

## A New Regime? A New Russia?

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In the dominant Western view, Russia not only ceased to be a 'threat' after the Soviet Union collapsed, it ceased to be a protagonist in world affairs. What it became was a 'concern'. The concern was defined by remnants of old imperial problems, by post-imperial and inter-ethnic conflicts on the territory of the former USSR, by the fraying of controls over dangerous weaponry and technology, by the degradation and criminalisation of economic life, by the environmental and social pathologies left in the wake of the Communist system and, not least, by the fragmentation of authority in what remained the world's largest country. The argument amongst 'concerned' Westerners was not only about how these problems might be tackled, but about how long it would take Russia to adjust to a liberal and unmistakably global economic and political order. The terms of reference were revealing. Protagonists make history, others 'adjust' to it.

As is often the case in debates, the terms of reference say more about the debaters than about the problem. In March 1999 in Moscow, a mere fortnight before NATO launched Operation Allied Force, this writer and a distinguished group of British parliamentarians were asked by a Russian parliamentarian whether we had given adequate thought to the consequences of the 'moral humiliation of a major state'. Had the West as a whole given adequate thought to this question, we might have debated a different proposition: not 'how long will it take Russia to adjust?', but 'for how long will Russia be willing to adjust'?

The debater's answer would be 'no longer'. Yet those who propelled Vladimir Vladimirovich Putin to power and those who launched the second Chechen war are not debaters, but determined, hardened, self-declared 'pragmatists'. In Russia 'pragmatism' does not connote reasonableness. It connotes an unsentimental and, where necessary, a cynical approach to the achievement of political ends. To President Putin and his supporters, the overarching end is the revival of Russia as a 'great state' that will make history, rather than be at the mercy of it. It is to this end that all means are directed and, as the Chechen war shows, no means are ruled out. The Chechen war also shows that, even today, there are areas where Russia has the capacity to act. Although the West has largely overlooked the fact, the post-Soviet 'near abroad' is seen as another such area. As we go on to suggest in some detail, Russia has not only begun to act there with purpose, but according to a scheme of interests that many of its neighbours do not share – and which the West has reason to question.

### **I. What Kind of Russia?**

The Putin presidency is the product of circumstances which often characterise regime change: a correspondence between the interests of a 'new class' and the mood of the country. In social terms, Putin represents the coming of age of those whom Russians, with a mixture of admiration and apprehension call *molodyye volki* ('young wolves'). The distinguishing characteristic of this group is its belief in a strong state coupled with a total lack of nostalgia about Communism. Indeed, their greatest indictment of Communism is not that it was intolerant or undemocratic,

but that it weakened the country and squandered its resources.<sup>1</sup> This is a class which is intelligent and self-confident; it believes in business and has succeeded in it. Its members want Russia's economy to be equally successful, but they are not nearly as concerned that it be open or liberal.

By the time the Chechen war was relaunched, the majority of the country also believed, in Putin's words, that Russia '*should be a strong, powerful state, a capable state, effective, in which both its citizens...and all those who want to co-operate with Russia could feel comfortable, could feel protected*'.<sup>2</sup> Defensively, but sincerely, Putin is at pains to distinguish this state from the totalitarian state of the past. At the same time, he does not believe in a liberal state. Indeed, it is clear to him and his supporters that Russia simply cannot afford to adhere to the Western scheme of values.<sup>3</sup> These values are ruled out not only by the depth of the crisis in Russia, but the methods of those who profit from it. In London on 20 April, one of Russia's foremost economic radicals, Anatoliy Chubays, forecast that:

*It will be necessary to undertake colossal, very difficult efforts to reduce the number of civil servants, increase wages [and conduct] a merciless, total anti-corruption campaign, which will be accompanied by criminal trials and the jailing of many high-level state officials.*<sup>4</sup>

Several months earlier Chubays had not only denounced Grigoriy Yavlinskiy as a 'traitor' for opposing the Chechen war, he went on to endorse NKVD suppressions of armed resistance in western Ukraine and the Baltic states after the Second World War.<sup>5</sup> The exchanges with Yavlinskiy are indicative of the fact that the term 'democrat' in Russia does not always mean what it means elsewhere. Indeed, Yavlinskiy was the only presidential candidate who stood on a liberal-democratic platform, and he secured 5.8 per cent of the vote.

Moods of countries may inspire policies, but governments must still produce them. Does President Putin have policies? Does he have answers? Today these questions are almost as debatable as they were when Boris Yeltsin designated him Acting President on 31 December 1999. To accept this is to acknowledge the scale of the problem. But it should also alert us to the limitations of President Putin and the conditions he has to work with. It should also remind us that the future of Russia is open. What instincts, what strengths and what weaknesses does Putin bring to the challenges he has identified?

Lenin once warned that 'there is no greater nonsense than the separation of international from domestic policy'. Vladimir Putin is no Leninist, but like most of his predecessors, he is acutely aware of the relationship between the quality of Russia's internal order and the standing of Russia in the world.

*Russia was and will remain a great power. It is preconditioned by the inseparable characteristics of its geopolitical, economic and cultural existence. They determined the mentality of Russians and the policy of the government throughout the history of Russia and they cannot but do so at present.*<sup>6</sup>

To 'do so at present', Putin knows that Russia must address fundamental problems '*which are the result of our own mistakes*' [author's emphasis].<sup>7</sup> These mistakes are the result not only of Soviet 'neglect' and Soviet 'excesses' but the weakening of central authority after the Soviet collapse. The country has caused its own problems, and although Putin emphasises the need to 'integrate the Russian economy into world economic structures' and rejoin the 'mainstream of civilisation', he leaves no one in any doubt that it is Russia which will have to find the solutions.

But as much as the ‘fanatics’ whom he opposes, Putin believes that the West has exploited these mistakes, and Russia’s weaknesses, in order to produce a ‘geopolitical reorganisation of the world’.<sup>8</sup> Two aspects of this ‘reorganisation’ are exerting a profound influence not only on Putin’s internal policy but his policy towards Russia’s neighbours:

- *The enlargement and growing assertiveness of NATO.* Like the vast majority of Russia’s military and political establishment – but in contrast to every NATO member – Putin believes that the NATO-Russia Founding Act affords Russia a *de facto* veto on all non-Article 5 contingencies affecting European security. When Putin speaks of Russia as an ‘equal partner’ with NATO, this is what he means. Although this conclusion is flatly contradicted by the document itself<sup>9</sup>, the Russians believe it is consistent with the assurances offered by President Clinton.<sup>10</sup> This would not be the first time Russians concluded that private understandings between leaders had a higher standing than formal agreements.
- *The impending enlargement of the European Union.* Until recently Russian policy makers regarded the European Union as a ‘counterbalance to American dominance’ and, with limited exceptions, viewed its growing influence in benign terms. Only recently have they begun to understand that the EU, first and foremost, is a deepening and widening community of states, becoming increasingly integrated in their business practices, legal systems, frontiers – and now their security arrangements. The United States is far less likely to be marginalised by this process than Russia. This possibility is raising acute questions about Russia’s identity and equally acute anxieties about the course being pursued by Russia’s neighbours.

It may therefore seem incongruous that Putin defines it as his ‘historic mission’ ‘to resolve this situation in the North Caucasus’.<sup>11</sup> But in his mind there is no incongruity between the prosecution of war in Chechnya and the priorities he has identified. Dubiously, but nevertheless passionately, Putin sees Chechnya’s defiance as the extreme, but also the most portentous manifestation of the disintegrative dynamic of Yeltsin’s Russia. During the better part of the Yeltsin era, the Russian Federation was a state in terms of diplomatic courtesy and international law. But in practical terms, it was an arena upon which oligarchs, clans and criminal structures competed for wealth and power. In Putin’s eyes, Yeltsin’s policy of giving Russia’s 89 ‘subjects’ ‘as much sovereignty as they could swallow’ was a monumental error, and his 1996 retreat from Chechnya ‘a crime’.<sup>12</sup> There is little connection between Chechnya’s defiance and the growing assertiveness and independence of Russia’s regional elites. But Putin and his followers are convinced that where Chechnya goes, Russia will follow. This is one reason why the war is being prosecuted, *vide* Clausewitz, as an ‘absolute war’ – and why Western protests, even Western pressure, are unlikely to influence its course.

The second reason is the West itself. Inside Russia’s military establishment it is axiomatic that Operation Allied Force had a two-fold utility for NATO: as a military testing ground for more ambitious exercises in ‘coercive diplomacy’, and as a political testing ground – and potential precedent – for using ‘human rights’ as a flag of convenience for overriding state sovereignty and breaking up ‘problematic’ states.<sup>13</sup> Putin would appear to be agnostic about this analysis, but he does not dismiss it.<sup>14</sup> Still less does he dismiss a proposition which is clear to all: that the operation proved to be, and is still proving to be, far more complex and more

demanding of energy and resources than the Alliance had anticipated. The combination of these two factors only strengthens his determination to solve the Chechen problem swiftly, conclusively and by whatever means are necessary.

The fallacy that 'reform' in Russia can be insulated from the dynamics of this war – let alone the fallacy that victory over Chechnya is essential to the 'revival' of Russia – has been addressed elsewhere in this volume. But only seven months after Yeltsin's resignation, it is becoming clear that there are other weaknesses in Putin's approach.

Putin's KGB background is both a strength and a weakness. It is a strength because the two principal internal successor organisations to the KGB – the FSB (Federal Security Service) and FAPSI (Federal Agency for Government Communications and Information) – are nearly unrivalled networks of information and, hence, influence. The interpenetration of FSB and business is a great enhancement to this influence in a country where success depends upon *svyazy* (connections) more than ability, where financial-informational struggle dominates economic life and where the majority of businessmen and politicians operate on the fringes of the law.<sup>15</sup> There is an additional strength: the inheritance of a disciplined mental framework, which inculcates methodical, strategic thinking and cold objectivity about the 'correlation of forces'. It is this framework that persuades Putin that Russia cannot afford to confront the West (at least directly)<sup>16</sup> and that without Western partners, Russia will not be able to reverse its decline. Nevertheless, it is not enough to be objective. One must also understand the world in which one lives and the forces with which one deals. In these respects, Putin's KGB background is a hindrance.

For one thing, the greater part of Putin's 15 years in the KGB were not spent in foreign assignments, and it is not at all certain that he ever served in foreign intelligence (KGB First Directorate).<sup>17</sup> Putin lacks the urbanity and worldliness of the long-service foreign intelligence professionals who serve in today's SVR (Foreign Intelligence Service), and he has little knowledge of the Western way of life and modern, Western ways of thinking. (His public attack on Islam in multi-cultural Britain is a glaring example of this shortcoming). His one foreign assignment was a five-year tour of duty in *East* Germany: a deeply distorting prism on the Federal Republic, not to say Western Europe as a whole.

Putin's background breeds two related shortcomings: lack of openness and lack of trust. Putin is accustomed to working in closed and tight circles – including, for three years, the President's Administration, where he occupied a number of sensitive posts.<sup>18</sup> To him, information is not the bloodstream of democracy and government, it is a strategic commodity, to be closely guarded. (His statement that his Foreign Minister would face criminal procedures if he had 'contacts with representatives of foreign states outside the framework of his official duties' was a gaffe worth a thousand words).<sup>19</sup> Gaffes apart, Putin does not think aloud; he keeps his intentions to himself until he acts on them. He is, by temperament, an executor, not a politician. He was utterly loyal to his superiors (when he served them) and he demands absolute obedience from his subordinates. He does not build coalitions, bargain or horse trade; he finds 'reliable' people and ensures that they are strategically placed. These are essential instincts and skills for managing covert operations, and they were instrumental in launching the Chechen war, where Putin's authority gave coherence and direction to the (pre-war) crisis stage, the initial period of hostilities, the second stage of conflict, as well as the 'information warfare' components of all three stages. But will they revive Russia?

There are two reasons to think that they won't. Countries are not secret services, and Russia is a very big country. Even in Soviet times, the country was not always run by the 'super centralised' methods Putin advocates. When it was, it was not effectively run. In such a country, even the most enlightened central authority will not be able to anticipate more than a small fraction of local needs and realities. Regional authorities require as much responsiveness from the centre as the centre requires from them; they also need to be *authorities*. To be sure, these authorities have become excessively powerful after Yeltsin's re-election in 1996, effectively hijacking branches of federal ministries on their territories. But has Putin devised a practical mechanism for righting this balance, and has he got the balance right? The immediate consequence of transforming the Russian Federation Security Council into the 'centre of authority' is that its 175 staff are overworked – and overwhelmed simply by the task of coordinating *central* ministries and departments. On 13 May Putin established seven new 'federal districts' with an awesome list of prerogatives over their respective regions. Will these new structures simplify the tasks of coordination or overburden them further? Will the proposed transformation of parliament's upper house, the Federation Council, from an elective chamber of regional governors and legislative heads into an appointed chamber make Russia more responsive or more brittle? Will the sharp rise in FSB intrusiveness into private lives – not only those of 'oligarchs', but students and professionals – speed Russia's return to 'civilisation'? As William Tompson has warned:

*The real danger...is that the president may well break the power of the governors without fully replacing it with his own. Authority is more easily destroyed than constituted, and Russia is a country in which there is arguably a dearth of authority in the political system....A re-centralised Russian political system could prove less robust in a crisis than the ramshackle federalism of the Yeltsin years.<sup>20</sup>*

The second reason is the contradiction between Putin's methods and the tasks of economic revival. If it is true that Putin's priority is 'freedom of the individual, freedom of entrepreneurship, free development of civil society institutions', then the contradiction is blatant<sup>21</sup>. But if his goal is simply economic revival, then it is more subtle – subtle because it is undeniable that economies can thrive in authoritarian conditions (as they do in China and Malaysia, as they did in Nazi and Wilhelmine Germany). But few would argue that these economies thrive *because* these states are authoritarian. In each of them, the state has either been unable to micro-manage the economy or has chosen not to do so. The post-Soviet Russian state is not only endemically corrupt; like its Communist predecessor, it is endemically intrusive. There is no obvious relationship between the revival of the economy and the recreation of 'vertical power' in *this* state. Indeed, the energies absorbed by re-centralisation schemes are distracting attention from the prosaic business of devising and implementing economic policy. Moreover, re-centralisation does not address the fundamental deficiencies of the economy: laws which are so stultifying and contradictory as to make corruption unavoidable, the absence of mechanisms (local and judicial) to enforce contracts, a taxation regime designed to penalise business rather than encourage it, and a business class predatory rather than entrepreneurial and more skilful at extracting wealth than creating it. Some of these problems were acknowledged in Putin's Federal Assembly address of 8 July, and in one sphere, taxation, there has been progress – 'very slowly, with many difficulties'. But until classically Russian, statist distractions and classical Russian rhetoric give way to practical and concrete measures, the advice of Andrey Illarionov and the economic blueprints of German Gref will simply remain wish lists.

There are signs that the realities of life in Russia are proving to be more obdurate than Putin expected. Although radically different in style and philosophy from Mikhail Gorbachev, Putin, like Gorbachev, is finding that strong instincts, high popularity, executive power and a dedicated executive team do not guarantee success or even progress. In Russia public support is at least as mercurial as it is elsewhere. Loss of confidence can also transform a disciplined elite into a cynical one – and submissive people into plotters. Whatever the soundness of Putin's long-term strategy, these risks create incentives to achieve short-term results. For the moment, resistance in the 'near abroad' is proving to be less obdurate than resistance at home.

## II. What Kind of Neighbours?

Neither the history nor the psychology of Russia allow President Putin to devise policy towards Russia's neighbours on a blank slate. The legacy of empire, Tsarist and Soviet, is that Russia is virtually without experience in living with neighbours who are both friendly and independent. To much of Russia's political elite, the equation between friendship and 'drawing closer' is instinctive and, with respect to Russia's two Slavic neighbours, Ukraine and Belarus, it is almost (in Putin's phrase) 'in the genetic code'. Outside this Slavic core, the demography of Russian diasporas, the intertwining of economies and the presence of vital raw materials and transport routes continue to make 'geopolitics' an active pursuit for the Russian Federation, rather than a dated pastime.

Thus, from the vantage point of Russia's newly independent neighbours, Russia's 'democrats' were simply democrats *in Russia*. In summer 1992 Fedor Shelov-Kovedyayev, a Deputy Foreign Minister associated with the liberal wing of the Russian political establishment, drafted an official report which declared that 'Russia must be the leader of stability and security on the entire territory of the former USSR'.<sup>22</sup> To Shelov it was axiomatic that integration of the former Soviet republics was a 'vital Russian interest', to be pursued by 'all legitimate means'. 'Divide and influence' policies were in; only force was ruled out. Yet like other 'democratic nationalists', Shelov was an optimist who believed that successful economic reform in Russia would do most of this work by itself.

When Yevgeniy Primakov was appointed Foreign Minister in January 1996, he affirmed that Russia's first foreign policy priority would be 'the strengthening of centripetal tendencies on the territory of the former USSR'.<sup>23</sup> Yet much had changed. 'Centrists' and 'reasoned nationalists' had long displaced 'democrats' and 'romantics' as the dominant political force in Russia. Although the Russian economy had been profoundly transformed, the transformations had neither benefited the majority of Russia's people nor produced an attractive model for others. Instead of remaining illegitimate, force had become a significant tool of policy and, in parts of the CIS (Moldova, Georgia, Tajikistan) an effective one.<sup>24</sup> So had 'intelligence means' and on a far greater scale.<sup>25</sup> Yet by 1996 the balance sheet was damning. The débâcle of the first Chechen war (1994-6) – which exposed not only the limitations, but the perils inherent in the military instrument – was increasing 'disintegrative processes' by an order of magnitude not only in the CIS, but in the Russian Federation itself. The privatisation of the Russian state had left Russia's President with strong economic cards, but a weak hand. Yeltsin was at best the broker between oligarchs, never their master; he therefore lacked the tools to reward 'firm good neighbourliness' or punish 'unfriendly' behaviour. In these

circumstances, despite its dependent, vulnerable and half reformed economy, Ukraine not only staked out a 'Euro-Atlantic choice' but methodically pursued it. Even more significantly, NATO reciprocated, reinforcing declarations about Ukraine's 'pivotal' role in European security with a density of engagement only matched in relations with candidate member countries. Elsewhere in 'post Soviet space', the UN declined Yeltsin's invitation to 'grant Russia special powers as guarantor of peace and stability', and treated the states of the Transcaucasus and Central Asia as if they were independent in fact as well as in name.<sup>26</sup> Indeed, the United States helped to sponsor GUAM (by April 1999, GUAAM – Georgia, Ukraine, Uzbekistan, Azerbaijan, Moldova), a CIS grouping seeking alternatives to Moscow sponsored schemes of integration.

In view of these reverses, it is not surprising that Yeltsin brought reformers back into positions of influence in the spring of 1997. They swiftly embarked upon a course of damage limitation. The 'Big Treaty' and the Black Sea Fleet agreements concluded with Ukraine in May 1997 were pre-emptive moves designed to extricate Ukraine from 'NATO's embrace'. The priority of 'integration' – whether with a reluctant Ukraine or an all too willing Belarus – was subordinated to strengthening the economy of Russia. In the manner of Lenin's NEP and Gorbachev's New Thinking, the policy of Sergey Kiriyenko, Anatoliy Chubays and Boris Nemtsov was a policy of forced retreats which, in the short term, provided the 'breathing space' sought. Yet no mid-term materialised. The August 1998 financial crisis swept the reformers from power and ushered in the last chapter of the Yeltsin regime.

Vladimir Putin, therefore, became President at a time when Russia's policy towards the 'near abroad' lacked coherence and when its policy tools lacked cohesion. Yet even from the time he became Prime Minister (August 1999), there were signs that somebody was taking charge. Today Russia is approaching its neighbours with purpose – or in the words of Foreign Minister Igor Ivanov, on the basis of 'realism, responsibility, pragmatism and the firm promotion of national interests'.<sup>27</sup> Almost routinely, the new policy is described as 'clear', 'specific', 'cold', 'more active' and 'far tougher'.<sup>28</sup> Following Putin's state visits to Belarus and Ukraine, Sergey Ivanov, Secretary of the Russian Federation Security Council (and one of Putin's closest confidants) noted approvingly that 'there were no general statements...on friendship or determination to continue the policy of partnership'. Instead 'we had a very clear and very specific talk on the issues'.<sup>29</sup> But what issues, and to what end?

On 28 June 2000, President Putin approved a Concept of Foreign Policy, the first since 1993.<sup>30</sup> Its aim, according to Sergey Ivanov, is to ensure that policy 'better conforms with the general capabilities and resources of this country'.<sup>31</sup> At the outset, the document notes that the 'plans related to establishing new, equitable and mutually advantageous partnership relations of Russia with the rest of the world...have not been justified'. As one of three 'main efforts' of policy, it calls for the formation of 'a good-neighbourly belt along the perimeter of Russia's borders' and 'conformity of...cooperation with CIS states to national security tasks of the country.' Success in this effort clearly demands three others:

- 'joint efforts towards settling conflicts in CIS member states...particularly in combating international terrorism and extremism';
- 'serious emphasis on the development of economic cooperation, including...joint rational use of natural resources';
- to 'uphold in every possible way the rights and interests of Russian citizens *and fellow countrymen* abroad', to 'popularise the Russian

language' and to ensure 'preservation and augmentation of the joint cultural heritage in the CIS'.<sup>32</sup>

Westerners have tended to praise the 'pragmatism' of a Russian policy based on 'general capabilities and resources', and understandably so. Towards the West, these capabilities and resources are weak, and 'ensuring favourable conditions' for reform demands conciliation. But towards the newly independent states, where many of these capabilities are strong, it demands toughness. In the words of a Ukrainian authority, this means:

*Making use of weakness in positions of the CIS countries to get their consent for further formalisation of the CIS structures and strengthening of the coercive component within that system.*<sup>33</sup>

Therefore, the themes outlined in the Concept of Foreign Policy - 'the struggle against terrorism', 'promoting economic cooperation' and 'upholding rights of compatriots' - not only matter to Russia in their own right. They are also intended, at a bilateral level, to subordinate individual states to Russian requirements. At a multilateral level, they are intended to inject new blood into what until recently were seen as two declining and even moribund institutions: the CIS Collective Security Treaty<sup>34</sup> and the CIS Customs Union<sup>35</sup>.

### **The Struggle against Terrorism**

On 10 March 2000, President Putin described the challenge presented by 'terrorism and extremism' in terms that were plainly designed to attract the attention of neighbouring states.<sup>36</sup>

*A link in the actions of international terrorism has become obvious in different regions, notably the Baltics, the Caucasus and Central Asia...A broad network of centres is being strengthened for financing, training and providing information and propaganda support to terrorists.*

Putin declared that 'nobody should remain an observer in this work. Either we act as a united front or terrorists will penetrate the gaps formed'. He added, 'we will be able to effectively counter international terrorism and extremism in the CIS if we combine into a single fist the forces of national security and special services'. In conclusion he called for creation of a 'joint anti-terrorist centre...set up on the basis of special FSB anti-terrorist units. The message cannot be comforting to those who question the existence of this 'link', let alone believe that the FSB should have no greater prerogatives than the security services of any other foreign power. The implication was clear: those who do not cooperate in the manner proposed will be undermining Russia's security. The point has been driven home by several initiatives:

- At a meeting in Minsk on 23-24 May 2000, the six nation Collective Security Council revised the May 1992 Collective Security Treaty (CST), at the same time jointly agreeing to give 'political-military' ties within the CST priority over other security arrangements. In keeping with the 'first priority task' of countering terrorism, the Council added a Security Secretaries Council to its existing executive bodies. The meeting was used to reiterate threats to strike Taleban bases: a point which not only underscored the body's more dynamic character, but added pressure on Uzbekistan, which withdrew from the CST in 1999. With Ukraine and Uzbekistan in mind, President Putin and

Belarussian President Lukashenka both reiterated that the CST was 'open to new members'.

- On 6 April the CIS Executive Committee – executive body for all thirteen CIS states, not merely the six CST states – agreed to establish a CIS Anti-Terrorist Centre under FSB direction. At the 21-22 June CIS summit, all CIS members became signatories of this agreement, including Ukraine which, with the exception of the 1995 Joint Air Defence Agreement, had hitherto refused to participate in CIS defence and security structures.
- At meetings of the 'Borzhom Four' – Armenia, Azerbaijan, Georgia and Russia – Moscow has interwoven warnings about Chechen 'training' and 'bases' in Georgia and Azerbaijan with pressure to accept joint border regimes and the coordination of security services.<sup>37</sup> The 11 March meeting of Ministers of Internal Affairs produced a 'whole string of agreements' including a decision to hold regular joint meetings of the heads of force ministries. Georgians also link these warnings – eg the allegation that one Georgian district has already become 'a small Chechnya' – with measures to reinterpret Russia's undertaking to the November 1999 OSCE Istanbul summit to liquidate its military bases on Georgia's territory.<sup>38</sup>
- On 30 March the Defence Ministers of the 'Shanghai Five' (China, Kazakhstan, Kyrgyzstan, Russia and Tajikistan) signed a communiqué pledging that 'they will never tolerate national ethnic separatism, religious extremism and terrorism, will resolutely oppose any activities directed against other countries carried out by these forces within their territory, and will adopt effective measures together to crack down on them'.<sup>39</sup>

The Shanghai Five declaration illustrates the instrumental character of many of these provisions. Far from never tolerating 'national ethnic separatism', Russia continues to provide indispensable support to two of the most tenacious (and internationally unrecognised) separatist entities in the CIS: Abkhazia, whose pro-Russian leadership guarantees Russia important facilities on the Black Sea and the so-called Republic of Transnistria in Moldova, which provides Russia with a complex of arms depots, transit and training facilities on the western frontier of Ukraine and in close vicinity to the Balkans. Although the Transnistrian conflict is not ethnic in character – ethnic Russians being the enclave's third largest ethnic group after Moldovans and Ukrainians – it is the Russian Federation which has justified the entity's 'special status' in ethnic terms. If there is a consistent principle in Russia's policy, it lies in the refusal to tolerate any form of national ethnic separatism which weakens Russian influence.

### **Promoting Economic Interests**

The failure of Russia's neighbours to reform their economies systematically and in depth – in other words, their failure to introduce taxation regimes, legal codes and enforcement mechanisms conducive to honest business and investment – has not only preserved economic dependency upon Russia, it has prolonged the lives and fortunes of the Soviet era interests who benefit from it. Thus, despite the steady decline in trade (19% in 1997, 25% in 1998), Russia remains Ukraine's biggest trading partner as well as its most difficult one, never having honoured its free

trade agreement (February 1995) and to this day levying double taxation on over 300 commodities excluded from it.<sup>40</sup> Far from moving to redress these abuses, President Putin has moved vigorously in another direction, demanding prompt settlement of rapidly escalating debt for Russian oil and gas.

Until recently, this relationship was open to abuse on all sides. According to Russia's then Deputy Prime Minister, Mikhail Kasyanov (who became Prime Minister in June 2000), by December 1999 – the date of Russia's fifth, most prolonged and most damaging suspension of oil deliveries to Ukraine – Ukraine was illegally siphoning 185 million cu metres of gas per day from the *Druzhba* pipeline transporting Russian natural gas to Central Europe.<sup>41</sup> Yet these machinations pale in comparison to the injury Ukraine has caused itself by failing to provide sensible incentives to British Petroleum and other producers whose studies suggest that Ukraine's indigenous, exploitable reserves could make the country at least 60% independent of Russian oil within five years.

They pale still more in comparison to the abuses of Russian power. As a monopolist, Russia has induced Ukraine to charge gas transit fees 50% below the rates which prevail elsewhere in Europe. It has also retaliated against Ukraine's refusal to join the CIS Customs Union by charging the former an oil price 20% higher than that which Customs Union members pay, not to say a tariff for gas which is three times greater than that paid by its neighbour, Belarus and five times greater than that which Russia pays itself.<sup>42</sup> Indeed, many of the Ukrainian oil and gas traders are themselves emanations of Russian monopoly power, sharing the spoils with Russian partners at their own country's expense.<sup>43</sup> So does the Russian joint-stock company *Gazprom*, which according to the Russian paper *Kommersant*, inflates Ukraine's debt by \$1.6 billion in order to obtain tax exemptions from the Russian authorities.<sup>44</sup> Yet Ukraine's position is not unique. Like Ukraine, Moldova is obliged to pay *Gazprom* \$80 per 1,000 cu metres of gas (vs. Belarus's \$26). Moreover, of Moldova's notional \$861 million debt to *Gazprom*, \$129 million is a penalty fee, and \$543 million is owed by the authorities in Transnistria who are *de facto* outside Moldova's control. Given this context, Ukraine's \$3 billion debt to Russia is not a lie, let alone a damned lie. It is simply a statistic.

To Russia, the primary advantage of such debts is that they are unpayable (Moldova's debt is over twice the country's annual budget). As such, debt is an inexhaustible commodity which can be used not only for 'supporting Russian entrepreneurs' but wider strategic interests.<sup>45</sup> When Prime Minister Kasyanov demands that Ukraine pay its debt 'in money or shares', he therefore means 'shares'. Prior to President Putin's visit to Kyiv on 15-16 April, Russia published a list of 30 Ukrainian enterprises of interest to Russian 'entrepreneurs'.<sup>46</sup>

Moreover, the distinction between control of Ukraine's energy assets and control of its energy policy is rapidly becoming a distinction without a difference. Ukraine, Poland and of late the USA are strongly interested in completion of the Odessa oil terminal and construction of the Odessa-Brody-Gdansk pipeline, which many argue would be the cheapest pipeline route for Caspian oil (via the Black Sea) into Central Europe. Yet the Azerbaijan International Oil Consortium (AIOC) is unlikely to pump oil through the pipeline unless Ukraine joins it. Russia is exerting pressure upon Ukraine not to do so. It is also exerting pressure upon Kyiv to appoint a chairman of the *Naftohaz Ukrainiy* [Ukraine Oil & Gas] joint-stock company supported by Russian oil and gas interests. Given Russia's sharply diminishing oil production and encouraging estimates of new Ukrainian reserves, Russia's leverage should be declining, not increasing. Yet Ukraine's current dependency translates into potent

Russian leverage in the short-term: leverage with application to Ukraine's security policy as well as its economic policy. The December 1999-April 2000 oil cutoff has not only persuaded Kyiv to take a more lenient view of the Black Sea Fleet's debt to the Crimean authorities, it has progressively induced Ukrainian negotiators to soften long-held positions on the inspection regime for the Fleet's weaponry, as well as notification provisions for its employment.<sup>47</sup> There are also rumours that in his 17-18 April summit with President Kuchma, Putin linked the final resolution of Ukraine's 'energy balance' to revisions in its geopolitical course.

The case of Ukraine is not unique. Days before Putin's two-day visit to Moldova (16-17 June) Russia again cut the oil supply. On the morrow of Putin's departure, it was announced that *Gazprom's* President, Rem Vyakhirev, authorised a reduction in the gas price from \$80 to \$40 per 1000 cu metres. Within days Moldova's Prime Minister, Dumitru Braghis, announced that 'no prices were fixed'. Nevertheless, it appears that the earlier Moldova summit did fix a mechanism for debt repayment: transfer of Moldova's gas monopolist, *Moldovagas* (which is already a Moldova-Russia joint stock company) to majority control of *Gazprom* and the transfer of a block of Moldova treasury bills (valued at \$100 million plus 7.5 per cent quarterly interest) to Russia. According to Russian estimates, nearly all of Moldova's industry can be acquired for this sum. Moreover, the 'gas for Transnistria' equation was certainly present in negotiations and seems to have been a factor in Moldova's 'grateful' acceptance of Putin's proposal to appoint a State Commission under Yevgeniy Primakov.<sup>48</sup>

With regard to a third country, Lithuania, the Putin factor is less discernible. Otherwise, the pattern is similar. Nearly all of Lithuania's oil is supplied by *LUKoil*<sup>49</sup> (through its Baltic subsidy, the closed stock company *LUKoil Baltija*<sup>50</sup>) and, more recently, the giant Russian oil company *Yukos*.<sup>51</sup> When the Lithuanian government announced the privatisation of its major oil complex, *Mazeikiai Nafta*, LUKoil vowed that it would be the principal beneficiary or turn the refinery into 'a pile of scrap metal'. When the Lithuanian government sold 33% of *Mazeikiai* shares to the US firm Williams in 1999, LUKoil cut supplies, *Mazeikiai* fell idle, oil prices rose 33 per cent and a massive political campaign against US interests commenced.<sup>52</sup> The new year has brought a change in tactics but no change in objective.<sup>53</sup>

A review of the third theme, 'supporting compatriots', suggests that the economic offensive is now being combined with others.

### **Supporting the Russian and 'Russian speaking' population**

There is little controversy in stating that the disintegration of the USSR was as much the product of national revival as of economic collapse. Yet in the perception of Boris Yeltsin and his supporters, it was brought about as much by the revival of Russia as of other 'subject nations'; indeed to him (as to Solzhenitsyn) the Russian people shouldered the greatest burdens of Soviet imperialism and were probably its greatest victims. From the standpoint of Ukrainians (who lost as many as 6 million people in the 1932-34 famine) or citizens of the Baltic states (who saw over one-fifth of their populations liquidated under Stalin) – let alone the descendants of peoples deported or 'erased' – such a perspective does not warrant discussion. Given this history and the contending perspectives about it, there were deep, *prima facie* reasons in 1991-92 to presume that ethnic Russians could find themselves isolated and vulnerable in the newly independent states of the former USSR.

In practice, reality has turned out to be vastly kinder and certainly far more complex than most outsiders supposed. As a general rule, Russians abroad do not tend to share the same political outlook as Russians in Russia (not that this political outlook is easily typecast in a vast and highly fragmented Federation). This is overwhelmingly the case in most regions of Ukraine, where the Russian population is too settled, too assimilated and too intermarried to be neatly distinguishable – and where, *except* on grounds of ethnicity, views about the country's course differ according to every conceivable criteria: regional, professional and generational.<sup>54</sup> But to a surprising degree it is also the case in the Baltic states where, two generations after Russian 'colonisers' arrived *en masse*, their descendants felt little more love for the USSR than their Baltic neighbours. The attempt by the foundering Soviet regime in 1990-91 to rally hard-line Communists and ethnic Russians into *interfronts* was a dismal failure. Today it would seem that this pattern is being repeated. According to a 21-28 January 2000 opinion poll, 41% of Estonian citizens of non-Estonian ethnicity (and 28% of non-citizens) fear Russia and see it as a threat to Estonia's independence. Amongst those under 20, the proportions holding these views is higher.<sup>55</sup> In sum, discrimination against ethnic Russians does not naturally translate into a desire for Russia's 'brotherly help'. This does not prevent it being offered.

That it is offered says as much about calculations of geopolitical advantage as it does about the emotions, convictions and moral imperatives that prevail in Moscow. First, by affirming a 'right' to protect 'the interests of compatriots' in other countries, the Russian Federation affirms a right to limit their sovereignty. To these countries and ethnic minorities within them, the 'right' is made more offensive by the recurrent practice of including 'Russian speakers', not to say Ukrainians and Belarussians, within the category of 'compatriots'. (Hence the frequent descriptions of Moldova's Transnistrian enclave as 'ethnically Russian', for only by combining the 25% ethnic Russian population with the 35% ethnic Ukrainian population is it possible to construct a 'Russian majority' against the indigenous Moldovan population of 40%). In contrast, Russia's newly approved Military Doctrine (April 2000) confines its references to 'Russian Federation citizens'. Yet the mere notion of tasking the Armed Forces with 'safeguarding the security of Russian Federation citizens and protecting them from military threats' – a provision absent from the 1999 draft – will strengthen apprehensions that Putin is determined, as he expressed it, to act 'more aggressively'.<sup>56</sup> Second, the fresh impetus given to language policy – in the President's words, 'enhancing the use of the Russian language at the international level' – provides an additional basis for interfering in other countries and enhancing Russia's influence within them. Indeed, Putin declared that his language policy corresponded with his 'only official promise...to make Russia strong'.<sup>57</sup> Finally, the unique concentration of Russian and Slavic diasporas in the newly independent states has been presented as an important reason to treat these states as 'former Soviet republics', different in status from other states. In February this year, Putin instructed Russian embassies in the Baltic states to maintain firmly this 'former Soviet' principle.

Evidence that utility rather than morality has the upper hand where the 'rights of compatriots' is concerned is the absence of public vilification precisely where these rights are most threatened: in Kazakhstan, which is member of the CIS Customs Union and the Collective Security Treaty. Nevertheless even here – and more pointedly in defiant Uzbekistan – Putin has now 'served notice that he intended to be playing the 'Russian diaspora card' – along with the 'Islamic terrorist' card – in vigorous fashion throughout the region'.<sup>58</sup>

In Latvia and Ukraine this vigour is becoming obvious to all. The conviction on 21 January 2000 by the Riga city court of a former Red Army partisan commander, Vasiliy Kononov, charged with massacring nine Latvian civilians in 1944 provoked five months of intense Russian pressure, including a *de facto* economic blockade and an attack on Latvia's Moscow embassy by still unidentified parties. There is an obvious basis for concern, as 'this was the first legal procedure in independent Latvia as a result of which a person was convicted for war crimes'.<sup>59</sup> Kononov's conviction induced President Putin, as well as the Russian Foreign Ministry, to assert that 'Russia will defend all soldiers of the Great Patriotic War wherever they may live'.<sup>60</sup> In the event, Kononov (who is 77 and ailing) was released by the Latvian Supreme Court. But little scrutiny is required to see that the main object of the campaign was not to secure his release but to stigmatise Latvia and put pressure upon it.<sup>61</sup>

In Riga on 5-6 June, these efforts were subtly reinforced when a major conference took place on the future of Russian-Latvian relations. The conference organisers – the Council on Foreign and Defence Policy (headed by Sergey Karaganov) and several Latvian groups loosely or closely associated with Russian political interests and special services<sup>62</sup> – advocated a fresh start, as well as an ambitious agenda. At the outset Karaganov admitted that Moscow had displayed an 'imperial attitude' in the past; for the present, he declared that Russia had no objection to Latvia joining the EU and that Russia planned to do so itself. Yet he and other Russian speakers wasted no time in making the following points:

- Recognition of Russia's special rights to 'safeguard and support the Russian-speaking minority' was a condition of good relations;
- Latvia and Russia should coordinate their EU policy and do so on the basis of deeper economic integration with one another;
- Further steps in the direction of NATO membership would trigger 'severe economic consequences'.

A similar confluence between ugly events and unpalatable pressures can be seen in Ukraine. On 8 May a well-known Ukrainian composer, Ihor Bilozir, was beaten to death in Lviv after a quarrel in a café about the singing of Russian and Ukrainian songs. Voronov, his assailant, is a military officer, son of the then Deputy Chief of the Lviv department of the Ministry of Internal Affairs (MVD), who resigned immediately after the episode. According to several sources, Voronov's companion was an officer in military counter-intelligence, a branch of the Armed Forces subordinated not to the Ministry of Defence, but the Security Service of Ukraine (SBU).<sup>63</sup> These two bodies are widely perceived as less 'reconstructed' than Ukraine's Ministry of Defence, less transparent and less reconciled to Ukraine's 'Euro-Atlantic choice'. Predictably, the murder of a nationalist composer in Ukraine's traditionally most anti-Russian region led to protests, as well as attempts by extremists to launch 'pogroms'.<sup>64</sup> When these failed to take place, several Russian and some Ukrainian newspapers made claims to the contrary. In turn, the Russian Foreign Ministry sent letters of protest to Kyiv as well as to OSCE High Commissioner on National Minorities, Max van der Stoep.

On 19-20 June, a fortnight after the conference on Russian-Latvian relations, a conference took place in Kyiv on 'Ukraine between Russia and the West', which this writer attended. The Russian delegation – which included Vladimir Lukin (Vice Speaker of the State Duma and co-founder of *Yabloko*), Ambassador Ivan Aboimov, representatives of the Foreign Ministry and two advisers to President Putin – was similar in composition to that which attended the conference in Riga. The first day focused on security issues; a second day allocated to 'humanitarian' issues turned

out to be devoted entirely to the language question. Although several guests spoke in highly Atlanticist terms, the themes emphasised by the organisers were broadly similar to those which were aired in Latvia – climaxing with a proposal by Lukin to establish a joint state commission to coordinate the foreign policies of the two states.

*Kombinatsia*, a KGB term for linking apparently unrelated themes into a strategic effort, is the term which best describes Russia's new tactics in the so-called 'near abroad'. That the tactics are new – not only 'far tougher', but more focused and more coherent – is unmistakably clear to the Ukrainian, Moldovan and Latvian officials who have had to deal with them. The success of these tactics is not guaranteed – indeed they might fail precisely because their purpose is so clear. For the first time since the independence period, Ukraine has a government which is challenging the position of clans and oligarchs in the country. Were it not for the Putin factor, this government might have failed. It still might. Had the Yushchenko reforms achieved momentum six months earlier, had Putin succeeded Yel'tsin six months later, Ukraine's success in standing up to Russian pressure would have been a more reasonable proposition than it is today. Perhaps it is folly 'in today's world' to try to reintegrate the countries of the former Soviet Union – or simply resubordinate them, as Putin would intend. But in the century of Operation Barbarossa, Pearl Harbour and the Berlin blockade, it is worth reminding ourselves that strategic error can affect the course of history as profoundly as strategic wisdom.

### III. What Kind of Europe?

Vladimir Putin has aroused the interest of the West. But he has yet to have an impact upon it. In part the reasons are personal. Gorbachev and Yeltsin, in their dramatic and opposite ways, radiated greatness. They were epic figures who gave Westerners the sense that Russia's future was more interesting and possibly more important than their own. In contrast, Putin projects coldness or, at most, a repressed warmth.<sup>65</sup> He inspires curiosity, even fascination, but he does not inspire trust.

The second reason is outside Putin's control. Gorbachev and Yeltsin made history, but they also had the opportunity to make it. Reagan brought the Cold War to a climax, and Gorbachev ended it. As the Soviet Union collapsed, Yeltsin had a choice of being a historic figure or no figure at all. But with the Cold War behind it, the West has persuaded itself that, in Europe at least, 'history has ended'. From this vantage point, NATO and EU enlargement are not making history, but simply formalising its conclusion. According to the same mantra, Russia is welcome to take part in this process – though one wonders how, given that no one wants Russia in NATO and no one imagines it joining the European Union. These circumstances enable, indeed almost invite Putin to make history at home and in his own 'backyard'. But they constrain his choices in the West.

The third reason is the Chechen war. The West has not 'done' anything about the Chechen war. But the war has done something to the Western image of Russia – much more than the first Chechen war, which most Russians dreaded and which most Russian 'democrats' opposed. To be sure, Chechnya is not the only factor which has altered this image. In 1991 the view that 'there are no Russian capitalists, only mafia'<sup>66</sup> was held by handfuls of people; today this exaggerated perception is widespread. Yet it is Chechnya, more than anything else, which

illustrates the gulf between mainstream Russian values and our own. To be sure, Chechnya has deepened the Western malaise about 'isolating' Russia, but it has also killed off any desire to 'integrate' with it.

Yet there is an additional and equally critical factor: narrowness of vision. President Putin has rightly concluded that he *must* deal with the West and do so on terms which the West regards as advantageous. He has also grasped the importance of turning Western business into his ally. But does he know how to do so? Thus far, he has approached this challenge with intense personal engagement and goes out of his way to promise fundamental change. Yet meaningful changes – some of them humiliating, many of them threatening not only to Russian 'shadow' structures but prominent ones – will need to be in place before the wariness of most Western investors is overcome.

But the narrowness is even more telling in the areas of security and diplomacy. Between 1994-7 Russia expended enormous political energy on derailing what could not be derailed – NATO enlargement. For four years, and to Russia's considerable detriment, there was an absence of thinking, not to say a vacuum of policy, in an area critical to Russia's interests: NATO new members in Central Europe. Moreover, throughout this time, it was clear that Russia misunderstood how NATO worked. In a 'bottom-up' security culture which makes decisions not only by consensus but at working level, Russia gave scant attention to developing contacts and cooperation between specialists and professionals who deal with practical security problems. Instead, it rigidly pursued a top-down agenda, seeking rights, vetoes and 'special status'. As a result, Russia deprived itself of the possibility of influencing NATO from within. It also persuaded its NATO interlocutors that it was more interested in membership of the club than it was in the club.

This history is now being repeated in two areas. The first is the campaign against US National Missile Defence (NMD). The issue has obvious relevance to Russia's status, because American breakthroughs in this area would, in technological terms, impinge upon the last military area – nuclear weapons – in which Russia's capabilities are second to none. But it has a very doubtful relevance to Russia's security. A missile defence capable of upsetting the strategic balance between Russia and the USA would bear little resemblance to that now contemplated against 'rogue states' – and for budgetary reasons alone, the intention to establish such a system could hardly be concealed. Once again, Russia's political establishment is wasting precious energy battling against the inevitable, whilst more serious security challenges cry out for attention.

Outside its own borders, the most serious security challenge for Russia is the enlargement of the European Union. In concrete terms – not simply in psychological ones – EU enlargement will draw the demarcation lines which NATO, through Partnership for Peace, has been at pains not to draw. Belatedly, Russia is recognising the importance of this issue, but characteristically it is devoting the bulk of its attention to the least relevant aspect of it, the European Security and Defence Identity. Once again, it is trying to create 'mechanisms' and 'understandings', whilst failing to appreciate that the relevant question to the EU is not a country's foreign policy, but its internal policy. It is also seeking to divide Europe from the USA. In this pursuit, it fails to appreciate that: (1) in order to succeed ESDP should foster collaboration with NATO in areas where it has thus far been absent; (2) an enlarged EU is likely to be more Atlanticist than that dominated by today's Franco-German core; (3) within this core, all seek a 'European' policy

towards Russia, but few regard Russia as a foil to the United States, let alone a strategic alternative to it.

Moreover, by playing the German card, many of Russia's potential partners – including Blair's Britain – might conclude that Russia is trying to divide Europe itself. By emphasising his vision of relations with Germany, rather than his vision of relations with Europe during his recent visit to Berlin, Putin committed a serious error.<sup>67</sup> The Federal Republic is not Bismarck's Germany. It is a country which has based its entire post-war course on the illegitimacy of the German national interest – and in the era of 'European construction', on the illegitimacy of other countries' national interests as well. Whilst it is true that Germany remains the one country in Europe with a sense of Russia's transcendental importance, the fact is that if Germany cannot act as part of Europe, it will not act. Putin's German card will cause more discomfort than rapture in Germany. It could also cause apprehension in Europe, but it is far from certain to bring advantage to Russia.

The West will have little possibility of widening Russia's perspective unless it widens its own. Despite its talk of partnership, Russia's interest today lies in 'pragmatic engagement'.<sup>68</sup> Does the West have a pragmatic, let alone a strategic view of how an enlarged Western community can develop relations with Russia to mutual advantage? Today, even the shrewdest and most pragmatic minds would find this question difficult to answer. Before the Kosovo crisis turned to conflict, NATO and Russia lost a critical opportunity to make partnership work. The war which we fought for humanitarian reasons destroyed what remained of the West's moral capital in Russia. For this reason and more deep seated ones, there has been a secular change of mood in Russia. This mood is not anti-Western. It is cynical about the West and rather tired of it – tired of the West's pluralism, unpredictability, moralisms, platitudes and advice. What Russia seeks is 'concrete', 'specific' discussion about strategic interests. The problem, in the words of the Scottish story, is that one should not start from here.

Yet time is passing. Russia has already drawn strategic conclusions and on its own borders is beginning to act on them. Within these borders, it is lawfully pursuing what Clausewitz called an 'absolute war' and Lenin a 'war of hatred'. 'Pragmatic engagement' with the West is possible on the ruins of such a war, but 'close, equitable partnership' is not. If the prolongation of Chechnya's defiance leads Putin down the path to wholesale annihilation, then even 'pragmatic engagement' might prove impossible.

If Russia's internal policy is Russia's business, this has never been true of its foreign policy. By economic pressure, diplomacy and stealth in the former USSR, Russia is once again seeking influence where its influence is not sought, and it is creating anxiety, despondency and harm. Where Ukraine is concerned, there are signs that Russia is linking alleviation of harm to the realignment of the state. The West has too many interests at stake and far too much invested to be indifferent to these developments. The United States, United Kingdom and Russian Federation have provided 'assurances' to Ukraine that they would respect its borders, refrain from the threat of force *and not employ economic coercion*.<sup>69</sup> To be sure, there is a distinction between economic pressure and economic coercion, but it is not a great distinction. Both can upset the balance of political forces in a country, and both can induce a country to change its political course. Were today's pressures to worsen, international agreements as well as Western interests would be called into question. Given this prospect, what is required is not more 'engagement' and 'programmes of cooperation' with Ukraine, but classical political support. A key

element of this support must be a reminder to Russia of its commitments and our interests, leaving no doubt that further pressure will have repercussions.

Yet where do Western interests end? To Russia's immense discomfort, the emergence of Caspian Sea oil has extended them. The West now has an unmistakable interest in promoting a pluralistic energy production and supply regime in the Caspian-Caucasus-Black Sea region. It also has an interest that Georgia and Azerbaijan should be independent, uncoerced and as open to trade and investment as they themselves wish to be. But what interest does the West have in their accession to NATO? What interests, in turn, are furthered – and what interests jeopardised – by maintaining today's policy of principled ambiguity? The myth that NATO's door is open to all is a dangerous myth because Russia has turned it into a dangerous fact. Both Chechen wars arose in significant part because Russia perceived the existence of a 'geopolitical threat' from the south. If the latest war is not to poison the region for a generation – or lead to a third – then NATO will need to define its interests in the Caucasus, come to terms with Russia's interests and establish a serious and sustained dialogue with Russia about both. Yet even if NATO grasps this nettle, there will be no security in the Caucasus until Russia realises that it has been the principal author of its woes and recognises, *vide* Chechnya, that its solutions have only made its problems worse.

Clearly then, there is a need for Western restraint as well as Western firmness. Yet what is the West prepared to support? In principle the West should welcome, and in the right circumstances support Russia's role as a major supplier and transporter of energy. But there is no escaping the fact that the right circumstances are very different from those that exist today: the marketisation of Russia's energy complex, the elimination of rigged rules and the abandonment of energy as a political weapon in the former USSR. The discrepancy between gas prices paid by the Russian consumer and those charged to Russia's neighbours is not only unacceptable, it is bad business. Good business is not a power relationship, but a transaction which benefits both buyer and seller. As a good businessman, Russia will be a good partner for its neighbours, and these neighbours will be willing partners of Russia. But what sort of a cultural revolution in Russia will produce this change?

The West has an even more profound stake in ensuring that EU enlargement does not drive Russia further down the path of autarkic and neo-imperial solutions. It is essential that the prime movers of the 'European process' – increasingly mindful of European security – should also become mindful of the security consequences of their own actions. Is the EU intended to be a magnet or a barrier? If the latter, transitional arrangements will certainly be required (over Schengen) and the *acquis communautaire* will need to be interpreted with some flexibility. Otherwise, Russia will find itself shut out of the 'greater Europe'.<sup>70</sup> Yet here again, no matter how much Western flexibility exists, the fact is that Russia has created the lion's share of these barriers, and it is up to Russia to remove them.

Whether the issue is energy, security or Europe, the crux of the matter is that Russia's internal transformation is the key to acquiring influence in the international system and genuine strengths within it. In the absence of such transformation, Russia's attempts to enhance security will continue to weaken its own security and spread insecurity elsewhere. President Putin has economic advisers who recognise these realities and confidants who do not. He has a strategic calculus but lacks a statesman's vision. Thus far his approaches to authority, security and 'good neighbourliness' are deepening the problems which

Russia must solve and are doing so quickly. If the West seeks a relationship with Russia which benefits Europe as a whole, it will need to recognise these failings – not to say its own – and have the candour and integrity to discuss both. Even today, it is not too late to establish such a relationship. But it is late.

## ENDNOTES

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<sup>1</sup> Note Putin's answer to David Frost about the basis of his disillusionment with Communism. '[I]t became clear that the proclaimed standards of living...were unreachable with the help of the mechanisms that were then in place. Secondly, *my concern became particularly strong* when it became clear that the best achievements of our fundamental and applied science could not be implemented on the kind of technological base we then possessed.' [author's emphasis] (*BBC Breakfast with Frost*, 5 March 2000)

<sup>2</sup> Ibid.

<sup>3</sup> Contrasting with one of his standing themes to Western media – 'Russia is part of the West' – Putin defiantly declared to a Russian audience, 'It's in the East that we live, not in the West'. (Francoise Thom, 'Faut-il Avoir Peur de Poutine?', *Politique Internationale*, March 2000). Several sources also report that Putin declared to a closed sitting of the State Duma that 'Russia has no wish to be part of the Western scheme of values'.

<sup>4</sup> Russian Public TV, 20 April 2000

<sup>5</sup> *Komsomol'skaya Pravda*, 2 December 1999 and Emil' Pain, 'Russia's Colonial Drama' in *Moskovskiy Novosti*, no. 49, 21-27 December 1999. Acknowledgements to John Dunlop for this reference (conference paper, 'From Yeltsin to Putin: Whither Russia?', Trento, 14 January 2000).

<sup>6</sup> Vladimir Putin, 'Russia at the Turn of the Millennium', December 1999.

<sup>7</sup> 'We had to pay for the excessive focus of the Soviet economy on the development of the raw materials sector and defence industries, which negatively affected the development of consumer production and services. We are paying for the Soviet neglect of such key sectors as information science, electronics and communications' *Ibid*.

<sup>8</sup> Speech to the Federal Assembly, 8 July 2000. There are many remarks to this effect, e.g. to Russian journalists: 'A weakened, gurgling Russia suits many people in the world.' (*Argumenty i Fakty*, 21 March 2000)

<sup>9</sup> The Founding Act states: 'Provisions of this Act do not provide NATO or Russia, in any way, with a right of veto over the actions of the other nor do they infringe upon or restrict the rights of NATO or Russia to independent decision-making and action.' However, Russia is on indisputably firmer ground in claiming that the launch of military intervention against Yugoslavia violated the provisions of the Act, which speaks of the parties 'refraining from the threat or use of force against each other as well as against any other state, its sovereignty, territorial integrity or political independence in any manner inconsistent with the United Nations Charter and with the Declaration of Principles Guiding Relations Between Participating States contained in the Helsinki Final Act' and to 'respect the sovereignty, independence and territorial integrity of all states'.

<sup>10</sup> At a joint press conference with President Clinton in March 1997, President Yeltsin stated that the Permanent Joint Council will make decisions by 'consensus...[as] it is today, indeed, among the NATO countries'. He was not contradicted. One month later, US Secretary of Defence William Cohen contradicted this misunderstanding in detail, but the damage was already done. For a fuller discussion, see David S. Yost, [Alternative Futures for NATO-Russia Relations](#) (Department of the Air Force, forthcoming)

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<sup>11</sup> Interview with *Kommersant*, 10 March 2000.

<sup>12</sup> *Ibid.*

<sup>13</sup> For a fuller discussion see James Sherr and Steven Main, Russian and Ukrainian Perceptions of Events in Yugoslavia (CSRC, May 1999)

<sup>14</sup> In November Putin declared to a Russian audience, 'It's for us to decide if what we wish is to accept credits to buy lollies, while accepting at the same time that they annex our territory from the Black Sea to the Caspian'. Francoise Thom, 'Faut il avoir peur de Poutine?', *Politique Internationale*, March 2000.

<sup>15</sup> This interpenetration is well illustrated by the career of a new Deputy Director of the FSB, Yuriy Zaostrovstsev, appointed in April 2000. According to the newspaper *Segodnya*, in 1993 Zaostrovstsev was a colonel in the 'FSB Foreign Intelligence Service Department' and supervised the State Customs Committee. He then left for the private sector as head of the security service of *Tveruniversalbank*. After resigning in 1996 he worked for several commercial firms, including Medox 'which enters the scandalously notorious Siberian Aluminium group, which is directly connected with Mikhail Cherny - a person having a very specific reputation'. He then founded several private businesses in 'retail-wholesale' trade, one of them allegedly involved in selling weapons. In November 1998, one of his partners was reportedly arrested on charges of abduction. In November 1998 Nikolay Patrushev (then First Deputy Director, now Director of the FSB) restored his rank and 'put him at the disposal of the Economic Foreign Intelligence Service Department'. 'In early 1999 there was an attempt to appoint Zaostrovstsev deputy chair of the State Customs Committee...Later there was an attempt to assign Zaostrovstsev as an adviser to the director of *Vneshekonombank*'. (*Segodnya*, 26 April 2000)

<sup>16</sup> It is too early to know to what extent Putin shares the views of M. Delyagin, head of the *Globalizatsia* institute and a former ally of the pro-Western reformer Yegor Gaydar: 'Russia cannot afford openly to confront the USA and NATO...[Therefore] Russia must seek informal strategic alliance with Europe, Southeast Asia, Japan and China, but leave to stronger countries the most dangerous and painful role of directly confronting the USA. Russia must take to underground resistance to confront the aggressor in such a way that he won't be able to see Moscow's hand behind his setbacks'. (Victor Yasmann, 'Russia between Geopolitics and Globalization', RFE/RL, 14 March 2000). It would be surprising if Russian intelligence activity in the West, steadily on the rise since 1993, were to diminish under a Putin presidency.

<sup>17</sup> The legal training which Putin had is normally a prelude to internal rather than foreign intelligence work. President Putin's description of his service in his book, *First Person*, suggests that he spent his St. Petersburg KGB service in security as opposed to foreign intelligence assignments, though it is unclear from this account whether he was also engaged in counter-intelligence activity. According to Alexander Rahr, three of Putin's long-standing and most trusted acquaintances, Sergey Ivanov (now Secretary of the RF Security Council), Nikolay Patrushev (Director of the Federal Security Service, the FSB) and Viktor Cherkosov (recently First Deputy Director of FSB, in May appointed Presidential Plenipotentiary of a new Federal District) served in *sobstvennaya bezopasnost'* (KGB in-house counter-intelligence). Rumours to the effect that Putin performed counter-intelligence assignments in the GDR (against Soviet citizens) might or might not have foundation, but they are a reminder that the KGB conducted such work, and not simply foreign intelligence abroad.

<sup>18</sup> These include Deputy to the Head of the President's Private Office (June 1996-March 1997), Deputy Head of the Presidential Commission and Chief of the Control Commission (March 1997 to May 1998), First Deputy Head Presidential Administration (May 1998 to July 1998). In July 1998 Putin was appointed Director of the FSB and in March 1999 Secretary of the Russian Federation Security Council

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<sup>19</sup> 'If the Minister of Foreign Affairs is caught maintaining contacts with representatives of foreign states outside the framework of his official duties, he, like any other members of the government, deputies of the State Duma, heads of factions *and any other citizens of the Russian Federation*, will be subject to certain procedures in line with the criminal law. *And I must say that the recent actions the Federal Security Service has been taking demonstrate that this is quite possible*'. [emphasis added] *Ekho Moskvy* Radio, 14 April 2000.

<sup>20</sup> William Tompson, 'Putin's Power Plays', *The World Today*, (vol 56, no. 7), July 2000

<sup>21</sup> Address to the Federal Assembly, 8 July 2000.

<sup>22</sup> This was the first Foreign Ministry report on the subject and Shelov was the first official in the MFA given responsibility for the so-called 'near abroad'. Fedor Shelov-Kovedyayev, *Strategy and Tactics of Russian Foreign Policy in the New Abroad* [*Strategiya i taktika vneshney politiki Rossii v novom zarubezh'e*] (author's copy - undated)

<sup>23</sup> Transcript of press conference [*Zapis' Press-Konferentsii Ministra Inostrannykh Del Rossii YE.M. Primakova*], 12 January 1996], author's translation.

<sup>24</sup> This shift occurred early. The December 1992 draft of Russia's Foreign Policy Concept stated that the 'provision of stability' would depend on Russia's 'ability to uphold with conviction, *and in extreme cases with the use of means of force*, the principles of international law, including human rights, and to achieve firm good neighbourliness.' [author's emphasis]

<sup>25</sup> In his last interview as Chairman of Russian Foreign Intelligence (SVR), Yevgeniy Primakov asserted that 'all possible means' were used to strengthen 'centripetal processes' in the former USSR. (*Komsomol'skaya Pravda*, 26 December 1995). Boris Yeltsin had produced a similar revelation 19 months previously (ITAR-TASS, 26 May 1994) when he demanded that the 'extensive possibilities' of the Federal Security Service 'must be effectively used in the defence of Russians both in this country and abroad'. The revised law of 12 April 1995, 'On the Bodies of the Federal Security Service of the Russian Federation' gives it 'the right to conduct intelligence operations on the territories of foreign countries': a right which its then Director, Sergey Stepashin admitted 'simply brings us into line with what we have been doing in the past year'.

<sup>26</sup> In a speech clearly intended for Western audiences, President Yeltsin on 28 February 1993 underscored Russia's 'vital interest' in 'stopping all armed conflicts of the territory of the former USSR' and called on the UN to 'grant Russia special powers as guarantor of peace and stability'.

<sup>27</sup> Address to National Press Club, Washington DC, 27 April 2000.

<sup>28</sup> For example, by the state controlled ORT television on 18 April 2000: 'Kyiv is sure that from now on Russian-Ukrainian relations are going to be on a much tougher and more pragmatic footing than before'; and *Izvestiya* the same day: 'It seems that the new Russian President is prepared to be far tougher towards the Commonwealth countries than his predecessor was...The warm style of contact between the "brother Slavs" is being replaced by the cold, businesslike style of contact between foreign policies linked to one another by legal obligations'.

<sup>29</sup> Sergey Ivanov on Ukrainian TV1, 23 April 2000.

<sup>30</sup> Published on 7 July and available from *BBC Summary of World Broadcasts: Former Soviet Union* (hereafter, *SWB*).

<sup>31</sup> RFSC Secretary Sergey Ivanov 28 March.

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<sup>32</sup> Welcoming approval of the draft Concept by the RFSC on 24 March, Putin claimed that it would defend 'the interests of our compatriots...more attentively, in a more balanced way and at the same time more aggressively'.

<sup>33</sup> Oleksandr Potekhin, 'Russian Foreign Policy Trends under President Putin', Monitoring (Kyiv: Centre for Peace, Conversion and Foreign Policy of Ukraine), 30 May 2000.

<sup>34</sup> The Treaty on Collective Security was initially signed by nine CIS states in May 1992: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan. In 1999 Azerbaijan, Georgia and Uzbekistan withdrew from the treaty. The latter three are members of GUUAM, which is not defined as a military alliance.

<sup>35</sup> The CIS Customs Union (Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan) was formed in March 1996.

<sup>36</sup> Interfax, 10 March

<sup>37</sup> *Nezavizimaya Gazeta* 1-7 February: 'Russian military sources more than once have declared that such training takes place...Russian special services at the end of last year handed over to Baku corresponding operational information. The question was resolved behind closed doors without public scandal...and successfully insofar as Vladimir Putin in one of his declarations at the [February 2000 CIS] summit stated that inside friendly Azerbaijan there are no bases of Chechen fighters. Geydar Aliev, repaying his debt, made declarations which...were interpreted as support for Russian military operations'.

<sup>38</sup> Russian sources deny these allegations, whilst insisting that Istanbul obliges Russia to hand over only two of its four bases (Vaziani and Gudauta, but not Batumi and Akhalkalaki). At the same time, they note that the undertaking calls only for a 'transfer of authority', which leaves open the possibility that some Russian forces will remain. On 17 April Vladimir Ardzinba, pro-Moscow leader of the Abkhaz separatists, declared that the withdrawal of Russian bases would be a mistake.

<sup>39</sup> Reported by official Chinese news agency Xinhua 30 March 2000. The states also pledge themselves to 'promoting multipolarity' and to 'resolutely oppose any country's intervention in the internal affairs of other countries on the excuse of protecting national and religious interests and human rights'. At the same meeting, Russia's Minister of Defence, Marshal Igor Sergeev, declared that international terrorism 'has changed totally, it has become organised and well paid and has very determined political aims'. This grouping of the PRC and the four CIS countries bordering it was formed in Shanghai in 1996.

<sup>40</sup> By Ukraine's calculations, trade fell to \$8 billion in 1999, down from over \$14 billion in 1996 (though other calculations place the 1996 figure at \$17 billion). According to Mykola Biloblotsky, Ukraine's Ambassador to Russia, Russia's 'twisted taxation system' not only taxes Ukrainian imports but also imposes 20% VAT on Russian exports to Ukraine. Serhiy Tyhypko, Ukraine's Minister of the Economy (until June 2000), stated that Russia had removed 320 items from free trade, including agriculture, medicines, alcoholic products, metallurgical and machine engineering products. These particular items are key export commodities for Ukraine. (8 March 2000)

<sup>41</sup> By February, according to Kasyanov, this figure had dropped to 35 million cu metres per day. On 12 April, *Gazprom* declared that in first quarter 2000 Ukraine consumed 7 billion cu metres above the agreed level. (ITAR-TASS report of 12 April 2000).

<sup>42</sup> The generally cited rates are: Ukraine - \$83 per 1000 cu m, Belarus \$26 per 1000 cu m, Russian Federation \$17 per 1000 cu m. (See inter alia ITAR-TASS report of 10 March 2000). Figures on oil price from Serhiy Tyhypko, Minister of the Economy. (*Intelnews*, Kyiv, 6 March 2000)

<sup>43</sup> According to experts in Ukraine's Parliament currently investigating the energy supply system, Ukraine's domestic traders buy gas on the border at \$35 per 1000 cu m from *Itera*, the Russian-Turkmenistan distribution monopolist within the CIS. They then sell this gas at \$83 to the Ukrainian consumer, remitting a large share of the profit to Russia's *Gazprom*. Supply arrangements for Moldova would appear to be similar.

<sup>44</sup> Thus, as late as 25 March, Deputy Prime Minister Kasyanov's estimate of *Gazprom's* debt was not too dissimilar from that of Ukraine's Prime Minister Viktor Yushchenko (\$1.9 billion compared to \$1.4 billion), as opposed to the \$3.5 billion claimed by *Gazprom*. Unsurprisingly, as Putin's summit with Kuchma approached, these discrepancies were resolved in favour of a figure of \$3 billion. (*Kommersant*, 25 March 2000)

<sup>45</sup> *Gazprom* is not independent of the state, but it has not always been a simple tool of it. The duality inherent in post-Communist Russia consists of the fact that whereas 'oligarchs' have largely privatised the state, they in turn are partially controlled by the state and deeply dependent upon it. In terms of structure and governance, *Gazprom* is a joint-stock company, half of whose directors are government representatives. On 30 June Putin tightened his grip on *Gazprom*, replacing its chairman Viktor Chernomyrdin (former Prime Minister and Presidential candidate) with an old St. Petersburg associate, Dmitriy Medvedev. At the same *Gazprom* Board meeting, the government increased its representation from four seats to five (making an inbuilt majority of six out of eleven, including Medvedev). (*Moscow Times*, 1 July 2000)

<sup>46</sup> These include Ukraine's six oil refineries, already in the midst of a privatisation process and the Mykolayiv aluminium plant. Of the four companies and consortia bidding for the latter, two are overtly Russian (one controlled and one in partnership with the Berezovskiy-Makhmut-Abramovich group), one of the two Ukrainian companies, Suprema-Brok Ltd Kyiv, controlled by the same group and the other, National Aluminium Dnipropetrovsk set up by a Berezovskiy partner, Russia's Siberia Aluminium Group, to coordinate the Russian-Ukrainian aluminium production cycle. (14 March 2000)

<sup>47</sup> 'Den' on Black Sea Fleet Disputes between Russia and Ukraine'; *UNIAN*, 'Ukraine, Russia disagree on weapons control over Black Sea Fleet'; ITAR-TASS, 'Russia, Ukraine Fail to Resolve Some Black Sea Fleet Problems', in *SWB* 16 March 2000

<sup>48</sup> This would represent a change, as Moldova had hitherto objected that Primakov's formula of the Moldova-Transnistria 'common state' would call Moldova's authority and the nature of its statehood into question. 'Moldova's Politicians Concerned with Primakov Dnestr Commission Appointment', *SWB*, 19 June 2000. statehood.

<sup>49</sup> According to its corporate website, 'LUKoil is the leader of Russia's fuel and energy complex...the first Russian integrated oil company operating to the principle "from oil well to filling station"'. (<http://www.lukoil.com>). It posts a 1999 revenue of 114.323 billion roubles (\$3.973 billion) and assets worth 120.914 billion roubles (\$4.216 billion). It lists six 'partners': *Gazprom*, the Bank of New York, Shell, Conoco, Komitek and ARCO.

<sup>50</sup> 'Lukoil Baltija is the largest crude oil and oil products trading company in Lithuania. It was established as a closed stock company, a joint venture between Lithuania, Russia and Luxembourg, on 12 November 1992'. (<http://www.randburg.com/li/lukoil/html>)

<sup>51</sup> *Yukos* posted \$1.278 billion earnings for the first half of 1999. (<http://www.yukos.ru>)

<sup>52</sup> See interview with US Ambassador Keith Smith on those who 'wanted to ruin the transaction at all costs'. *Lietuvos Rytas*, 4 April 2000 (reprinted in *SWB*, 25 April 2000)

<sup>53</sup> These have enabled *Yukos* oil (which joined *LUKoil* in privatising Belarus's *Naftan* refinery) to acquire 10% of Mazeikiiai. *LUKoil* is now focusing its efforts on establishing

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supply companies to Mazeiki. See *Lietuvos Rytas*, (SWB 20 April 2000) for a description of how Russia has used such companies to acquire de facto control.

<sup>54</sup> An important exception is Crimea (90 per cent of whose ethnic Russian inhabitants are comparatively recent arrivals) as, to a far lesser degree are the six western Ukrainian *oblasts*, which were never part of the Tsarist empire. For a fuller discussion, see James Sherr, Ukraine, Russia, Europe (CSRC, November 1996)

<sup>55</sup> Reported in Estonian newspaper *Eesti Päevaleht* and SWB 20 March 2000

<sup>56</sup> For a fuller discussion, see Steven Main, Russia's Military Doctrine (CSRC Occasional Brief no. 77, April 2000)

<sup>57</sup> In accordance with a Presidential decree, Putin established a governmental Council for Russian Language on 17 January 2000, chaired by his associate and former Deputy Prime Minister, Valentina Matviyenko. (*Transitions On-Line*, 'Resuscitating Russian', 5 April 2000) (<http://www.tol.cz/apr00/resus.html>)

<sup>58</sup> John B. Dunlop, 'From Yeltsin to Putin: Whither Russia?' (Centro Studi sulla Storia dell'Europa Orientale, 14 January 2000)

<sup>59</sup> *Interfax* 27 June 2000. The agency also notes that 'two other former representatives of Soviet authorities – Alfons Noviks and Mikhail Farbtukh – were convicted for genocide'.

<sup>60</sup> The MFA also accused Latvia of 'seeking revision to the outcome of the Second World War', ITAR-TASS, 17 March 2000.

<sup>61</sup> This has included appeals by the MFA, State Duma and Putin's Commission on Human Rights to the UN Commission on Human Rights, the OSCE Permanent Council, the OSCE High Commissioner for National Minorities, the Council of Europe and the Council of Baltic Sea States.

<sup>62</sup> The main organiser of the conference, *Baltijas Fonds*, the Baltic Foundation is headed by Nikolajs Neilands, a Latvian citizen who according to Christopher Andrew and Oleg Gordievsky's KGB: The Inside Story, was a formerly high-ranking KGB officer.

<sup>63</sup> For example, the newspaper *Za Vilnu Ukrainu* filed such a report during the week of 3-10 July 2000.

<sup>64</sup> The head of Lviv Region State Administration, Stepan Senchuk, vigorously criticised far-right forces for 'seizing the opportunity' to provoke disorder, noting however that the far right have characteristically been 'financially supported by other political forces interested in destabilisation'. His own conclusion: 'I think that not only Ukrainian radicals but certain anti-Ukrainian political forces wanted to bring the conflict to an international level' (Interview by the weekly, *Zerkalo Nedeli* [Mirror of the Week], 1 July 2000.

<sup>65</sup> In Russia it is not only his detractors (*vide* Gusinskiy's *Segodnya*, 19 June 2000) who perceive that 'his coldness and aloofness leave no room for establishing close interpersonal contacts'.

<sup>66</sup> As stated to a colleague by the first (and late) President of post-Soviet Georgia, Zviad Gamsakhurdia, still today regarded as an extremist.

<sup>67</sup> See his 11 June interview to the *Welt am Sonntag*, where Putin emphasised the 'positive tradition in the Russian-German relationship and where he praised German 'leadership' in mobilising Europeans against NMD.

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<sup>68</sup> Sergey Karaganov, 'What Should Russia Do? What Should be Done with Russia?', *Moskovskiye Novosti*, 29 February-6 March 2000.

<sup>69</sup> The US-Ukraine-Russia Trilateral Agreement of 14 January 1994 provided for these assurances to be formally extended to Ukraine by the signatory states as well as by the UK upon Ukraine's accession to the NPT as a non-nuclear state. Ukraine made these 'guarantees' a condition of its unilateral nuclear disarmament.

<sup>70</sup> James Sherr, 'European Defence: Whither Russia and Ukraine' (CSRC Occasional Brief 76, March 2000). For a fuller discussion, see James Sherr, 'The Schengen Agreement, EU Enlargement and European Security', National Security and Defence (Ukrainian Centre for Economic and Political Studies, Kyiv, July 2000), published in English and Ukrainian.

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