

RUSSIA-WEST: TRUST IS THE MATTER

Singapore, April 2, 2016

I have recently attended a conference on the topic "Europe and Russia - Prospects and Developments?" by the Director of Norwegian Institute of International Affairs Ulf Sverdrup held at Lee Kuan Yew School of Public Policy in Singapore. The conference touched upon many relevant questions that one should ask with regard to the current state of affairs between Europe and Russia, some of which I would like to take this opportunity to further elaborate upon.

It has been two years since Russia's annexation of Crimea and since its expulsion from the G8. Therefore, Mr. Sverdrup has divided his speech in pre- and post-2014, and I will follow his logic in this article.

Pre-2014, there has been some dialogue and integration with a strategic patient understanding that "Russia will eventually become like us, but slowly, sometimes one step forward and one step back". However, at the same time both Europe and NATO have gradually expanded, which constituted a perceived threat by Moscow.

Russia has always been a Eurasia country, which is both Europe and Asia at the same time, a Merlion* of sorts. The border between the two is not only geographical, like the Ural Mountains, but also lies within each Russian person, as Russians are predominantly European by culture, and mostly Asian by character.

Therefore, it is commonly understood that Russia is a natural trade partner with both East and West that is with both Europe and Asia. However, due to some fragmentational forces at play, these natural partners have been drifting apart. And the unilateral expansion of both Europe and NATO has created a strong sentiment of resentment and betrayal on the Russian side that has been excluded from such decisions and thus justifiably felt that these measures were directed against it.

Under such circumstances Russia has heavily invested in the development of its security, leaving Europe uncertain as to Russia's intentions.

EU replied with a reinforced NATO, more training, rotating NATO troops at Russia's borders, and gathering a stronger transatlantic cooperation, more political support even in Sweden and Finland.

All these issues will be discussed at the next NATO summit in July 2016 in Warsaw. The main focus should be on re-establishing the dialogue with Russia, de-escalation and avoiding misunderstandings going forward.

* Merlion is a hybrid between a Lion and a Fish, and is a symbol of Singapore.

Dialogue going forward is the most critical point. Both counterparties, Russia on one side and Europe, NATO on the other side have had their *history* so to say. Therefore, if the focus is made on the confrontational past, that leaves ample ground for a blaming game, in which there will be no winners, and which would prevent both sides from progressing and from carefully building step by step a more positive future for all.

A constructive discussion between *equal* partners is the key to resolving the current political deadlock.

Economically, the past two years have also coincided with the biggest drop in the crude oil price, which hurt Russian economy. This is even without taking into consideration the US and Europe restrictive measures and sanctions against Russia, which deepened its economic crisis.

Prospects for Europe-Russia economic cooperation exist and should not be overlooked. Russia needs investments and technology, needs modernisation, and without Europe is left with no obvious alternatives in terms of trading partners, except Asia.

On the European side, Europe needs markets, and going East is only natural. Obviously, even if sanctions are lifted, hurdles for Europe-Russia trade will not disappear overnight, as European companies will still be cautious, especially with regard to the political risk, seconded by the profitability concerns in the low commodity price environment.

Speaking about the energy, the interconnection between the two sides is very important.

Europe imports 90% of its crude oil, 66% of its natural gas, 42% of its coal and other solid fuels, 40% of its uranium and other nuclear fuel.

88% of Russia's oil exports goes to Europe, 70% of gas and 50% of coal.

Therefore, one cannot ignore energy fears, such as a risk of cut-off, a transit risk, and most of all the risk of mixing energy issues with politics.

Looking at the prospects for European Energy Union, and despite all the measures that Europe can and will take, like investing in infrastructure, increasing interconnectedness, finding diversification of gas supply, acting on new technologies, energy effectiveness and renewables, Russia will remain Europe's major provider of energy well into the future.

Politically, the liberal perspective came down with a bang in 2014 when Russia annexed Crimea, and since then Europe and the US both lack a consistent and clear strategy for moving forward, except for a constant media pressure on Russia, blaming it for almost *anything* that happens in the world.

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Europe sees Russia as a corrupt country, and Russia's domestic development as unsustainable.

Russian leadership, on the other side, sees Europe as corrupt, divided, unable to take coordinated decisions, with members potentially leaving the Union (f.e. Brexit) and believes that Russian internal developments *are* sustainable.

In fact, since the introduction of sanctions, Russia has been somewhat able to reinvent its economy away from the pure energy-focused model of the past, as Russia was effectively pushed by the Western sanctions into the state of all-encompassing autonomy to reach self-sufficiency in all economic sectors.

To say the least, Europe and Russia, even if they are natural trading partners, from the geographical, historical and cultural perspectives, are currently drifting apart.

What is important to underline is that the situation is harmful for *all* parties.

Europe needs Russia, and Russia needs Europe.

Pretending otherwise is counterproductive. Continuing to *distrust* each other is an impasse, which can only have negative long-term consequences for the world.

Trust is the matter.

Looking forward, there are no easy solutions, on none of the issues, including security, economy, energy and politics, as well as Ukraine conflict. However, going to the square one, reinventing the Cold War is not an option either.

I believe that both parties just need to sit down at the negotiation table, and find out how to solve the issues, one by one, in a long and tedious process before a *new world equilibrium* can hopefully be achieved.

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