

GERMAN–RUSSIAN RELATIONS:

40

WILL THERE BE CHANGES AFTER THE GERMAN ELECTIONS?

Minna-Mari Salminen

BRIEFING PAPER 40, 23 September 2009



ULKOPOLIITTINEN INSTITUUTTI
UTRIKESPOLITISKA INSTITUTET
THE FINNISH INSTITUTE OF INTERNATIONAL AFFAIRS

GERMAN–RUSSIAN RELATIONS:

WILL THERE BE CHANGES AFTER THE GERMAN ELECTIONS?



Minna-Mari Salminen
Researcher
The Finnish Institute of International Affairs

Briefing Paper 40
23 September 2009

- Irrespective of the German election result, the “special relationship” between Germany and Russia will continue to thrive.
- The global economic crisis has served to forge even closer business ties between Germany and Russia. Several struggling German industries would now welcome Russian investment, and all in all German companies are expected to stay in the Russian market in anticipation of growth.
- Germany is likely to concentrate on economic relations with Russia, which have proved lucrative, and to confine criticism of Russian domestic affairs to rhetoric.
- Even if the German general foreign policy line becomes more Atlanticist than before, Germany’s Russia policy will not lose its significance.

The Finnish Institute of International Affairs
Russia in the Regional and Global Context Research Programme



Angela Merkel and Dmitri Medvedev at the G8 summit in Italy in July 2009

Photo: www.kremlin.ru

2009 is being hailed as ‘super election year’ in Germany due to the many elections at local, municipal and federal levels. The most important election of the year—the Bundestag election—will be held on September 27th. The previous general election in 2005 led to the formation of a coalition government between the Christian Democratic Party (CDU) and the Social Democratic Party (SPD). According to recent opinion polls, the CDU is expected to win about one third of the vote. The SPD is expected to receive about a quarter, whereas the struggle for third place would be between the Free Democratic Party (FDP), the Greens and the Left Party (Die Linke), with the latter unlikely to find itself in the new government.

Will the current “grand coalition” last or will there be a new coalition ruling? Speculation about a “Black and Yellow” government, consisting of the CDU and the FDP, is already in the air. These two parties are known for their critical stance on Russia. So the question naturally arises as to whether the election results will have implications for Germany’s relations with Russia.

During the past few years, relations between the West and Russia have deteriorated. Russia has clearly stated that its foreign policy priorities lie in its immediate neighbourhood. In the West, the growing assertiveness in Russia’s policies has given rise to dramatic speculation about a new cold war.

Both the EU states and the US have anticipated that Germany might act as a bridge-builder between Russia and the West, but so far Germany

has shown no signs of assuming such a role, concentrating instead on ensuring that the bilateral German-Russian relations continue to flourish. A Bundestag Deputy, Wolfgang Gerke, put this down to the composition of the government; the policies of the “grand coalition” have been no different from those of Gerhard Schröder’s SPD-Green government. Indeed, to all intents and purposes, it appears that Angela Merkel’s cabinet has been content to continue the accommodating policies towards Russia.

“Strategic partnership”, “modernization partnership” and “a special relationship” are all terms used in the rhetoric to describe and analyze the German-Russian relationship. A long common history coupled with political and economic continuity have created mutual confidence between Berlin and Moscow. It can be argued that this partnership serves Germany’s interests best. Therefore no major changes in Berlin’s Russia policy should be expected after the elections, even if the coalition changes and Germany’s general foreign policy course becomes more Atlanticist than before.

“Common interests count for more than our political differences”

Angela Merkel crystallized her foreign policy intentions as Chancellor shortly after coming to office in autumn 2005. She said that she would pursue a realistic foreign policy based on clearly recognized national interests. Ms Merkel has since attempted to get Germany back on the Atlanticist track. It has become clear that her top foreign

policy priorities do not lie in the East, but rather in relations within the West, both with Europe and the US. However, Angela Merkel understands and values the opportunities that Russia provides for German business, and consequently she is committed to the “strategic partnership” with Russia, particularly on energy issues.

Unlike her SPD predecessor, Ms Merkel has been critical towards Russia. She has spoken out for more media freedom, as well as better implementation of the rule of law, and has demanded that investigations be carried out into the murders of human rights activists. This constituted a visible break in the continuity of Germany’s Russia policy, but nevertheless remained at the rhetorical level and did not have much of an impact. Presumably, it did not go unnoticed by the German business community, however.

Good political relations are a prerequisite for business with Russia. This was clearly illustrated when, for example, the German energy giant E.ON was able to acquire a gas field in Southern Russia, while at the same time BP and Royal Dutch Shell were having serious problems. Consequently, Ms Merkel’s comments are likely to make German business people squirm as their Russian business partners tend to be very close to the state. The creation and maintenance of good political relations are not just the prerogative of political players, however. Germany has organizations in Russia promoting German interests such as the Alliance of the German Economy in the Russian Federation, the Delegation of the German Economy in the Russian Federation and Ost-Ausschuss, the Committee on Eastern Economic Relations. These are all very influential groups of business people that need a government which is not too harsh against Russia and which will foster an atmosphere conducive to business.

German business interests were very much to the fore in 2006 when the German Foreign Ministry created a strategy paper on a Russia policy that condensed the main aim of the German foreign policy into a few words “*Annäherung durch Verflechtung*” or “rapprochement through economic interlocking”. Ultimately, the German goal is to try and prevent the societal collapse and economic disintegration in Russia which Berlin sees as the biggest threat to the West.

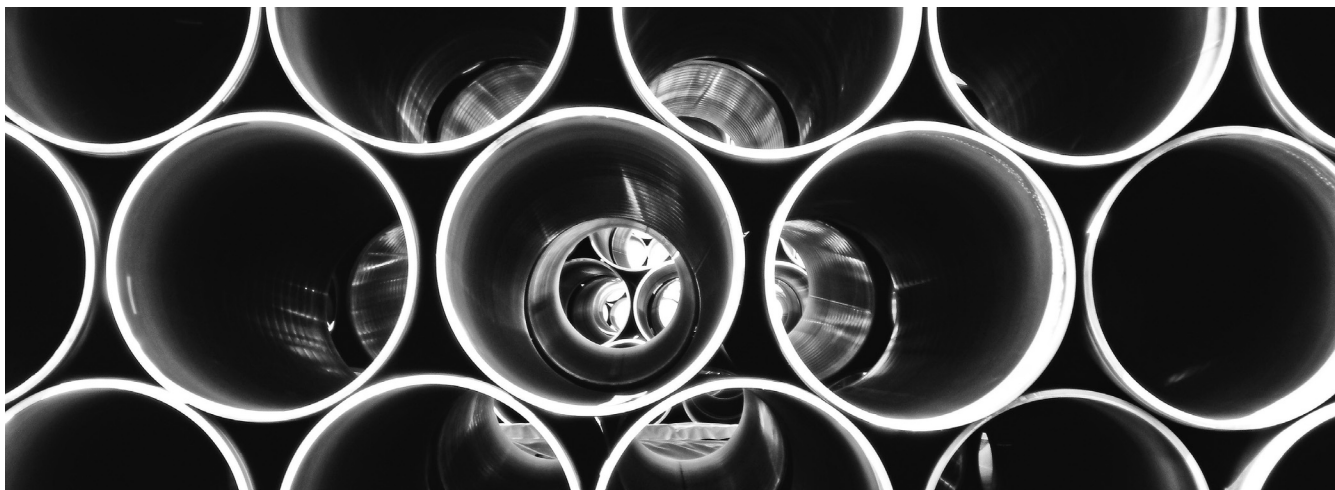
In 2007, Foreign Minister Frank-Walter Steinmeier spoke about the German–Russian partnership and stated that the common interests between Germany and Russia count for more than the differences in the policies. This statement captured the mood very well; the differences were not spelled out and the Russian domestic policies were not subjected to criticism by the SPD minister. Only the war with Georgia forced Mr Steinmeier to denounce the “disproportional use of force” by Russia.

Is Russia posing a threat to Germany?

The German government has made deals with Russia and this has caused controversy amongst Germany’s Western allies. In particular, the three Baltic States and Poland have felt that Germany is ignoring its allies in the European Union and in NATO. Indeed, the big and powerful Germany has negotiated neither with its neighbours nor its allies, but has pursued its own pragmatic Eastern policy, as Ms Merkel promised.

Even if signs of Russian assertiveness have been visible in the form of gas disputes with Ukraine, cyber attacks in Estonia, oil disputes with Lithuania, a meat crisis with Poland and air-base issues in Kyrgyzstan, it was the five-day war with Georgia that really made the West sit up and which created a perception of Russia as a security challenge for Europe. In Germany, however, a different mood prevailed. Berlin is aware of Russian military weaknesses, knowing the poor state of the Russian army. It is also obvious that, militarily, Russia can hardly pose a threat to Germany’s territory. The eastward enlargements of NATO and the EU in 2004 created large buffer zones between Germany and Russia, which Germany considers wide enough for its own security. In NATO’s summit in Bucharest in spring 2008, Germany openly opposed NATO’s further enlargement to Georgia and Ukraine because it does not need any further expansion of the alliance for security reasons as such. Germany’s position is based on its analysis of its own interests, and not only on the desire to fortify its partnership with Russia.

Consequently, when German interests dictate otherwise, Berlin does not make concessions to Russia. For example, Russia has been advocating visa freedom with the EU for six years, but the goal



Storage of Nord Stream pipe segments at Kotka

Photo: www.nord-stream.com

has not come any closer to fruition, partly because of German opposition. In this matter, the German authorities look to Brussels and swear by the efficacy of multilateral negotiations. The EU–Russia visa facilitation agreement of 2006, based on the previous German–Russian model, clearly reveals the thinking that the annual visas are adequate for German business people to travel to Russia, and therefore, no further liberalization from the German side would be necessary.

Economic partnership

When it comes to economic cooperation, “strategic partnership” would be the most apt term to describe the interdependent relations which, on the German side, culminate in energy. Germany imports 30 per cent of its natural gas and 35 per cent of its oil from Russia. One vital aspect in Germany’s national interest is to secure the energy flows from Russia, even if it happens at the expense of other EU member states, as the debate around building new gas pipelines in Europe has demonstrated. The former chancellor, Gerhard Schröder, known for his sympathetic attitude to Russia, became a lobbyist for Russian Gazprom’s Nord Stream almost immediately after his term in office ended. The underwater pipeline will bypass the three Baltic States and Poland, blocking access to the pipeline and thus causing increasing concerns about the energy security of these countries. But from Germany’s standpoint, the completion of the Nord Stream pipeline will make Germany Europe’s biggest energy distributor, putting the country in a lucrative position in the

future. As a result, Germany is not afraid to play rough when it comes to its own interests. This makes the European Commission’s talk of the EU’s common Russia policy look rather empty.

The German dependency on Russian energy is unlikely to wane in the near future. However, depending on the election results, the Germans might revert to rebuilding nuclear power stations to diminish the reliance on Russian fossil fuels. The CDU, together with the FDP, are openly advocating extending the lifespan of the existing 17 nuclear power stations. The parties appeal to the public by referring to the disadvantageous situation of relying on imported, expensive natural gas. Still, the uranium for the nuclear power stations is also purchased from Russia.

Energy is not the only area where Russian cooperation is vital for Germany. Germany’s economy is based on export, and Russia provides the country with burgeoning markets. In 2008, according to official German statistics, Russia occupied 11th place on Germany’s export list, right after the People’s Republic of China, with trade topping 32 billion euros. For the purposes of comparison, Russia’s neighbours such as Ukraine and Kazakhstan are in 31st and 52nd positions on the same list respectively.

One peculiarity that has emerged during the financial crisis is that Berlin has started to regard Russia as its economic saviour. The first example of Germans pinning their hopes on Russia can be found in the shipping industry, as it has been hit hard by the economic turbulence. Germany’s fifth

biggest shipbuilder, Wadan Yards in the eastern part of Germany, which is currently struggling amid the crisis, is hoping to receive an order of liquid gas tankers from Gazprom, Norilsk Nickel or other Russian companies. These hopes might be realized more easily now that ownership of the yards is in Russian hands. In August 2009 it was agreed that a company which has connections, interestingly enough, to the Russian former energy minister Igor Yusufov, will invest in the enterprise and thus rescue the shipyard and save the jobs of half of Wadan's 2500-strong workforce.

The second example where Russia is envisaged as the saviour of Germany is the car industry. Before the financial crisis, the Russian automobile market was growing rapidly. Volkswagen is one of the German car manufacturers that has made large investments in Russia. Another German car manufacturer, Opel, has ended up playing an even bigger role in German-Russian relations. Opel was part of the GM conglomeration that filed for bankruptcy at the beginning of the summer. Before doing this, a decision was made that GM's healthier European sectors, such as Opel, would be saved and sold to investors. The German government decided at the end of May 2009 that it would back a partnership led by the Canadian Magna International Inc., an auto and parts supplier, with Russia's biggest bank, OAO Sberbank as the sole bidder for Opel. The German government's sole bidder decision has made this a political deal.

Germany and Russia have different platforms and mechanisms in place to advance their economic relations. Since 2001, Russian and German NGO representatives, officials and experts have been convening for the annual Petersburg Dialogue, which was held in Munich in 2009. The three-day conference concentrated on tackling the effects of the economic crisis on German-Russian relations. Another indicator of the very close personal and business relations was the meeting between Angela Merkel and Dmitry Medvedev in Sochi in August, where the two leaders furthered their discussions on the possibilities of Russian investment in both Opel and the struggling shipping industry.

What to expect

Irrespective of the German election result, the 'special relationship' between Germany and Russia will continue to thrive. The bilateral partnership will be a very lucrative one for Germany, if it can concentrate on economic relations and confine any criticism of Russian politics to rhetoric only. The global economic crisis has served to intensify the relations, as Russia represents a land of opportunity for German business. This implies that Moscow will continue regarding Germany as an asset that it can use to drive a wedge between the Western states. For Germany, the business aspect of the partnership is of paramount importance.

At the same time, there are insufficient grounds to assume that Germany would assist Russia in pursuing its goal of re-establishing itself as a great power.

If it so wished, Germany could play a major role in promoting liberal democratic values in Russia and thus establish a new basis for the relations between Russia and the West. Yet, thus far at least, it has not given any indication that it would be willing to assume this role, and this line will probably continue.

Observers sometimes see a contradiction between Germany's reluctance to pay serious political attention to the domestic developments in Russia, demonstrated by a rather accommodating, rhetorical approach when it comes to Russian democracy, and a much less accommodating stance when the country's important economic or security interests dictate otherwise. In reality, however, this is not a contradiction, but a traditional and flexible line of *Realpolitik*, which is in all likelihood not going to change.

Minna-Mari Salminen

Researcher

The Finnish Institute of International Affairs

ISBN 978-951-769-234-2

ISSN 1795-8059

Cover photo: Klaus Franke

Language editor: Lynn Nikkanen

Layout: Tuomas Kortteinen

The Finnish Institute of International Affairs 2009

www.upi-fia.fi