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Stiftung
Wissenschaft und
Politik

German Institute
for International and
Security Affairs

A Weaker Russia

Serious Repercussions for EU-Russia Relations

Susan Stewart

The EU's current policy towards Russia assumes that the Kremlin is interested in a comprehensive national modernisation programme and has the power to put this into practice. But what if this assumption turns out to be incorrect? Numerous structural obstacles give grounds for scepticism that Russia will manage to implement such an endeavour. Without modernisation Russia will weaken, but will be unwilling to relinquish its international aspirations. The EU needs to prepare for a situation where the premises of its Russia policy no longer apply, and should lose no time in preparing a Plan B.

The story of relations between the EU and Russia gives no cause for cheer. Talks over a new agreement to put relations on an up-to-date footing have been dragging on for three years. Progress reports on the four Common Spaces point to minor advances here and there, but also identify major problems in many areas. The young Partnership for Modernisation is floundering because the EU interprets modernisation rather differently than Russia: Russian misgivings keep civil society exchange out in the cold, and Human Rights Consultations take place without civil society representatives at Russian behest, which contributes to making them ineffective and unproductive. As the meeting of the Russian cabinet with the European Commission in Brussels in February 2011 showed, the energy issue eclipses all other possible fields of cooperation. That meeting highlighted further disagreements, as Russia refused to accept the consequences of the third liberalisation package for the EU energy markets, which requires the unbundling of production, transit and distribution, along with unfettered access to transit networks. The June 2011 EU-Russia Summit in Nizhny Novgorod was overshadowed by Russia's imposition of an embargo on particular food exports from the EU because of the E. coli outbreak (EHEC). Only on the easing of visa requirements are there signs of progress, both at the EU level, where common steps are being agreed, and at the level of the member states, many of which have indicated a fundamental willingness to grant long-term multiple-entry visas. The Russians are willing to compromise too, by modifying the obligatory registration process imposed on all foreigners who enter on a visa.

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A Poor Outlook for Modernisation

The Partnership for Modernisation, through which the EU is attempting to breathe life into the relationship by addressing what it perceives to be Russian objectives, is the newest component of the EU-Russia relationship. The Partnership was inspired by the rhetoric of Russian President Dmitry Medvedev who has argued for sweeping modernisation since taking office in May 2008. However, the talks have revealed that the EU's comprehensive understanding of modernisation encounters a much narrower Russian agenda where increasing foreign investment and expanding technology transfer top the list. Moreover, developments during the three years since Medvedev took office have sown profound doubts about the plausibility of implementing any modernisation programme at all in today's Russia, even though the problems have become so grave that continuing neglect could endanger the very existence of the Russian political and economic system in the medium term.

The difficulties are diverse, and alarming when viewed as a whole because of their mutually reinforcing nature. Firstly, disturbing incidents involving water works, fire control and air safety reveal just how far investment in industry and public infrastructure has fallen short of the necessary during the past two decades. Secondly, demographic decline bodes ill for the future of the Russian labour market. Government measures to encourage population growth are anything but convincing, while the strength of xenophobia deters some foreign workers who might otherwise offer a lasting solution to labour shortages. Thirdly, the education and health services are locked in a spiral of deterioration and riddled with corruption. Fourthly, the growing and increasingly visible divide between rich and poor is generating ever greater discontent, while large stretches of provincial Russia stagnate as their youth see no future and many of the men succumb to alcoholism. Fifthly, the Russian leadership has its hands full retaining control over all parts of the country. This applies primarily to the North Caucasus but also to the thinly populated and underdeveloped Far East.

Furthermore, 2011 and 2012 are election years: in December 2011 for the State Duma, in March 2012 for the presidency. The campaigns will hog political and media attention, tie up resources and distract from urgent problems. Prime Minister Vladimir Putin bears much responsibility for this, having provided diversions in the form of the All-Russian People's Front and United Russia's consultative primaries, as well as launching a series of headline-grabbing publicity stunts. The recent decision that Putin will run for president instead of Medvedev is largely irrelevant compared with the necessity to tackle the aforementioned problems. No party and no leading politician has offered any convincing concept for this. There is a growing awareness of the gravity of the situation, but many factors prevent it being tackled with vigour.

Firstly, the Russian elite has long been interested more in self-enrichment and defending its power than in the good of the population. Secondly, many resources are siphoned off by various forms of corruption. Thirdly, a widespread and paralysing culture of "non-responsibility" saps initiative and accountability, especially among state employees. Fourthly, there is a persistent tendency to impose "manual control" by attempting to guide the country's development "from above"; that cannot function well in such a huge country and frustrates those who wish to contribute new ideas "from below". Fifthly, many influential individuals profit from the existing arrangements and have no interest in change. This formidable array of obstacles makes it unlikely that any modernisation will be vigorous and comprehensive enough to reverse Russia's downward development spiral.

Trouble for the EU

As we have seen, there is good reason to suppose that the EU will be dealing with a weakening Russia in years to come. How should it handle this prospect? In one scenario EU-Russia relations could shrink to the energy component, with Russia withdrawing from other spheres where it is largely incapable of cooperating or has no inclination to do so. This would leave EU institutions with much reduced dealings with Russia and exchange with Russian actors would wither.

More probable than this "energy scenario" is a more complex development with potential for heightened tensions and confrontation. Firstly, Russia is likely to seek to compensate internal weakness through foreign policy, especially in the post-Soviet space where it increasingly regards the EU as a rival. As the Kremlin perceives the danger of further eastward expansion of NATO receding, competition with the EU comes to the fore, as witnessed by Russian pressure on Ukraine to join a Customs Union with Russia, Kazakhstan and Belarus. If Ukraine were to comply this would torpedo the initialling of the Association Agreement with the EU, tentatively planned for December 2011. Russia's recent stances on Belarus and on the Transnistria conflict in Moldova are hardly compatible with those of the EU. To date the EU has attempted to conduct a constructive dialogue with Russia about the future of the post-Soviet space. In the "confrontation scenario" the EU would increasingly be dealing with a Russia that was openly subverting its goals and possibly even taking military action. During the past two years Russia has legally secured its bases in Ukraine and Armenia for the coming decades and massively expanded its military presence in the breakaway Georgian territories of South Ossetia and Abkhazia.

If Russia does indeed fail to modernise, the EU will also have economic effects to deal with. German and other European corporations are well-networked in the Russian system and will certainly continue to be able to cooperate with Russian partners, but small and medium-sized companies will be unlikely to make much headway. In the confrontation scenario Russia's inability to keep up with Western economic development could lead to self-isolation and hinder access to Russian markets – even more so if Russia's process of accession to the World Trade Organisation (WTO) were to stall again. In this case the Customs Union between Russia, Kazakhstan and Belarus would gain in significance and lead to stronger protectionism. And if Russia does not join the WTO the prospects for a new EU-Russia agreement will become even gloomier. Without urgently needed public investment, businesses can rely ever less on functioning infrastructure in the Russian provinces, outside of a few small "islands". The lack of legal security will probably remain, because the Russian elite is busy with completely different problems and in the event of a worsening economic environment would instrumentalise the courts to defend its power. None of this exactly improves the chances of cooperation, impacting in different ways on the levels of business, the member states and the EU as a whole. What is certain is that such a development would be negative for German business, which has been hoping for a further deepening of relations with Russia in the coming years.

Finally, the confrontation scenario could also have a series of security repercussions. Russia's internal deterioration would see the North Caucasus spinning ever further out of control, destabilising the immediate region and placing additional demands on the European Neighbourhood Policy (ENP) in the South Caucasus. Environmental concerns, which have never been a Kremlin priority, would get left even further behind, raising the risk of disasters that could spill over to EU member-states. The worse the situation in Russia becomes, the more likely is migration to the EU. Surveys already show that many Russians are thinking about emigrating.

The confrontation scenario would probably also lead neighbouring countries to gravitate more strongly towards the EU, as Russia became increasingly unstable and unattractive. The desire for regional security would intensify without producing any clarity on who could guarantee it, and probably at such short notice that the concerns of the partner countries would be difficult to integrate in the existing ENP and Eastern Partnership formats, which are oriented towards gradual long-term change. All in all, this would represent an excellent opportunity for the EU to enhance its foreign policy profile if it could demonstrate the required flexibility and invest the right resources.

Time for a Plan B

The components of the confrontation scenario will not all occur simultaneously. If the oil price remains high Russia will be able to continue its present course without visible consequences, at least in the short term. But in the medium term there will be no getting around the Russian elite's failure to modernise. Firstly, therefore, Germany and the EU should deploy resources only where they serve their purpose even without comprehensive Russian modernisation, and should track their use very carefully. Secondly, it makes sense to expand cooperation with Russian civil society, especially if its representatives can be brought together with their counterparts from the Eastern Partnership countries. Thirdly, consideration should be given to the suitability of crisis management and conflict prevention instruments if individual components of the confrontation scenario should come to pass. These steps would serve as elements of a Plan B capable of responding to the developments outlined above.

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ISSN 1861-1761

Translation by Meredith Dale

(English version of SWP-Aktuell42/2011)