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WILL THE EU HAVE A COMMON POLICY TOWARDS RUSSIA?

At first it seems gloomy. Finland's weak point is railways, Slovakia's too. Germany's is gas. With France it is arms sales. With Greece it is religion. With Italy it is the curiously intimate relationship between Vladimir Putin and Silvio Berlusconi. In a Europe of nation-states, Russia is always going to win: find the weak point, apply pressure, and watch the results.

In one sense that is true. The story since 1991 can easily be told as one of Western accommodation to Russian interests. First the grateful Helmut Kohl and the greedy Jacques Chirac, then Tony Blair with his "nights at the opera" with Mr Putin, plus Gerhard Schröder's near-scandalous relationship with the Russian leader. Russia has got the Nord Stream pipeline agreed and half-built, with protests from Sweden, Poland and Finland disappearing into thin air. It has succeeded in having Georgia and Ukraine consigned to the outer darkness. It has bamboozled America under Barack Obama into accepting a "reset" in which the west loses its moral authority for a series of token and partial concessions from the ex-KGB regime in Moscow.

Yet viewed another way the story of the past years does not look nearly so bad. Despite Russia's supposed grip on western policymaking, NATO expansion has proceeded steadily: first Poland and the key central European

countries, then the Baltics and the eastern Balkans, Albania and sooner or later ex-Yugoslav countries such as, even, Serbia.

And NATO membership is not just on paper. The administration of Barack Obama, despite being denounced as lightweight, anti-Atlanticist, neutralist and disengaged has pushed through contingency plans that for the first time actually give military weight to the defence of the alliance's most vulnerable members: the Baltic states. The leaked WikiLeaks cables give a flavour of the discussions surrounding that: nervous Germany, prickly Poland, and exuberant Balts.

Nowadays it looks like a done deal. In 2008 and 2009 it was anything but that. France may sell Russia Mistral-class warships. But they, and other bits of Russia's ragtag navy, will stand little chance against an American carrier battle group.

So the NATO scorecard looks pretty good. Ukraine may seem a lost cause for now, but that is hardly the alliance's fault. NATO membership cannot be rammed down the throat of an unwilling country. Even at the high tide of the "Orange" cause, many Ukrainians were ambivalent about signing up for full membership. The best that we can hope for now is damage limitation, and that the next government will feel differently.

Georgia, by contrast, is far from being a hopeless case. It has bounced back economically from the lost war of 2008, in a way that has confounded naysayers and pessimists. Mikheil Saakashvili, for years a turbulent and troublesome ally, seems to have realised that his one remaining strong card is soft power: heightening the contrast between the peaceful and prosperous conditions in Georgia, with diminishing corruption and steadily improving public services, and the ill-ruled, corrupt and miserable conditions in the Russian-ruled North Caucasus.

So much for NATO. But even inside the EU reasons to be cheerful abound. The Kremlin's greatest asset in dealing with its neighbours used to be energy. Until a few years ago, Europe was, seemingly, gas-dependent on Russia to an irretrievable extent. Yet now diversification is under way. That is partly the result of changes in the international gas market: thanks to its own shale gas, America no longer imports gas from abroad. As a result, billions of cubic metres of LNG (Liquefied Natural Gas) are available on the world market. That has driven the price of gas down on the spot market, creating a deep and liquid market where once there was none.

Russia's attempts to fight back have got nowhere. In 2007 we were worried about the emergence of a gas version of the Organisation of Oil-Exporting Countries (OPEC). But the Gas Exporting Countries Forum is little more than a web site.

Even inside Europe the rules of the game are changing. Under energy commissioner Günther Oettinger, the European Commission is proving more effective than under Andris Piebalgs. Crucially he has pushed for the reversibility of pipelines, breaking Gazprom's grip on the gas pipeline network inside the European Union. He has also promoted the building of gas interconnecting pipelines. Once the EU was a series of energy islands, vulnerable to external manipulation. Now, increasingly, it is interconnected. If Russia applies pressure to one bit, gas can flow from the others.

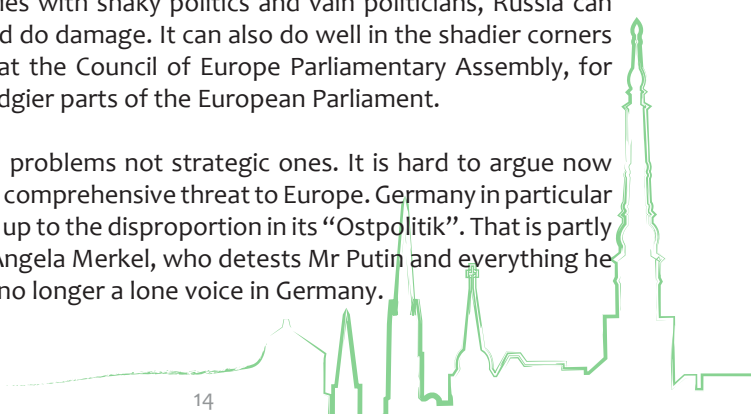
And that is just the start. Poland is set to become a major gas producer, with encouraging prospects in other countries too. Russian gas by contrast looks expensive and unreliable. The real might of the EU is the competition commission: that has seen of Microsoft. Gazprom no longer looks so challenging.

Russia's military might is trumped by NATO; its gas weapon is blunted by technological change and market reality. What is left? Remaining in the Kremlin arsenal is its ability to bribe, flatter, snoop and bluster.

That still counts for something. The scandal in Estonia about financing for Edgar Savisaar's Centre Party is a reminder that even the squeaky-clean Estonians are potentially vulnerable. The Herman Simm affair (he was Estonia's top national security official, but actually a Russian spy) is similarly embarrassing. So is the jinxing of Lithuanian foreign policy, with the erratic Dalia Grybauskaite striking her own wrong-headed course on relations with Russia and Belarus.

In small, poor countries with shaky politics and vain politicians, Russia can still make mischief and do damage. It can also do well in the shadier corners of European politics at the Council of Europe Parliamentary Assembly, for example, or in the dodgier parts of the European Parliament.

But these are tactical problems not strategic ones. It is hard to argue now that Russia presents a comprehensive threat to Europe. Germany in particular seems to have woken up to the disproportion in its "Ostpolitik". That is partly thanks to admirable Angela Merkel, who detests Mr Putin and everything he stands for. But she is no longer a lone voice in Germany.



The new head of the German business committee dealing with the eastern neighbours has noted publicly that Russia is only as important as the Czech Republic. Poland is a trade partner even a more important than Russia. German politicians are scurrying to catch up with this dawning realisation. What is the point of currying favour with the Kremlin for a big potential market which in reality is costly and arduous, when the law-abiding next-door countries of Central Europe and the Baltics offer immediate and richer returns? After 20 years of “Gorbymania” and “Russlandliebe”, Germany is returning to its senses.

That disillusion with the Russian market reflects a deeper truth. Nobody now believes that the ex-KGB regime in Moscow, either under Vladimir Putin or under the phoney modernisation of Dmitri Medvedev, offers a new civilisation. Contrary to the bold boasts of the early years of the regime, this is not a wonderful new system, the European version of China, which combines stable authoritarian political rule with successful economic development.

The bleak truth about Russia under Mr Putin and his pals is that it has been a terrible economic failure. More than a trillion dollars in excess oil and gas revenues have been squandered: where are the new roads, the new railways, the new power stations, the new hospitals, the new universities? Nowhere, is the answer. The money has flowed into offshore bank accounts, into quiet shareholdings in Austrian hotels, into expensive property in London, and into the murky world of oil and gas trading. For the Russian people, the dividend has been pitiful. They have lost democracy and freedom, and gained stagnation not stability. That does not mean that Mr Putin and his pals will leave power soon. They may take a leap towards modernisation, Gorbachev-style. But the hard men in Moscow know from bitter experience that glasnost and perestroika can be destructive forces as well as liberating ones. More likely, I fear, is that they follow the path already plotted in Belarus: rigged elections, crackdowns, squeezing the media, shunning the West. In ten years time, Russia will look more like Zimbabwe, as the crooks in charge fight ever-harder to keep their share of a shrinking cake.

They know in their hearts that in the long run this is a blind alley. Russia has much more to fear from the east (China) and the south (Islam) than it does from the West. Ultimately, Russia's destiny is to end up like Japan: a part of the West in a geopolitical sense, yet a long way different from it in a cultural and topological way. The problem is what happens in the decades before this happens. It is all too likely that Russia has one final spasm of nationalism,

xenophobia, introversion and authoritarianism before the ultimate logic of history and geography begins to bite.

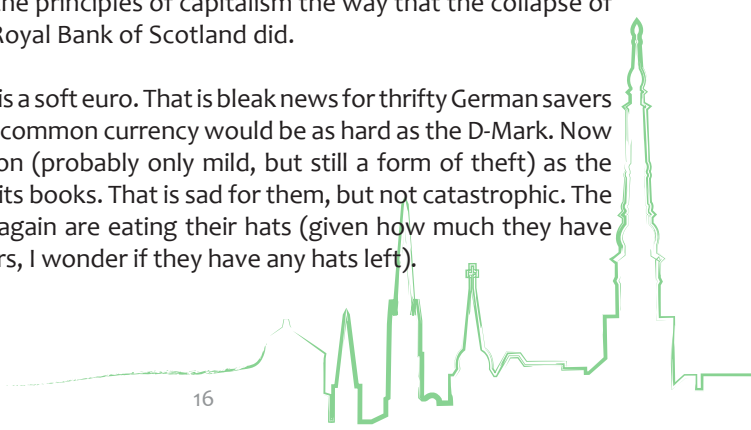
So where does that leave the Baltic states? Life next to an autocratic, neo-imperialist country will never be comfortable. If Mr Putin seeks enemies abroad to distract from his failures at home, Estonia, Latvia and Lithuania are easy targets. Their internal politics are easily manipulated. Highlighting their own goals created by clumsy legislation or ill-considered statements on language, citizenship and history are easy too: “Fascist Latvia discriminates against ethnic Russians, depriving them of the right to vote and to speak their mother tongue” is a misleading but effective line.

Yet propaganda victories are not the same as political ones. Russia may, in the final tantrums of the ex-KGB regime, throw mud at the Baltic states or at Georgia. It may be able to regain some suzerainty over Ukraine, and tighten its grip on Belarus. But I no longer believe that the old imperial dragon has real fire in its breath. Russia is simply too unattractive as a model to exert real pull in the “near abroad”, let alone farther afield.

The only thing that could change this picture is a serious political and economic crisis in the EU. I was deeply worried in late 2008 and 2009 that the Euroatlantic model was taking a serious beating. For those of us who believe that free markets, free speech, free elections and free thinking all go together, the sight of bankers rocking capitalism to its foundations was truly troubling. Reckless financiers had played at the casino with the future of millions of voters. Suddenly the Western model did not look so great.

With a mixture of luck and judgement, we seem to be out of this mess, at least for now. The flexible economies of north-eastern Europe seem to be recovering quite fast. They are the rigid, crony-ridden economies of the southern half that are suffering. That is a challenge to their models: but it does not undermine the principles of capitalism the way that the collapse of Lehman Brothers or Royal Bank of Scotland did.

The cost of the rescue is a soft euro. That is bleak news for thrifty German savers who thought that the common currency would be as hard as the D-Mark. Now they will suffer inflation (probably only mild, but still a form of theft) as the euro zone rebalances its books. That is sad for them, but not catastrophic. The doom-mongers once again are eating their hats (given how much they have got wrong in past years, I wonder if they have any hats left).



So Russia is down, America is still in, and Europe is not out. The “correlation of forces” (to use a phrase from my days as one of the few Westerners who studied dialectical materialism) is in our favour.

What could still go wrong? The big worry is the long-term weakness of NATO, which creates a small window of opportunity for a regime in Moscow wanting to try a stunt. Just imagine a new regime, or a newly painted one, that stoke while the West is distracted elsewhere. These things can happen rapidly: skinheads can be bussed in, a few outrages perpetrated, and while the outside world is still grappling with the problem, facts on the ground can crystallise. The possibility of a new Transdnistria on Estonian or Latvian soil, or of demands for a “corridor” through Lithuania to Kaliningrad are remote, but cannot be ruled out altogether.

American-backed contingency plans help reduce that risk. But the missing element is help from Sweden and Finland. With those two non-NATO countries involved, the Baltic security problem is definitively dealt with. Relying on faraway America, timid Germany and capricious Poland, things do not look quite so certain. If the big task for big countries in Europe is to restore the moral authority of the western model, then the job for the smaller countries in the Baltic region is to tie up the loose ends on their doorstep.

Vigilance is always necessary. But it should not shade into paranoia. Latvia and its neighbours are not in bad shape. Never in their history have the Baltic states been so secure. They have survived the economic upheavals of the past two years with creditable grit and pluck, which has not gone unnoticed in the rest of Europe. The task for the coming ten years is to improve strengths and reduce vulnerabilities. That means continuing to work on the integration of the non-citizen and Russian-speaking population. It means improving public services (health-care, education, criminal justice, transport and housing) to European standards. It means reversing the tide of emigration. It means accelerating the integration of the physical infrastructure into European transport and energy networks. It means increasing the openness and transparency of politics, ridding it of the scourge of dirty money and oligarch influence. It means spending more on defence.

But all that is doable. Compared with the challenges facing Latvia and its neighbours in the early 1990s, today’s difficulties seem mild. By contrast, Russia then was a land of opportunity, attracting colossal foreign interest, sometimes, it seemed at the expense of its neighbours. Not any more.

That is no reason for gloating. It is in Latvia's long-term interest to have a stable, prosperous and friendly eastern neighbour. But that day has not come yet. In the meantime, to have a neighbouring country that no longer captivates foreigners, and run by a regime that increasingly disillusiones those who deal with it, is reason enough to be cheerful.

