

Russia Looks West

New era of cooperation promised

“We have changed,” Russian President Dmitry Medvedev said in a keynote address at the June 2010 St. Petersburg International Economic Forum. Medvedev was speaking about plans to refocus the Russian economy on innovation and technology rather than energy and natural resource production. While the change is apparent in Russia’s newly cooperative approach to the European Union, for NATO and neighboring states of the former Soviet Union, the question remains: Is the change authentic? And, if so, how deep does it run in Russian policy?

Medvedev’s push to transform the Russian economy is primarily a movement for modernization. It includes plans to build a center for technology, engineering and business education in Skolkovo, modeled on the Silicon Valley, that would establish relationships with top U.S. universities and technology companies. If Russia is to grow into the high-tech power envisaged by Medvedev, it will need help from the West.

To that end, Russia is pursuing a course of cooperation, eschewing the confrontation that sometimes characterized Russian foreign policy under the administration of former President Vladimir Putin. The new “de-ideologized” foreign policy is “characterized by pragmatic consideration of Russia’s national interest,” Anders Åslund of the Peterson Institute for International Economics wrote in an op-ed for *The Moscow Times*.

Low point

Post-Soviet relations between Russia and the West reached a diplomatic low point with the August 2008 Russian invasion of Western-oriented NATO aspirant Georgia. Some in the West accused Russia of having neo-colonial ambitions. The Russia-NATO Council, established in 2002 for consultation and consensus-building, suspended activities as accusations were exchanged over who was responsible for the war. Russia’s image as a reliable Western partner was not improved by the January 2009 dispute with Ukraine over payments for natural gas. Russia halted gas shipments through Ukraine, causing shortages in many European countries.

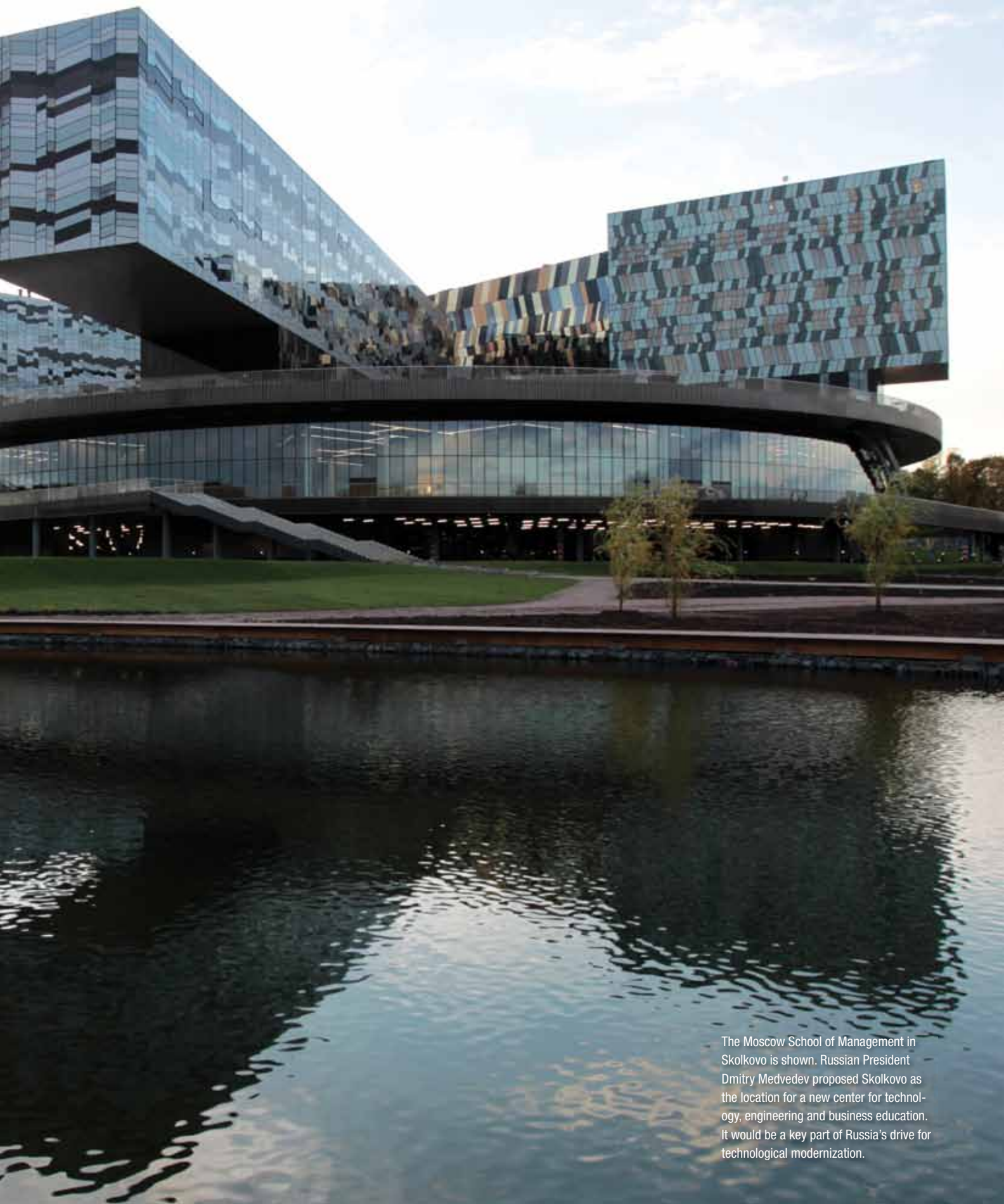
The BBC wrote: “Critics say that Russia is using its energy resources as a political weapon to pressure European and former Soviet countries to adopt favorable stances towards Moscow.” In doing so, Russia had isolated itself not only from the West, but from its closest neighbors. Russia “tried to impose itself upon the former Soviet republics,” Åslund said. “The fundamental problem is that everybody is suspicious of Russia’s real intentions.”

Better relations

But relations with Russia started to improve as both the West and Russia took a more conciliatory approach. The Russia-NATO Council resumed meeting, despite misgivings by some members. As former NATO Secretary-General Jaap de Hoop Scheffer argued at the time: “Russia is an important global player, and this means that not talking to them is not an option.” After his election in 2008, U.S. President Barack Obama promised to “reset” relations and delayed deployment of



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The Moscow School of Management in Skolkovo is shown. Russian President Dmitry Medvedev proposed Skolkovo as the location for a new center for technology, engineering and business education. It would be a key part of Russia's drive for technological modernization.

elements of a ballistic missile intercept system in the former Warsaw Pact countries Poland and the Czech Republic. NATO also put accession of former Soviet republics Ukraine and Georgia on hold indefinitely. These two policy changes appeared to alleviate Russian security concerns and gave Moscow confidence to pursue a more cooperative approach. As a result of the international economic downturn and financial crisis, Russia's economy shrank by more than 8 percent in 2009. Russian leaders realized that relying on profits from high energy prices was an unreliable economic model, according to Adnan Vatansever of the Carnegie Endowment for International Peace.

Åslund added: "Russia's new policy is grounded in the need to modernize and attract foreign investment." For Russia, confrontation seems to have lost its appeal.

Russia's refocused foreign policy is evident in its relations with former Soviet and Warsaw Pact neighbors. After years of acrimony, cordial dialogue between historical rivals Russia and Poland has begun. Medvedev visited Poland in December 2010, which Russian Foreign Minister Sergei Lavrov called "a landmark event" in moving forward with bilateral relations. The former Soviet Baltic states of Estonia, Latvia and Lithuania, where the Soviet years are widely considered a military occupation, have softened opposition to Russia. In Latvia, a political party of mostly ethnic Russians came in second in 2010 national elections. And Russia resolved a 40-year

maritime border dispute with Norway, signing a treaty in September 2010 delineating territorial rights in the energy-rich Barents Sea. Relations with Ukraine improved the most with the election of pro-Russian Victor Yanukovich, after years of tension with the pro-Western "Orange Revolution" government. And in Kyrgyzstan, where the government was overthrown by a popular uprising, Moscow appears to be maintaining a hands-off approach. Though tensions remain with Georgia just two years after the war, even there the chance of renewed armed conflict seems to have receded. "Russia's policy in the region has genuinely changed for the simple reason that the Kremlin realizes the old aggressive policy has completely failed," Åslund wrote.

"We have changed"

Much can be gained by the integration of Russia into European and international institutions. Since the end of the Cold War, Russia and the EU have built extensive economic ties. Demand from Russia's growing middle class makes it a primary export market for European consumer and technology goods, and about half of Russia's exports go to the EU. Eurostat data from 2009 indicated that one-third of EU gas imports originated in Russia. Improved economic ties, characterized by liberalized trade policies and standardized regulatory rules, would benefit all parties and would also improve regional stability. BBC News reports: "The two sides have been negotiating a new agreement, the 'Partnership for Modernisation,'

Left: People gather at an anti-corruption rally in Moscow in October 2009. Russia's ability to tame corruption is important for its plans for greater European integration.

Right: Russian shoppers taste imported Japanese grapes at a supermarket in Vladivostok in October 2010. It was the first time such fruit was exported to the Russian Far East, highlighting growing trade ties.



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aimed at increasing foreign investment, boosting trade and integrating markets.”

Analysts think that admission into the World Trade Organization, or WTO, is the most important step for Russia. Russia’s accession to the WTO, which President Medvedev has made a foreign policy priority, has been in the works for 17 years, *Bloomberg Businessweek* said. The primary obstacles have been agricultural trade disputes with the U.S. and a Russian trade embargo on WTO member Georgia. Nevertheless, in October 2010, Lawrence Summers, then-director of the U.S. National Economic Council, claimed that contentious issues have been overcome and Russia, as the largest economy outside the WTO, is expected to join by the end of 2011.

Better diplomacy leads to better security. Russia, the EU and the United States share vital interests in combating transnational organized crime, narcotics trafficking and terrorism stemming from militant Islamic extremism. Those vital interests overlap especially in Central Asia and Afghanistan. According to Dmitri Trenin and Alexei Malashenko of Carnegie, Russia worries that a victorious Taliban in Afghanistan could resume its pre-2001 support for Central Asian Islamists and Chechen rebels, creating “a rise in Islamist radicalism across the region and a revival of rebel activity in Uzbekistan and Kyrgyzstan.” Russia has cooperated with NATO in Afghanistan from the beginning of the war to displace the Taliban and destroy al-Qaida, sharing intelligence, providing arms and supplies to the Afghan government and allowing transit of non-lethal NATO military equipment and personnel. Moscow also wants a stable Afghanistan to restrict the flow of heroin that is feeding an epidemic of addiction in Russia.

In May 2010, Russia and the EU agreed to strengthen cooperation against organized crime and terrorism and “reach an operational agreement between Europol and Russia as soon as possible,” according to *The Sofia Echo* newspaper. In June 2010, as a sign of increased cooperation with the West, Russia supported U.N. Security Council Resolution 1929 imposing tougher sanctions on Iran over its nuclear program, but balked at stronger sanctions and criticized the EU, U.S. and Japan when they took stronger measures beyond what the U.N. had done. Russia has maintained cordial relations with Iran, and the West hopes Moscow, once further integrated into Western economic and security structures, could act as an intermediary in persuading Iran to abandon its nuclear program.



How far reform?

Some question whether Russia is serious about changing. Sergei Aleksashenko, economist with the Carnegie Moscow Center, remarked that “a lot of experts have agreed that in order to modernize Russia there is a need to start with the political organization, the modernization of the political system.” Aleksashenko noted that Medvedev has hedged his words by suggesting that “modernization is only a technical process” and won’t lead to comprehensive modernization of the entire country. He also notes that Medvedev and Putin have more recently replaced the word “modernization” with “innovation.” Said Aleksashenko: “It’s not a huge secret that there are three principal obstacles for foreign investment in Russia: rule of law, corruption and intellectual property rights.” He is skeptical about Russia’s readiness to fully reform its political, legal and economic systems. Iana Dreyer of the European Centre for International Political Economy agrees and points out that Organisation for Economic Co-operation and Development indexes show Russia to have one of the most restrictive climates for foreign investment. Dreyer says Russia needs to move away from “protectionism and using energy as a foreign policy tool.”

Åslund is especially critical of the role of Prime Minister Putin in blocking reform and integration, but nevertheless believes that Russia’s overtures provide “a good opportunity for the West to engage anew with Russia.”

“Russia has the human and financial capital as well as technology for a modern innovation economy,” Åslund said. “But it lacks the necessary freedom of enterprise and communication.” □

A Russian armored column leaves South Ossetia in August 2008. Russia’s brief war with Georgia brought Russian relations with NATO and the EU to a low point.