

**“Back to the Cold War
or forward to a stable relationship?
Political and energy relations between Russia and the West in
the Black Sea”**

REPORT

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NORTH ATLANTIC TREATY ORGANIZATION

Session I: Developments in the Black Sea region and the state of relations between Russia and the West

The problematic situation in Ukraine and the emergence of ISIS has made clear that the values of freedom and open society are now more important than ever. Nationalism must be put aside and that a rules-based international system is the only guarantee for peace and against the Pandora's Box of conflict.

The Black Sea is a region of geo-strategic significance composed of prominent players such as Russia, the US, the EU, Ukraine and the South Caucasus states. The Eastern Partnership and the Black Sea synergy can be identified as the two main components of a normative rather than substantive Europeanization in the region. Turkey's role in the Black Sea has been reinforced, as it now has full control over the Straits. The Crimean annexation and the significance of Eurasian energy corridors have brought the US, the EU and Turkey closer with respect to energy security.

Some participants criticized the role of the EU in the Ukrainian crisis, particularly with respect to the efforts of Brussels to stabilize rather than transform the Kiev government in the direction of inclusiveness for the Russian-speaking regions. Moreover, it was pointed out that from the beginning the Minsk negotiations did not focus on central issues. The differentiation of sanctions between Crimea and Eastern Ukraine was also perceived as a topic of vital importance. It was also pointed out that the EU must show its commitment to a polycentric world by engaging with the Eurasian Economic Union, and that there should be a preemptive agreement between Russia and the EU on the status of Moldova, so that the Ukrainian scenario is not repeated twice.

Other speakers suggested that the resolution of the Ukrainian crisis must not be seen as contrary to Russian interests. As the Russian economy has been dramatically suffering due to Western sanctions, the US stance vis-à-vis Russia was criticized as simplistic. What is the case in Moscow is a rise in confidence with respect to the country's potential to counter the West. EU-Russian relations have been deteriorating as a result of mutually bad perceptions.

It was also argued that the EU spectacularly failed to predict Russia's reaction to the Ukraine crisis mainly because of its lack of appreciation of the continued relevance of hard power in global politics. However, even if Putin's reaction was the result of his perception that the West crossed a Russian "red line", there are clearly aggressive elements in his strategy. It is, therefore, of critical importance that the West tries to put a lid on the Ukraine crisis through a set of proposals that would allow both sides to agree to a permanent ceasefire and take several steps back in a way that would allow them to save face. Europe should avoid an unnecessary confrontation and rivalry with Russia that might consume a significant amount of the EU's finite foreign policy and security resources. The avoidance of such a confrontation cannot be achieved by appeasing Russia but through a combination of containment and engagement.

It was also observed that the material conditions in the region have changed in the aftermath of Crimea's annexation. Mutual perceptions have also changed. The same

holds for the geopolitical constellation, as the US and the EU have been having a decreasing interest for the Black Sea. The nature and number of new policy instruments required for an advancement of Western-Russian cooperation in the Black Sea region must be analyzed and further discussed so that the region becomes again a cradle of stability and peace.

Session II: The Security Environment in the Black Sea region: possible flashpoints

Session II discussed the new security environment in the Black Sea region following the evolving Ukrainian crisis that erupted in 2013. An assessment of current developments on the ground indicates that as soon as the long transition period ended we have entered a new era of geopolitical turmoil. All speakers pointed to the 'uncertainty' which prevails with regard to the future of a stable and sovereign Ukraine, the resolution of existing protracted conflicts harbored in the region as well as the evolution of Russia's relations with the West.

In considering policy options on how to manage the current regional flux in the Black Sea region one needs first to understand how we got here. The discussion indicated a diverse point of views on whether the Ukrainian crisis was the result or 'accident' of unwisely devised policies and (very) poor policy choices or it was part of a well conceived 'imperialistic' and revisionist strategy targeting the former Soviet space.

The Ukrainian crisis brought to the foreground the irrelevance of the Four Common Spaces between EU and Russia as well as disclosed the absence of a European policy towards the CIS as a political space. Part of the current situation in the region was thus attributed to the 'counterproductive' policies of the European Union, especially the Eastern Partnership policy whose design was criticized as inappropriate as it replicated outdated policies towards Central Europe overlooking the actual realities and particularities of the Black Sea societies (i.e. the former Soviet space) where the 'European' identity should be not considered as given. The failure of regional institutions and policies conceived by the west in the 1990s, which may be called as 'the short 20th century' of the Black Sea, was often brought into the discussion. Today we witness the inefficiency of regional institutions to address persisting security problems.

While looking into Ukraine itself, the current situation indicates the failure of its elite to segment Ukraine's statehood in the transition period and to forge strong security alliances that could have averted the 2013/14 crisis. Despite Kiev's constructive role in the management of protracted conflicts in the Black Sea area and its responsible performance as an international actor balancing the often very diverse interests of regional and global actors, Ukraine has suffered the most in building its own independent path as a sovereign, European state paying a high human cost and in sovereignty loss.

The third and catalytic factor in the eruption of the Ukrainian crisis has been the neo imperialistic views which Moscow and specifically Putin holds about the former Soviet societies. The intervention of Moscow into Ukraine and the annexation of

Crimea has been part of Moscow's revisionist strategy to redraft the political map and the post-Cold war era internationally recognized borders. Accordingly, and as the CIS seems to be 'dead' given the resistance of several post soviet republics to adhere to it, Moscow has conceived the Eurasian Economic Union (EEU) as its new policy tool to redesign the political map in its vicinity. Another tool applied by Moscow to redesign the political order in its vicinity, it is by changing international borders as drafted with the collapse of the Soviet Union. Evidence to this, is the 2008 Georgian-Russian War and the recognition of South Ossetia's and Abkhazia's independence, the 2014 annexation of Crimea and statements undermining the statehood of other neighboring countries such as Kazakhstan.

Another case which was a first sign of the limitations of the Europeanization process in the South Caucasus, was the submission of Yerevan to Moscow's objections and its withdraw from the signing of the Association Agreement in 2013. As Armenia holds no economic interest to Russia, it is evident that it is geostrategic rather than economic considerations that have underpinned Armenian's inclusion in the Eurasian Customs Union rather than in a Deep and Comprehensive Free Trade Agreement with the EU. The case of the collapse of Armenia's EU Association Agreement under the threat of turning Armenian into a battlefield between the EU and Moscow, underpins Russia's influence in the South Caucasus which remains unchallenged. The EU seems not able to play a robust leadership role in regional conflicts while the US seems also reluctant to step in.

In assessing security dynamics in the Black Sea region, one has to put Turkey in the frame whose role in safeguarding the implementation of the Montreux Convention makes Ankara a key regional player. One of the most noticeable post Cold War processes is Russia's rapprochement with Turkey especially with regard to issues penetrating to regional security and energy politics. Though this rapprochement is often portrayed in constructivist terms, one should not overlook the economic and geostrategic interests that forge a strategic partnership between the two regional players. These 'material' interests are to be found specifically in energy and trade sectors. In this interest-based rapprochement between Moscow and Ankara, one should add their common normative approach which suggests a kind of 'shared religious conservatism'. Turkey in parallel to its strong transatlantic relationship seeks to develop new relationships with other global powers. In this search it has widened its cooperation with Moscow. Turkish policy towards the Black Sea has to be studied through the prism of i) its transatlantic commitments, ii) the ethnic and religious ties of Ankara with the peoples of the region and iii) pure 'realpolitik' considerations in its foreign policy.

Current geopolitical uncertainty has raised critical questions. In assessing the regional security environment, fears were expressed on the escalation of confrontation and the danger of unintended events not been able to be taken under control either by Moscow or the West. To avoid the escalation of conflicts, several policy proposals were aired though not reflecting consensus.

A common thesis of all speakers was the acknowledgment of Russia's importance in global affairs (e.g. due to its permanent member seat in the UN Security Council).

The complexity of the global agenda (Middle East conflict, terrorism, etc.) offers and will offer many opportunities for an improvement of West-Russia relations. Given the prevailing uncertainty, the South Caucasus countries would benefit from a new modality of West-Russia relations. Beyond these common points, however, views were diverse. Expressing mainly Russian views, one proposal was to hold a Pan-European Conference to revise the Helsinki principles and especially resolve problems linked to self-determination versus sovereignty issues and the right of a state to freely choose security alliances versus the right of those affected to react. In parallel the international community should assist in the deployment of peacekeeping forces along with Russia/OSCE to stop the conflict in Eastern Ukraine. The above approach of 'keep on doing business' with Moscow received criticism as it was viewed to reward Russia's attitude towards its Black Sea neighbors. The revision of the Helsinki Act could actually lead to a 'new Yalta'.

NATO's position is that the 'reset' with Russia has failed and for a new dialogue between the transatlantic community and Russia to be re-launched, agreed rules have to be respected. As the NATO-Russia Strategic Partnership has been abandoned there are no grounds for a constructive partnership with Russia at present. The hardened position of the transatlantic allies is the outcome of an aggressive policy adopted by Moscow which poses a threat to European security. From a transatlantic point of view, Moscow undermines European security as it occupies the territories of neighbouring states, it has been increasing its military expenses and it is using a new tactic of 'full spectrum' aggression from the use of cyber information, to military operations and ambiguous misinformation. As for NATO's Black Sea policy it becomes imperative to assist the countries 'in between' to escape Moscow's stronghold, especially as the countries that lie in between West and Russia seem to have taken sides.

EU should do more on its 'Europeanization' project which can only be beneficial to all, Russia included, as it generates rules for much needed regional governance. Policies based merely on interests do not produce sustainable results. What is, thus, needed is a principles based policy. But this is what causes the greatest concern as Russia and the West seem to have taken a different path on principles. A conflict between two models of governance, 'sovereign capitalism' versus 'liberal capitalism' as already reported by experts has been advancing.

Will Ukrainian crisis remain a localized event or one should expect wider geopolitical shifts? Can Crimea constitute a 'precedent'? These questions remain difficult to answer. Despite Russian statements that Crimea should not be viewed as a 'precedent' given the particular historical and political circumstances of its incorporation in the Russian Federation in March 2014, if military conflict deepens in Eastern Ukraine, a Crimea scenario might be repeated. Russia's interference in Ukraine, along with recent agreements between Moscow and Abkhazia and South Ossetia, have destroyed trust and have raised concerns over the real intentions of Moscow.

Though a military solution of the Ukrainian crisis was rejected by all speakers, there were diverse views on which side might opt for a military option. On the one hand,

Moscow might be inclined to use its military might to establish its control in eastern Ukraine, either generating a new protracted conflict or proceeding with its annexation. The 'autonomous leaders' may also have an interest in the continuation of military conflict. On the other hand, Kiev might attempt to escalate the military conflict with the aim of pushing western powers into a conflict with Russia.

Concerns were raised on a 'Kosovo option' (consensus on loss of territorial control versus integration with the EU), which should not be encouraged as it would escalate instability in EU's eastern borders.

Regional institutions which have played a role in managing European security have evolved since the 1990s and need to be redesigned. However, one should not exaggerate the role of regional institutions. BSEC whose role in maintaining channels of cooperation has often been mentioned, cannot today act as a model unless, at least some of, the bilateral disputes of its member states are resolved and its members cannot agree upon common rules and principles of cooperation. Furthermore, the newly born Eurasian Economic Union runs the risk of never taking off given its feeble membership.

Volatility and turmoil will continue to define the geopolitical landscape in the wider Black Sea area. Contingency plans seem not to be clearly defined yet.

Session III: Exploring the energy and politics nexus

Energy remains a key aspect of any discussion on the Black Sea. The Black Sea is pivotal as a key transit corridor especially with regard to EU's plans to reduce its energy dependence from Russia. Russia being the nearest gas producer to European markets has a strong 'card' in the energy game with energy dependent European capitals. Russia remains the main exporter of gas to Europe whereas even after the Ukrainian crisis, the share of Russian gas in European market is stable.

A key goal in Russia's energy policy is the diminishing of Gazprom's reliance from Ukraine as an unstable transit route after 2020. To meet this goal Russia has been implementing its plans for the, operating, Northern Corridor and for a Southern Stream which has been recently redesigned into a 'Turkish Stream' using Turkish existing infrastructure to bring gas to Europe's south markets. Russian energy experts expressed the view that the victim of the current turmoil in West-Russia relations is not Russian gas exports but gas as a commodity. Accordingly it was argued that the reduction of gas consumption in EU may prove to negatively affect EU economies' competitiveness and have unnecessary and harmful environmental effects. During the discussions, the view was expressed that the apparent loss of South Stream may need to be reconsidered as the South Stream does not duplicate the South Corridor, with the first actually targeting existing energy from Russia (currently passing through Ukraine) rather than bringing in new energy.

The energy parameters in the Black Sea economic and geopolitical political complex and specifically in Russian-Ukrainian relations have been present since the 1990s. Since then Moscow has had a leverage over Ukraine due to the latter's overreliance on gas, oil, and nuclear fuels imports from Russia. The systematic efforts of Moscow

to reduce its own dependence from Ukraine as a transit route of Russian energy to European markets mark a significant change. The current turmoil in Ukraine may worsen the prospects of growth in the country which has no significant reserves and whose production has been collapsing.

Important dynamics that were brought forward in the energy discussions were:

- The current reliance of Gazprom on Ukraine as a key transit route. Accordingly, for some analysts this is expected to remain despite the decrease in Ukraine's share in gas transit from Russia to Europe in the last fifteen years.
- Russia's rebalancing of energy policies away from investments and control to trade and new opportunities, including a shift towards Asia but on Chinese terms.
- A prolonged economic crisis in Russia could pose serious financial challenges to its energy infrastructure plans.
- The proposed "Turkish Corridor" will impact upon the long term development of the Southern Gas Corridor
- The expanding internal energy market (consumption) in Turkey weighs heavily on the design of energy interconnections.
- The current downturn of Ukraine's economy might have unforeseen implications on its relations with the West and Russia.
- The agreement of TAP is expected to be renegotiated though Greece is committed to its realization. The use of TAP by Russia too, should neither be excluded as the EU legislation would allow it.
- Iran's ability to insert gas to European markets should not be taken for granted. Even if Iran develops the technical capacity to extract gas, it lacks the infrastructure and the investments.
- Figures and estimations on reserves in the Caspian region should be treated carefully. So far only Russia has confirmed energy reserves, the necessary production capacity and infrastructure.

Session IV: Is a strategic partnership possible?

Session IV discussed the prospects of a strategic partnership between Russia and the transatlantic partners. There were two main and opposing scenarios that were considered.

Scenario 1: No reset of relations with Russia. Moscow's role in the Ukrainian conflict has undermined Russia's liability as a credible partner for the West, isolating it both politically and economically. Russia seems to have no strong strategic partnership with any other major power in the world. The absence of legitimacy of Russia's policy vis-à-vis its neighbouring European states, especially with regard to the annexation of Crimea and the Russian military involvement in Eastern Ukraine, has diminished prospects of any reset of West-Russia relations with negative repercussions on European security. Underpinning mistrust is a shift in Russia's foreign policy which has become anti-NATO and aggressive towards states that opt exercising their right to freely choose their strategic orientation. NATO's doctrine for

a whole and secure Europe has not been abandoned, on the contrary, its member states remain committed to serve it. To this end, NATO's readiness to respond to an escalation of military aggression should be underestimated. Plans on a new European Security Treaty have consequently fallen victims of Moscow's aggressive policy towards European states.

Scenario 2: Strategic partnership is a practical necessity. Despite current incidents in Ukraine that have shaken Russia-West relations, there is a deep historical legacy of a common, shared responsibility for European security and wellbeing. Geopolitical realities also underscore the necessity of a strategic partnership between Russia and its neighbours in Europe who should not outsource European security to the US and NATO. The arch of terror that extends in Europe's south imposes a collective response by both Russia and the EU. The roots of the current crisis have to be searched in systemic reasons. The collapse of the Berlin Wall in 1989 did not bring a whole and free Europe. Western countries did not abide with international law and UN rules dismissing proposals for a reform of the OSCE, an agreement on a new European Security Convention and the creation of a common EU-Eurasian socio-economic space. European states should be allowed to choose their strategic orientation even when it is not pro-EU, something that has not been respected by the European capitals in the post-Cold War period. Evidence to the unjustified suspicion with which European capitals approach Russia is the slow pace on visa facilitation process between the EU and Russia and the refusal of the EU to acknowledge an equal role for Russia in joint peacekeeping operations. The reasons of a failed cooperation in such practical issues lie in EU capitals rather than Moscow.

What are the prospects of reviving strategic cooperation?

Global politics today do not resemble to the Cold War period, as the level of uncertainty, unpredictability and fluidity is actually higher. The prospects for a strategic relationship between Russia and the West are few. Though there is no value gap between Russian and European people at the society level, there are conflicting choices made by their political elites and their plans on Europe's future geopolitical map.

There are three conditions for a strategic partnership to be revived: a) a pro-liberal change in the Moscow regime which has been established in the last fifteen years, b) the prevalence of non-containment policy in the transatlantic community, and c) the emergence of a threat of epic proportions that would bring Russia and western capitals closer. In the European front, much will depend on Germany's role in shaping EU foreign policy as Berlin's increased economic power comes along with new security responsibilities in Europe too.

As those conditions might take time to emerge or some (i.e. epic proportions threat) emphasize more on luck rather than strategic design, a few concrete steps to reinstall working relations were aired in addition to those discussed in Session I:

- Both sides (West and Russia) should prevent the spread of military conflict. Thus substantial security dialogue needs to be maintained. To this,

confidence building efforts should be pursued including information exchanges and joint training exercises.

- Though some speakers declared the Minsk Agreement as dead, others insisted that it provides the only framework for the resolution of the Ukrainian crisis. To this goal, the EU and Moscow must do their utmost to persuade both sides (Kiev and the separatists' leadership in Eastern regions) to abide with the agreement.
- Based on the progress made on stabilizing the situation in Ukraine, western sanctions imposed on Russia, especially those affecting the Russian people, should be reconsidered. Speakers commented on EU's possible exit strategy that is imposed by economic realities. Some commentators argued that sanctions are counterproductive in the long term as they affect negatively the European fragile markets.
- EU should delay or postpone the implementation of DCFTAs and instead pursue closer cooperation with the newly born Eurasian Economic Union cooperation. The Eurasian Economic Union would not be able to perform as a closed trade block but its own survival imposes cooperation with the neighbouring large EU market.
- All sides should enhance OSCE's role, which remains the only pan-European security institution that can provide a common framework to resolve existing conflicts in the European continent.

A strategic partnership in principle is desired, but in reality seems not feasible in current conditions.

- Underpinning uncertainty is a fundamental shift in political elites' attitudes on both sides. Though the US and Russia have never stopped perceiving each other as 'the other', today they seem ready to take risks as the precedents of Kosovo, Ukraine and Georgia indicate.
- The erosion of trust on both sides will have long term implications undermining any prospects of strategic dialogue or working relations.
- West-Russia relations should be placed in a broader global theater of strategic alliances. Though both the EU/US and Russia are seeking strategic partnerships with other global players, especially with China, such partnerships are not consolidated yet. China, still, will have a catalytic role in the long term as the driver or blocking stone of Russia-West cooperation. What however has become obvious is that Moscow has shifted towards building working relations with other BRIC countries and away from the West, while the US does not value Moscow as being an essential and irreplaceable partner in its dealing with issues in the global agenda such as on energy and the Middle East
- The argument of the common external (radical Islam) threat is not strong enough to bring the two sides on the same table as the Islamic threat is not the same in Russia as in the West.