

AN ALIENATED PARTNERSHIP

105

GERMAN-RUSSIAN RELATIONS
AFTER PUTIN'S RETURN

Stefan Meister

FIIA BRIEFING PAPER 105 • 10 May 2012



ULKOPOLIITTINEN INSTITUUTTI
UTRIKESPOLITISKA INSTITUTET
THE FINNISH INSTITUTE OF INTERNATIONAL AFFAIRS

AN ALIENATED PARTNERSHIP

GERMAN–RUSSIAN RELATIONS AFTER PUTIN’S RETURN

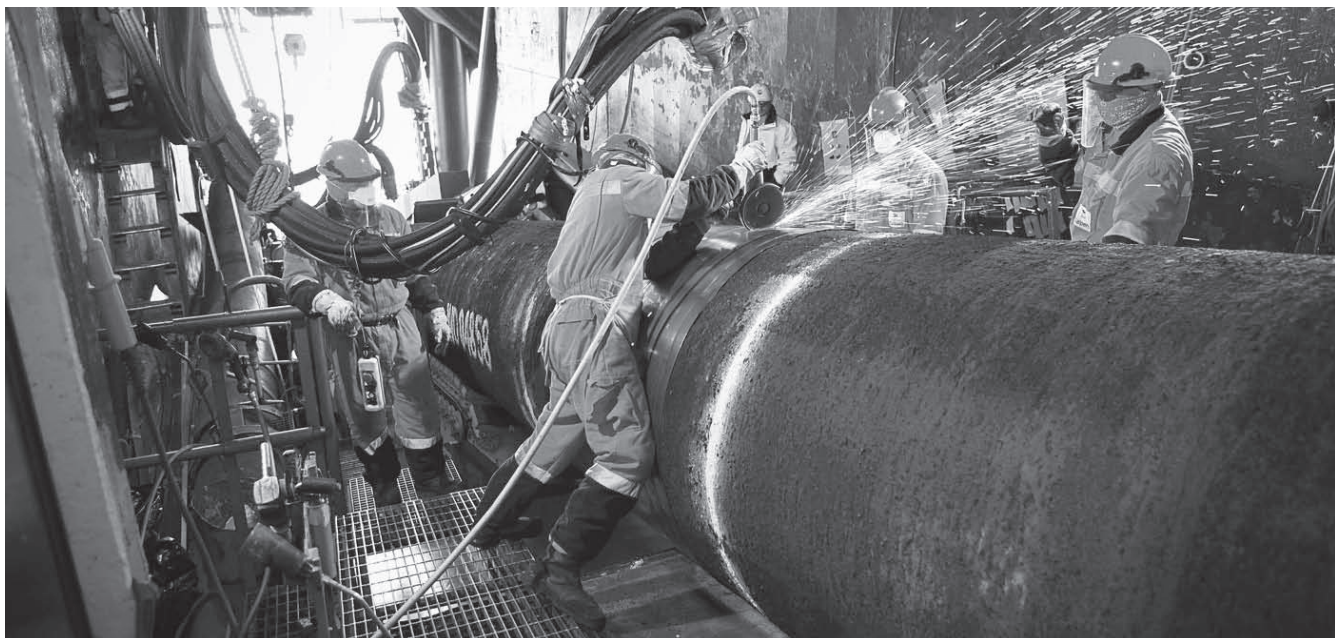


Stefan Meister
Program Officer
Center for Central and Eastern Europe of the Robert Bosch Stiftung
German Council on Foreign Relations

FIIA Briefing Paper 105
10 May 2012

- The return of Vladimir Putin as Russia’s president and the probable end of Dmitri Medvedev’s modernization project will increase the alienation within German–Russian relations.
- Germany’s modernization partnership with Russia has produced limited results because the two sides have different views on the cooperation. While the German side wants to develop common projects of good practice which will modernize the Russian economy and politics, the Russian side is interested in technology transfer.
- The interest in and knowledge of Russia among German decision–makers is decreasing. Germany lacks vision and concepts on how to influence developments in Russia. This is also due to the resistance of the current Russian elite towards implementing political reforms.
- As a result, Russia is losing its most important advocate in the EU (also regarding energy policy). This will have a negative impact on EU–Russia relations because the EU lacks leadership on Russia.
- Ongoing changes in Russian society, which challenge the Putin system, will present an opportunity to find new allies in Russia for cooperation and modernization, which may increase Germany’s interest in its large neighbour. But this will call for a more balanced approach between the Russian elites and society in Germany’s Russia policy.

The EU’s Eastern Neighbourhood and Russia research programme
The Finnish Institute of International Affairs



The second line of Nord Stream is scheduled to begin transporting gas by the end of 2012. Photo: Nord Stream AG

German-Russian relations are in a state of change. In the past, Germany has always been an advocate of Russian interests in the European Union and a strategic partner with regard to energy and economic cooperation. Over the last few years, however, we have observed an increasing alienation in bilateral relations, with both sides speaking about the same topics but nurturing different priorities and interests. This is apparent in the modernization partnership: While Germany wants to develop projects of good practice which modernize the Russian economic and political system, the Russian elites are primarily interested in technology transfer but not political reforms. This is linked with a decreasing interest in and knowledge of Russia among Germany's political elite. German businesses still thrive in Russia, but frustration about the ongoing lack of domestic reforms and the lack of progress in establishing the rule of law and transparency is growing. The shift in German energy policy towards increased renewables and energy efficiency, coupled with Gazprom's inflexible policies, will have a strong impact on German-Russian relations in the future.

The old consensus among the German elite that Russian integration in Europe is key to European security still exists, but Germany lacks ideas on how to influence the Russian reform process. Since the fall of the Soviet Union, Germany has developed an integrative policy towards Russia, but the German elites feel frustrated with the return of Putin and the probable end of the modernization project. Expectations in Germany regarding the presidency of Dmitri

Medvedev were high—maybe too high—and were never fulfilled. The return of Vladimir Putin as Russia's president will lead to a further disconnect on Russia within the German political elite.

The end of the strategic partnership?

During the Christian Democratic-Social Democratic grand coalition (2005–2009), dualism existed between the Chancellery, led by Angela Merkel and the Social Democratic Minister of Foreign Affairs, Frank-Walter Steinmeier. This became apparent in the diverging approaches and statements emanating from the Chancellery and the Foreign Office, especially regarding the Eastern European and Russia policy. While Angela Merkel was highly sceptical about comprehensive cooperation with Russia in general, and Vladimir Putin in particular, Steinmeier was the driving force behind Gerhard Schröder's integrative Russia policy. There was ongoing competition between the Chancellor and the Minister on how to deal with Russia—be it with pragmatism and a focus on human rights, or a focus on cooperation and integration.

For Steinmeier, Russia was a priority. Under his leadership, the Foreign Office mapped out concepts for the Eastern¹ and Russia policy, while the concept

¹ Eastern policy in this context refers to the post-Soviet states outside of the EU and includes the concepts ENP plus and the Central Asia Strategy.

of “rapprochement through interweavement” was developed by his policy planning staff. With Medvedev’s election as Russian president in 2008, this concept was further developed into a “partnership for modernization” with Russia, which Steinmeier presented in a speech in Yekaterinburg in May 2008. Steinmeier emphasized the continued relevance of the energy and climate policy, the health policy, infrastructure, education, science, and public administration for bilateral relations. Merkel spoke at German–Russian government consultations in October 2008 in St. Petersburg about a “partnership of innovation”. The background to this concept includes securing the sustainability of both countries in global competition as a goal of common economic cooperation.

With the establishment of a Christian Democratic–Liberal government coalition (CDU/CSU and FDP) after the parliamentary elections in 2009, the special partnership between Germany and Russia drifted asunder. With Angela Merkel, sobriety replaced the personal relationship that had existed between Boris Yeltsin and Helmut Kohl, as well as the one between Gerhard Schröder and Vladimir Putin. During Dmitri Medvedev’s presidency, Angela Merkel tried to limit meetings with Russian Prime Minister Vladimir Putin to signal that she supported the “new modern Russia” instead of the “old Putin Russia”. The role of the Foreign Office in Germany’s Russia policy has also changed under Steinmeier’s successor, Liberal Foreign Minister Guido Westerwelle. He has tried to distinguish himself with trips to smaller countries in Central and Eastern Europe, but has been unable to emphasize the Russia policy. As a result, the Chancellery and the Bundestag increased their influence on Germany’s Russia policy, while the Foreign Office’s initiatives on Russia lost the influence that they had exerted under his predecessor. At the same time, Russia did not constitute a personal political priority for Angela Merkel. Even if she was critical about the Russia policy of her predecessor, she never developed alternative concepts of her own.

Although Russia is not a top priority for the current German government, its concepts are embedded in the tradition of previous governments. Russia is not mentioned as a strategic partner in the CDU/CSU–FDP coalition agreement, but as an “important partner for overcoming regional and global challenges”. The coalition wants to support modernization in Russia and focuses above all on reducing

deficits in areas like human rights, the rule of law, and democracy. According to the agreement, the government will particularly take into account the interests of other direct Eastern neighbours. Poland is described as a major partner within the EU and as a key to the relationship with the Eastern (post-Soviet) neighbourhood.

Since the new German government in 2009, there has been decreased interest and expertise in the Russia and Eastern policy within the German government. Parliamentarians and state secretaries with expertise in Eastern Europe have left the Bundestag and the Foreign Office. The global financial crisis, the euro crisis, and other events such as the Arab Spring have taken precedence over the Eastern neighbourhood. This development is supported by a process which has been observable for many years: German decision-makers are providing increasingly fewer resources for research on Russia. Post-Soviet countries seem to be diminishing in terms of political priority, with the result that research institutes dealing with Russia and the post-Soviet countries have folded and analyst positions on the region have been limited in favour of other regions and topics.² This has had an influence on the German discourse and decision-making on Russia, and knowledge about developments in the country has decreased as a result. This is exacerbated by a negative image of Russia and Putin in the German media, which is often not based on fact but on stereotypes like the “energy weapon”.³ The German public opinion on Russia is controversial, with both negative and positive overtones evident in its mix of threat perception, romanticism and anti-Americanism. Few polls take economic cooperation and foreign policy as their focus: in a poll conducted by the Allensbach Institute dated July 2011, Russia is in fourth place

2 At German universities many chairs in Eastern European History or Political Science with a focus on post-Soviet countries have ceased to exist in the last 20 years. Furthermore, the Federal Institute for Eastern and International Studies in Cologne was closed in 2001. Although some of the experts at the institute have been integrated into the German Institute for International and Security Studies (SWP), the number of regional experts on Russia and the post-Soviet countries is also decreasing at SWP.

3 See Juri Galperin, *Das Russlandbild deutscher Medien*, Bundeszentrale für politische Bildung, Dossier Russland, 25.03.2011, <http://www.bpb.de/internationales/europa/russland/47998/russlandbild-deutscher-medien?p=0>, 23.04.2012.

as an important partner for Germany with 35 per cent after France, the USA and the UK. While the first three countries have diminished importance as partners in the public opinion compared with 2000, Russia has the same amount of support.

The polarized German discourse on Russia

The German discourse on Russia is currently influenced by two main groups. The first of these is the human rights or value faction that has become more influential under Chancellor Merkel, and which focuses on the democratic situation in Russia and criticized the election fraud during the Russian parliamentary and presidential elections. Parts of this group tried to support the reforms announced by President Medvedev, and mostly comprise parliamentarians from the CDU and the Green Party, as well as some people close to the Chancellor. The second group consists of SPD members for the most part, but also includes CDU members who advocate a cooperative approach towards Russia, and focuses on a strategic economic partnership with Russia. This group often adopts a similar approach to organizations lobbying in the interests of the German economy, and which have been very successful in influencing German policy. The divergence of views between both groups was illustrated after the Russian parliamentary elections, with a German business representative describing the Russian elections as one of the “most free and democratic” since the end of the Soviet Union.⁴ In contrast, parliamentarians from the other group were very concerned about electoral fraud and the pressure placed on election observers.⁵

There is a lack of dialogue between these two groups, which hinders a more sober analysis of developments in Russia. Russia is increasingly becoming a matter of lobbying “for or against” a special

approach—either you are for economic cooperation or against human rights violations. As a result, there is a clear separation between an interest-oriented and a value-oriented approach. But the conclusion that the two groups are, in fact, two sides of the same coin is pushed into the background. As a result, the German position on events in Russia is often unclear for outside observers as the messages from different government representatives can be diverging. This weakens Germany’s Russia policy and allows the Russian side to undermine German critics or policy initiatives.

The role of German business

Russia is important for German companies. In 2011, there was a 30 per cent increase in trade between Germany and Russia, with a total volume of 75 billion euros. German economic representatives have been talking about the huge potential of the Russian economy for many years, and it is seen as advantageous that Russia is nearly as important for trade as Poland. In 2011, Russia ranked 12th in German exports behind Poland (10th) and before the Czech Republic (13th).

German economic and lobbying organizations such as the Committee on Eastern European Economic Relations play a key role in influencing Germany’s relations with Russia. Even if Angela Merkel was highly critical of the Nord Stream pipeline at the beginning of her Chancellorship, she finally supported the project. Merkel limited her trips to Russia but she did give German companies access to Russian leaders during meetings with President Medvedev. Economic organizations like the Eastern Committee also play an important role in promoting politically relevant topics in the Eastern neighbourhood. In July 2011, the Committee published a strategic paper that suggested abolishing visas between the EU and Russia as well as other Eastern European neighbours. Nearly all serious experts argue that the impact on the labour market would be limited but the effect on people-to-people contacts would be significant. Yet German decision-makers, especially members of the Bundestag and representatives of the Interior Ministry, still fear that voters will punish them for increasing visa freedom. German stonewalling on easing visa requirements for its Eastern neighbours is in a process of change due to the support of members of parliament, the Foreign Office and business

4 A comment made by the executive director of the Eastern Committee of the German Economy, Rainer Lindner, at an event at DGAP. <http://www.ost-ausschuss.de/der-modernisierungsdruck-steigt>, 28.03.2012.

5 In an interview, Andreas Schockenhoff, deputy chairman of the CDU/CSU parliamentary group for foreign affairs in the Bundestag and Russia coordinator of the German government for civil society cooperation, compared Russian pressure on independent NGOs to Stalinist methods. <http://www.dradio.de/dkultur/sendungen/interview/1619498/>, March 28, 2012.

representatives. An inter-parliamentary group has been established in the Bundestag to promote the abolition of visa requirements, especially towards Russia.

German companies are critical about the investment climate in Russia, citing in particular corruption, bureaucracy, and a lack of the rule of law. German small and medium-sized enterprises (SMEs) are particularly prone to problems over access to the Russian market and rule of law deficiencies. Due to the dominance of large companies in the Russian economy, German SMEs lack partners in the country.⁶ The Russian state's influence over the economy is a significant barrier to deepening the economic relationship. Russian membership of the WTO may change the situation, and expectations in Germany are once again high.

While for most of the big companies lobbying for good relations with Russia is business as usual, this may change in the German energy sector. Russia is Germany's biggest supplier of gas and oil, providing around 40 per cent of its gas and 34 per cent of its oil supply in 2011. With the government's decision to stop producing nuclear energy by 2022, German demand for gas will increase in the short and medium term. The largest German energy companies will have to change their business concept and will need to acquire new strategic partners for investment. This is of interest to Gazprom, which is focusing on Germany as the Northern energy hub for its energy deliveries to the EU, and has an interest in investing in the attractive consumer market. German energy companies like E.ON and BASF (Wintershall) have experience in long-term cooperation with Gazprom.

But the failure of a planned joint venture between RWE and Gazprom shows that the two sides are not always compatible. The increase in medium-term demand for gas in Germany is only one component of this new energy policy. The companies need strategic partners for huge investments in renewable energy and in the power grid system. Gazprom, which is focused on securing its transit monopoly

and long-term contracts, is not a feasible partner for this policy. Furthermore, changes in global energy markets—most notably with LNG and shale gas—as well as the liberalization of energy policy by the European Commission have had a strong impact on this relationship. Due to Gazprom's lack of flexibility and new demands in the German energy market, Russia is losing Berlin as its main energy advocate in Europe. The German government is also sceptical about increasing its dependence on one supplier. Chancellor Merkel rejected President Medvedev's offer to build a third line for the Nord Stream pipeline during German-Russian government consultations in July 2011.

Inability to sort out priorities – A source of Germany's frustrations with Russia

There are three priorities for German cooperation with Russia: the economy, security, and platforms for the building of trust.

The modernization partnership

Germany's modernization partnership with Russia lacks big strategic projects, with the exception of Nord Stream. It is primarily a policy of small steps and goodwill. While German decision-makers support the reforming of Russian politics through economic cooperation, the Russian side is interested above all in economic cooperation and investment. While the Germans support the establishment of the rule of law and better conditions for small and medium-sized companies, the Russian elite is interested in knowledge and technology transfers and in securing their access to the revenues of state companies. Russia is a difficult partner and it is a huge challenge to support the reform process in the country. But the German passion for influencing Russian domestic policy sometimes leads to ignorance of the realities in Russia. President Medvedev's reform announcements after his election in 2008 were taken seriously in Germany and expectations ran very high. But the reality of the Putin-Medvedev tandem being an integral part of the Putin system has been ignored. This "naivety" is typical of the German elites and has not always been linked to economic interests but to the hope of changing and democratizing Russia.

One example in the framework of the modernization partnership is the cooperation in areas like energy efficiency and renewable energies. The Russian-

6 A speech by the Chairman of the Eastern Committee, Eckhard Cordes. 8. Handelsblatt-Tagung, March 19, 2012. http://www.ost-ausschuss.de/sites/default/files/pm_pdf/Rede-Cordes-Handelsblatt-Jahrestagung-Russland.pdf, March 29, 2012.

German Energy Agency (RUDEA) is responsible for energy cooperation and has some lighthouse projects in Russia. But because of the lack of interest and investments on the Russian side, as well as the difficult investment conditions in Russia, it has not fulfilled expectations. The same is true for the legal dialogue with Russia. It is very difficult to get information on this dialogue, which should not only be an expert- and elite-driven project, but also involve German and Russian societies.

Security cooperation in post-Soviet conflicts

In the field of security cooperation, conflict resolution in the post-Soviet neighbourhood plays an important role for the German side. The so-called Meseberg Process was set up by Chancellor Merkel and President Medvedev in June 2010 to offer Russia an exclusive platform of an EU-Russia security council in exchange for cooperation in solving the Transnistrian conflict with Moldova. Solving this conflict would have a positive impact on the more difficult ethnic conflicts in the South Caucasus and would demonstrate that cooperation with Russia is possible in this context. Bargaining with Russia to reach a breakthrough in conflict resolution is a concept that is worth trying. But this was not discussed with EU partners and there is no clear strategy on the German side. There are neither benchmarks nor a road map, and nearly two years after the process began, the results are meagre. Instead of strengthening instruments of conflict resolution within the context of EU neighbourhood policy, the German government tried to strike a bilateral deal with Russia without the signal that success in this respect would be a top priority for the Chancellery. The Russian leadership never had the impression that making compromises would be worthwhile or necessary.

Building trust

Germany's cooperative approach towards Russia contradicts the Russian logic of a zero-sum game. While the German political establishment always seeks a win-win situation, the Russian side is only willing to make deals that are in their own interests. One result of this diverging relationship could be a "Russification" of German initiatives. The St. Petersburg Dialogue, founded by Vladimir Putin and Gerhard Schröder in 2001, is meant to support civil society exchanges between both countries. But it became an event driven by the elites, with the German side accepting that the Russian government

would select the participants, not the civil society actors. As a result, officials and business representatives from both states dominate the meetings. The result is not a dialogue between societies but the acceptance of Russian rules and the legitimization of undemocratic decisions made by the Russian leadership.

Germany's key concept for the current cooperation with Russia is a trilateral dialogue that includes Poland, with meetings taking place at the level of the Minister of Foreign Affairs but also increasingly at the level of other ministries. This is above all an instrument of trust-building. Because of the different approaches and priorities of Poland and Germany in their Eastern policies, it is difficult to develop a common approach for a new EU-Eastern policy. Expectations are limited on the Russian side. The Russians are sceptical about a new platform with EU member states in addition to the many communication channels they already have with the EU. This could foster a further bureaucratization of relations.

Conclusions

The return of Vladimir Putin as Russia's president will not fundamentally change German-Russian relations. Economic and energy cooperation will remain the basis for the relationship. But Putin's return will heighten the alienation within the German-Russian relations and further weaken the strategic partnership. Alienation means an increasing frustration with the political situation and a decline in interest and knowledge regarding Russia on the German side, which will limit Germany's role as Russia's advocate in the EU. Germany is lacking influence when it comes to the Russian domestic reform process because the Russian elites have only a limited interest in modernizing their country.

The patterns of German-Russian relations remain the same with Germany setting up new cooperation projects with Russia in the hope of influencing Russian politics. There is always a desire to change Russia through economic cooperation, which would build up trust and present an opportunity to influence domestic reforms in Russia. But this concept has failed during the last ten years. While the German side wants to promote examples of good practice, the Russian elite is mainly interested in

their own benefits. Despite announcements to the contrary by the current German government, this policy has not fundamentally changed in the last three years.

The Russian elite's disinterest in modernizing their country, which was confirmed with the Putin-Medvedev presidential switch, the ongoing lack of the rule of law, and the state's influence over the economy have limited the expansion of economic cooperation between the two countries. As a consequence, Russia's status as a market with "potential" has remained unchanged. The modernization partnership with Russia has more or less failed because of the differing visions of this cooperation.

What Germany needs is a realistic assessment of the current state of German-Russian relations and its institutions. Based on this evaluation, it needs a discussion on what the interests and goals of Germany in Russia and the other post-Soviet countries are, and what can realistically be achieved. At the same time, in cooperation with Poland and other interested member states (e.g. Finland), Germany once again needs to take the lead in the EU on the Russia and Eastern policy.

If Germany wants to integrate Russia into Europe and intends to support trust-building, it needs a less elite-dominated approach towards the big neighbour and a more society-oriented exchange. This is not an argument for a fundamental refocusing of

German policy on civil society only, but for a more realistic analysis of the inability of the current Russian elite to modernize the country and fulfill society's demands. German politicians should therefore refocus cooperation on those groups that are willing and able to support reforms. Germany has to cooperate with the Putin regime, but it should be more consistent in advocating for the rule of law and an end to violations of democratic standards. Ongoing changes in Russian society, which were evidenced by the mass protests that followed the parliamentary elections in December 2011, may help to foster a change in Germany's Russia policy.

The Finnish Institute of International Affairs
tel. +358 9 432 7000
fax. +358 9 432 7799
www.fiia.fi

ISBN 978-951-769-343-1

ISSN 1795-8059

Cover photo: Vladimir Rodionov / RIA Novosti
/ Wikimedia Commons

Language editing: Lynn Nikkanen

The Finnish Institute of International Affairs is an independent research institute that produces high-level research to support political decision-making and public debate both nationally and internationally. The Institute undertakes quality control in editing publications but the responsibility for the views expressed ultimately rests with the authors.