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Germany and Russia: A Special Relationship

For historical reasons, Germany and Russia are destined to have a special relationship. The success of the policy of reconciliation between the former World War II foes in the past 15 years has helped, in turn, to reconcile post–Cold War Europe. During the crucial years of Germany's reunification, German policymakers enthusiastically applauded the constructive role played by the last Soviet leader, Mikhail Gorbachev, and the first Russian president, Boris Yeltsin.

This goodwill continues today. Opinion polls indicate that Russian elites regard Germany as a true friend and advocate in the West. Moscow does not consider Germany, a nonnuclear state, to be a geopolitical rival in the post-Soviet space as it does, for instance, the United States. Germany is Russia's most important foreign trading partner. The German business lobby enthusiastically applauds the new opportunities in the Russian market. Industrialists want Germany to become Russia's main modernization partner. Having conducted business with the Kremlin and through the state apparatus since the 1970s, they welcome the strengthening of the role of the state in Russian domestic politics, which could lead to more law and order and less criminality and corruption. Correspondingly, German elites enjoy their country's role as an advocate of European interests with Russia, particularly in the economic field and often as mediator between Russia and the United States.

A powerful second school of thought in German intellectual circles, however, views recent developments in Russia with increased skepticism. Although the political and economic relations between Russia and Germany

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seem to be as positive as ever, Russia's image in German media has probably never been as bad since the fall of the Soviet Union. Along with North Africa and the eastern Mediterranean, the territory of the former Soviet Union, particularly the Black Sea and Caspian regions, has risen in significance and become the European Union's new strategic neighborhood. These countries are undergoing a complicated process of political and economic transformation. If the democratic and liberal economic reform process fails in those states, instabilities could infect the EU itself.

The EU-Russian relationship must navigate a number of delicate issues, including energy interdependence, incompatible values, and the future of the post-Soviet states. German policymakers are struggling to strike a balanced policy that can successfully promote business ties, engage Russia on liberal reform, and foster the growth of the post-Soviet states. Berlin feels frustrated that the EU has failed to address developments in the eastern part of the European continent in a proper way. France, Spain, and Italy have traditionally emphasized a pro-Mediterranean approach inside the EU. The focus on the "northern dimension" by the Scandinavian EU states has failed to incorporate Russia and former Soviet republics into a broader European context. The decision of the EU to avoid the term "wider Europe" and to put countries such as Ukraine, Georgia, and Kazakhstan in the same "strategic neighborhood" as Egypt, Morocco, and Libya has caused frustration and a feeling of neglect among the pro-Western elites in the post-Soviet space. It seems that Germany must take up the role of an advocate for Europe's eastern neighbors.

Germany as Bridge to the East

Following Chancellor Willy Brandt, whose famed *ostpolitik* used rapprochement to improve relations with East Germany, Poland, and the Soviet Union during the 1970s, Chancellor Helmut Kohl in the 1990s took the lead in tackling Russia's role in the future Europe. Germany's Russian policy from 1991 to 2005 was designed to incorporate Russia into the larger European architecture. Kohl was always lukewarm about former Soviet republics joining NATO because he feared provoking negative reactions in Russia. The German leadership had been the strongest supporter for Moscow's inclusion in the debt negotiations with the Paris and London Clubs as well as in formal arenas such as the Group of Seven and the World Trade Organization. When post-Soviet Russia began to experience severe economic problems in the 1990s, Germany jumped in as a financial creditor.

Together with France, its main European ally, Germany has initiated regular French-German-Russian summits since 1997. The troika meetings have aimed to enable strategic partnership with Russia on European eco-

nomic and security issues at a time when other European states were or are still not ready. They are designed to make Moscow feel that although it is not an EU or NATO member, it is not excluded from decisionmaking in Europe.

For its part, Russia has undertaken several efforts to reintegrate itself into the new European order. At the October 1999 EU summit in Helsinki, then–Prime Minister Vladimir Putin proposed to increase strategic cooperation between the EU and Russia. Putin later started his presidency with concrete proposals incorporating his huge country into the economic and security architectures of twenty-first-century Europe. With German chancellor Gerhard Schroeder, he initiated a broad energy dialogue that almost developed into a strategic energy alliance between the EU and Russia in 2005. In his speech in the Reichstag in September 2001, Putin suggested merging the vast Siberian energy resources with the technologically more-developed EU space. In 2002 he proposed abolishing the visa regime between Russia and the EU.

The EU is growing increasingly suspicious about Russia's role in post-Soviet territory.

The EU responded cautiously to Putin's offers and formulated a step-by-step approach through cooperation within the four "common spaces" of foreign affairs, economic cooperation, interior security aspects, and cultural issues, but little tangible progress has been achieved. During the Cold War, the EU was largely an economic union consisting of countries that shared the same goals—a community of interests. After the Cold War, the EU had evolved into a community of values and shared law, and Russia did not grasp this change immediately. Russia might have been able to align itself more closely with the Europeans within the framework of common strategic interests. Given its difficult transition from a planned-economy dictatorship and empire to a market-economy democracy with rule of law, however, Russia has not been able to join the EU's liberal values–based civilization. As a result of this incompatibility, Russians have become increasingly frustrated with the EU.

Progress has been achieved in the sphere of economic cooperation. Shortly before the end of his chancellorship in 2005, Schroeder pushed through the Russian-German Baltic Sea gas pipeline construction project. When completed, the pipeline will make Germany the chief distributor of Russian gas in Europe. The pipeline project, heavily criticized by Poland and the Baltic states, will reduce the existing gas-transport monopoly of the transit countries, such as Poland, the Baltic states, Ukraine, and Belarus.

Relations Go South

Overall relations between the EU and Russia soured in 2006. Russia began using its gas exports as a political tool, raising prices and cutting off supplies to its immediate neighbors. It refused to ratify the Energy Charter, which would have put Russian pipeline systems under international control.

Fearing that they could become subject to geopolitical blackmail, the Europeans have decided to diversify their dependencies on energy exports from Russia. In turn, authorities in Russia have threatened to divert their energy cooperation to Asia if the EU refused Russia's terms. At the November 2006 EU summit in Finland, Germany, which under Schroeder had enthusiastically supported the idea of an energy alliance with Russia, arguing that such cooperation would create the preconditions for a future free-trade zone between the EU and Russia, joined the chorus of Russia skeptics. Considering Russia's aggressive actions toward energy-dependent European states, Germany and other EU countries began to fear a return of the Cold War with the revived energy superpower.

Indeed, this hard-line stance indicates Moscow's desire to challenge the status quo of European energy politics. It wishes to see its power as an energy supplier strengthened vis-à-vis the consumer countries, which have traditionally held most of the leverage. The Russian authorities also want to rewrite the conditions for foreign companies' engagement in Russia's energy sector. The existing mechanism provides, in Moscow's view, too many privileges to foreign companies and discriminates against domestic firms.

The EU is growing increasingly suspicious about the role that Russia plays in the post-Soviet territory. Even in traditionally Russophile countries such as Germany, concerns over authoritarian developments in Russia now outweigh optimists' arguments to strengthen the strategic partnership with Russia. In response to Russia's behavior during Ukraine's Orange Revolution in late 2004 and early 2005, for example, Schroeder attempted to soften Putin's approach. Schroeder purportedly asked Putin to accept the EU's mediation attempt in the interior conflict in Ukraine, which Putin found difficult to do.

The Contemporary German Debate

At precisely this difficult juncture, Germany is inheriting the presidency of both the EU and the Group of Eight (G-8). As Berlin struggles to define the agendas of these organizations, two main camps have formed.

Ostpolitik Redux

Foreign Minister Frank-Walter Steinmeier, who previously served as the head of Schroeder's administration, has advocated that Europe should en-

gage Russia and other countries of the post-Soviet space, much like Brandt's famed ostpolitik of the 1970s. Steinmeier's version foresees a continuation and deepening of energy relations with Russia and Central Asia. He has criticized the Polish idea of setting up a Western energy alliance and has denounced the concept of a Cold War–type containment of Russia. The minister, although critical of Russia's democratic shortcomings, understands the significance of cooperation with Russia on international terrorism, nonproliferation of weapons of mass destruction, and "soft" security issues, such as illegal migration and drug trafficking.

Merkel's foreign policy priorities lie in the West and in the EU more than in the East.

As Schroeder's former right-hand man, Steinmeier was responsible for drafting cooperation with Russia along the four common spaces. He shares Schroeder's sympathies for an EU-Russian strategic alliance and understands that the Kremlin had to recentralize decisionmaking in the energy sector to dismantle the Russian oligarch's systematic plundering of Russian resources. Steinmeier thinks that a failure to engage Russia could lead to Russia's uniting with China against the West.

Steinmeier's ministry has thus developed a threefold approach for Central Asia and the Caucasus: energy cooperation, democracy transfer, and possible solutions for frozen conflicts in Transdnistria, Abkhazia, South Ossetia, and Nagorno-Karabakh. In the energy area, Germany would seek to diversify imports from Russia by supporting the incorporation of Caspian producer countries and Caspian/Black Sea transit states into a common European energy alliance in which exporter countries, transit countries, and consumer countries act according to firm, preset rules. In terms of how practically to conduct democracy transfer and possible solutions for frozen conflicts, however, the German ostpolitik remains rather vague.

Steinmeier's main focus was directed toward opening new doors for economic cooperation as a step toward the creation of a free-trade zone between the EU and countries of the post-Soviet space. Germany intends to deepen EU economic cooperation with states along the ancient Silk Road and push the countries to more regional cooperation, thus making the southern post-Soviet republics a bridge between the EU and the Association of South-East Asian Nations.

Merkel's Western Emphasis

German chancellor Angela Merkel fully appreciates the opportunities that German and European businesses have in the fast-growing Russian eco-

nomic market. She thus remains committed to the strategic partnership between Germany and Russia, particularly on energy issues. Having grown up in East Germany during the Soviet occupation, however, she is skeptical about Russia's democratic prospects as well as their human rights record and seems to share many of the post-Soviet states' anti-Russian sentiments. As a result, Merkel takes a cautious and pragmatic approach to cooperation with Russia and the countries of the post-Soviet space.

Purely reactive in the 1990s, Russian foreign policy is far more dynamic today.

Russia and Central Asia do not appear on Merkel's internal EU or G-8 agendas. She needs support from all EU member states and fears that an overly generous Russia policy would stir tensions with the United States and Poland and other European states. Merkel rightly fears that an overly ambitious agenda for the post-Soviet space would provoke unnecessary tensions at a time when the West needs Russia as a strategic partner in Iran, North Korea, and the Middle East. High on her office's list of ambitious priorities are fighting international terrorism; keeping the peace in Afghanistan, the Middle East, and Africa; preventing the Iranian nuclear bomb; and addressing the question of Kosovo's independence. She wants to tackle these issues and demonstrate leadership in European affairs at a time when France and the United Kingdom are facing leadership changes.

Although she will not actively engage Russia, she cannot entirely ignore it, given the EU's dependency on Russian energy supplies. Merkel will have to use a pan-European consensus to convince Russia to ratify the Energy Charter, share control over energy transportation systems with the EU, and provide EU energy companies with the same rights in the Russian market as native firms.

To the dismay of many post-Soviet countries, further EU enlargement will probably be halted for many years after the inclusion of Romania and Bulgaria in 2007. Ukraine had high hopes for Merkel, and Georgians expected more support from Berlin in favor of EU peacekeeping missions for Abkhazia and South Ossetia. The post-Soviet countries need more active Western support in building true social-market economic systems. With such uncertainties about the EU's political future, however, Merkel cannot make many promises to Germany's eastern neighbors. There is a real danger that Russia would block any German EU presidency proposals for integration with the post-Soviet space. Russia would never stand for new gas pipelines from the Caspian region that would circumvent Russian territory and is reluctant to share any responsibility for peacekeeping in the post-Soviet territory. That does not mean that Merkel will sacrifice the interests of countries such as

Ukraine and Georgia for good relations with Russia. The enthusiastic support for the German-Russian energy alliance of the Schroeder days is gone, and Merkel will not go over the heads of central and eastern European partners to strike deals with Russia.

Merkel's foreign policy priorities lie in the West and in the EU more than in the East. She regards the German-U.S. and EU-U.S. relations as essential and indisputable, being based on the common values of democracy and freedom. She thus favors the idea of an EU-U.S. Transatlantic Free Trade Area (TAFTA) over a free-trade zone with Russia. A TAFTA would merge the western part of the European continent with North America in a new way, cementing the transatlantic relationship for the twenty-first century. Most political elites in EU states favor this idea, as European stability depends entirely on the security alliance with the United States. Yet, the creation of a TAFTA would have serious consequences for the future world order. Russia and China would consider it as a challenge and, in response, could form their own Eurasian economic alliance, probably based on the Shanghai Cooperation Organization.

What to Expect from Russia

The West in general has little ability to influence decisionmaking in Russia. After having repaid almost all its debts, Russia has gained complete independence from international financial institutions. The mood in Russian society is increasingly anti-Western, with many Russians feeling the West humiliated them in the past. Plans to expand NATO further into the post-Soviet space only reinforce Russia's anti-Western sentiments. Overwhelmingly, the view of the Russian elites is that the West wants to prevent the resurrection of a strong Russian state. Russian conservatives and nationalists will play to these sentiments during the upcoming parliamentary and presidential elections in 2007–2008.

From the Russian point of view, Western companies received unjustified privileges in the Russian energy sector in the 1990s when the country really needed Western technologies and investments. Today, Russia thinks it can rely on its own capacities and in fact is demanding better access for Russian companies in EU markets. With Russia enforcing its own rules on Western consumers, the energy markets of Europe are in turbulence.

Dialogue with Russia on liberal values has become more difficult since the Color Revolutions in the post-Soviet space, which have hardened Russia's position on Western influence in its neighborhood. The frozen ethnic-territorial conflicts in the South Caucasus are not manageable without Russia's participation, as the EU is too weak and unprepared politically as well as militarily. Russia also recently warned the West that if it tried to change the

status of Kosovo's autonomy, Moscow would automatically apply the same secession rights for the unrecognized separatist republics in the post-Soviet space. The West rejected the Russian approach, arguing that, after Slobodan Milosevic's purge against Kosovar Albanians, the latter could not be forced to live under Belgrade's rule again. Russia has firmly stated, however, that it does not see any difference between the rights of Kosovar Albanians and Abkhazians and South Ossetians to receive the same amount of independence.

The Russia factor will continue to split the EU.

Russia has regained leverage to play a more vigorous, perhaps neoimperial role in the post-Soviet space. A Russian attempt to set up a new gas-exporting organization in Eurasia based on the Organization of the Petroleum Exporting Countries is not entirely out of the question. Despite all Western attempts to pull Central Asian states away from Russian influence, the present leaders of these countries remain loyal to their alliance with their northern neighbor. For Georgia, Ukraine, Azerbaijan, and Moldova, meanwhile, the prospect of joining NATO looks more attractive than waiting for the EU.

Above all, the present generation of Russians seeks its own material security. Putin does not want to go down in history as the Kremlin leader who lost Europe for Russia. He thus could be expected to strike a bargain with the EU on natural gas in order to encourage a more constructive agenda. Domestic developments, however, will soon monopolize the ruling elites' attention. By mid-2007, Putin must choose his successor. The obvious candidate is First Vice-Premier Dmitri Medvedev, once Putin's chief of staff. Medvedev, who is also chairman of Gazprom's board of directors, will likely continue to encourage Russia's re-creation as an energy superpower but would also likely continue Putin's pro-Western foreign policy. On the other hand, influential circles might try to challenge Putin's succession plans and drastically change Russia's Western policy.

Next Steps for Berlin

Russia will presumably become politically and militarily stronger in the coming years, although many in the West still believe that the Russian economy would collapse if world energy prices go down. Russia will continue to demand a significant role for itself in Europe but will no longer link its integration with Europe with membership in the EU and NATO, as was expected 10 years ago. Purely reactive in the 1990s, Russian foreign policy is showing itself to be far more dynamic and individualistic today.

The Russia factor will continue to split the EU. The countries of the old West, such as Germany and France, will continue to pursue a constructive partnership toward Russia and will be reluctant to enlarge NATO and the EU further into the post-Soviet space. New EU and NATO members in central Europe, on the other hand, will likely continue to lobby for a new policy of containment against Russia. They will be supported by U.S. conservatives who have lost any hope of Russia's democratization. Meanwhile, Germany will have to balance all these competing pressures during the forthcoming EU presidency. In all likelihood, Berlin will refrain from proclaiming a new EU ostpolitik but will strike a compromise between the Merkel and Steinmeier camps on the issue of Russia and the post-Soviet space.

Merkel will concentrate on building consensus on a common EU foreign and security policy within the EU member states and will cautiously avoid any indication of a German special relationship with Russia. She does not want to be accused of conducting a Russia policy over the heads of the central and eastern European countries. Meanwhile, Steinmeier will probably make several trips to countries of the post-Soviet space during the German EU presidency to initiate a broad dialogue with Russia, Ukraine, and other post-Soviet states on a pan-European energy foreign and security policy.