraine sign the full Association Agreement (having signed the political chapters on 21 March).
- 17 July** Malaysia Airlines Flight MH17 is shot down in eastern Ukraine, allegedly by pro-Russian rebels.
- 31 July** The EU and US announce more stringent (Tier 3) economic sanctions, restricting access by Russian banks to finance and by Russian oil companies to long-term Western financing, ‘dual use’ and advanced technology.
- 22 August** A Russian ‘humanitarian convoy’ arrives at the besieged city of Luhansk without Ukrainian permission.
- 28 August** Rebel forces reinforced by Russian regulars launch a major offensive towards the strategic port of Mariupol.
- 5 September** The rebels, Ukraine, Russia and the OSCE sign a ceasefire and political framework agreement in Minsk.
- 31 October** Russia agrees to resume gas supplies to Ukraine over the winter in a deal brokered by the EU.
- 2015**
- 19 January** Rebel and Russian forces launch a military offensive, backed by heavy weapons; rebels retake Donetsk airport on 22 January after four months of fighting.
- 31 January** Talks of the Trilateral Contact Group (Ukraine, Russia, OSCE) in Minsk collapse when rebel leaders decline to attend.
- 12 February** Under the auspices of Ukraine, Russia, Germany and France, representatives of the Trilateral Contact Group and rebel leaders sign a second ceasefire and political accord in Minsk.
- 18 February** Ukrainian forces routed from Debaltsevo three days after ceasefire was to have taken effect.
- May** Military activity in the conflict zone intensifies.

- Despite deep dissatisfaction with the quality of governance, there has been relatively little discord over Ukrainian statehood or borders. Eastern Ukrainians have been estranged from Kyiv, whoever has held office. Yanukovich was elected by 75–80 per cent of the region’s voters in February 2010, but his support steadily declined, and by February 2013, 42.6 per cent did not support him at all.<sup>105</sup> Following the victory of the Maidan protesters, dissatisfaction with Kyiv in the east rose to 67 per cent; nevertheless, Pew recorded only 27 per cent support for secession in eastern oblasts in May 2014, and Gallup’s figures were decidedly lower.<sup>106</sup> Fewer than 20 per cent of Ukrainians as a whole viewed the Maidan as an action instigated by radical nationalists or foreign powers. The few large pro-regime protests against the Maidan were organized by the authorities and were brief in duration; participants in Kyiv’s ‘anti-Maidan’ were paid a daily allowance and marshalled in and out.<sup>107</sup> In Crimea (whose population is only 58 per cent Russian), support for joining Russia did not exceed 42 per cent in 2013. According to Pew’s survey one month after annexation, it had risen to 54 per cent, but that was still a far cry from the 97 per cent who supposedly voted for annexation in the Russian-sponsored referendum.<sup>108</sup>
- The language issue, which has risen and fallen in saliency since 1992, defies simple categorization. Its potential divisiveness was defused by Ukraine’s constitution of 1996, which establishes Ukrainian as the ‘state’ language, but also guarantees ‘the free development, use and protection of Russian and other languages’ (Article 10). By raising Ukrainian language requirements in university education, Viktor Yushchenko’s government contravened the spirit of these provisions, inadvertently garnering support for the law of 8 August 2012, which enabled eastern and southern oblasts to adopt Russian as

their ‘official’ language.<sup>109</sup> The rash (and hastily rescinded) annulment of this law by the Verkhovna Rada (parliament) on 23 February 2014 deepened perceptions in russophone communities, saturated by Russian media, that Yanukovich had been deposed by radical nationalists. In Ukraine the proportion of Russian-language schools is greater than the proportion of ethnic Russians in the country, but lower than the proportion of Russian speakers.<sup>110</sup> In occupied zones, Ukrainian-language schools have been shut down, and in Russia, where some 2 million Ukrainians reside, there are none at all.

This record accords poorly with the motifs of Kremlin discourse. Ukrainians and Russians are not ‘one people’ with a ‘common history’, but related peoples whose intersecting histories have bred intimacy, ambivalence and conflict. The traditions of what Dmitry Furman called the ‘Cossack anarcho-democratic semi-state’ are clearly visible in the two Maidans, the country’s ethno-religious diversity, its civic literacy and the widespread distrust of power.<sup>111</sup> Ukrainians have no difficulty distinguishing between linguistic and state identity or between ethnic origin and ‘belonging’ (*nalezhnist*). The ‘identity war’ thesis ignores the factors that bind Ukraine together.<sup>112</sup> It also sidesteps what by March 2014 had become apparent: Russia’s instrumental role in the conflict.

Like the USSR before it, the Russian Federation has invested in a model of warfare designed to cripple a country before the start of overt conflict.<sup>113</sup> With and without Russian help, Yanukovich had hollowed out much of the state. For years the president had enabled Russian loyalists, agents and money to penetrate Ukraine’s military, security service and police. By December 2013 the Ukrainian Security Service (SBU) found itself under *de facto* Russian subordination. So severely was the SBU compromised that during the final days of Yanukovich’s rule Russian-directed operatives were able to erase codes,

<sup>105</sup> ‘Do You Support the Activity of Victor Yanukovich?’, Razumkov Centre (Kyiv), April 2014.

<sup>106</sup> These were 5–8% for the right of oblasts to secede, 35% for a federal state, 49% for a unitary state – International Republican Institute, *Public Opinion Survey: Residents of Ukraine*, 3–12 April 2014, [www.iri.org/sites/default/files/2014%20April%20Survey%20of%20Residents%20of%20Ukraine,%20April%203-12,%202014.pdf](http://www.iri.org/sites/default/files/2014%20April%20Survey%20of%20Residents%20of%20Ukraine,%20April%203-12,%202014.pdf); Pew Research Center, *Chapter 1. Ukraine: Desire for Unity Amid Worries about Political Leadership, Ethnic Conflict*, 8 May 2014, [www.pewglobal.org/2014/05/08/chapter-1-ukraine-desire-for-unity-amid-worries-about-political-leadership-ethnic-conflict/](http://www.pewglobal.org/2014/05/08/chapter-1-ukraine-desire-for-unity-amid-worries-about-political-leadership-ethnic-conflict/).

<sup>107</sup> The author observed this himself in December 2013. In the Kucheriv poll, only 8.3% of respondents characterized the Euromaidan as a ‘fight by radical and nationalist groups against a lawful authority’ and 11.5% saw it as a ‘conflict by foreign powers on Ukrainian territory’. (More than one response was permitted.)

<sup>108</sup> See Pew Research Center, *Chapter 1*.

<sup>109</sup> According to an April 2014 Pew poll, 73% of eastern (as opposed to 30% of western) Ukrainians want Russian established as a second official language. But even in eastern Ukraine only 1% would like to see Russian established as the sole official language of the country.

<sup>110</sup> In the most recent census (2001), 17.9% identified themselves as ethnic Russians and 29% as Russian-speaking.

<sup>111</sup> Dmitry Furman, ‘Kuchma has got the wrong people’ [*Kuchme dostalsya ne tot narod*], *Vremya MN* [*The ‘Times’ of Moscow News*], 15 October 2002.

<sup>112</sup> For a discussion of these factors, see James Sherr, ‘Ukraine’s Scissors: Between Internal Weakness and External Dependence’ (Russie.Nei.visions no 9, IFRI March 2006) and ‘Whither the Russian Factor?’, in Andrej Lushnycky and Mikola Riabchuk (eds), *Ukraine on its Meandering Path between East and West* (Bern: Peter Lang, 2009).

<sup>113</sup> For a wider discussion see ‘Towards the Next Security and Defence Review: Part Two – NATO’ (Third Report of Session 2014–15), House of Commons Defence Committee, 22 July 2014, p. 17 (hereafter HCDC).

undermine the integrity of communications systems and destroy records.<sup>114</sup> Thus, when Igor Girkin (alias Strelkov), the first defence minister of the so-called Donetsk People's Republic (DPR), states that 'if our detachment hadn't crossed the border, everything in short [i.e. the resistance] would have collapsed', he possibly inflates his own importance.<sup>115</sup> The state confronting him had effectively suffered a stroke.

### The direct intervention of Russian regular forces in August, and the loss of nearly 1,000 Ukrainian troops in Ilovaysk, were a brutal reminder that Ukraine is not fighting an internal war.

Among the initial leaders of the insurgency in eastern Ukraine, only one, Pavel Gubarev, is a Ukrainian citizen. Girkin, a former FSB (Federal Security Service) colonel with combat experience in Chechnya, was first deployed in Crimea and, at the conclusion of that operation, crossed into Donetsk along with several hundred other 'tourists' from Russia. The conflict he claims to have started is the linear descendant of irregular wars fought on the fringes of the Tsarist and Soviet empires. These were untidy, covert and vicious wars, prosecuted as much by informal militias and networks as by conventional armies. They blurred the distinction between internal and interstate conflict, and they were designed to do just that. Combatants in today's 'hybrid war' are, accordingly, a motley assortment of serving officers in the FSB and GRU (military intelligence), remnants of Ukraine's former Berkut 'special' police, the private security forces of oligarchs, Cossacks, Chechen fighters, adventurers and criminals. In the words of a militia officer in October 2014, 'mostly we have nut jobs'.<sup>116</sup> Finance in this 'network war' is as opaque as it is in Russia's 'network state'.<sup>117</sup>

Hybrid wars are also prosecuted by 'masking' and make-believe.<sup>118</sup> The Russian 'humanitarian convoys' organized in summer 2014 first appeared in the 1999 Kosovo conflict under the banner of the Ministry of Emergency Situations, then headed by the current minister of defence, Sergey Shoygu. The *maskirovka* [disguise] was exposed when the first convoy, stopped on the Ukraine–Romania border, was found to contain military and dual-purpose equipment. At least one of the convoys inspected by the OSCE in 2014 contained empty vehicles that then proceeded to remove industrial machinery from occupied areas, arguably offsetting the value of the humanitarian goods brought into them.<sup>119</sup>

In May 2014 (two months before his own dismissal), Girkin lamented that the people of Donetsk were not supporting him:

I admit that I never expected that in the entire oblast, one cannot find even a thousand men ready to risk their lives even for their own city. ... Amongst the volunteers, the majority are men over 40 who acquired their upbringing in the USSR. But where are they, the young, healthy lads? Perhaps in the brigades of gangsters who, enjoying the absence of authority, have thrown themselves into plunder and pillage in all cities and right across the oblast.<sup>120</sup>

By then, the separatists had lost the impact of surprise, and Ukraine had recovered its bearings. The Ukrainian counter-offensive between May and July, which regained control of 23 of the 36 districts seized by the rebels, demonstrated support for the state and foreclosed military collapse. Yet it also induced the Kremlin to raise its game. The direct intervention of Russian regular forces in August, and the loss of nearly 1,000 Ukrainian troops in Ilovaysk, were a brutal reminder that Ukraine is not fighting an internal war.<sup>121</sup> Reconstitution of Ukraine's offensive capacity in the ensuing months provoked a still more dramatic Russian escalation on 19 January 2015, which brought onto the field not only fresh forces but munitions, weapons systems and electronic warfare capabilities that were entirely new to the conflict.

<sup>114</sup> Taras Kuzio, 'Yanukovich Authorizes the Return of Russia's FSB to the Crimea', 24 May 2010, <http://www.moldova.org/yanukovich-authorizes-the-return-of-russias-fsb-to-the-crimea-209210-eng/>. On Russia's role in 2013–14, the author consulted senior security officials in March 2014. See also 'Diplomatic Journal: Pavel Felgenhauer on the Defence of Russia's Perimeter', 22 March 2015, <http://rus.delfi.ee/daily/diplomaatia/zhurnal-diplomatiya-pavel-felgengauer-o-zaschite-perimetra-rossii?id=71061427>; and Poroshenko, 26 March 2015, <http://korrespondent.net/ukraine/3496170-poroshenko-ranshe-sbu-na-80-sostoiala-yz-ahentov-fsb>.

<sup>115</sup> 'Strelkov Said that It Was He Who Began the War in Ukraine' [Strelkov soobshchil, chto eto na nachal voynu na Ukraine], BBC Russian Service, 20 November 2014.

<sup>116</sup> Cited in *Eastern Ukraine: A Dangerous Winter*, International Crisis Group, Europe Report No. 235, 18 December 2014, p. 13.

<sup>117</sup> On what is also termed 'ambiguous' and 'network' war, see Roger McDermott, 'Russia's Information-Centric Warfare Strategy: Redefining the Battlespace', *Eurasia Daily Monitor*, Vol. 11, issue 123, 8 July 2014 (Washington, DC: Jamestown Foundation); and for a somewhat different view, see Keir Giles, HCDC, p. 46, Q154–195. On Putin's 'network state' see Vadim Kononenko and Arkady Moshes, *Russia as a Network State: What Works in Russia When State Institutions Do Not* (London: Palgrave, 2011).

<sup>118</sup> The term *maskirovka* describes technical and tactical measures designed to make arms and actions appear to be different from what they are.

<sup>119</sup> 'Lugansk Factory Transports Equipment to Russia and Starts Production There', <http://finance.bigmir.net/news/companies/50185-Luganskij-zavod-vyvez-oborudovanie-v-Rossiju-i-zapuskaet-tam-proizvodstvo---SMI>, 27 August 2014, and <http://forbes.ua/business/1377967-kakie-predpriyatiya-donbassa-riskuyut-okazatsya-v-rossii>.

<sup>120</sup> Igor Strelkov, 'Is that all that you are capable of?' [Eto vse, na chto viy sposobniy?], *Vzglyad*, 18 May 2014, [www.vz.ru/world/2014/5/18/687251.html](http://www.vz.ru/world/2014/5/18/687251.html), and <https://www.youtube.com/watch?v=-T68YLCV0HA>.

<sup>121</sup> According to the Ukrainian parliament's report of October 2014, 300 of these were killed trying to break out of encirclement. 'Report Says 1,000 Soldiers Died During Ilovaysk Disaster', UNIAN, 21 October 2014.



These offensives represent an escalation of information war as well as war-fighting. The January offensive demonstrated the pitiful irrelevance of the 5 September Minsk accords, (which mandate the complete withdrawal of foreign forces from the country); nevertheless, the response was not the much mooted arming of Ukraine, but a second Minsk accord that was sabotaged from the moment it came into effect. Whereas the débâcle of Ilovaysk preceded the September ceasefire, the débâcle of Debaltsevo followed the ceasefire that was to have come into force on 15 February. Not only does the Kremlin seek to show that the West's policy of sanctions is not working; it is equally determined to show that it alone holds the key to resolving this conflict. The purpose of Russia's military card is to deny Ukraine the baseline it requires for political sustainability, fiscal solvency and structural reform. If Minsk II stabilizes the situation, Russia will create the conditions for 'Minsk III'. This logic, which has never wavered since Yanukovich's departure, puts the spotlight squarely on Ukraine's state capacity, military and economic, as well as the West's resolve to sustain a course that not everyone regards with enthusiasm.

Over a year after Yanukovich hastily left Kyiv, Ukraine is no longer the country that it was. It is substantially more consolidated and vastly more imperilled. Vladimir Putin has done more than any leader, Russian or Ukrainian, to forge a broadly based Ukrainian national identity that is neither aggressive nor extreme. Despite their visibility on the Maidan, the far-right parties were reduced to a rump of under 2 per cent in the presidential election of 25 May 2014 and the parliamentary elections of 26 October.<sup>122</sup> For their part, the anti-Maidan candidates secured only 11 per cent of the vote in the latter. Although the exclusion of Crimea and over 80 per cent of constituencies in Donetsk and Luhansk by *force majeure* inevitably skewed these results, the fact is that in the presidential election, despite 21 candidates in the field, Petro Poroshenko received a plurality in all eastern oblasts (including the Donetsk and Luhansk districts where voting took place) and avoided a second round by winning a national majority of 54.7 per cent.<sup>123</sup> Set against this, however, the low turnout in oblasts that voted for Yanukovich in 2010 testifies to the disaffection that remains in much of the east and south.<sup>124</sup>

#### Box 2: Minsk II terms

1. Immediate and full bilateral ceasefire in specific (*otdel'niye*) areas of Donetsk and Luhansk with effect from 15 February.
2. Withdrawal of all heavy weapons (by 50–75 km) by both sides (N.B. on land).
3. Effective monitoring and verification regime for the ceasefire and withdrawal of heavy weapons by the Organization for Security and Co-operation in Europe (OSCE).
4. Launch of dialogue, from day one of the withdrawal, on holding of local elections and the 'future regime' in these territories.
5. Pardon or amnesty for any figures involved in the Donetsk and Luhansk conflict.
6. Release of all hostages and other illegally detained persons.
7. Unimpeded delivery of humanitarian aid to the needy, internationally supervised.
8. Definition of modalities for restoring full social and economic links with affected areas, including Ukrainian government disbursement of 'social transfers'.
9. Restoration of Ukrainian government control over the state border, throughout the conflict zone, following constitutional reform and subject to the concurrence of separatist leaders.
10. Withdrawal of all foreign armed groups, military 'equipment' (*tekhniki*) and mercenaries from Ukrainian territory.
11. Adoption of a new constitution by the end of 2015, with special provisions for specific areas agreed with their representatives.

The war has also given prominence to the parallel civic state, a phenomenon first noted by the author in 2002.<sup>125</sup> Its ethos, summed up in the slogan 'we rely upon ourselves', is symbolized by the Maidan and the cottage industries that

<sup>122</sup> Oleh Tyahnybok, candidate of Svoboda, the main party of the right, secured 1.16% and Dmytro Yarosh of the far-right Praviy Sektor 0.71%. Nevertheless, Oleh Lyashko, leader of the populist Radical Party, came third at 8.1%. 'Ukraine: Early Presidential Election 25 May 2014', OSCE/ODIHR, p. 34. On 26 October, Svoboda secured six seats in the 426-member national parliament and Praviy Sektor one.

<sup>123</sup> He received 35% of the vote in Kharkiv, 38.7% in Zaporizhye and 44.2% in Dnipropetrovsk.

<sup>124</sup> Sergiy Kudelia, 'Ukraine's 2014 Election Result is Unlikely to be Repeated', *Washington Post*, 2 June 2014.

<sup>125</sup> James Sherr, 'Ukraine's Parliamentary Elections: The Limits of Manipulation', Occasional Paper 91, Conflict Studies Research Centre, Camberley, 21 April 2002.

sprang up around it. Its most visible wartime manifestation has been the formation of all-volunteer territorial defence battalions, currently 37 in number, more than a quarter of them from eastern oblasts. This helps to explain why the majority of Ukrainian soldiers in the conflict are Russian-speaking.<sup>126</sup> But the influence of the parallel state can now be felt across the board, from the bottom-up organization of defence in Mariupol to the fabrication of body armour out of household materials, and the provision of winter clothing for soldiers and shelters for families whose homes have been destroyed.

At the same time, the strength of the parallel state is a commentary on the debilities of the legal state. Compared with the Yushchenko years, there are better prospects that the two will converge (an example being the emergence of Samopomich [Self-Help], which won 33 seats in the new parliament). Yet the legal state, with its bureaucratic mastodons, suffocating hierarchies, mindless routines and idiotic regulations, remains very much in place. Along with its silent partner, the quasi-criminal shadow state, it is the gum that fouls every good policy and drives all but the toughest reformers to capitulation or mental breakdown. It is this malign synergy, rather than any latent Banderist ideology,<sup>127</sup> that has poisoned relations between the largely self-financing territorial battalions and the Ministry of Defence, which has covered up fraud and theft on an unconscionable scale. The last minister to confront such a challenge, Anatoliy Grytsenko, managed to remain in office for almost three years – in the event, not long enough to produce the ‘irreversible’ changes he sought. Less than a month after Yanukovich took office, the six deputy ministers and senior officials dismissed by Grytsenko were reinstated.

The considered wisdom in Kyiv is that President Poroshenko and Prime Minister Arseniy Yatseniuk are the least bad leaders that Ukraine has ever had. Intellectually, they understand the necessity for reform as much as anyone. But that will not be enough to empower reformers, bring the economy out of the shadows and overcome the culture of power and patronage of which they are part. So far, their actions have been in line with Augustine’s prayer: ‘Lord, make me good but not yet.’ The differences between the Russian state, which appears to work even when it does not, and the Ukrainian state, whose deficiencies escape no one, are threefold: money, coercion and deference to power. The challenge for Ukraine is to produce systemic change in

penurious circumstances and by lawful means in a country where power and privilege are scorned. This is both a constraint and an opportunity. So is public recognition that there is no longer any choice.

There is no choice. In present circumstances, prolongation of the status quo invites destitution and chaos. Over 40 per cent of Ukraine’s coal mines (accounting for 66 per cent of production) are flooded. Infrastructure has been destroyed and assets confiscated on a colossal scale. By no means all of Donetsk and Luhansk was a rust belt. Iron and steel accounted for 34 per cent of export revenues. There was measurable (albeit inadequate) investment in energy efficiency and modernization following the gas crises of 2006 and 2009. Firms such as the Industrial Consortium of Donbas undertook complex and highly profitable construction projects for European customers. Today, its assets are in Russian hands, and its co-chairman, former Donetsk governor Serhiy Taruta, is bankrupt.<sup>128</sup> In this matrix, Ukrainian military and National Guard units are not entirely free of blame. They fire into civilian areas, though supposedly only when fired upon.

**The challenge for Ukraine is to produce systemic change in penurious circumstances and by lawful means in a country where power and privilege are scorned. This is both a constraint and an opportunity. So is public recognition that there is no longer any choice.**

This dire economic situation, combined with social and humanitarian conditions in the east, would pose a formidable challenge to any prosperous EU member state. In its May 2014 report, the UNHCR described ‘an increasing number of human rights abuses’ in occupied areas, ‘such as abductions, harassment, unlawful detentions’ and torture.<sup>129</sup> These practices, along with threats against Jews (which have reduced the 17,000-strong Jewish community of Donetsk to a rump of several thousand), attacks on Roma and the ‘plunder and pillage’ described by Girkin, form the backdrop to a catalogue of material deprivation and breakdown of essential services, threatening communities with starvation.<sup>130</sup> After the destruction of Debaltsevo, 15 buses filled with residents heading west; only one went east.

<sup>126</sup> On 10 November, the battalions were incorporated into the National Guard, though it remains to be seen what impact this will have on their ethos, their command structures and their standards of discipline.

<sup>127</sup> Stepan Bandera (1909–59), Ukrainian nationalist leader whose beliefs, actions and legacy remain deeply controversial in Ukraine.

<sup>128</sup> Evgeniy Shvets, ‘Serhiy Taruta: “Rinat [Akhmetov] is no longer an oligarch, and I am bankrupt” [Rinat bol’she ne oligarkh. A ya – bankrot]’, LB.ua, 5 January 2015.

<sup>129</sup> Office of the UN High Commissioner for Human Rights, *Report on the Human Rights Situation in Ukraine*, 15 May 2014, p. 4.

<sup>130</sup> Amie Ferris-Rotman, ‘The Scattering of Ukraine’s Jews’, *The Atlantic*, 21 September 2014, [www.theatlantic.com/international/archive/2014/09/ukraine-jewish-community-israel/380515/](http://www.theatlantic.com/international/archive/2014/09/ukraine-jewish-community-israel/380515/); International Crisis Group, *Eastern Ukraine*, pp. 17 ff.

This tableau of grief offers the authorities every opportunity to drive a wedge between local citizens and an occupying force. Instead, Ukrainian bureaucracy is helping them build a ghetto. President Poroshenko's decree of 14 November cutting off social disbursements in occupied zones would be justifiable if residents could leave and collect them elsewhere. Instead, a pass regime has been imposed, passes only arrive after much delay, and local officials in neighbouring localities ('on instructions from Kyiv') then impose fresh requirements.<sup>131</sup> This amounts to short-sightedness on a strategic scale.

The country now finds itself in a most paradoxical situation. The war has united Ukrainians as never before. But where divisions remain, they are sharper than they were. Ukrainians in occupied zones fear both sides and trust no one. The Minsk accords have cast them into a void, and the authorities in Kyiv behave increasingly as if they no longer exist.

### Through the Kremlin looking glass

Years before these events, Russia had become a proud, resentful, apprehensive and ambitious power. Fifteen years of Western dominance have instilled an abiding sense of grievance. Brutal and bungled interventions (Iraq) and serendipitous ones (Libya) have also nurtured feelings of contempt. For the current occupants of the Kremlin and a fair proportion of their predecessors, Ukraine is a vital interest on all significant counts: identity, legitimacy, economics and geopolitics. Yet the current conflict has also become the pivot in a struggle to reshape the post-Cold War security order, which Gorbachev and Yeltsin co-authored, but which many saw as a Versailles-type diktat even before Putin came to power. The Kremlin's objectives and policies, and many of its policy instruments, have a strategic focus; yet it displays the utmost flexibility, boldness and occasional rashness in tactics. The Russian leadership has proved to be an astute judge of the weaknesses of opponents, but as the present conflict shows, it can be a poor judge of their strengths.

One need not sit inside the Kremlin to understand that Ukraine's incorporation into the European system will have repercussions inside Russia and its governing elite. Ukraine is not just any neighbour but a core component of what many Russians see as the 'Russian world'. By defining Russia in 'civilizational' terms and juxtaposing the 'distinctiveness' of *russkiy mir* to the liberal, post-modern and multicultural values of the West, Russia's

'conservatives' and Eurasianists have raised their game as well as the consequences of failure. This is manifestly true for President Putin, who has hoisted himself with this ideological petard, however 'pragmatic' his own views might be. (It is worth recalling that during his first term he appealed to Europe on the basis of the 'European culture' he now vilifies.<sup>132</sup>) Moreover, Ukraine is pivotal to Russian-sponsored integration projects – and not only in civilizational terms. As Arkady Moshes wrote in 2013, the 'stagnation of Eurasian integration' makes Ukraine's inclusion 'more critical than ever'.<sup>133</sup> As a transit hub for energy and a potential *platsdarm* (bridgehead) of the West, Ukraine's strategic importance is an article of faith.

Yet the dynamic of today's policy is as much the product of inner regime imperatives as of these broader secular factors. Since his re-election in 2012, Putin has narrowed the circle of power and reconstituted the political system in a defensive and illiberal direction. Intellectual claustrophobia and opacity now define a leadership milieu that during Putin's first term was appreciably more diverse. This 'closing of the Russian mind', in Andrew Wood's phrase, has put certain phobias and nostrums beyond the reach of evidence or argument.<sup>134</sup>

Chief among these is the presumed determination of the United States and its 'satellites' to isolate Russia, enfeeble it and deprive it of influence in Europe. As Sergei Lavrov has stated on more than one occasion, the aim of Western sanctions is not to change Russia's policy, but its regime. At the same time, the Kremlin perceives that Europe lacks the mettle and cohesion to pay the price that its principles dictate. Business interests are Europe's interests in Russian eyes, and these interests, which require a strong and reliable Russian partner, will eventually reassert themselves. Moreover, the Kremlin believes that the West is 'losing its monopoly on the globalization process'.<sup>135</sup> Although increasing dependency on China is a source of marked discomfort, the emergence of a world of 'multiple values centres' is seen as conducive to Russian interests even if it offers little practical help. Finally, nothing that has occurred in Ukraine since November 2013 has dislodged the axiom that 'Ukraine cannot stand alone'. The second Maidan is viewed as a US special operation, as was the first. From this perspective, Ukraine's moral investment in its own survival is irrelevant. One will look in vain for anyone in Russia who believes that the 'Banderist clique' in Kyiv can survive without ever greater levels of Western support.

<sup>131</sup> Meeting notes shared in confidence by an experienced Western consultant, November 2014; letter from a friend of the author in Donetsk, March 2015.

<sup>132</sup> See Putin's speech to the German Bundestag, 25 September 2001.

<sup>133</sup> Arkady Moshes, 'Will Ukraine Join (and Save) the Eurasian Customs Union?', Policy Memo 247, PONARS Eurasia, April 2013.

<sup>134</sup> Andrew Wood, 'Reflections on the Closing of the Russian Mind', *The American Interest*, 3 November 2014.

<sup>135</sup> Sergei Lavrov, 'The Present and the Future of Global Politics', *Russia in Global Affairs*, No. 2, April–June 2007, [http://eng.globalaffairs.ru/number/n\\_8554](http://eng.globalaffairs.ru/number/n_8554).

In their masterful study *The Menace of Unreality*, Peter Pomerantsev and Michael Weiss depict Russia's information offensive in the West as a potent synergy of innuendo, false analogies, non sequitur and contradiction.<sup>136</sup> Yet this might also serve as a commentary on how Russia disinforms itself. The synergy is regularly refreshed by the elements of truth that it doubtless contains. Reality checks, where they have occurred, have led to a redrawing of lines rather than a re-examination of underlying assumptions.

The Kremlin has difficulty understanding that Europe's divisions are not objective facts defined by immutable political fault-lines, but realities subject to change. Putin is also temperamentally averse to the idea that for Europe's elites, rules matter and partnership with Russia requires mutual trust as much as material interest. His interpretation of the West's motivations and agenda assumed that Europe's attachment to the post-Cold War system was as cynical as his own. Owing to these faulty premises, he was unprepared for the alienation of Angela Merkel and the reinforcement of transatlantic links. Thus the EU's adoption of Tier 3 sanctions under German leadership and in unison with the United States came as a complete surprise.

But arguably Putin's greatest error was to underestimate the resilience of Ukraine. Two months after the Kremlin declared that 'Ukraine is ours', Yanukovich fled in disgrace, and Russia found itself with no influence at all. Within weeks, the state re-emerged. Ukraine reconstituted military force and by May 2014 had begun to win battles against the insurgents. Outside its initial strongholds, the insurgency failed to gain a critical mass, and by late summer it was on the point of collapse.

None of this means that the Kremlin cannot achieve its core objectives: to create a semi-'mobilization' regime at home, to wreck Ukraine if it cannot control it, to preserve Russia's western borderlands as a 'privileged space' and to make Europe accept that 'there can be no security without Russia'. In any serious undertaking, there are mistakes and setbacks. But in the Russian mind war is a clash of wills, not an accounting exercise. The Kremlin's cognitive framework contains some hard truths for Western policy-makers: an existential faith in Russia's greatness, a willingness to accept risk, damage and opprobrium in the service of enduring state interests. 'He who wills the end wills the means.' Russia's custodians believe that 'reform' and trust in the country's enemies led to the USSR's collapse, and they have no intention of repeating that experience. These predilections suggest that the path to accommodation will be long and arduous.

## Clarity and purpose

Against one benchmark of assessment, its own burdens and priorities, the West's response to events since February 2014 has been impressive. Against a second, Russian tenacity, the adequacy of this response is far from certain. For the West to raise and maintain its game, several revisions of thinking and practice warrant consideration:

- Whether the West plays its cards well or badly, it faces a protracted struggle with Russia. The 'crisis' paradigm (which stimulates a Pavlovian search for 'endgames') is illusory. Over the past 20 years, Russia has attempted to limit the sovereignty of neighbours within the framework of a treaty regime that recognized no such limitation. It has now torn up that framework. Today there is no international law east of the Narva and Prut. Putin's resurrection of the notion that language and ethnicity – rather than citizenship and internationally recognized borders – are the proper basis of statehood is a test for the legal order elsewhere. Statements by Lavrov and Deputy Foreign Minister Konstantin Dolgov to the effect that Moldova and the Baltic states should 'consider events in Ukraine and draw conclusions' confirm that major interests are at stake.<sup>137</sup> These interests will not be protected by a patch-and-mend approach.
- The West therefore faces stark choices. The merit of the 'realist' prescription – that Russia be conceded its sphere of influence – is that it goes to the heart of the matter. The defect of the prescription is that Europe will not be able to endure it. We are no longer in a 19th-century world where 'zones of security' can be produced by lines on maps or people treated like furniture in a room. Betraying Ukraine – what else would it be? – and, soon enough, Moldova and Georgia will add to the stock of Vichyite states in Europe with no love for what remains of the West, and even less respect. It will then be entirely rational for Latvians or Poles to ask why, if the West is unwilling to uphold the Paris Charter by means short of war, it should be willing to uphold the Washington Treaty by means of war when 'hybrid' threats arise.
- The West is then left with the task of defending the post-Cold War settlement and deterring those who would damage it further. To some, it is axiomatic that this will lead to a 'new Cold War'.<sup>138</sup> Very possibly.<sup>139</sup> But the Cold War was not the reason for

<sup>136</sup> Peter Pomerantsev and Michael Weiss, *The Menace of Unreality: How the Kremlin Weaponizes Information, Culture and Money* (The Interpreter, Institute of Modern Russia, 2014), p. 5.

<sup>137</sup> Lavrov's statement at Valdai Club meeting, 23 October 2014.

<sup>138</sup> Samuel Charap and Jeremy Shapiro, 'Consequences of a New Cold War', *Survival* (IISS, April/May 2015).

<sup>139</sup> But not in that form. See James Sherr, 'Russia and the EU: The End of Illusions?', Heinrich Böll Stiftung, June 2014, [https://www.boell.de/sites/default/files/e-paper\\_aupo2014.pdf](https://www.boell.de/sites/default/files/e-paper_aupo2014.pdf).

East–West discord. It was the result. It arose because fundamental interests were in dispute, and it ended when they ceased to be in dispute. Today they are in dispute again. Had there been no Cold War, the issues at stake in Ukraine would be no different from what they are now. Either the West bases its interests on a Europe of sovereign states, free to chart their own course, or it resigns itself to a coerced stability and the certainty of future conflicts.

- Ukraine’s sustainability as a sovereign state and an integrated one depends first and foremost on Ukrainians. Nevertheless, they cannot succeed without Western support. That support must be multi-dimensional, well resourced and toughly conditional. Strategic patience is needed as well. A weak and fractured state is at war with a nuclear power. Ills that are embedded and systemic cannot be remedied without time and resources. Both the aid provided and the aid envisaged by the European Union, United States and International Monetary Fund are a life-support system, but not a launching pad for reform. In seeking an alchemy that will underwrite reforms without deferring them, financial assistance must be matched by institutional support and elements of co-management.
- Towards Russia, strategic patience might not be enough. In the long term, time works against it. Within two years, the combination of sanctions and low oil prices is likely to have a debilitating effect on the Russian state. Yet it never was likely that the Kremlin would agree to a war of attrition on the

West’s terms, at least so long as other tools of policy existed. Those tools are force and the threat of force. Because of them, time works even less to Ukraine’s advantage than to Russia’s. Ukraine and its Western partners need to find a way of devaluing these tools and turning time to their own advantage. That will require deterrence, not only on Ukraine’s western border but within the country too. The West has already undertaken modest measures to improve Ukraine’s defences. We do not know how Putin will respond if they gather momentum. What we do know is how he responds to weakness.

It is time to abandon the notion that the Kremlin is concerned about anybody’s welfare other than its own. As the leaders of the Ukraine insurgency themselves lament, they are but pawns in a bigger game. In this struggle, Moscow does not care whether its ‘compatriots’ flourish or starve. It does not care about Western goodwill unless it can be used against the West.

Nevertheless, Russia’s policy will change when its governing elites conclude that the current course is damaging the country’s interests and their own. With firmness and patience, that outcome is achievable. The long-term aim of Western policy should be to remove the new dividing lines that Russian policy has created. Meanwhile Western governments should be alert to any signs of ‘new thinking’ in the country and give thought to the contours of a diplomatic settlement that Russia might one day wish to honour. But until the premises of Russian policy change, any agreement is likely to be the opposite of a solution, and any respite gained is likely to be very short-lived.

# 5. Russian Foreign Policy Towards the West and Western Responses

James Nixey

## Introduction

Russian foreign policy did not suddenly change in 2014 with the crisis over Ukraine. Many debate whether we are in a 'new Cold War',<sup>140</sup> but a *newly* assertive Russia is a misnomer. Neither the Kremlin's threat perspective nor its ambition in the form of a challenge to European territorial integrity is markedly different from what it has been in the past 10 years. Russian foreign policy, for all the challenges it presents, has been telegraphed. Moscow has been nothing if not consistent.

Indeed, the deterioration of relations with the broadly defined West long predates not only the tumultuous events of 2014, but also the colour revolutions in other parts of the former Soviet Union, the 2008 war in Georgia, the Arab Spring of 2010–11, and the anti-government street protests in Russia in 2011. All these significant occurrences are frequently but incorrectly cited as initiators of a sea-change in Moscow's attitude to the external world, which is, in reality, over a decade old. The Russian leadership may have misread them (as Western-inspired), but none made the Kremlin change its course because it was already on a distinctly hostile path.

### **Russia's foreign policy play is increasingly transparent to all but those determined not to see it.**

Thus the West was unprepared for the Crimean invasion and annexation, but it should not have been surprised.<sup>141</sup> Policy-makers, especially in Germany, were deaf to pleas for caution in integrating Russia into Western structures before it was ready with a rules-based economy and society, because those warnings did not fit the West's chosen narrative. In short, there was a refusal to see Russia as anything other than some form of qualified or quasi-partner, real or at least potential.

What has changed is the tempo, never the leadership's intentions. This is not to suggest that it has always been the goal to invade Ukraine. Indeed, the Kremlin's foreign policy in 2014 was characterized by a great deal of opportunism. But the prevailing view in Moscow is still that Russia was strong in Soviet times and weak in the 1990s, and that it is now, apparently, strong again (in spite of what it perceives as an attack on its economy), largely by virtue of its nuclear arsenal. Agreements made in the 1990s under pressure, in Moscow's view, are deemed to have no validity now.

According to the Kremlin, it is the West that has destroyed the rules, so Russia must act in its own interests. Russia, it then follows, is no worse than the West and therefore lecturing will not be accepted. In other words, Russia's borders are, for its leadership, provisional – determined by accidents of history<sup>142</sup> and to be adjusted when necessary.

Well before 2014 Moscow was prepared to use military instruments – to limit Georgian geopolitical orientation (notably in 2008), as well as to make aggressive moves in the energy and trade sectors. But the change of tempo is signalled by a greater willingness to take strong reactive action. This was previously viewed as unrealizable but Vladimir Putin was presented, unexpectedly, with a historic opportunity in Crimea to act while meeting only minimal resistance.

Notwithstanding the continuity in Russian foreign policy, the picture has become starker and clearer since 2014. Russia's foreign policy play is increasingly transparent to all but those determined not to see it. The leadership's ambitions are now in plain sight: in the former Soviet Union, Russian control over the other states' political orientation is demanded with various degrees of stringency, but there is a fundamental insistence on acknowledgment of Russia's primacy around its borders. In particular, Ukraine is required, at a minimum, to be declared neutral and subject to the Kremlin's discretion to interpret any new concords for this region. From Europe, Moscow demands compliance over its trade practices, while it continues to play divide-and-rule with individual member states of the EU, consolidate its status as a long-term energy partner and call for a new European security architecture (with its subtext of a Russian veto). With the United States and NATO, acknowledgment of Russia's equal status is a clear requirement – in effect, another veto over major global decisions. In Asia, increased trade and having China as an ally are the main ambitions. The rest of the world is seen as relatively less important. Ukraine has taken the oxygen from broader foreign policy questions. However, the leadership sees economic mileage to be gained from some countries in Latin America, and views it as important that US power is not boosted by successes in the Middle East.

The following sections explore these issues with regard to Russia's immediate periphery, Western Europe and the EU, and the United States.

<sup>140</sup> For a good exposition, see Andrew Monaghan, *A 'New Cold War'? Abusing History, Misunderstanding Russia*, Chatham House Research Paper, May 2015.

<sup>141</sup> See, for example, warnings that Crimea could be next, by security specialist Alexei Arbatov, 'Yushenko Sentenced the Black Sea Fleet', *Novaya Gazeta*, 22 May 2008, [http://www.ng.ru/cis/2008-05-22/1\\_yushenko.html](http://www.ng.ru/cis/2008-05-22/1_yushenko.html); Askold Krushelnycky, 'Crimean peninsula could be the next South Ossetia', the *Independent*, 28 August 2008, <http://www.independent.co.uk/news/world/europe/crimean-peninsula-could-be-the-next-south-ossetia-910769.html>; or Sergey Zayats, once the administrator of Sevastopol's largest district, 'In Black Sea port, Ukraine is sovereign, but Russia rules', McClatchy DC, 19 September 2008, <http://www.mcclatchydc.com/2008/09/19/52808/in-black-sea-port-ukraine-is-sovereign.html>.

<sup>142</sup> For example, Putin has referred to the Winter War with Finland in 1939–40 as an example of a strong Russia necessarily correcting border mistakes. See 'Putin Justified the Attack on Finland', *inoSMI.ru*, 22 March 2013, <http://inosmi.ru/sngbaltia/20130322/207240868.html#ixzz3S5xXW1XV>.

The broad directions of Russian foreign policy addressed here are not designed by people or institutions such as the minister or ministry of foreign affairs, or the allegedly influential deputy chief of staff responsible for foreign policy, Yuri Ushakov, and thus only a longer exposition could and should address such strategically impotent officials and their departments.

### A shared neighbourhood: dominance and conflict

Russia's neighbourhood is not shared as far as the majority of Russian public and elite opinion is concerned. The crux of 'the Russian challenge' lies in the possessive attitudes towards the other 14 former Soviet states evinced by both the leadership and the population.<sup>143</sup> Not having undergone de-Sovietization, Moscow's view was and is that the larger parent state has pre-eminence over the smaller and the weaker ones. For the Kremlin, centuries-long ascendancy awards it rights to modern-day control.

Moscow further believes that NATO and the EU will never grant membership to countries with unresolved conflicts and whose borders are disputed. This belief is not without reason since the EU and NATO have themselves stated as much, though not explicitly in the Lisbon Treaty or the North Atlantic Treaty. Of the six countries in the Eastern Partnership,<sup>144</sup> for example, only one, Belarus, is not party to an unresolved conflict with significant Russian involvement. But it is under Moscow's control anyway – President Alexander Lukashenko's recent awkward behaviour for the Kremlin is only the latest in a series of U-turns. There is a certain logic, then, not just to domination but to starting or sustaining conflicts that will, as the leadership sees it, repel 'Western encroachment'.

As Russian-imposed constraint is unacceptable (to varying degrees) to each of the 14 countries, it has slowly become unpalatable to the West by extension. It was not always thus. In the heady days of early 1990s' independence, the West, led by the US, pursued a 'Russia first' policy<sup>145</sup> based on the belief that Russia would evolve towards common views and a democratic structure. Real autonomy for the 'newly independent states' was seen as being of secondary importance, but the West's view gradually accommodated

this increasing reality. The Kremlin's did not. Contrary to popular belief, the West does have a policy of sorts towards the ex-Soviet states; that is to no longer let Russia ride roughshod over them. This policy may be underfunded and inconsistent, and at times amounts to little more than 'somebody should do something'. But the Western rhetoric has at least changed to counter the Russian leadership's bombast.

In practice, of course, Russia does also curtail each of the other states' independent ambitions – also to varying degrees, ranging from the relatively low Russian penetration of, say, Tbilisi-controlled Georgia or Azerbaijan, to the acquisition of large parts of the Armenian economy or a Moscow-installed puppet president in Kyrgyzstan. Most former Soviet states at least pay lip-service to aspiring to closer relations with the West. But whether they kowtow to Moscow or rebel against it, they all pay a price in curbs on their sovereignty.

The current conflict between the Kremlin and the West is in the main due to the confluence of the Russian elite's largely Soviet and Tsarist legacy mindset, the West's attitudes towards the non-Russian post-Soviet countries since 1991, and each of those 14 countries' own flourishing senses of identity and changing assumptions of Russia's trajectory. Neither the leadership nor the majority of the population of a single one of these states desires a return to the Russian fold. This does not, however, dissuade the Kremlin. Russia's prerogative, as it sees it, trumps the other countries' rights to exercise full sovereignty – particularly in their foreign policy orientations. Moscow's assumptions as to what Russian speakers in ex-Soviet states want are also a factor. The leadership is attempting to push back the tide with limited immediate success and to no long-term avail.<sup>146</sup> This suggests that the Russian elite really is 'on the wrong side of history', as Barack Obama has stated.<sup>147</sup>

### Countries under the thumb

By repudiating more clearly than ever the post-Soviet 'settlement', Moscow has raised questions over an arc from the Baltic states through Eastern Europe to the Caucasus and Central Asia. Further trouble is conceivable: for example, Dmitry Rogozin, a deputy prime minister, has floated a change of status for Transnistria.<sup>148</sup> Some even more hawkish elements are casting envious eyes on Kazakhstan with its

<sup>143</sup> In a 2014 Levada Centre report only 32% of those surveyed wanted Russia to remain in its current borders, 58% believed Russia's borders should expand, including 17% who thought Russia's borders should contain all the former Soviet States – 'Public Opinion 2014', Levada Centre, March 2015, <http://www.levada.ru/sites/default/files/om14.pdf>, p.158.

<sup>144</sup> Consisting of Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine.

<sup>145</sup> This was the essence of George H. W. Bush's 'Chicken Kiev' speech, in 1991, which cautioned against nationalist uprisings in the ex-Soviet republics.

<sup>146</sup> James Nixey, *The Long Goodbye: Waning Russian Influence in the South Caucasus and Central Asia*, Chatham House Briefing Paper, 2012.

<sup>147</sup> Comments to the press on 3 March 2014, Washington DC, reported in 'Obama: Russia's actions in Ukraine put Putin on the "wrong side of history"', the *Guardian*, 3 March 2014, <http://www.theguardian.com/world/2014/mar/03/russian-sanctions-likely-putin-ukraine-crimea>.

<sup>148</sup> See 'Evgeniy Shevchuk: Transnistria is Ready for a Referendum on Self-Determination', *Komsomolskaya Pravda*, 11 November 2014, <http://www.kp.ru/daily/26305/3184392/>; or 'Rogozin: Russia Continues to Support Transnistria', RIA Novosti, 11 November 2014, <http://ria.ru/world/20141111/1032816550.html>. Changing the status of Moldova is effectively what the 'Kozak Memorandum', written and rejected in 2003, was intended to do.

large ethnic Russian population and oil wealth.<sup>149</sup> Putin and Kazakhstani President Nursultan Nazarbaev are relatively close, but the latter runs a tight, clan-based regime which is harder for Russia to penetrate. When Nazarbaev departs, however, presumably within the next 10 years, northern Kazakhstan may be in the Kremlin's crosshairs, especially if the wider geopolitical situation deteriorates. Belarus is probably even more at risk if it were to undergo a 'colour revolution'. And in Tajikistan, there is great concern in Dushanbe's government that 250,000 Tajik migrants in Russia now have Russian passports. These migrants could become the focal point for a xenophobic backlash. Tajikistan has reportedly seen a 20 per cent drop in remittances since the summer of 2014.<sup>150</sup>

### The Black Sea

In the Kremlin's view, if access to the Black Sea with its warm-water coastal ports were restricted, its regional influence would contract. The Russian military elite sees regaining Crimea as momentous in restoring strategic competences. Military support for and renewal of the Black Sea fleet is under way.<sup>151</sup> Some analysts have suggested that this indicates an effort to restore the peninsula as a platform for power projection into the Black Sea and beyond – and to prevent its loss were a pro-Western Ukrainian government to revisit the Kharkiv Treaty granting Russia leasing rights until 2034.<sup>152</sup> Heavy militarization outside Sevastopol suggests that Crimea is intended to be a bridgehead – not dissimilar to Kaliningrad. It is conceivable that the Kremlin really did think, as it has contended, that had it not acted, the new Ukrainian government would have invited NATO into Sevastopol.

Russia is now likely to seek to translate land-based gains into an extension of its maritime territory in the Black Sea, by claiming Ukraine's continental shelf and exclusive economic zone as its own. In addition to serving Russia's wider geopolitical agenda, such a move could offer access to unexploited hydrocarbon deposits. Other countries bordering the Black Sea would almost certainly not recognize the legality of such a claim, but Moscow could try to circumvent their objections by unilaterally renegotiating maritime boundaries with them. This may explain why Moscow has incrementally changed the independent

status it had accorded Abkhazia, first by giving itself more official control under a November 2014 treaty and then by eliminating border controls altogether in February 2015.

### Customs, Economic and Eurasian Unions

Vladimir Putin has long convinced himself that 'colour revolutions' (as in Georgia, Ukraine and Kyrgyzstan) are directed from the United States and, as with supposed direct US support for the Arab Spring, have a malign geopolitical purpose. As noted over the Russian interpretation of NATO's intentions in Crimea, such false perceptions are nevertheless a reality to the Russian leadership. To counter this, the Eurasian Union is Putin's big geopolitical idea to consolidate people and lands – his self-declared front-line of continuity. While he appears to concede that a Soviet Union Mark II is impractical if not undesirable, the putative borders of the Eurasian Union do, coincidentally, conform to those of the USSR, minus the probably-lost-to-Europe Baltic states.

Putin's Eurasian Union is still a long way from becoming a real political entity. He has been forced to move slowly with the other newly (if nominally for him) independent former Soviet states. The alliance evolved from a straightforward customs union in 2005 to a *Eurasian* customs union in 2010, becoming the Eurasian Economic Union in 2015 – all useful economic preliminary steps towards a full – i.e. political – Eurasian Union. This, finally, is intended to provide Russia with the instruments for control in creating an alternative pole to the EU-centric order. But the Eurasian Union is intended to be more than a legal framework for dominion over 'wayward' one-time dependencies – it is designed to be a new geopolitical force capable of standing up to all competitors on the world stage. Eurasianism provides the ideological glue and Russia, of course, is the self-appointed head of the Eurasian civilization. The concept of Novorossiia is an ideological extension and historical justification of this project.<sup>153</sup>

Each iteration of the union has so far had only moderate success in attracting members among a wary group of countries. Membership has been limited to those countries over which Moscow has the greatest hold. Russia's worsening economic situation means that the union is

<sup>149</sup> The Foreign Policy Concept of the Russian Federation sets out Russia's obligations to its diaspora population, particularly in CIS countries. See, for example, Article 5 and Section IV: <http://kremlin.ru/acts/news/785>.

<sup>150</sup> Jack Farchy, 'Tajikistan looks to China as Russian remittances dry up', *Financial Times*, 22 October 2014, <http://www.ft.com/cms/s/0/2c87ee20-58f9-11e4-9546-00144feab7de.html#slide0> [subscriber access].

<sup>151</sup> Details of military reinforcement and reform of the basing system of the Black Sea fleet in Sevastopol by summer 2015, and future plans, can be found in Dmitry Boltentkov and Maksim Shepovalenko, 'Russian Defense Arrangements in Crimea', *Moscow Defence Brief* 43 (5), 2014, <http://www.mdb.cast.ru/mdb/5-2014/item4/article1/>.

<sup>152</sup> See Roy Allison, 'Russian "deniable" intervention in Ukraine: how and why Russia broke the rules', *International Affairs* 90: 6 (2014), pp. 1278 and 1280.

<sup>153</sup> Putin first mentioned the concept 'Novorossiia' in his 'Address to the Federal Assembly' on 18 March 2014. Novorossiia was the name of the formerly Ottoman territory conquered by the Russian Empire in the Russo-Turkish Wars, which now covers much of southern and eastern Ukraine. It became part of the Ukrainian Soviet Socialist Republic during the Soviet period. Since the dissolution of the Soviet Union the term 'Novorossiia' has been used controversially by Russian nationalists.



becoming less and less attractive and Russia is incurring further costs to support it.<sup>154</sup> Had Ukraine joined, the Eurasian Union would have extended westwards right up to the EU's borders. But this key element – and probably the whole enterprise – is stalled at best because the Ukrainians have created new facts on the ground.

## Europe, the slow irritant

Before 2014, there was an undeniable ambiguity in European policy towards Russia, as the EU looked to reach out, trade and integrate while at the same time expressing concern and criticism about Russia's departure from European norms and values. Many had mistakenly thought Russia was part of the post-Cold War peace order merely because it was no longer a communist state. A 'Partnership for Modernization' was the EU's best hope for bringing Russia under international law.

### **Before 2014 most leaders were willing to ignore the Kremlin's misdemeanours – to hold their noses and continue to trade and talk of partnership. The Ukraine crisis has made this no longer politically possible.**

However, the Kremlin's inability to get along with Europe can be attributed to a number of factors including (but not limited to) political differences, size mismatch, mutual suspicion and broad disdain. This disdain can be broken down into the Russian leadership's perception of the EU as weak, ineffective and leaderless, with a failed economy, as well as an incomprehension of its procedures, checks, balances, rules and regulations, and a dislike of its liberal values. The partial loss of sovereignty that adopting EU rules entails is anathema to Moscow, but perhaps more important is that it sees a nexus between membership of the EU and future NATO accession.

Yet the Kremlin well knows that it is economically and culturally bound to Europe, still the destination for 48 per cent of Russia's trade,<sup>155</sup> 78 per cent of its tourists<sup>156</sup> and 80 per cent of its pipelines.<sup>157</sup> The process of disentangling on both sides will be slow and limited. Europe and Russia are not in a relationship of equals, however. Europe has

more alternatives. It is better able to wean itself off Russian energy and it is already doing so steadily through use of new energy sources. Even now the EU looks to Russia for only 10 per cent of its total trade,<sup>158</sup> and European holidaymakers will never flock to Russia in large numbers. The diversification process in Europe is outpacing Russia's efforts to diversify towards Asia. That is not to say that Europe can (or should) isolate itself from Russia – just that the effects of disentanglement will be felt more keenly in Russia than in Europe.

Before 2014 most leaders were willing to ignore the Kremlin's misdemeanours – to hold their noses and continue to trade and talk of partnership. The Ukraine crisis has made this no longer politically possible. The need for unanimity, while debilitating in its slowness, also has the effect of shaming most European countries into action. And while many have demurred – generally those with close dependencies on Russia and those that are too far away for it to matter to them – the 'Russian question' has undergone a belated reassessment in foreign, defence and even trade ministries across the continent.

## Germany changes tack

Moscow has few allies in Europe. This was not always the case. For over a decade, Germany's 1990 reunification determined its attitude towards Moscow: many were still grateful that Mikhail Gorbachev did not 'object'. This attitude was subsequently reinforced by a business-first mentality,<sup>159</sup> and it defined Germany's broader Russia policy until well into 2014.<sup>160</sup> However, the considerable German investment in Russia since the fall of the USSR included a strong normative element in an attempt to bring it into the fold. The Russian leadership, however, saw Germany's investment only as a business package.

Germany is now leading the new wave in robust Russia policy – to an extent that has shocked the Kremlin, which had mistakenly believed that their business-driven relationship would transcend 'local difficulties' in Moscow's self-proclaimed backyard. Putin's intransigence forced a patient Chancellor Angela Merkel to adopt a radically different stance over the course of approximately 40 phone calls and three face-to-face meetings in 2014. Distaste had previously been overcome by pragmatism.

<sup>154</sup> Andriy Kovalenko, 'The Mythical Benefits of the Customs Union', *Ukrainian Week*, 31 March 2013, <http://ukrainianweek.com/World/75913>.

<sup>155</sup> World Trade Organization, Russian Federation Trade Profile, <http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=S&Country=RU>, accessed 30 April 2015.

<sup>156</sup> Source: European Travel Commission, 'European Tourism in 2013: Trends and Prospects', 2013. Report accessed through slideshare 30 April 2015: <http://www.slideshare.net/MarinetLtd/european-tourism-2013>.

<sup>157</sup> US Energy Information Administration, Russia Overview, <http://www.eia.gov/countries/cab.cfm?fips=rs>, accessed 30 April 2015.

<sup>158</sup> European Commission, 'European Union, Trade in Goods with Russia', 12 March 2014, [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113440.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113440.pdf).

<sup>159</sup> Some claim 25,000 jobs in Germany are in danger as a result of the sanctions. There are 6,000 German enterprises in Russia with Russian capital (Ost Ausschuss der Deutschen Wirtschaft, 'Ost Ausschuss-Umfrage zur Ukraine-Krise', 27 June 2014, <http://www.ost-ausschuss.de/node/714>; <http://www.ost-ausschuss.de/node/714>).

<sup>160</sup> For example, as chancellor, Helmut Kohl did not visit the Baltic states as he did not want to offend Russian sensibilities.

Over the course of the year, that pragmatism gave way to what Merkel came to regard as a necessity if the European security order was to be defended. With an initially reluctant but increasingly supportive German business community behind her, and after consultation with the United States, Merkel ensured that the German position on Russia became a beacon for others in Europe. Although the chancellor's 10 May 2015 visit suggests continued inconsistency at best, the primacy of politics over economics has now been broadly accepted by the commercial sector and the wider German electorate. Unlike anywhere else in Western Europe, this is their number one foreign policy issue.

Germany's evidence-based stance – initially giving Russia the benefit of the doubt, then acting firmly – may have helped pull other European countries, most notably Norway and the UK, along in its wake, even to the detriment of their own economies.

### Other European countries

France, meanwhile, has indefinitely postponed delivery of its Mistral-class amphibious assault ships to Russia, but could still be biding its time until it is less politically uncomfortable. President François Hollande has put up with sanctions but began calling for their suspension once a first ceasefire was agreed in Minsk, only to fall silent again once that was broken by Russian troops and Ukrainian proxies in early 2015. With each freshly minted ceasefire agreement comes an inevitable call by Paris for sanctions to be lifted. Ukraine is still viewed by many in France as part of the legitimate Russian sphere.

Others in Europe are even less embarrassed in their support for the Russian leadership's course of action. In June 2014, for example, Putin received red-carpet treatment in Austria, where Moscow has extensive networks; and he got a hero's welcome in Belgrade and Budapest in late 2014 and early 2015 respectively.

### Moscow's motives and fears

In the states sandwiched between them, the EU and the Kremlin have largely incompatible interests and irreconcilable differences. The Kremlin fears the EU because of its attraction for former Soviet states, and because it is based on principles and economic norms that are in opposition to the system in Russia. It is now beyond doubt that the West and the Russian leadership cannot

have a new security relationship involving binding treaties which would prevent external meddling in Ukraine and reinforce the country's independence. The Kremlin simply does not want that; its definition of European security differs too greatly.<sup>161</sup>

Putin's policy is to divide, and he has found profitable splits into which to drive wedges. For Moscow, leverage is better gained through bilateral relationships. It has sought to exploit differences of opinion between EU member states. The EU, meanwhile, often fails to function as an effective geopolitical counterpart to the unitary Russian state. Moscow, in effect, is attempting to challenge the EU's role as a viable model to be emulated. Putin is not so much asking for a delay in the implementation of the EU's tariff-eliminating Deep and Comprehensive Free Trade Agreement (DCFTA) as insisting on a change in its substance to benefit his own Eurasian variant. To agree to this would be to jettison 10 years of EU policy. Putin has also said in a letter to President Petro Poroshenko that any decision to implement the DCFTA will trigger counter-sanctions.<sup>162</sup>

Moscow's advantage, when dealing with the EU, is that it is playing a high-risk game against low-risk players. But its calculation that business interests in the West would trump geopolitical considerations has thus far been proved incorrect, as Germany has showed. The Kremlin's actions in 2014, unlike in 2008, have had a profound effect on the resolve of many European countries to stand up to Putin, even at economic cost to themselves – as seen, for example, in Moscow's retaliatory agricultural and food-related sanctions targeted at the West.

### The EU's motives and actions

According to one recent poll, 58 per cent of EU citizens are even willing to risk conflict (broadly defined) with Russia in order to support Ukraine.<sup>163</sup> But the EU bureaucracy is torn between its desire to back the rule of law and its fear of the consequences of enforcing the law.

A technocratic partnership with Russia is natural to the EU's way of acting – as a means of exporting good governance. But its major foreign policy experience is enlargement, with no political target. The side-effect, therefore, has been that regional issues such as 'frozen conflicts' have not been at the top of the agenda. Another mistake was that the EU was not steadfast on conditionality. It put a lot of effort into building bridges, the existence of which Putin now denies. Evidence

<sup>161</sup> However, the respected Russia and Eurasia security analyst Neil Melvin makes precisely the opposite point – that new agreements are needed – in 'EU needs new Ukraine strategy', *EU Observer*, 28 March 2014, <https://euobserver.com/opinion/124413>.

<sup>162</sup> Robin Emmott, 'Putin Warns Ukraine Against Implementing EU Deal – Letter', *Reuters*, 23 September 2014, <http://www.reuters.com/article/2014/09/23/us-ukraine-crisis-trade-idUSKCN0HI1T820140923>.

<sup>163</sup> *Transatlantic Trends, Key Findings 2014*, German Marshall Fund of the United States, pp. 9, 46 and 48.

of misdemeanour was continually ignored because it did not fit the narrative of a developing partnership.

The crisis in Ukraine is a European war, and if things go wrong it will be Europe that pays the price. It is also a wake-up call for something even more serious: Europe needs a new approach if it is to be an effective force to its east. But it is probably at the limit of its unity. Only if European economies continue to bounce back and Russian foreign policy behaviour deteriorates still further will that unity be fortified.

### The US benchmark

Although his core policy has not changed, it is apparent that Putin's dislike of America has intensified since his titular return to the Kremlin in 2012. Whatever its cause – a sense of betrayal over mission creep in Libya, belief that the United States was behind the colour revolutions, or simple jealousy over its continued pre-eminence in the world – the Russian president's vitriol towards the US administration is now manifest in most of his foreign policy speeches.<sup>164</sup> Moscow portrays itself as anti-American – anti-hegemonism – yet it continues to regard the United States as the geopolitical status benchmark against which it judges its own success or failure.<sup>165</sup> Emulation is not the aim; the Kremlin does, however, shout loudly for respect and for 'equal status', which it sees as one and the same thing.

### The Middle East factor

The majority view among the Russian elite is that the United States has a weak president who does not believe in American power but rather is committed to managing American decline – a man who had voted against the invasion of Iraq in 2003 and who in 2013 failed to respect his own 'red line' over the use of chemical weapons in Syria (even though Congress bore more responsibility for this decision). Putin could not fully protect Syria from the non-military Western response, but he did make Barack Obama look weak while also saving him from unpopular military action against Bashar al-Assad through a Kremlin-brokered deal. This was a key turning point in Moscow's attitude. Having faced down the United States and prevented regime change in Damascus, it then felt able to act more confidently.

Obama has tended to look for quick fixes such as the 'Reset', and he has tried to avoid tough decisions and strategic

responses to Russia – preferring approaches couched in doctrinal terms such as 'strategic patience'.<sup>166</sup> He sees Russia as a troublesome regional power distracting him from his focus on domestic rejuvenation, and he does not want another foreign adventure after Afghanistan, Iraq and Libya. Washington's approach is therefore instrumental: the predominant American stance has been that Russia is needed in the Middle East, although it is not clear what benefit that has brought, and Putin has taken advantage of the situation.

### America the tough?

Yet as shown in its push on sanctions, Washington does have a more robust approach to Moscow than most of Europe. This can be attributed to a combination of being a unitary actor, pressure from the Republican Party and, to a lesser extent, the vestiges of a Cold War mentality. Much, too, has been made of America's economic independence from Russia, particularly in the energy sphere; it does 15 times less business with Russia than with the EU.<sup>167</sup> Administration officials are concerned about the rift with the EU over sanctions on Russia, but the tougher American line ultimately owes more to politics than trade. Obama has been let down by Putin too many times and, like Merkel, has become disillusioned. The biggest failing, however, has been the self-delusion of expectations. Too much was invested in the 'Reset' and there was no contingency plan. That was a crude and ignorant attempt to seduce President Dmitry Medvedev away from Putin's influence. Obama spent more time with Medvedev during the latter's nominal presidency than with any other major world leader, but the 'Reset' had failed even before the end of his first term.

### Prospects

The West had hoped time would be a healer for Russia and its leaders, but instead Vladimir Putin sees his country as facing a weakening Western adversary. He will try to break apart Western unity, such as it is, especially if he does not achieve his goals in the former Soviet space, and he will continue to interpret Western approval for democratic transformation in former Soviet states as a threat.

Moreover, Putin's strategy towards the West will continue to reflect a drive for greater Russian political and military assertiveness. Russia's perception of itself as more than a European country – as a power with regional and global interests – will become further entrenched, even though its position in the world is declining both in comparative

<sup>164</sup> See, for example, the transcript of Vladimir Putin's 18 December 2014 news conference with relevant parts highlighted: <http://eng.kremlin.ru/transcripts/23406#s>.

<sup>165</sup> Previously, the benchmark for economic success was to achieve the standard of living of the poorer EU members, such as Portugal.

<sup>166</sup> US National Security Strategy, February 2015, <http://nssarchive.us/wp-content/uploads/2015/02/2015.pdf>. See President Obama's two-page preface.

<sup>167</sup> 'Russia's trade ties with Europe', BBC, 4 March 2014, <http://www.bbc.co.uk/news/world-europe-26436291>.

terms and relative to its own ambitions. Therefore, Moscow's cooperation with Europe cannot and will not proceed further in the medium term.

Moscow's ambition is for two unions – West European and East European (Russian) – which balance each other and compete. This aspiration puts Russia definitively outside Europe and its core institutions for at least the next 10 years.<sup>168</sup>

**The West will have to accept that dealing with Moscow will remain difficult; but the richer, more resilient part of the world, which can project power outside its own region and is arguably home to the dominant global ideology, ought to be able to do more than react.**

A form of suzerainty by Moscow over Ukraine, if well disguised, might work. But it may also encourage the Russian leadership to embark on further adventures in pursuit of what it sees as its interests. The danger is that the status quo is quietly accepted and that the West is left acquiescing to Putin's adversarial view of the world. If the tendency of some Western countries towards *de facto* appeasement were to become European policy, it would only exacerbate matters.

There are no guarantees of success, but to push back against Putin's ambitions, the West first needs to acknowledge them. The inclination, for new Western leaders in particular, is to give the Kremlin the benefit of the doubt or attempt a Nixon-in-China-like breakthrough, which continually inhibits progressive understanding of and learning from the relationship. The facts show that Russia's leadership has unleashed hackers on Estonia;<sup>169</sup> invaded and annexed part of Georgia; and cut off gas to, invaded and annexed part of Ukraine. Trust has been lost and the Helsinki Accords are in shreds. Moscow's word is now worth nothing, and there are no longer

grounds to give it the benefit of the doubt. Further Kremlin miscalculation has the potential to cause further destabilization, intended or not. The continued near-neglect on the part of the West suggests there will be no diminution of conflict.

Russia has dwindling resources, but it does still possess political skills and resolve. It holds the initiative and decides which moves to make: to scale up or down. To a certain extent, the West will have to accept that dealing with Moscow will remain difficult; but the richer, more resilient part of the world, which can project power outside its own region and is arguably home to the dominant global ideology, ought to be able to do more than react. Every signal before and after the Ukraine crisis has indicated a reluctance by the West to act to defend its own interests against Russia's encroachment. The West has been too timid.

## Conclusion

So Western resolve is being tested. The sanctions-based policy is not directly aimed at provoking regime change in Russia; nor is it expected to make the Russian president alter direction. But in the face of Putin's intransigence, it has become an attempt to put pressure on him from above and below in the full knowledge that this might eventually lead to his downfall. If he continues along this path, he faces economic ruin. If he retreats, he could well face internal regime change.

Russia may have the greater interest in Ukraine. But the West has an even bigger interest in preserving the post-Cold War environment. If that is dismantled, it is conceivable that NATO and the EU could collapse too. The West has already paid a high price for the prevarications of the last five years. It has failed to track Russia's foreign policy course in spite of its evident continuity. Unchallenged, this course will not change. But the fact that Russia's foreign policy ambitions are clearer than ever suggests that the West now has an opportunity to counter them and ultimately improve the situation.

<sup>168</sup> Well expressed and explained in Vitaly Tretyakov, 'Inflated European Union', *Rossiiskaya Gazeta*, 2 June 2005 <http://www.rg.ru/2005/06/02/evrosoyuz.html>.

<sup>169</sup> 'Estonia hit by "Moscow cyber war"', BBC, 17 May 2007, <http://news.bbc.co.uk/1/hi/world/europe/6665145.stm>.

# 6. Russia's Toolkit

Keir Giles

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We are forced to defend our legitimate interests unilaterally.<sup>170</sup>

## A shock to the system

The annexation of Crimea in 2014 marked the second time in six years that Russia had used military force to seize control of part of a neighbouring country. As with the example of Georgia in 2008, this provided a lively demonstration of Moscow's willingness to resort to measures against its neighbours which in the 21st century the rest of Europe finds unthinkable in advance and unpalatable after the fact.

But states bordering Russia have long been aware that military force was simply the most direct of a wide range of tools and levers Moscow employs in its neighbourhood with hostile intent. Both the tools of influence that were used in the early 1990s, such as energy cut-offs, and those that have become evident more recently, such as offensive cyber activity, have been practised, developed and made more precise in their implementation.<sup>171</sup> Furthermore the last decade has seen growing assertiveness and confidence in their deployment.

At each stage, Moscow has been encouraged by weak and unconvincing responses from the European Union, NATO and the West<sup>172</sup> – despite expert assessments predicting precisely this outcome.<sup>173</sup> Finally, Russia learned from the Georgian ceasefire that in certain circumstances, use of military force for foreign policy aims will be rewarded.

Seizure of Crimea and intervention in mainland Ukraine, though dramatic, should therefore not be considered in isolation. As laid out by James Nixey in Chapter 5 on foreign policy, this does not represent any new trajectory in Russia's attitude to its neighbours. Assertive intervention in Ukraine was simply the latest and most blatant implementation of Russia's persistent view of international relations. Whether Russia's motivations are aggressive and imperialist, or founded in genuine notions of defending key Russian interests from perceived Western expansionism, is important but not the subject of this chapter, which reviews instead the levers and instruments – old and new – that Russia uses in relations with and against its neighbours.

## Plus ça change

Official Russian attitudes towards smaller powers in Europe have remained consistent since 1991. This is despite changes of leadership in the Kremlin, wild fluctuations in Russia's perceived and actual strength, and the brief period of optimism in relations with the West as a whole at the beginning of the last decade, as described in Chapter 2 by Roderic Lyne. The key difference in 2014 was that with the assistance of a clear and consistent leadership stance, and a decade of high oil prices, Russia's capabilities had developed to match its intentions more closely. These intentions are more discernible now simply because they are more likely to be translated into action while that leadership feels both relatively strong and, apparently, threatened. Put another way, Russia's view of the outside world was not different before the arrival in power of Vladimir Putin; 'rather, it "hibernated" during a period of diminished pressure from outside and weakness on the inside'.<sup>174</sup>

In the early post-Soviet period, this view manifested itself as an explicit aspiration to reunite the newly independent republics in some new form.<sup>175</sup> Throughout the 1990s, senior Russians such as Yevgeny Primakov, in his various roles as intelligence chief, foreign minister and prime minister, maintained that efforts by the West to stand in the way of reintegration of the former Soviet republics were 'dangerous and should be reconsidered'.<sup>176</sup> This aim was slowly tempered, but never to the extent of challenging the implicit assumption that Russia is by right the suzerain of the 'near abroad', and the senior partner in relations further afield.<sup>177</sup> Routine confrontations with Ukraine over the extent of the latter's sovereignty were one inevitable result. This included discussion of the status of Crimea, despite Russian assurances that 'Russia does not dispute the fact that Crimea is a component part of Ukraine'.<sup>178</sup>

Thus in the last seven years, perceived, if not actual, challenges to Russian security interests have twice led directly to the use of Russian military force abroad in a way not seen since the early 1990s. Russian intervention in Crimea caused widespread surprise in early 2014; but this was due entirely to collective Western amnesia of a kind not suffered in Moscow. The immediate aftermath of

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<sup>170</sup> Vladimir Putin, presidential address to the Federal Assembly, 4 December 2014, available at <http://kremlin.ru/news/47173>.

<sup>171</sup> Jakob Hedenskog and Robert Larsson, *Russian Leverage on the CIS and the Baltic States*, FOI report FOI-R-2280-SE (Stockholm: Swedish Defence Research Agency (FOI), June 2007, [foi.se/ReportFiles/foir\\_2280.pdf](http://foi.se/ReportFiles/foir_2280.pdf)).

<sup>172</sup> 'Russia – Future Directions', Advanced Research and Assessment Group, Defence Academy of the United Kingdom, Shrivenham, 1 October 2008, [https://sakpol.files.wordpress.com/2014/03/20081001-russia\\_future\\_directions.pdf](https://sakpol.files.wordpress.com/2014/03/20081001-russia_future_directions.pdf).

<sup>173</sup> For an easily accessible example, see James Sherr, 'Russia and the West: A Reassessment', Shrivenham Papers No. 6, Defence Academy of the United Kingdom, 2007.

<sup>174</sup> Norbert Eitelhuber, 'The Russian Bear: Russian Strategic Culture and What It Implies for the West', *Connections*, Winter 2009, p. 9.

<sup>175</sup> James Sherr, *Hard Diplomacy and Soft Coercion: Russia's Influence Abroad* (London: Chatham House, 2013), pp. 49–53.

<sup>176</sup> John Goshko, 'Yeltsin Claims Russian Sphere of Influence, Regional Peacekeeping Role Asserted', *Washington Post*, 27 September 1994.

<sup>177</sup> See, for instance, Leonid Velekhov: 'A New "Warsaw Pact": To Be or Not To Be?', *Segodnya*, 21 September 1995, p. 9.

<sup>178</sup> 'Speech by A. V. Kozyrev', *Diplomaticheskii vestnik*, No. 5, May 1995, pp. 52–54.

the Georgia war saw an abundance of informed analysis pointing specifically to Crimea as the next target for assertive Russian action;<sup>179</sup> in fact this volume's co-author wrote that:

It is not surprising that most Russians still struggle with the idea that Ukraine is a foreign country. ... We must assume that Russia would exert itself mightily, risk a great deal and pay a high price to prevent Ukraine from becoming, as Russians would see it, a platform for American power.<sup>180</sup>

At the time of writing, a wide range of Western observers are predicting a period of renewed weakness for Russia resulting from economic pressure. Experience of previous times of troubles shows that this should not be expected to lead to any lessening in Russia's ambition to assert itself against its front-line states; indeed one school of thought holds that Moscow is at its most dangerous when weak.<sup>181</sup>

## Dormant issues

A distinctive element of the Russian approach to leverage against its neighbours is keeping disputes alive – even if in suspended animation – for future potential use. Bilateral problems that Russia's foreign partners may long have viewed as resolved can resurface indefinitely in Russian discourse, accusations or grievances. Russia thus maintains passive and potential leverage through the ability to reawaken disputes at any time in the future.

In this respect, as in others, Russia enjoys the advantage of strategic patience. A 2011 private briefing by Russia's former chief of general staff on 'Threats to the Military Security of the Russian Federation' included a wide range of border disputes, including some that the rest of the world believes were resolved long ago. Karelia and Kaliningrad, in particular, were noted in the briefing as disputed territories, even though Russia's seizure of them has been recognized as an established fact for 70 years. But by categorizing these non-problems as military threats, Russia prepares the ground for justification for a possible military response to them, regardless of whether the rationale for any such

response is perceptible outside Moscow. This strategic patience also applies to ambitions to adjust the post-Soviet order in Russia's surroundings. One assessment of the Georgia war in 2008 is that it demonstrates Russia's capacity to maintain frozen conflicts in place over a long period, until they can be unfrozen with confidence that the result will be in Russia's favour.

An obscure but indicative example of the tendency to stockpile disputes is Russia's encouragement of Ruthenian separatism in Ukraine's western Zakarpattia region.<sup>182</sup> For over a decade, this quiet campaign attracted little attention outside Ukraine; but its potential for leverage and disruption became clear as soon as Russian-backed separatists at the opposite end of the country moved to direct action. This also demonstrated the versatility of back-burner issues. Russia's original intention in exerting malign influence may not have been to destabilize Ukraine, but was more likely connected with the fact that Zakarpattia is a choke point for energy pipelines from Russia to Europe.

Increased Russian confidence and assertiveness make it more likely that slow-burn or dormant issues can be revived and exploited. Thus while it is tempting to dismiss the more wild or nonsensical Russian accusations, they should still be assessed for potential justification for hostile action against other states.

## Russian minorities

A further threat that in the Russian view merits a military response is 'discrimination and the suppression of rights, freedoms and legitimate interests of Russian Federation citizens in foreign countries'. The Russian Federal Law 'On Defence' was amended in 2009 to legitimize this kind of intervention in Russian law, despite its highly questionable nature in international law.<sup>183</sup>

Protection of 'compatriots' is a well-worn narrative in Russia's motivations for aggressive action against

<sup>179</sup> See, for instance, Mikhail Barabanov, 'Ukraine, NATO and Russia', *Moscow Defense Brief* No. 4, 2008; Jakob Hedenskog, 'Crimea After the Georgian Crisis', FOI, November 2008; Aurel Braun, 'NATO and Russia: Post-Georgia Threat Perceptions', Institut Français des Relations Internationales (IFRI), May 2009; Leon Aron, 'The Georgia Watershed', *Russian Outlook*, Fall 2008; Tomislava Penkova, 'Russia's attitude towards the post-Soviet space after the war in Georgia', ISPI Policy Brief, Issue 111, Istituto per gli Studi di Politica Internazionale, December 2008; Steven Pifer, 'Crisis Between Ukraine and Russia', Council on Foreign Relations Contingency Planning Memorandum, July 2009; Col. Timo Kivinen, 'Russia's National Interests and Ukraine: What Policies Might Russia Adapt [sic] In Pursuing These Interests', Royal College of Defence Studies, 2008 Course.

<sup>180</sup> Roderic Lyne, 'Reading Russia, Rewiring the West', *Open Democracy*, 12 October 2008, <https://www.opendemocracy.net/Russia/article/Reading-Russia-Rewiring-the-West>.

<sup>181</sup> As expressed, for example, in Max Fisher, 'The worse Russia's economy gets, the more dangerous Putin becomes', *Vox*, 6 May 2015, <http://www.vox.com/2014/12/17/7401681/russia-putin-ruble>; or Zachary Keck, 'Beware: Collapsing Oil Prices Could Make Russia More Dangerous', the *National Interest*, 27 January 2015, <http://nationalinterest.org/blog/the-buzz/beware-collapsing-oil-prices-could-make-russia-more-12132>.

<sup>182</sup> 'Zakarpattia: Pipelines, an Oligarch and Some Separatists', *Armedpolitics.com*, 24 October 2014, <http://www.armedpolitics.com/131/zakarpattia-pipelines-a-oligarch-and-some-separatists/>; 'World News Research', undated article, at <http://world-news-research.com/ruthenia.html>. The obscurity of this long-running campaign is underlined by its relative invisibility in mainstream sources until highlighted in *The Economist*, 'Russian propaganda in Ukraine: Long live Ruthenia', 3 April 2015, <http://www.economist.com/node/21647828/print>.

<sup>183</sup> Council of Europe, 'Opinion on the Federal Law on the Amendments to the Federal Law on Defence of the Russian Federation Adopted by the Venice Commission at its 85th Plenary Session (Venice, 17–18 December 2010)', [http://www.venice.coe.int/webforms/documents/?pdf=CDL-AD\(2010\)052-e](http://www.venice.coe.int/webforms/documents/?pdf=CDL-AD(2010)052-e).

its neighbours, as demonstrated in both Georgia in 2008 and Ukraine in 2014, as well as by the consistent pressure applied to the Baltic states over often imaginary disadvantage suffered by Russians and Russian-speakers there. According to international agreements subscribed to by Russia, protection of national minorities is the responsibility of the host nation.<sup>184</sup> But these agreements have not prevented Russia from interfering, both in cases where there is cause for genuine concern, and in others for purely political purposes. This theme has been persistent throughout the post-Soviet period; even Russia's first foreign minister, the relatively liberal and Western-oriented Andrey Kozyrev, threatened the use of 'direct armed force' against neighbouring countries to protect Russian minorities.<sup>185</sup>

Russians abroad provide Moscow with a tool of direct influence even when they are not used as an excuse for military intervention. According to an Estonian assessment, Russia seeks:

to organise and coordinate the Russian diaspora living in foreign countries to support the objectives and interests of Russian foreign policy under the direction of Russian departments. The compatriot policy aims to influence decisions taken in the host countries, by guiding the Russian-speaking population, and by using influence operations inherited from the KGB.<sup>186</sup>

Russian Foreign Minister Sergei Lavrov is outspoken on the intent to exploit Russians living abroad to further Moscow's political aims:

It is very important that in Russia's relations with its diasporas, there is movement in both directions. Russia provides the diasporas with support, primarily assisting them in consolidating, and the diasporas strive to act in the interests of Russia. ... The diasporas are a powerful resource for us, and they need to be used to their greatest power.<sup>187</sup>

Russia is not the only country that seeks to exploit the role of diasporas for political ends, but in a European context it is hard to find other examples where the aim is overtly hostile to the host nation. Furthermore, while discussion of Russian minorities often focuses on the three Baltic states,<sup>188</sup> Russia's 'compatriots policy' also applies to countries far removed from Russia. According to some estimates, there are more Russians living in Greater London than there are in Lithuania.<sup>189</sup>

## Russia and soft power

The use of minorities abroad for political aims provides a useful illustration of the distinctive Russian understanding of 'soft power'. This phrase is becoming increasingly prominent in Russian foreign policy statements, most notably the Foreign Policy Concept issued in February 2013.<sup>190</sup> An explicit foreign policy objective is to 'increase the weight and authority' of Russia in the world, and one way of achieving this, according to the Concept, is to use 'soft power' as a complement to traditional diplomacy.

**Equating Russian and Western perceptions of soft power is to misunderstand Russian intentions. Russia has adopted the phrase, but applied it to an entirely different set of ideas.**

But equating Russian and Western perceptions of soft power is to misunderstand Russian intentions. Russia has adopted the phrase, but applied it to an entirely different set of ideas.<sup>191</sup> As classically understood in the Euro-Atlantic community, soft power deals not with the actual wielding of power or influence by an actor but with the power of attraction. But, as Lavrov's *quid pro quo* indicates, Russian minorities are expected to serve as a tool to influence or destabilize the host nation in return.<sup>192</sup> Russia's approach to its neighbours is incompatible with the application of soft power as it is normally understood in the West. As put by a 2007 study on Russian influence on its neighbours, 'Russia is primarily successful when influence is bought, taken or stems from dependence. There are, however, no successful positive forces of attraction.'<sup>193</sup>

The conceptual disconnect is exacerbated by the difficulty of translating the phrase in either direction. The Russian phrase used for soft power is *myagkaya sila*, which carries a meaning much closer to soft *force*, while explaining the Western notion of soft power in Russian requires much more complex and long-winded phrases. For Russia, therefore, the concept translated here into English as 'soft power' includes direct coercion or destabilization by means that

<sup>184</sup> As, for example, with 'The Bolzano/Bozen Recommendations on National Minorities in Inter-State Relations' (Vienna: Organization for Security and Co-operation in Europe), 2 October 2008, <http://www.osce.org/hcnm/33633>.

<sup>185</sup> Marina Pavlova-Silvanskaya, 'Four Steps Forward and One Step Back', *Novoye Vremya*, 1 April 1995, pp. 9–11.

<sup>186</sup> Estonian Internal Security Service Annual Review 2013, [https://www.kapo.ee/cms-data/\\_text/138/124/files/kapo-annual-review-2013-eng.pdf](https://www.kapo.ee/cms-data/_text/138/124/files/kapo-annual-review-2013-eng.pdf).

<sup>187</sup> Interview with Russian Foreign Minister Sergei Lavrov for Pomni Rossiiu website aimed at Russians abroad, <http://www.pomnirossiu.ru/about/obrashenie-lavrov/index.htm>.

<sup>188</sup> Mike Winnerstig (ed.), 'Tools of Destabilization: Russian Soft Power and Non-military Influence in the Baltic States', FOI report No. FOI-R--3990--SE, December 2014.

<sup>189</sup> Caroline Binham and Helen Warrell, 'Rich Russians head for UK in record numbers', *Financial Times*, 21 December 2014; '300,000 Russians in the UK, "Londongrad" a prime location', Workpermit.com, 19 December 2006, [http://www.workpermit.com/news/2006\\_12\\_19/uk/russians\\_londongrad.htm](http://www.workpermit.com/news/2006_12_19/uk/russians_londongrad.htm).

<sup>190</sup> Concept of the Foreign Policy of the Russian Federation, [http://www.mid.ru/brp\\_4.nsf/0/76389FEC168189ED44257B2E0039B16D](http://www.mid.ru/brp_4.nsf/0/76389FEC168189ED44257B2E0039B16D).

<sup>191</sup> Yelena Osipova, "'Russification" of "Soft Power": Transformation of a Concept', *Exchange Journal of Public Diplomacy*, Vol. 5, Fall 2014.

<sup>192</sup> Greg Simons, 'Perception of Russia's soft power and influence in the Baltic States', *Public Relations Review* (2014), <http://www.sciencedirect.com/science/article/pii/S0363811114001623>.

<sup>193</sup> Hedenskog and Larsson, *Russian Leverage on the CIS and the Baltic States*.

are not hard, i.e. short of direct military intervention.<sup>194</sup> So when we encounter references to soft power in Russian statements, rather than being encouraged we should bear in mind the whole range of economic, energy, cyber and other hostile tools at Russia's disposal.

Russia's soft power can thus also be taken to include hostile messaging and intimidation. In early September 2014, US President Barack Obama provided explicit encouragement to the Baltic states with a strongly worded public speech in Tallinn.<sup>195</sup> Russian hostile actions against all three countries followed over the subsequent month. An Estonian counter-intelligence officer was abducted across the border and put on show trial in Moscow; a senior Russian official speaking in Riga accused the Latvian authorities of promoting fascism and human rights violations against Russian-speaking minorities; Russian authorities reopened criminal cases against over 1,000 Lithuanians who had refused military service in the Soviet army in 1990; and a Lithuanian fishing vessel was seized in international waters and taken in tow to the Russian port city of Murmansk. All four incidents were widely interpreted as a direct response to the Tallinn speech, intended to show that Obama's assurances were hollow and Russia still held sway in the region.

Russia's demonstrations of military strength throughout 2014 could also, perversely, be classified under this definition of soft power. Greatly intensified air activity combines with simulated attack runs by bombers and submarine incursions to send intimidatory messages to countries outside Russia's direct reach by land.<sup>196</sup> Even without an overtly hostile flight profile, for Russian military aircraft to pass through controlled airspace with no flight plan filed, no transponder active, and no communications with appropriate controllers is unnecessarily dangerous and irresponsible – as incidents including two airmisses with Swedish airliners and disruption to civil traffic off Ireland have already demonstrated.<sup>197</sup>

Even more alarming messaging comes in the form of new emphasis on the potential for use of nuclear weapons in statements by President Putin and other officials.<sup>198</sup> In addition to the distinctive role strategic nuclear weapons play in Russian national identity,<sup>199</sup> use of both strategic and tactical nuclear weapons is now presented within Russia 'as a realistic possibility and even something to be embraced'.<sup>200</sup> This gives rise to a dangerous mismatch of the unthinkable.<sup>201</sup> Soviet offensive plans for Europe included early use of tactical nuclear weapons,<sup>202</sup> and they still play a significant – but not publicly acknowledged – role in Russian doctrine. The experience of Crimea shows that just because something is unimaginable for Western planners does not mean it is not considered a viable option by Russia.

## Energy

Exploitation of energy dependency for political ends is one of Russia's more traditional, and best publicized, forms of leverage on its neighbours. The boundaries between commercial dispute and political interference can on occasion be hard to divine. But in other cases, interruptions – or threats of interruption – in the supply of oil, gas or electricity are not linked with coercive negotiations, but instead result from suspicious sabotage or unspecified 'damage' to pipelines, with results which favour Russian state or business interests.<sup>203</sup>

Recurrent gas disputes with Ukraine since the mid-2000s have been the most highly publicized examples of energy supply interruptions, but this obscures the fact that energy pressure is also applied to more responsible customers who pay promptly for Russian oil, gas and electricity. Nor is this a new phenomenon: between 1991 and 2004 Russia instigated over 40 politically motivated gas and oil cut-offs against its neighbours.<sup>204</sup>

<sup>194</sup> For a detailed examination of how the Russian concept of soft power includes what other states define as hostile influence operations, see Estonian Internal Security Service Annual Review 2012, [https://www.kapo.ee/cms-data/\\_text/138/124/files/kapo-aastaraamat-2012-en.pdf](https://www.kapo.ee/cms-data/_text/138/124/files/kapo-aastaraamat-2012-en.pdf).

<sup>195</sup> 'Remarks by President Obama to the People of Estonia', White House website, 3 September 2014, <http://www.whitehouse.gov/the-press-office/2014/09/03/remarks-president-obama-people-estonia>.

<sup>196</sup> See, for example, 'Sweden intercepts Russian planes over Baltic amid regional tensions', Reuters, 24 March 2015.

<sup>197</sup> Richard Milne, 'Scandinavians warn Russia after air near-miss', *Financial Times*, 15 December 2014. 'Simon Coveney is NOT happy about Russian war planes flying close to Ireland', *TheJournal.ie*, 24 March 2015, <http://www.thejournal.ie/russian-planes-irish-air-space-2010461-Mar2015/>.

<sup>198</sup> Tom Nichols, 'If Putin goes nuclear', *The War Room*, 1 September 2014, <http://tomnichols.net/blog/2014/09/01/if-putin-goes-nuclear/>.

<sup>199</sup> Tom Parfitt, 'Ukraine Crisis: Putin's Nuclear Threats are a Struggle for Pride and Status', *Daily Telegraph*, 29 August 2014, <http://www.telegraph.co.uk/news/worldnews/europe/russia/11064978/Ukraine-crisis-Putins-nuclear-threats-are-a-struggle-for-pride-and-status.html>. For a more detailed examination of this phenomenon, see also Keir Giles and Andrew Monaghan, 'European Missile Defense and Russia', US Army War College Strategic Studies Institute, July 2014, <http://www.strategicstudiesinstitute.army.mil/pubs/display.cfm?pubID=1219>.

<sup>200</sup> Stephen Ennis, 'Russian media learn to love the bomb', *BBC News*, 23 February 2015, <http://www.bbc.co.uk/news/world-europe-31557254>.

<sup>201</sup> Alexander Golts, 'Russia's Nuclear Euphoria Ignores Reality', *Moscow Times*, 6 October 2014, <http://www.themoscowtimes.com/opinion/article/russia-s-nuclear-euphoria-ignores-reality/508499.html>.

<sup>202</sup> Interview with Col-Gen Matvey Burlakov, *Kommersant-Vlast*, 29 March 2005, <http://www.kommersant.ru/doc/558042>. See also Jan Hoffenaar and Christopher Findlay (eds), 'Military Planning For European Theatre Conflict During The Cold War: An Oral History Roundtable, Stockholm, 24–25 April 2006', Center for Security Studies, ETH Zurich.

<sup>203</sup> As, for example, with Lithuania's Druzhba pipeline at the time of negotiations over the sale of the Mažeikiai oil refinery. 'Russia won't re-open oil pipeline, Lithuania says', Reuters, 11 October 2007, <http://uk.reuters.com/article/2007/10/11/lithuania-russia-oil-idUKL1159854520071011>.

<sup>204</sup> Robert Larsson, *Russia's Energy Policy: Security Dimensions and Russia's Reliability as an Energy Supplier*, FOI, [http://www.foi.se/ReportFiles/foir\\_1934.pdf](http://www.foi.se/ReportFiles/foir_1934.pdf).



The enormous investment undertaken by Russia in commercially unjustifiable projects such as the Nordstream pipeline underscores the importance to Russia of energy as a tool of influence in the last decade. More recent developments in international energy markets, and moves to reduce European dependence, may dilute the power of Russia's energy lever in the long term.<sup>205</sup> This requires the kind of sustained investment and political will that has been seen in the Baltic states, where 100 per cent dependence on Gazprom for gas supplies and prices created a sustained vulnerability. Pipeline gas contracts provide Russia with greater leverage than do oil supplies in the more flexible oil market. In October 2014, Lithuania opened a liquefied natural gas (LNG) terminal to reduce its exposure to Russian energy pressure.<sup>206</sup>

## Economy and trade

Price and trade dependency provide further means by which Russia can persuade or punish its neighbours. Boycotts and embargoes on their key exports have repeatedly been employed to inflict economic damage, often using entirely spurious health or environmental concerns as a pretext for banning imports of foodstuffs to Russia.

Georgian wine and mineral water, and Baltic and Belarusian dairy products have been repeated targets for bans. But almost 25 years after the end of the Soviet Union, well-established trading relations beyond the Soviet republics have created a range of new vulnerabilities. Despite optimism at the time, Russia joining the World Trade Organization in 2012 did little to constrain its misuse of health regulations;<sup>207</sup> instead, Russia openly admits within WTO meetings that some bans on food imports are politically motivated.<sup>208</sup>

Russia's August 2014 ban on imports of foodstuffs from a range of countries was widely viewed as a perverse move that would further punish Russians themselves to no positive effect. But the implications for central European

states that had come to rely on the Russian market were severe. Surplus Polish apples became a symbol of standing up to Russia, while in the Nordic states, 'Putin cheese' (labelled for export to Russia) flooded supermarkets at dumping prices as producers tried urgently to shift banned dairy products to alternative markets. The overall effect was to remind those countries that had come to take well-developed trade links with Russia for granted that, as put by Lithuanian President Dalia Grybauskaitė, Russia is 'a totally untrustworthy and unpredictable business partner'.<sup>209</sup>

Other economic instruments routinely feature in Russian pressure on its neighbours. Russia seeks to establish or reassert dependencies by the creation and usage of debts, and a related creeping control of key infrastructure. The exact amount and type of Russian investment can be difficult to assess because of the routine use by Russian businesses of third countries and other jurisdictions to channel investments, concealing their origin from normal economic analysis.<sup>210</sup> As with energy disputes, much of the scale, composition and timing of Russian foreign direct investment used as leverage can also be accounted for by normal commercial drivers. But the net effect in terms of a lever that Russia can exploit is similar.<sup>211</sup>

## Purchasing influence

Russia's ability to purchase or co-opt business and political elites into loyal, or at least compliant, networks is a primary tool for garnering influence. Both bribes and business opportunities are used to recruit agents of influence throughout target countries. This leads to direct impacts on political processes through Trojan horse individuals or organizations.<sup>212</sup> A 2008 study warned that the UK 'should be wary of placing reliance on EU or NATO solidarity, or on national leaders or key figures to act in what would appear to be their own national interests', and suggested, 'it is urgent that we now look more closely at this activity at home'.<sup>213</sup>

<sup>205</sup> 'Conscious uncoupling: reducing Europe's dependence on Russian gas is possible – but it will take time, money and sustained political will', *The Economist*, 5 April 2014.

<sup>206</sup> 'Baltic leaders welcome Lithuania's "Independence" as energy security guarantee for all region', Baltic News Service (BNS), 27 October 2014, <http://en.delfi.lt/lithuania/energy/baltic-leaders-welcome-lithuanias-independence-as-energy-security-guarantee-for-all-region.d?id=66232218>.

<sup>207</sup> 'How Russia's Membership in the World Trade Organization Improves Sanitary and Phytosanitary Measures and How They Are Applied in the Russian Federation', Office of the US Trade Representative, undated document, <https://www.ustr.gov/sites/default/files/How%20Russia%20WTO%20Membership%20Improves%20SPS%20Measures%20and%20How%20They%20are%20Applied%20in%20Russia.pdf>.

<sup>208</sup> World Trade Organization, 'Russia contributes to sanitary-phytosanitary committee, but also attracts concerns', 17 October 2014, [http://www.wto.org/english/news\\_e/news14\\_e/sps\\_15oct14\\_e.htm](http://www.wto.org/english/news_e/news14_e/sps_15oct14_e.htm).

<sup>209</sup> 'Eat apples to annoy Putin', Eastern Approaches blog, *The Economist*, 29 August 2014, <http://www.economist.com/blogs/easternapproaches/2014/08/poland-and-russia>.

<sup>210</sup> Agnia Grigas, *Legacies, Coercion and Soft Power: Russian Influence in the Baltic States*, Chatham House Briefing Paper, August 2012.

<sup>211</sup> Philip Hanson, 'Russia's Inward and Outward Foreign Direct Investment: Insights into the Economy', *Eurasian Geography and Economics*, Vol. 51, No. 5, 2010, pp. 632–53. See also forthcoming article by Philip Hanson and Stephen Fortescue, 'What Drives Russian Outward Foreign Direct Investment? Some Observations on the Steel Industry', *Post-Communist Economies*, Vol. 27, No. 3, September 2015.

<sup>212</sup> A topic explored in detail in Janusz Bugajski, 'Georgian Lessons: Conflicting Russian and Western Interests in the Wider Europe', CSIS, 2010, [http://csis.org/files/publication/102110\\_Bugajski\\_GeorgianLessons.WEB.pdf](http://csis.org/files/publication/102110_Bugajski_GeorgianLessons.WEB.pdf).

<sup>213</sup> Defence Academy of the United Kingdom, 'Russia – Future Directions'.

Interference in domestic political systems is increasingly reflected in financial and other support for political parties abroad. Unlike in Soviet times, Russia is no longer restricted by ideology in its choice of foreign friends, and one notable result is a surge in links with right-wing and anti-EU parties, whose agendas fall in line with Russian state objectives.<sup>214</sup>

Organized political influence can suborn policy-making; however, as during the communist era, Russia need not always spend money on purchasing this influence but can also obtain it as a free good. The attraction of communism as an ideal is being replaced by the attraction of Putin as a strong leader with a distinctive ideological stance, resistant to 'liberal extremism' and 'Hollywood values'.<sup>215</sup> This perception of strength with its own distinctive appeal is reinforced by Putin's personal, and Russia's collective, martial posturing.<sup>216</sup>

## 'Cyber attack'

In the early stages of Russia's intervention in Ukraine, an apparent lack of cyber activity caused comment and speculation. Some expected a repeat of the crude cyber campaigns that accompanied Russian pressure on Estonia in 2007, Georgia in 2008 or Kyrgyzstan in 2009. But not only are indiscriminate cyber broadsides inappropriate for the specific circumstances of Ukraine; in the intervening seven years the cyber threat landscape – as well as the capabilities to counter threats – has evolved beyond recognition. Russia is now in a position to make full use of sophisticated cyber tools with no need for the crude and low-tech 'cyber carpet bombing' seen in Estonia.<sup>217</sup>

## Russia is not unique in seeking an intelligence advantage by cyber means; but it is the use to which this advantage may be put which makes Russia exceptional in Europe.

Cyber actions visible in Crimea and Ukraine have been facilitators for broader information operations. Interference with internet infrastructure has been linked directly to influencing decision-making – whether by Ukrainian Rada deputies, the National Defence and Security Council<sup>218</sup> or the entire population of Crimea immediately before the referendum on 'independence'.

This reflects the holistic nature of the Russian information warfare approach, where cyber activity is not a separate discipline but is included implicitly in a much wider range of tools to affect 'information space'. This includes not only information technology but also the cognitive domain – a point explored in more detail below.

In addition, the ongoing use of less visible cyber espionage forms a crucial part of positioning for Russia's foreign policy with regard both to its neighbours and to adversaries further afield. Accessing the information systems of diplomatic, government and military organizations over many years gives Russia a key advantage in predicting the tactics and thinking of its smaller neighbours, and thus provides an additional degree of asymmetry. Again, Russia is not unique in seeking an intelligence advantage by cyber means; but again, it is the use to which this advantage may be put that makes Russia exceptional in Europe. The intelligence insights gathered in this way may be enough to tip the balance in a risk equation which results in overtly hostile Russian activity like that displayed in Crimea and Ukraine.

## What was new in Crimea?

Russia's most recent actions in Ukraine are thus rooted in decades of applying instruments of coercion, persuasion or punishment against its neighbours, and making use of new tools and opportunities as they arise. But their origins lie in even longer-established Russian principles and assumptions about the nature of international relations. As James Sherr has observed:

Today's Russian state has inherited a culture of influence deriving from the Soviet and Tsarist past. It bears the imprint of doctrines, disciplines and habits acquired over a considerable period of time in relations with subjects, clients and independent states. The problems that bedevil present-day relations between the West and Russia are not simply the product of 'Cold War mindsets'.<sup>219</sup>

Even the seizure of a neighbour's territory by military force was not new, despite being repeatedly presented as such in both media and expert commentary. Long-term Russia observers were startled at how swiftly Russian operations in the armed conflict in Georgia had been forgotten. And there is no shortage of earlier precedents for the use of Russian special forces for *coup de main* operations, seizing key points to facilitate regime change, or presenting facts

<sup>214</sup> Andrew Rettman, 'Reports multiply of Kremlin links to anti-EU parties', EUObserver, 26 November 2014, <https://euobserver.com/foreign/126676>.

<sup>215</sup> Greg Simons, 'Putin's International Supporters', UIBrief No. 3, 2014, Swedish Institute of International Affairs, Stockholm.

<sup>216</sup> A Twitter search for #putinmania is enough to make the point beyond doubt.

<sup>217</sup> 'Capacités de lutte informatique russes : état des lieux', in Observatoire du Monde Cybernétique, Délégation aux Affaires Stratégiques, French Ministry of Defence, March 2014.

<sup>218</sup> 'With Russia and Ukraine, is all really quiet on the cyber front?', Ars Technica, 11 March 2014, <http://arstechnica.com/tech-policy/2014/03/with-russia-and-ukraine-is-all-really-quiet-on-the-cyber-front/>.

<sup>219</sup> Sherr, *Hard Diplomacy and Soft Coercion*.

on the ground without an overt declaration of war. To claim that this is a new phenomenon is to ignore the use of Russian special and airborne forces in Prague in 1968, Kabul in 1979, or Pristina in 1999. This long-standing tradition is one of the explicit purposes of special forces units and the Airborne Assault Troops (VDV), just as it was during Soviet times.<sup>220</sup> In fact Russia's plan for the seizure of Grozny during the first federal intervention in Chechnya in 1994 was similar to its actions in Simferopol in 2014. The Grozny operation failed so spectacularly because Russia's disorganized and debilitated army was still 20 years away from the necessary levels of capability and training.

The current excitement over Russia's use of 'hybrid', 'ambiguous' or 'non-linear' warfare derives from the way in which the military effort in Crimea was integrated with other instruments, rather than resulting from a radical change in how Russia uses its military.<sup>221</sup> As explained by Kristin Ven Bruusgaard:

although Russia demonstrated new principles of warfighting in Crimea, most of the tactics and doctrine displayed represented traditional Russian (or Soviet) warfighting principles refitted for modern war. ... [But] Russia integrated military tools with other tools of pressure in innovative ways, and made use of a seamless transition from peace to conflict.<sup>222</sup>

It is managing this transition, and the related discipline of escalation control, that is a key element of the overall campaign within which Russia places use of the military – and reflects some of the conclusions drawn in the much-quoted February 2013 presentation by Russian Chief of General Staff Valeriy Gerasimov.<sup>223</sup> The result in Crimea was a specific combination of two long-standing but reinvigorated instruments of this power: the armed forces and the capacity for intensive information warfare.<sup>224</sup>

## The military option

The Russian military capabilities demonstrated in Crimea in early 2014 are the product of an intense and costly process of transformation and rearmament since 2008. But the perception of advanced military capability is also misleading: the Crimea operation made use of

selected elements of elite special forces units, which were in no way representative of the capabilities of the broad mass of Russia's ground troops. Instead they were drawn from the special forces of the Southern Military District, the VDV and marine infantry,<sup>225</sup> all of which have consistently been given priority for funding and equipment.<sup>226</sup>

At the same time, comparing the Russian military capability provided by the troops and equipment on display in Crimea with that shown along the Ukrainian border provides a snapshot of how far Russia has come in creating a military fit for 21st-century warfare as envisaged in Moscow. The military overhaul remains a work in progress.<sup>227</sup> But the Crimea operation demonstrated that Russia is already willing to use the most capable parts of its military while the main force is still developing.

In the meantime, Russia's ground troops can provide the illusion of a more capable force simply by mobilizing. Throughout most of 2014, the force deployed close to the Ukrainian border served as a distraction from actual Russian operations within Ukraine. The Russian ground forces' movement to and from the border kept Western governments and intelligence agencies in a perpetual state of speculation on the likelihood of a full-scale invasion. In this case, the actual capability of those troops was irrelevant.

But Russia's military capability is continuing to improve rapidly. The outlook for Russia's armed forces is more of the same: continued generous investment (despite Russia's economic challenges), with the aim of reducing the capability gap with potential adversaries, especially the United States.

## Information warfare

Examining Russian assessments of current events makes it clear that Russia considers itself to be engaged in full-scale information warfare. This is reflected in the new emphasis on information warfare in Russia's latest Military Doctrine, approved on 26 December 2014 – although naturally most of the concepts that are recognizable from Russian offensive

<sup>220</sup> Department of the Army [USA] Field Manual 100-2-2, 'The Soviet Army: Specialized Warfare and Rear Area Support', 1984, p. 5–3.

<sup>221</sup> Stephen J. Cimbala, 'Sun Tzu and Salami Tactics? Vladimir Putin and Military Persuasion in Ukraine, 21 February–18 March 2014', *Journal of Slavic Military Studies*, Vol. 27, Issue 3, 2014.

<sup>222</sup> Kristin Ven Bruusgaard, 'Crimea and Russia's Strategic Overhaul', *Parameters*, Vol. 44 No. 3, Autumn 2014.

<sup>223</sup> Valeriy Gerasimov, 'Tsennost nauki v predvidenii' [The value of science lies in foresight], *Voyenno-Promyshlennyy Kuryer*, 27 February 2013, <http://www.vpk-news.ru/articles/14632>.

<sup>224</sup> These two topics are to be examined in greater detail in a forthcoming Chatham House research paper: Keir Giles, *Russia's New Tools for Confronting the West*.

<sup>225</sup> For a detailed evaluation, see Niklas Granholm, Johannes Malminen and Gudrun Persson (eds), *A Rude Awakening. Ramifications of Russian Aggression Towards Ukraine*, FOI, June 2014.

<sup>226</sup> Anton Lavrov, 'Nachalo reformy Vozdushno-desantnykh voysk' [Beginning of reform of the Airborne Assault Forces], in Mikhail Barabanov (ed.), *Novaya armiya Rossii* (Moscow: CAST, 2010).

<sup>227</sup> See 'Brothers Armed', a survey of the Russian and Ukrainian militaries published in late 2014 by the CAST defence consultancy in Moscow.

action in and around Ukraine appear described in purely defensive terms of countering threats to Russia itself.<sup>228</sup>

The current Russian practice of information warfare combines a number of tried and tested tools of influence with a new embrace of modern technology and capabilities, primarily the internet. Some underlying objectives and guiding principles are broadly recognizable as reinvigorated aspects of subversion campaigns from the Cold War era and earlier.<sup>229</sup> But Russia has invested hugely in adapting principles of subversion to the internet age. These new investments cover three main areas: internally and externally focused media with a substantial online presence, of which RT (formerly Russia Today) is the best known but only one example; use of social media and online discussion boards and comment pages as a force multiplier to ensure Russian narratives achieve broad reach and penetration; and language skills, in order to engage with target audiences on a wide front in their own language.<sup>230</sup> The result is the dominant online presence now known as the Kremlin troll army, acting in coordination with state-backed media.

Western media organizations were entirely unprepared for a targeted and consistent hostile disinformation campaign organized and resourced at state level. The result was an initial startling success for the Russian approach in the early stages of operations in Crimea, where reports from journalists on the ground identifying Russian troops did not reach mainstream audiences because editors in their newsrooms were baffled by inexplicable Russian denials.

Months later, Western media outlets were still faithfully reporting Russian disinformation as fact, but the realization that they had been subjected to a concerted campaign of subversion was beginning to filter into reporting. One assessment of this change is that Russian information campaigns are failing. By Western criteria, this may be true; to an informed observer, they often appear clumsy, counter-productive, obvious and easily debunked. But measured instead against Russian objectives, the information offensive has made substantial achievements. This is particularly the case in two key areas: controlling the domestic Russian media environment, and sowing doubt in Western media reporting (including influencing information available to policy-makers).

The exception that proves the rule is online social media. As has been demonstrated repeatedly throughout the seizure of Crimea and operations in eastern Ukraine, the ability

of journalists and ordinary citizens – as well as Russian servicemen themselves – to reach a wide audience directly with information undermining or contradicting the official Russian position poses the single greatest challenge to Russian information campaigns. The result is a range of recent suppressive measures targeting social media within Russia in attempts to control this last unregulated subset of Russia's 'national information space'.

Alternative realities have also been presented to audiences outside Russia, where liberal societies and free media provide vulnerabilities ready for exploitation by a coordinated information warfare onslaught. Western societies put faith in their own independent media to arrive at and report the truth thanks to their relative freedom. But Western liberal media training proved initially to be no match for the unity of message emanating from Russia. In fact, the opposite is true: the emphasis on 'balance' in many Western media ensures that Russian narratives, no matter how patently fraudulent, are repeated to European and American audiences by their own media. Individual journalists were entirely capable of perceiving and deconstructing Russian disinformation; but when Western news editors were presented with a consistent version of events being repeated by all levels of the Russian media machine from the president to the lowliest foot soldier in the Kremlin troll army, they had little choice but to report it, thereby lending that version weight and authority.

Both of these aspects of the Russian disinformation campaign illustrate a key reason why its success or failure should not be judged by criteria other than those set in Moscow. The assessment that Russia is failing in its objectives often rests on the implausibility of Russian narratives, and the consequent assumption that they will be rejected by their audiences. But while truth is supposed to be a fundamental requirement of Western communications strategies, Russian campaigns need not even remotely resemble the truth to be successful.

A key example of this approach followed the downing of Malaysia Airlines Flight MH17. Four days after the crash, by which time it was already clear that Russia held ultimate responsibility for the tragedy, the Russian Ministry of Defence held a press conference to present explanations absolving Russia.<sup>231</sup> The scenarios presented were diverse and mutually contradictory, and did not stand up to the briefest examination by experts with even basic knowledge

<sup>228</sup> 'Military Doctrine of the Russian Federation', <http://news.kremlin.ru/media/events/files/41d527556bec8deb3530.pdf>.

<sup>229</sup> Victor Madeira, 'Haven't We Been Here Before?', Institute of Statecraft, 30 July 2014, <http://www.statecraft.org.uk/research/russian-subversion-havent-we-been-here>.

<sup>230</sup> As reflected, for instance, in complaints over lack of language capacity to influence non-Russian-speaking audiences in the Baltic states. See 'Informatsionnye voiny s samimi soboi' [Information wars with ourselves], Postimees-DZD, 7 November 2011, <http://rus.postimees.ee/624820/informatsionnye-voiny-s-samimi-soboj>.

<sup>231</sup> 'Special Briefing by the Ministry of Defence of the Russian Federation on the crash of the Malaysian Boeing 777 in the Ukrainian air space, July 21, 2014', Russian Ministry of Foreign Affairs website, [http://www.mid.ru/brp\\_4.nsf/0/ECD62987D4816CA344257D1D00251C76](http://www.mid.ru/brp_4.nsf/0/ECD62987D4816CA344257D1D00251C76).

of the aircraft and missile systems claimed to have been involved.<sup>232</sup> But this was not a Russian concern: their instant rejection by both foreign and Russian experts did not prevent them being reported in the West as well as receiving broad coverage within Russia.

Danger arises when successful pollution by Russia of the opinion-forming process in the West spills over into influence on the policy-making process. There is a wide range of views on the causes of and factors in the Ukraine conflict, and how best it can be resolved; but many narratives exonerating Russia or seeking a swift solution at Ukraine's expense will find willing audiences in those policy circles that wish to appease Russia and return to business as usual at the earliest opportunity, as was the case following the armed conflict in Georgia in 2008. Even more dangerously, in circumstances requiring complete Western unity – such as a decision on collective action to be taken by NATO – Russian information warfare could play a key role by exploiting the already existing differences of opinion among NATO allies in order to prevent the essential consensus from being achieved.

The danger of these information campaigns lies in preparation for future Russian action directly countering the interests of the West, particularly Europe. By either undermining the will or support for deterrent measures, or creating an entirely false impression that Russia is justified in its actions, Russia adjusts key variables in the security calculus, reducing the risk inherent in any future assertive action against its neighbours. In the case of Ukraine, Russia felt the balance was tipped sufficiently in its favour to act; but Ukraine, and Georgia before it, are unlikely to be the last neighbours of Russia to fall victim to this calculation. Current Russian ambitions, if followed to their conclusion, must necessarily lead to a more direct confrontation with the West. Russia now benefits from a highly developed information warfare arsenal, which will be a key facilitator in preparing for further actions.

## The National Defence Control Centre

Linking and consolidating the modern tools available to the Russian leadership, such as information operations, modern military forces and other levers of influence, also requires new capabilities: not only coordination between arms of the Russian state, which had been noticeably deficient

in previous conflicts, but also forcing through leadership decisions despite administrative obstacles.<sup>233</sup> The new Russian way of warfare, and in particular the blurred lines between peace and war that are a defining factor of hybrid war, demand a whole-of-government approach from Russia (as well as whole-of-government responses from any states wishing to resist Russia). It has long been recognized that management of the information aspects of campaigns in particular requires 'a well-developed mechanism of state control over information policy and processes'.<sup>234</sup>

The new National Defence Control Centre in Moscow is intended to facilitate this coordinated approach. At the time of writing (late 2014), the centre appeared more a symptom and a symbol of the new approach rather than a distinctive new capability.<sup>235</sup> But by combining a total of 49 military, police, economic, infrastructure and other authorities under the stewardship of the General Staff, the centre could, if implemented as planned, greatly improve Russia's speed of reaction and information exchange, and assist in honing Russia's coordinated capabilities for future hostile action.

## Outlook

We are guided by interests rather than feelings in dealing with our partners.<sup>236</sup>

Current trajectories indicate that further confrontation between Russia and the West is inevitable.<sup>237</sup> It is therefore essential to understand the full range of tools at Russia's disposal to achieve its aims. Russia's intentions remain persistent over time; but its capabilities, especially in the military domain, are developing rapidly, emboldening Moscow to become still more aggressive in achieving its foreign policy goals.

The current plans for military transformation, like many other Russian strategic planning horizons, set a completion date of 2020. If Russia continues to invest heavily while Western militaries contract, defence capability trajectories will eventually cross and Russia will eventually achieve its goal of once more overmatching European military power, by means of qualitative improvements capitalizing on the already existing huge quantitative superiority.

But Crimea demonstrated that Russia does not have to wait until its military transformation is complete to use military force successfully. This is due to two key force

<sup>232</sup> Keir Giles, 'Tales from Two Cities: Moscow and Washington on Flight MH17', Chatham House Expert Comment, 24 July 2014, <http://www.chathamhouse.org/expert/comment/15236>.

<sup>233</sup> Andrew Monaghan, *Defibrillating the Vertikal? Putin and Russian Grand Strategy*, Chatham House Research Paper, October 2014, <http://www.chathamhouse.org/publication/defibrillating-vertikal-putin-and-russian-grand-strategy>.

<sup>234</sup> Maj-Gen V.A. Zolotarev (ed.), 'Rossiya (SSSR) v lokalnykh voynakh i voyennykh konfliktakh vtoroy poloviny XX veka' (Moscow: Kuchkovo Pole, 2000).

<sup>235</sup> Julian Cooper, 'The National Defence Management Centre of the Russian Federation. A Research Note', unpublished article, 18 November 2014.

<sup>236</sup> Vladimir Putin, speaking ahead of November 2014 G20 summit, <http://itar-tass.com/en/russia/759665>.

<sup>237</sup> See James Sherr, 'Reflections on the New East-West Discard', unpublished article, 20 December 2014.

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multipliers: first, Russia's political will to resort to force when necessary, entirely absent in Europe; and second, the successful integration of other strategic tools such as information warfare, reflecting the new doctrinal emphasis on influence rather than destruction.

The text of Russia's new Military Doctrine shows that in declaratory policy at least, Moscow's threat perception has not substantially changed. Russia might feel after the Wales summit that its preconceived notions of NATO as a threat may be a little more realistic and not simply hypothetical, but in the Doctrine NATO remains just a 'military risk' as opposed to a threat. The distinction in Russian doctrinal lexicon is significant; and it makes an important political statement, with NATO and its members the intended audience.

But the emphasis in the Military Doctrine on regime change both on Russia's borders and internally, and on information war, is new. Russia has brought limited intervention and information warfare back into its arsenal for bringing recalcitrant neighbours to heel – or replacing their governments with ones more amenable to Russia's aims.

The results of the Georgia war in 2008 validated military force as a foreign policy tool for Russia, bringing long-term strategic gains in exchange for short-term and limited

economic and reputational pain. As noted elsewhere in this report, economic upsets have disrupted the application of this calculus to operations in Ukraine. But they have done little to dispel the euphoria resulting from the successful seizure of Crimea – or the impression that bold military strokes, if designed not to trouble NATO members with consideration of an Article 5 response, are unlikely to meet with significant resistance or challenge. Russia's neighbours should therefore be alert to the possibility of more substantial military interventions as the parts of the armed forces which are considered ready and fit for use expand.<sup>238</sup>

The distinctive Russian understanding of 'soft power' is linked to the fact that one of Russia's fundamental demands from the rest of the world is respect. But so little of what Russia does earns it respect anywhere except at home. This paradox cannot be resolved, because to do so would involve breaking the traditional Russian equation of respect with fear – an equation that continues to be clear in Putin's public statements. As a result, Russia's neighbours will continue to face an increasingly assertive Russia. Whether emboldened by success in Ukraine, or embittered by failure, Russia will continue to be difficult and can be expected to employ its full range of both soft and hard power tools to do so.

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<sup>238</sup> Keir Giles and Aleksandr V. Rogovoy, 'A Russian View on Land Power', US Army War College Strategic Studies Institute, April 2015, <http://www.strategicstudiesinstitute.army.mil/pubs/display.cfm?pubID=1258>.

# 7. Russian and Western Expectations

Andrew Wood

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## The problem

President Vladimir Putin's third term in the Kremlin has been a disaster for Russia, and therefore for the wider world.<sup>239</sup> The Russian public is for now largely behind him, but uncertain of what the future, even the immediate future, may bring.

Western leaders are still divided in their understanding of how best to relate to Russia. That is in part because as a term 'the West', while remaining a convenient and often relevant shorthand, now covers a looser set of organizations and interests than in the past. Present divisions in the West also reflect differing understandings of the way in which Russia has evolved, particularly over the last three years or so. The previous assumption in North America and most of Europe was that Russia could somehow be encouraged back towards a gradual transition favouring a sustainable relationship with the rest of the world, and Europe in particular, together with the law-based relationship between the Russian leadership and people that would underpin such a desirable outcome. That hope has taken a beating, particularly over the past year and a half, but there are still those who ask themselves whether, for instance, Moscow has been failed by the West and thereby in some fashion provoked into aggression against its neighbours. If so, what should be done to correct that fault? Or do Russia and the West now face far worse prospects, such as a further slide towards a belligerent nationalist dictatorship in Moscow or eventual collapse into chaos in Russia and its neighbourhood?

## Putin's third term

The principal determinant of events since Putin's return to the Kremlin in May 2012 has been Russia's internal torment as to its future course. Moscow's relationship with the outside world in general, and in particular with its neighbours, wider Europe and Washington, reflects that struggle and adds to its dynamic. But the key lies in the way in which the Russian leadership seeks to secure its domestic power, and the nature and extent of its ability to determine the assumptions and ambitions of the Russian people. Putin and his immediate circle did not have to take the path they chose in 2012. But the alternative of institutionally backed economic – and by necessary implication political – reform that had been aired over the previous few years would have taken courage and boldness to face. It was therefore not a surprise that the Putin

establishment preferred the apparently safer option of centrally directed economic policies and increased control over Russia's people.<sup>240</sup>

## Clampdown

The repression of protest and criticism, both actual and potential, was, however, both swifter and more extensive after Putin's inauguration than most had expected. It has worked in the sense that it has cowed overt opposition. It has also been corrosive. Its cumulative effect has been to inhibit internal debate and therefore informed policy-making. The need for that has become increasingly evident as Russia's economic and civil development and foreign policy options have become constrained. As set out in Chapter 3 by Philip Hanson, Russia's economic prospects were darkening as Putin's third term began; the possibility of GDP growth of around 5 per cent a year needed to finance the mandate he had demanded of the government looked well beyond the country's reach. The idea that Russia needed a new development model to replace that fuelled by high energy and other natural resource prices plus underutilized inherited assets, which had made for such success until 2008, was widespread, but not elaborated by the government. The statist alternative insisted on by the Kremlin has failed to deliver.

All governments need to convey a sense of national purpose or mission, but authoritarian governments organized around an iconic figure like Putin ruling over a disoriented country like Russia have a special need to do so. By 2013 the Kremlin had tried a number of expedients without making sufficient impact to prevent Putin's poll ratings sliding. Russians were not seriously investing in their country. The National Front was a nostrum in search of a purpose. Presenting Russia as the defender of conservative paradigms had a certain appeal insofar as it reflected traditional Russian beliefs in the country's exceptionalism, but neither it nor the proclamation of special 'Russian values' resonated with the public as compelling justification for Putin's third term, let alone the prospect of a fourth to last from 2018 to 2024. Thirteen years after their advent, perhaps Putin and his clique were in power for their own sakes? On the other hand, who else was available, and who among Russia's citizens either trusted the Russian government as a whole or thought that its nature had much to do with them anyway? Besides, neither the European Union nor the United States was in such good shape as to appear a compelling alternative for many Russian citizens.

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<sup>239</sup> I am reinforced in this understanding by what others contributing to this report have written, but the choice of words is mine alone.

<sup>240</sup> Philip Hanson, James Nixey, Lilia Shevtsova and Andrew Wood, *Putin Again: Implications for Russia and the West* (London: Chatham House, 2012).

## Great Power?

Putin's long-term ambition had always been to restore Russia to what he and many others saw as its rightful position as a Great Power.<sup>241</sup> As the country became richer during his first two terms, and while Russian gas was there as a powerful lever, so the Kremlin's heft abroad and Putin's authority at home increased.<sup>242</sup> So too, presumably, did Putin's self-confidence and his sense of entitlement.<sup>243</sup> Dmitry Medvedev's failure as president to establish himself as the directing force in Russian politics fed Putin's vision of his own personal role. The inner core of the regime from 2008 to 2012 remained the same as it had been in the previous eight years, but the role of the *siloviki* within it steadily increased.<sup>244</sup> Moscow's 2008 Georgian adventure fed perceptions of entitlement to hegemony in the post-Soviet space, and Western inability to gainsay it. But the conditions that had underpinned the Kremlin's domestic and foreign ambitions began to weaken after the 2008–09 global economic crisis. The street protests of late 2011 and early 2012 came as a shock to Putin and his group. The dangers of 'colour revolutions' became a stock Kremlin warning. The regime's perception of reality and its message to domestic and world opinion laid increasing stress on the proposition that Russia was a besieged fortress, and ultimately the belief that a Russia risen from its knees meant that others, and especially its ex-Soviet neighbours, had to fall on theirs.

## Western attitudes before November 2013

Few in the West paid sufficient attention to the implications of what was happening in Russia as Putin's third term as president got under way.<sup>245</sup> Russia's inward turn was seen against the background of the prevailing supposition that there would be ups and downs in its progress towards something better; and in any case, insofar as it was considered at all, it was seen as something beyond the power of Western governments directly to address. The major increase in military expenditure and the reforms that went with it (described in Chapter 6 by Keir Giles) were seen primarily as necessary and understandable steps to repair past neglect. Putin had after all given military reforms insistent backing both before and after his return to the Kremlin. Less attention was paid to the question of what exactly Russia's increased military potential might be for.

Nor were Putin's ambitions to form a Eurasian Union seen as necessarily incompatible with EU Association Agreements with Eastern Partnership countries. But then, no Western countries saw themselves as being in existential competition with Russia. Moscow's insistence on what it regarded as the reality of just such an East–West struggle should have been taken more seriously than it was in the West. None of that is to argue that the European Union or the United States – the latter being seen by the Kremlin as its rival epicentre – should have followed different paths. But it does suggest that the West should have been more fully prepared for the shock in November 2013. The potential establishment of a successful and democratic regime in Kyiv was understood in Moscow from the beginning as an existential threat to the Putinist regime in Russia, and to the wider order that the Kremlin hoped to establish over the former Soviet space.

As it was, the struggle within Ukraine focused and sharpened the Kremlin's pre-existing fears and convictions, from triumph as Viktor Yanukovich reneged on the EU Association Agreement in November 2013 to anger as he lost to the Maidan protesters in February 2014, with Moscow's seizure of Crimea in revenge. It also gave Putin the opportunity to rally his people around his banner once more, with the focus firmly on defending Russia against the menace of the West, and the United States in particular.

## Ukraine after November 2014

Presenting the crisis around Ukraine as one between East and West has been good tactics for Moscow. It has induced Western leaders, with Germany in the vanguard, to negotiate Ukraine's future with Moscow. And to admit instead, even to Kremlin insiders, that the issue was at the outset one of decent governance in Ukraine would have been hard, and very possibly dangerous, given the obvious analogies between Moscow and Kyiv. The Kremlin had, however, full knowledge of how Yanukovich tried to suppress the Maidan protests and how he failed. The breathtaking corruption of the Yanukovich regime was hardly secret. Putin's regime probably saw it as a useful '*kompromat*',<sup>246</sup> and certainly did not attack the Yanukovich family for its penetration of Ukraine's government, which had built up steadily from the moment the president was elected in 2010. The Kremlin from the first had made it clear that it wanted 'much more',

<sup>241</sup> An elastic pre-First World War term recalling Tsarist Russia's recovery of international authority after defeat in the Crimean War and representing contemporary Russia's ambition to assert its internationally acknowledged authority over its neighbourhood, as the successor to the USSR.

<sup>242</sup> See the section on Putin's new model Russia in Chapter 2 by Roderic Lyne.

<sup>243</sup> A number of Russian commentators have gone further. See, for example, Dmitri Trenin of the Carnegie Institute in his noteworthy article of 22 December 2014, 'Russia's Breakout from the Post-Cold War System: The Drivers of Putin's Course': 'At the end of his premiership Putin appeared imbued with a sense of history and a mandate from God.' And Trenin seems to feel that Putin had a point.

<sup>244</sup> *Siloviki* is a collective Russian term for members of the various security organs of the state.

<sup>245</sup> See the latest report by the House of Lords EU Committee, *The EU and Russia: Before and Beyond the Crisis in Ukraine*, House of Lords Paper 115, 20 February 2015, <http://www.publications.parliament.uk/pa/ld201415/ldselect/lddeucom/115/115.pdf>.

<sup>246</sup> The retention of compromising material for later use as blackmail.



to quote Medvedev as Yanukovych took over in 2010, than simply the extension of Russia's lease for the Black Sea fleet. It had good reason to be disappointed, arguably even dismayed, that the effort to force Kyiv into a Eurasian harness had backfired. But so taken aback that grabbing Crimea was its response? And promoting and sustaining armed conflict in eastern Ukraine the follow-up?

Answers to these questions are central to future Western policy-making and to developing an understanding of Russia's possible futures. What the Russians have said, and still say, is not necessarily the whole truth, to put it generously. The information available to the narrow group of major actors in Moscow continues to be coloured by the prejudices and hopes of those channelling it up to them. Those actors have their own presuppositions, and their own fears or hopes. Chapter 4 by James Sherr, and the facts on the ground, show just how wrong Russian policy-makers have been, whether through wilful denial/misinterpretation or out of ignorance, in the assumptions that underlie their policies towards Ukraine.

**Putin and his circle may hope that exhaustion and fear will in due course resign Ukrainians to Russian domination. But even if that turned out to be true, it would very likely make for no more than a temporary lull in resistance to Muscovite pressure.**

Russia has overreached itself in Ukraine. Far from compelling that country to renounce its European orientation, it has reinforced the message that Russia – and particularly Putin – cannot be trusted and that protection against Moscow is therefore essential. The revulsion against the corruption and misrule of Yanukovych and the realization that the Kremlin model is essentially the same remain for the majority of Ukrainians a key component in their ambition to move towards democratic values of Western origin, and a closer relationship with the West. They have once again shown themselves ready to act courageously to that end, as they did in 2004, when Moscow tried to prevent the victory of Yushchenko over Yanukovych. Putin and his circle may hope that exhaustion and fear will in due course resign Ukrainians to Russian domination. But even if that turned out to be true, it would very likely make for no more than a temporary lull in resistance to Muscovite pressure. The leaders of Russia may have persuaded themselves otherwise, but if so they have failed to register why their efforts to rouse Russian-speaking Ukrainians in the east have proved such

hard going. Despite the extensive concessions made to Moscow during the negotiations under the 'Normandy Formula' to reach the Minsk II ceasefire agreement of 12 February 2015, Russia's supporters do not for now have secure control over enough territory in Donetsk and Luhansk to set up a durable 'frozen conflict' zone like that still plaguing Moldova. Extending their grip would remain risky. It would, if successful, lead to the long-term stationing of yet larger military forces. Establishing a land corridor to Crimea would be an even greater commitment at still more considerable risk.

The financial cost to Russia of what the Kremlin has already done is, or at any rate should be, daunting. Crimea will be a continuing drain on a constrained purse for as long as it remains in Russian hands. Supporting enclaves in Donetsk and Luhansk would be another, and probably larger, commitment. For now, the Kremlin's refusal to admit that Russian troops have been deployed allows it to deny financial responsibility for Donetsk or Luhansk, but that excuse would not wash if separate statelets were to be consolidated. They would be dependent on Russian protection and support.

The external political costs to Russia are considerable as well. Putin was surprised by the strength of the Western reaction, and the coordination between the United States and the EU in setting up sanctions. The strain on Moscow's relationship with its scheduled Eurasian Union partners has been considerable, bringing that project's chances of success into serious question.

The assassination of Russia's former deputy prime minister, Boris Nemtsov, on 27 February 2015 highlighted a growing risk to Russia itself. The violence of Donbas interacts with Russia's existing vigilante culture, and the menace of Putin's proxy in Chechnya, Ramzan Kadyrov.<sup>247</sup> The repressive policies that have increased as Putin's third term has progressed both feed on and are fuelled by Russian efforts to subdue Ukraine to its will.

### What now?

Minsk II provided for a lull in the fighting in Donbas, but its provisions were contradictory and open to conflicting interpretations by the three principal parties: the EU as fronted on 12 February by Germany and France, together with the wider West by extension; Russia; and Ukraine, which like Russia is free to cry foul at any stage. In the absence of a clear commitment to the agreement as a road to a sustainable settlement over the longer term,

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<sup>247</sup> Andrew Wood, 'Real Putinism', *The American Interest*, 1 April 2015, [the-american-interest.com/2015/04/01/real-putinism/](http://the-american-interest.com/2015/04/01/real-putinism/).

which would require its creative interpretation in the light of shared aims, it seems unlikely to prove more than a temporary and partially respected ceasefire.

### The West

EU and US sanctions against Russia have had an ambivalent effect on Russia so far. They have on the one hand consolidated majority domestic support for Putin, at least over the short term. On the other, they have played into pre-existing Russian economic problems clearly linked to Russian failures to address long-standing structural economic and political problems. Their effect, if maintained, is likely to increase over the next couple of years. Their reach is enhanced beyond their detailed provisions by the need for Western enterprises to interpret them broadly so as to avoid possible difficulties with their own authorities, and by Moscow's imposition of counter-sanctions. All concerned must consider whether wider sanctions might at some stage be imposed in response to further aggressive Russian actions.

The problem for the EU, however – for now at least – is to maintain sanctions at their present level, not whether or not to increase their range or severity. Keeping them at their present level has been linked to an uncertain yardstick, the implementation of Minsk II. European judgments and expectations have varied from alarm to something closer to complacency as particular shocks such as the downing of Flight MH17 or clear Russian military interference in eastern Ukraine give way to relative calm in Donbas. Little has been said of Russian-induced repression in Crimea, whose fate was barely considered during the discussions leading to Minsk II. There can be no certainty over how the EU would reach a workable consensus by the end of the year on allowing EU sanctions to be eased or lifted, based on whether Minsk II had or had not been sufficiently fulfilled by Moscow's Donbas proxies or Kyiv, or Moscow itself. Opinion in Washington, for that matter, might still be divided, too. Congress is minded to be tough, but the executive arm far less so.

Events may of course weaken the link between maintaining sanctions and Minsk II, but the fact that such a link now exists gives a focus to the purpose of sanctions that was lacking before. Their original aim was to punish the Kremlin and those directly implicated in Putin's decision-making for the seizure of Crimea, and they were increased in response to subsequent Russian adventures in eastern Ukraine. President Barack Obama foreswore direct military intervention from the beginning, and besides, no European countries would have supported him had he done otherwise. The general aim, which Chancellor Angela Merkel has articulated with particular force, was for the West to respond as effectively as possible to Russia's challenge to the post-Cold War international order, and to restore its proper

framework for the security of the whole of the European continent. That aim remains in force, along with the restoration of the territorial integrity of Ukraine itself. But defining Western aims in more detail has proved difficult.

As noted earlier, there are many in the West who have been seduced by the Russian line that Moscow has been betrayed by the West over the years, and in particular by the enlargement of NATO. According to this logic, the possibility of Ukraine joining NATO was a significant factor in precipitating Russia's direct intervention and subsequently its (officially denied but patently obvious) incursion into Luhansk and Donetsk. It is supposed therefore that an undertaking never to accept Ukraine into NATO, whatever the wishes of Kyiv might be now or later, together with (in most such propositions) at least *de facto* acceptance of Moscow's occupation of Crimea, is an essential element of an East–West negotiated settlement of the crisis in and around Ukraine. It is certainly the case that Moscow has built up a grievance narrative over the years, including over NATO enlargement, and that this narrative has satisfying force for many Russians. That is a fact, irrespective of the truth of the tale, just as it was a fact that many Germans in the interwar years believed in the legend of the Stab in the Back. It does not at all follow, however, that accepting Ukraine into NATO was ever a real possibility in 2013 or that a promise now never to do so would be a viable part of a settlement negotiated between Russia and the Western powers and forced on Ukraine. To take that approach would in any case be to admit Moscow's right to decide Ukraine's future, by force if need be.

Germany has moved into the lead in the West in determining policies towards Russia and the Ukrainian problem. Berlin has become more critical of Putin than it once was, and markedly less trustful of him and his ruling group in the process. Washington's role in this evolution is less clear than one might have expected. Merkel's opposition to America – or the less immediate possibility of Europe – supplying lethal weapons to Ukraine may have coincided with Obama's reluctance to do so. She has insistently repeated that force cannot resolve the Ukraine problem. The trouble with that is that the Russians in effect insist that it can, and show no sign of changing their minds.

Other Western mantras include the need to preserve the territorial integrity of Ukraine, and the centrality of support for its right to democratic development together with the concomitant close relationship with the West, and with the EU in particular. Again, however, these are worthy aims whose concrete meaning is disputable. If Minsk II is taken as indicative, then one interpretation of it would be that Kyiv would pay for the cost of Russian-promoted enclaves in the east of Ukraine that are not in practice subject to its writ. This would come close to the

idea of a ‘frozen conflict’ settlement. The Russian Ministry of Foreign Affairs has already interpreted the clauses in Minsk II as meaning that Kyiv would have no right to oversee elections in the two ‘People’s Republics’ in Donetsk and Luhansk. But this provision is incompatible with Ukrainian territorial integrity in any real sense. And the West has yet to come up with serious plans to cope with paying for and ensuring the reforms it demands, and that Ukraine needs, if it is to become the stable democratic state that the West proclaims as core to its strategy.

The reality is that the West’s primary focus is on dealing with Russia, though of course, as it would maintain, preferably not at the expense of Ukraine. The West has to a significant extent tacitly accepted the contention that what it faces is primarily an East–West contest, not one about the nature of Ukraine’s potential for democratic and economic reform, with all the implications that would have for Russia’s future development, and for Putin’s place in it.

#### Russia

Putin’s objectives, too, are easier to discern in general outline than in terms of particular targets in relation to Ukraine. One step has led to another, in an effort to bolster his regime at home, and in a wish to deny Ukraine to the West. It is not obvious that he has a strategic endgame in mind, such as splitting Ukraine in two, as has sometimes been suggested. Nor is it clear that he knows how to reach safe ground. What he has done, however, fits into a pattern rooted in the nature of his domestic rule, and the way it has come to depend on the assertion that Russia is surrounded by foreign enemies, with the United States in the vanguard.

In a country whose rulers are not bound by the law, and who rely in the last resort on force to ensure the obedience of the people, it is natural to believe that the rules which in truth govern international relations are the same: might is right. The post-Cold War settlement that is critically important for the West as the basis for European security is for Russia’s present rulers no more than a framework whose time has passed. The Russians use the language of democracy, the market and international law, but its content for them is different. The natural state of international affairs for them is that Russia, as a Great Power, should dominate its neighbourhood and dictate its governing structures. Frustrating that right is seen as aggression, and linked to internal unrest, which is blamed on Western incitement.

The fear index of Russia’s neighbours, and for that matter its formal allies, has undoubtedly risen over the past year or more, along with their evident or concealed hope that the West will restrain Moscow’s appetite. But the present focus remains on Ukraine. Speculation as to how Russian policies towards other states in the region might develop

will remain just that until Ukraine’s future becomes clearer, and as Russia’s domestic politics develop in parallel with that. For all the power of the levers that Moscow has in its quarrel with Kyiv and the West, there are near-term constraints on their potential that are set to increase over the year and into 2016. The most obvious of these is the speed with which Russia’s financial reserves are being depleted and the inability of the government to keep up with the pressures put upon it by sanctions and the fall in the price of oil.

**As things stand, Putin has invested so much, not least of course in eastern Ukraine, with so little to show for it in concrete gains for his country, that he is for now condemned to show himself indomitable.**

If there were such a thing as a pure national interest, Putin would never have gone in so deep over Ukraine. Crimea was risky enough. As things stand, he has invested so much, not least of course in eastern Ukraine, with so little to show for it in concrete gains for his country, that he is for now condemned to show himself indomitable. The personal risks of admitting or even appearing to admit that he has been in error are considerable. It is not at all evident, however, either what any further advance would achieve or what consolidating a defensible position would entail. This surely is a second constraint on near-term Russian policy decisions. Putin has spoken often enough of the need for unity in the face of the threat from a West driven by a vindictive United States – but sound and fury are not enough. A leader sure of what to do next in pursuit of clear and well-recognized goals has authority. Waiting for others to concede some prize is not the same thing as having a real strategy.

Putin’s poll ratings, combined with an image of a Russia inured to hardship, boost the supposition common in the West that he will remain dominant in his country at least until the next presidential round in 2018 but more probably for a further term as well, which would keep him in the Kremlin until 2024. Plenty of Russians share Putin’s view that Russia’s troubles are all the fault of others. Turning in on themselves and raising two fingers to the rest of the world, and the United States in particular, is some consolation for the disappointments they have endured over the past many years. But no one can live forever on a diet of patriotism alone. Putin is well aware that others who have seemed secure and popular have lost power suddenly, completely, and often enough fatally. Russian history is punctuated by such outbursts as well as being characterized by long periods when the supreme authority of the ruler has been passively accepted.

Putin and his cabal have no answer to the longer-term questions about Russia's future. The word 'modernization' has dropped out of their vocabulary. Corruption in both its senses of bribes and kickbacks, and the fundamental distortion of society by a culture of rule by personal favours coupled with blackmail, has grown under their rule into a fundamental system of government.<sup>248</sup> Instead of a rule of law applying to all, high or low, Russia runs on laws elastic in their meaning, ineffectually policed for their constitutionality and arbitrary in their application. The courts can be and are manipulated by the powerful, and used at will against unruly regime vassals. The Duma and the Council of the Federation have been drained of authority. The regions are dependent on the dictates of the Kremlin. The bigger the Russian business, the greater its subservience to the state – if state is the right word for Russia's governing system. The resulting stasis looks strong but is vulnerable.

The Kremlin now has no ways it can bring itself to accept which might resolve the problems it faces over the next few years. The alternatives are quite stark. If Putin chooses to stick to present economic policies, to ramp up domestic repression as and when he believes it necessary, and to balance Russia's self-isolation with a belligerent attitude towards the West, and towards neighbouring states too for that matter, he will run into increasing economic and political difficulties. Putin promised his country stability, not the return of the shadow of 1998. The hope in the Kremlin may be that in time the situation in Ukraine will change to Russia's permanent advantage, that EU and maybe even US sanctions will be relaxed, and that the price of oil will rise back towards its old levels, thereby giving the Russian economy a further lease of life in its current form. Russia's leaders, at any rate, seem intent on using the time they believe they have in the course of this year to stick to their present last.

The risks of this approach are considerable, and likely to grow. But so are the risks, for the narrowing group around Putin, of beginning seriously to address Russia's long-term social, economic and political problems. The crisis around Ukraine is one dangerous element of a deepening crisis for Russia itself.

### Ukraine

Both Western policy-makers and their Russian counterparts know less about Ukraine than they should, and are inclined to underestimate its potential (see Chapter 4 by James Sherr). In contrast to Russia, Ukraine has no vertical of power, though its governance under Yanukovich was as

corrupted as Russia's. Since Yanukovich was ejected, the civic initiative of multiple groups of Ukraine's citizenry has been notable, in contrast to the civic passivity of Russians. Their will to resist Russian aggression has been clear, and the courage of ordinary Ukrainians in facing up to regular Russian formations equally remarkable. Russian troops have taken more casualties than they or foreign observers could have expected. If spirit alone could give Kyiv the upper hand, it would have done so.

But Ukraine's forces have been outgunned and outmanned. The West has yet to let them have weapons which might blunt assaults by Russian tanks. There has been progress towards political and economic reform, and successful presidential and parliamentary elections. But the establishment of a fully accountable and effective machinery of government has yet to be completed for the major part of the country, which so far lies beyond Moscow's power – whether directly or by proxy.<sup>249</sup> Without greater Western commitment, the risk of the failure of Ukraine's effort to transform itself into a European state from one based on the faltering Moscow model is patently clear.

### The West's response

British and other Western policy-makers must of course deal in the first place with present realities, and present leaders. But they need also to take account of future possibilities in framing their approach. At the least, in dealing with Moscow, it is essential to remember that Putin and his circle are not the same as Russia and its people, and that their interests do not necessarily coincide. Ways should be sought to expand Western communication with the latter. The current Kremlin may want to develop the false promise of a separate, self-sufficient and introverted Russia dominating the former Soviet space. The reality is that Russia is already part of Europe.

An increasing number of Kremlin-oriented Russians argue that the purpose of the West, and of course the United States in particular, is to change the regime in their country through 'colour revolutions'. Preventing them is the Kremlin-mandated duty not just of Russia's internal security forces but of the armed services too. In truth, the West is not consistent, organized or effective enough to mount such revolutions, even if it had the wish to do so. Russian leaders' warnings of the dangers reveal their fear of their own people. So do the pre-emptive measures of repression they have taken to protect themselves, including the use of licensed but deniable thuggery against particular offenders, paralleled by their actions in and against Ukraine: criminals

<sup>248</sup> See, for instance, Alena Ledanova, *Can Russia Modernise? Sistema, Power Networks, Informal Governance* (Cambridge University Press, 2013).

<sup>249</sup> See Orysia Lutsevych, 'Ukraine's Oligarch Gambit', Chatham House Expert Comment, 9 April 2015, <http://www.chathamhouse.org/expert/comment/17393>.

have their uses. The West has no interest in letting Russia slip into anarchy, and never has had such an interest.

But nor does the West have either the desire or the means to protect Putin's regime against change, whether managed or violent. It is regularly suggested that a successor to Putin would be worse than he is. All that can in truth be said is that a successor would be different, and would explore different policy options. That would be the case whether Putin was ousted by an internal coup, by illness or by popular unrest. The risk of a chaotic ending is heightened by the lack of any realistic succession mechanism in today's Russia, and is evident to plenty of Russians themselves.

It would nevertheless be sensible for the West to give further thought to how it might deal with the consequences of regime change in Russia. Effective communication with the Russian people and the defence of human values beforehand would be essential for Western credibility. Getting too close now to a ruling cabal that abuses universal values, while tempting for reasons of so-called *realpolitik* on a short- or medium-term basis, would have a longer-term cost. Prudence is needed as well over the degree to which the West may seem complicit in its commercial and financial dealings with possibly corrupt Russian entities and persons. No self-evident answers to the dilemmas inherent in approaching such questions exist, but the realization that the present regime will not last forever, and may indeed face a serious crisis within the foreseeable future, should help to focus the mind on their importance.

Planning for the future ought, lastly, to cover the scenarios from changes of leadership within the current structures, to the emergence of a group ready to pursue structural reform in some sort of accountable dialogue with the Russian population, to regime collapse. The future may rarely be as visionaries predict, but sketching out possibilities can clarify future options and draw attention to possible dangers: refugees? nuclear risks? financial aid? the effects in Central Asia and the Caucasus? the lessons of the collapse of the Soviet Union?

In the meantime Western leaders should bide their time at least until existing pressures on Russian policy-makers show some signs of inducing them towards substantive negotiations over Ukraine, beyond paper promises likely on past form to be broken as soon as convenient. Sanctions are having a significant effect, which is likely to increase over 2015. But there is at present nothing on offer from Moscow either to Kyiv or to the West as a whole that holds out some prospect of a durable *modus vivendi*.

That does not imply a refusal from time to time to test Putin directly. But the parameters for that must be clear and strict, including insistence on a complete and verifiable end to the presence of Russian soldiers and the provision of supplies to

rebels in Donbas. This is war by any reasonable definition, whether or not Putin cares to admit what he is doing. Moreover, strategic patience in pursuing the present Western course does not mean that increasing the pressure on Russia by harsher sanctions or by direct military assistance of one kind or another to Kyiv should be ruled out.

The West should increase its support for Ukraine in moving towards a more secure future with an accountable government subject to the rule of law and therefore more equipped to prosper in its European and global contexts. Helping Ukraine to make a transition of that nature would be the best help the West could give Russia too, since the desire is for it too to revisit the possibility of democratic development. The cost of helping Ukraine will be considerable, but ought to be faced: the costs of its collapse would outweigh them.

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It would be doing Russia an ill favour to treat that country as an exception franchised to its own rules as a Great Power. It would be imprudent for transatlantic or European countries to suppose that a return to what was once seen as business as usual is a realistic possibility for the foreseeable future. Doing business as usual with Fortress Russia, a country undermined by its present practices, has never been easy. It looks set to become more difficult, with or without a Ukraine settlement.

There is as yet no sign that Putin has recognized the dangers for his country in his foreign policies or his domestic policies. There are those in the West, some of them authoritative, who argue that the West needs to offer a ramp for him to climb down. The assumptions behind that proposition have been and remain questionable. If Ukraine were about to give up the struggle, Putin would feel triumphant and in no need of a ramp. As it is, if he came to acknowledge that his efforts to find foreign allies, China not least, had proved insufficient, that he faced a long struggle in bending Ukraine to reliable obedience, and that he or an eventual successor had to do something convincing to revive foreign investment in his country, he would be well advised to pursue the possibilities of working with outside powers towards a durable way of living with a changing Ukraine and with the West as a whole over a wider range of other matters, rather than putting everything into the anti-American and anti-Western basket.

Western countries, for their part, should be on their guard. Defence has now to move up national agendas. And the need is now evident for more effective and better-informed instruments to be nurtured both nationally and within the EU and NATO to identify, pre-empt and manage potential threats to peace and security in Europe, including by regenerating a collective ability to understand and analyse

what is going on in Russia itself. The West should also explain its policies towards Russia, including of course those affecting Ukraine, to Russia's post-Soviet neighbours – and to China. They deserve to hear directly how the West understands the position, and how Western countries propose to proceed. At the least, Russia's propaganda effort needs to be balanced in this way.

# Summary of Recommendations

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The root cause of the challenge posed to the West by Russia lies in the country's internal development, and its failure to find a satisfactory pattern of development following the collapse of the Soviet Union. Vladimir Putin and his circle are not the same as Russia and its people, and their interests do not necessarily coincide. The West has neither the wish nor the means to promote, or for that matter to prevent, regime change in Russia. But Western countries need to consider the possible consequences of a chaotic end to the Putin system.

The West needs to develop and implement a clear and coherent strategy towards Russia. As far as possible, this strategy must be based on a common transatlantic and European assessment of Russian realities. In particular, policy should draw on the evidence of Russia's behaviour, not on convenient or fashionable narratives.

As outlined in more detail in the Executive Summary at the beginning of this report, the West's strategy needs to include the following clear goals, and establish the near-term means and longer-term capabilities for achieving them:

## Strategic goals for the West

- To deter and constrain coercion by Russia against its European neighbours, for as long as is needed, but not to draw fixed dividing lines. The door should be kept open for re-engagement when circumstances change. This cannot be expected with any confidence under Putin.
- To restore the integrity of a European security system based on sovereignty, territorial integrity and the right of states to determine their own destinies.
- To find better ways to communicate to the Russian regime and people that it is in their long-term national interest to be a part of a rules-based Europe, not an isolated regional hegemon.
- To explain Western policies consistently and regularly in discussions with China, and to all former Soviet states, most of which have reason to be concerned about Russian policies, whether or not they admit it.
- To prepare for the complications and opportunities that will inevitably be presented by an eventual change of leadership in Russia.
- Not to isolate the Russian people. It is not in the Western interest to help Putin cut them off from the outside world.

## Specific policy objectives

- The reconstruction of Ukraine as an effective sovereign state, capable of standing up for itself, is crucial. This requires the input of much greater effort than has been the case up to now.
- The EU's Eastern Partnership needs to be transformed into an instrument that reinforces the sovereignty and economies of partner countries that have proved willing to undertake serious political and economic reform.
- The effectiveness of sanctions against Russia depends on their duration as well as severity. Until the issue of the violation of Ukraine's territorial integrity is fully addressed, sanctions should remain in place. It is self-defeating to link the lifting of sanctions to implementation of the poorly crafted and inherently fragile Minsk accords.
- The West should not return to 'business as usual' in broader relations with the Russian authorities until there is an acceptable settlement of the Ukrainian conflict and compliance by Russia with its international legal obligations.
- EU energy policy should aim to deprive Russia of political leverage in energy markets, rather than to remove Russia from the European supply mix.
- Western states need to invest in defensive strategic communications and media support in order to counter the Kremlin's false narratives.
- NATO must retain its credibility as a deterrent to Russian aggression. In particular, it needs to demonstrate that limited war is impossible and that the response to 'ambiguous' or 'hybrid' war will be robust.
- Conventional deterrent capability must be restored as a matter of urgency and convincingly conveyed, to avoid presenting Russia with inviting targets.
- Individual EU member states and the EU as a whole need to regenerate their ability to analyse and understand what is going on in Russia and neighbouring states. This understanding must then be used as a basis for the formation of policy.

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The Royal Institute of International Affairs  
Chatham House  
10 St James's Square, London SW1Y 4LE  
T +44 (0)20 7957 5700 F +44 (0)20 7957 5710  
contact@chathamhouse.org www.chathamhouse.org

Charity Registration Number: 208223

