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Berlin, 13 – 14 May 2016

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## Europe and Russia

Working Session of the Club of Three

An event organised in partnership with the Alfred Herrhausen Gesellschaft,  
with the generous support of the Robert Bosch Stiftung

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### SUMMARY

**Below, clockwise  
left to right:**

Working Session  
meeting room; Kai  
Diekmann at Axel  
Springer Haus;  
Dominique Moisi  
addresses  
participants;  
Wolfgang Ischinger,  
Dmitry Danilov,  
Oksana Antonenko  
and Ruslan Grinberg

After two major events on Turkey held in 2014 and 2015, the Club of Three's focus outside of the EU turned to another major geopolitical and economic player: Russia.

In past years, the Club of Three had organised a number of meetings with Russia as part of their AMEURUS programme. Launched in 2001, this initiative aimed to facilitate the normalisation of diplomatic, economic and cultural relations through high-level dialogue between America, Europe and

Russia. Past events included meetings in Washington, Frankfurt, Paris, London and Moscow, the latter addressed by Russia's Foreign Minister Sergei Lavrov. The Working Session that took place in Berlin on 13-14 May 2016 was organised in partnership with the Alfred Herrhausen Gesellschaft (AHG), the International Forum of Deutsche Bank. It is an independent, non-profit organisation that promotes research and the exchange of ideas on key contemporary issues in areas including international relations, urbanisation and Germany.

This high level meeting was held at AHG's premises. The objective was to take a fresh look at Europe-Russia relations at a time of political tension and economic sanctions following the crisis in relations relating to Crimea and Ukraine. More than 50 politicians, diplomats, business leaders and academics from France, the UK, Germany and Russia gathered in Berlin for an open and frank dialogue on topics including Syria, Ukraine, the North Atlantic Treaty Organization (NATO) and economic relations.



## AGENDA

### Friday 13 May

#### SESSION I – THE MIDDLE EAST, JIHADISM AND TERRORISM: COMMON THREATS? COMMON RESPONSES?

Chair: **Philippe Coq**  
Panel Speakers: **Dominique Moisi**  
**Sergey Karaganov**  
**Laura Sandys**  
**Norbert Röttgen**

#### DINNER – Informal Discussion on “THE THREE AND RUSSIA – WHERE ARE WE FOUR?”

Chair: **Lord Simon**  
Introducer: **Oksana Antonenko**

### Saturday 14 May

#### SESSION II – WHAT NEXT FOR EUROPE, NATO AND RUSSIA?

Chair: **Pauline Neville-Jones**  
Panel Speakers: **Wolfgang Ischinger**  
**Nicholas Redman**  
**Dmitry Polikanov**  
**Armand Laferrère**

#### SESSION III – ECONOMIC CHALLENGES AND OPPORTUNITIES

Chair: **Eberhard von Koeber**  
Panel Speakers: **Marie-Hélène Bérard**  
**Eckard Cordes**  
**Ann Cormack**  
**Ruslan Grinberg**

### Meeting partners

This meeting was made possible thanks to:

Robert Bosch Stiftung

Alfred Herrhausen Gesellschaft   
Das internationale Forum der Deutschen Bank

The Club of Three is extremely thankful for additional support from:

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One of the main highlights was the dinner on 13 May hosted by Kai Diekmann, Editor of BILD, in the Journalisten Club at the Axel Springer publishing house. This was an opportunity for meeting participants to pay tribute to Club of Three founder George Weidenfeld who had died in January 2016 at the age of 96, and to have an informal discussion on the state of affairs between ‘the Three’ and Russia.

It was clear that past relationships would not be restored any time soon and that Europe and Russia might have entered a new chapter, requiring new terms of engagement. But despite continuing difficulties and differences over Ukraine and Crimea, there was some agreement on the need to retain and develop a framework within which they could cooperate. If Europe and Russia could not yet see eye to eye, the meeting certainly showed that there was willingness to restore a dialogue and to learn more about each other’s perspectives.

**Below:** Wolfgang Ischinger  
**Bottom:** Andrew Fraser and Daniela Schwarzer



## SESSION I - THE MIDDLE EAST, JIHADISM AND TERRORISM: COMMON THREATS? COMMON RESPONSES?

The first session on the Friday afternoon focused on the situation in the Middle East and the actions that Europe and Russia were taking in light of the Syrian conflict.

Russia's interventionist strategy in support of the Assad regime was being implemented with some diplomatic and military success. Europe however was still struggling to adopt a coherent policy towards the region. There was consensus among the Europeans that no settlement would be possible without Russia's involvement but the prospects for cooperation on conflict resolution remained very slim as long as President Assad was in power.

According to one of the participants, the conflict and bloodshed stemmed from three phenomena: fragmentation, radicalisation and expansion. The borders agreed in 1916 as part of the Sykes-Picot agreement had become obsolete as the region was breaking up along ethnic and sectarian lines. The Middle East, with its internal tensions and complex problems, was now part of everyday life in Europe and no longer only a foreign policy matter. It had expanded geographically with the influx of refugees from Syria as well as in people's minds through terrorism threats from radical Jihadist groups.

Daesh represented a common challenge for Europe and Russia, although the former was primarily feeling the full impact of its actions. But they were pursuing very different objectives. It seemed that Russia was operating in Syria in order to protect its military and economic interests while Europe had opted for a containment policy.

There was no ideal approach. The lessons from Libya and Syria were that intervention and non-intervention both had drawbacks. However, Europeans needed to recognise that mistakes had been made in the early days of the Syrian crisis. They should not have called for regime change without fully understanding the consequences of their actions.

Rather than seeking regime change, one of the participants pointed out that Europe should work with Russia to provide stability to the Middle East. In particular, European expertise in financing reconstruction efforts could be put to good use once the hostilities had stopped.

Ultimately, it was felt that external powers would have little influence on the course of events in the Middle East. Many of the crises that the region was undergoing had their roots in the wider power struggle between Saudi Arabia and an increasingly assertive Iran.



**Left:** Laura Sandys  
**Right:** Norbert Röttgen



This confrontation reminiscent of the Cold War was expected to last for the foreseeable future due to the zero-sum thinking that underpinned regional relations for some time. One of the participants stressed that, as an energy giant, the US was potentially the major swing factor.

As far as Daesh was concerned, there was agreement that it would not be defeated in the foreseeable future despite the recent seizure of lost territories in Syria and Iraq. One of the participants argued that Russia's heavy-handed tactics in Chechnya were the only way of eradicating terrorist groups. But even in this case, another participant noted that military force alone was not enough and a settlement had had to be reached with Chechen separatists. Was some sort of settlement with Daesh conceivable? No one believed that this was an option. Daesh had to be defeated both militarily and ideologically. The election of a Muslim mayor in London, a first for a major European capital, was certainly a powerful weapon against Islamic fundamentalism. As one of the participants put it, this was as important as the retaking of Kobane or Palmyra.

### DINNER DEBATE: THE THREE AND RUSSIA – WHERE ARE WE FOUR?

The discussions continued over dinner at the Axel Springer's Journalisten Club, which provided an ideal setting for debating the state of Europe-Russia relations more informally. The main speaker introduced this topic with a comprehensive account of how these relations were evolving. Europe and Russia were now on a path of divergence after a promising start at the beginning of the 2000s. This change of direction pre-dated the Ukraine crisis. Their economies and foreign policies were growing apart and, perhaps more distressingly, their societies were becoming ever more estranged. A majority of Russians in particular no longer saw themselves as part of the same European continent. It was therefore imperative to initiate a dialogue as soon as possible, despite the difficulties over Ukraine and Crimea, in order to prevent an institutionalisation of these differences.

The current relationship was described as being purely a transactional one. Discussions between Europe and Russia were no longer about convergence and developing similar political and economic systems but simply focusing on a few areas of common interest such as energy supplies. But even this more minimal transactional relationship had been put under serious strain following the conflict in Ukraine.

**Top left** (left to right): Sergey Karaganov and Wolfgang Ischinger  
**Top right** (left to right): Martin Hoffmann and Ralf Beste (German Federal Foreign Office)

The suspension of the NATO-Russia Council in 2014 for example, one of the main channels of communications on European security issues, had had serious consequences for the stability of the region. And it was encouraging to see that efforts were being made to resume cooperation within the NATO-Russia Council ahead of the NATO Summit in Warsaw.

More importantly, Europe and Russia crucially needed to build an institutional relationship. Almost all institutional links between the two sides had collapsed following the hostilities in Ukraine and annexation of Crimea and the process of rebuilding normal and more predictable relations would be long and difficult. The Organisation for Security and Cooperation in Europe had a crucial role to play in this. Its Panel of Eminent Persons on European security in particular was an important initiative but it had to be built on.

This institutional structure was also necessary because it could help generate momentum for economic change in Russia. The past four years had shown that even without sanctions and with higher oil prices Russia's economy was not growing as much as other countries were. And now living standards were deteriorating for the first time in many years. Support for reforms, societal improvements and European investment in areas such as small and medium-sized enterprises would contribute to bring Russia back on a path of convergence with Europe. A strategy of collaborative modernisation could bring huge returns to both sides.

However, calls for a return to convergence were met with great scepticism from some of the Russian participants. One of them argued that this was an old agenda that neither Russia nor the West had ever really intended to pursue. Instead, both sides should now look to the future and explore what they could achieve together in the next five years.

## LIST OF ATTENDEES

Oksana **ANTONENKO** *EBRD* | Rowan **BARNETT** *Twitter* | Marie-Hélène **BÉRARD** *MHB Investment and Consulting* | Alexis **BROUHNS** *Solvay SA* | Philippe **COQ** *Airbus Group* | Eckhard **CORDES** *Bilfinger SE* | Ann **CORMACK** *Rolls Royce* | Dmitry **DANILOV** *Institute of Europe – Russian Academy of Sciences* | Jacob **DÜRINGER** *Robert Bosch Stiftung* | Andrew **FRASER** *Mitsubishi Corporation* | Ruslan **GRINBERG** *Institute of Economics – Russian Academy of Sciences* | Alexey **GROMYKO** *Institute of Europe- Russian Academy of Sciences* | Manfred **GRUNDKE** *Knauf Group* | August **HANNING** *Former President of the BND* | Jacqueline **HÉNARD** *CNC Communications* | Martin **HOFFMANN** *German Russian Forum* | Wolfgang **ISCHINGER** *Munich Security Conference* | Sergey **KARAGANOV** *Higher School of Economics – National Research University* | Eberhard **von KOERBER** *Eberhard von Koerber AG* | Ines **KOLMSEE** *EWE AG* | Vladimir **KOTENEV** *ECOVIS Strategic Consulting* | Alexey **KUZNETSOV** *Institute of World Economy and International Relations (IMEMO)* | Armand **LAFERRÈRE** *AREVA* | Sergey **LAGODINSKY** *Heinrich Böll Foundation* | Pavel **LOKSHIN** *Moscow-based journalist* | Michael **MACLAY** *Club of Three* | Klaus **MANGOLD** *TUI Group AG* | Thomas **MATUSSEK** *Alfred Herrhausen Gesellschaft* | Dominique **MOISI** *French Institute for International Relations (IFRI)* | Philippe **MOREAU-CHEVROLET** *MCBG Conseil* | Anne-Elisabeth **MOUTET** *Columnist* | Baroness **NEVILLE-JONES** *Former UK Minister for Security and Counter Terrorism* | Hella **PICK** *Institute for Strategic Dialogue* | Dmitry **POLIKANOV** *Triologue Club* | Sarah **RAINE** *International Institute for Strategic Studies (IISS)* | Nicholas **REDMAN** *IISS* | Norbert **RÖTTGEN** *Bundestag* | Laura **SANDYS** *European Movement in the UK* | Frank **SCHAUFF** *Association of European Businesses in the Russian Federation* | Heinz **SCHULTE** *Griephan Defence and Security Publications* | Daniela **SCHWARZER** *German Marshall Fund of the United States (GMF)* | Lord **SIMON of Highbury** *Club of Three* | Jean-Michel **STEG** *Greenhill & Co LLP* | Anton **WERHAHN** *Wilh. Werhahn KG*



Left: Lord Simon addresses participants at dinner

In the short term, it was vital to bring stability to the region first of all by making sure that the Minsk Agreement was being implemented. De-escalating tensions over Ukraine would require a lot of creativity and good will, one of the participants noted. But there were actions that both sides could take immediately in order to improve the situation. For example, Russia could take the lead and break the pattern of mutual recriminations by allowing independent monitors to patrol its border with Ukraine. The United States on the other hand could put a stop to its anti-ballistic missile defence system in eastern Europe, at least temporarily. Russia's concerns over the threats that this anti-missile shield posed to its security had to be taken into account.

One senior speaker said it would be wrong to underestimate the potential power of transactional relationships. A major energy sector investment in Russia had been undertaken when relations were less stable even than today. It had turned out to be richly rewarding for Europe and Russia in economic terms.

## SESSION II – WHAT NEXT FOR EUROPE, NATO AND RUSSIA?

Discussions on Europe-Russia relations continued on the Saturday morning. The fundamental differences in relation to the post-Cold War European security architecture were at the heart of current tensions between the two sides. Russia had first seen the NATO-Russian Council as an important mechanism to discuss security issues on an equal basis with the West. But it became disillusioned because it felt it was treated as a second class partner, while NATO continued to expand eastward without taking into account Russia's national interests.

One of the Russian participants said that Russia had since moved on and, after spending the past few years building itself as a nation, it was more proud and confident and willing to take risks on the international stage. About 60% of

Russians now believed that Russia should follow its own path and not seek closer ties with the EU.

Europeans deplored the lack of appetite for economic modernisation in Russia, which had largely contributed to the increasing gap with Europe. A modernisation partnership would help Russia become more prosperous, which was in Europe's own interest. But Russian participants stressed that modernisation was not on the agenda. Social stability was the priority. The common belief in Russia was that it could cope with current economic difficulties due in part to low oil prices and sanctions over Ukraine. Therefore, Russia did not need to reform.

One of the participants from Germany however warned it would be a mistake to believe that some countries could avoid modernising. According to him, Vladimir Putin had decided not to go down this path for fear that it would change the fabric of society on which his power was based.

**Below:** Oksana Antonenko speaks over dinner  
**Bottom:** Alexey Kuznetsov



This was also the main reason behind Russia's actions in Ukraine. Moscow could simply not allow such radical transformations to take place in its immediate neighbourhood. In this regard, Russia had not moved away from its old security doctrine which consisted of maintaining a certain degree of instability at its borders in order to guarantee its own well-being.

In the end, it was imperative to find new common ground as this was one of the most dangerous moments since the end of the Soviet Union in terms of military risks. There was agreement that the Syrian conflict could provide an opportunity to restore a dialogue between Europe and Russia. But most importantly, they would have to establish new terms of engagement in order to avoid past mistakes. These rules could form the basis of a new Helsinki agreement on security and cooperation in Europe, one of the Russian participants suggested.

Another Russian participant argued that the world had changed and that Russia's future was as a Eurasian power alongside Asian countries like China, South Korea and Japan. Currently the EU's third trading partner, Russia would progressively reduce the share of its trade with the EU in coming years as it increasingly turned to Asia for business opportunities.

He called for a partnership between the EU and the new Eurasia Economic Union which Russia was part of.

Moving forward would of course be impossible without coming to an understanding on Ukraine. There was disagreement among the Europeans over how best to approach the problem. While some believed that the prospect of EU membership would help Ukraine overcome its very serious economic and financial difficulties, others felt that bankrolling it was too risky for Europe given its high levels of corruption. This would also be seen by Russia as another provocation. Instead, one of the Russian participants said that Ukraine should be treated as a transition country over which Europe and Russia could cooperate jointly.

### SESSION III – ECONOMIC CHALLENGES AND OPPORTUNITIES

The concluding session saw participants turn their attention to economic matters. Russia's economy remained in a precarious situation as it was still adjusting to the shocks of lower oil prices, global financial volatility and international sanctions. Its GDP was predicted to fall by about 1.2% this year, and the Russian rouble had dropped significantly against the dollar.

**Right** Ruslan Grinberg (middle) talks about the state of Russia's economy during session III





The sanctions imposed by the West were not believed to have had a significant impact. According to one estimate, Russia had lost about 1% of its GDP as a result compared with 0.2% for the EU. What was therefore the main cause of Russia's problems? One of the participants noted that its economic performance had begun to deteriorate in 2012, well before the crisis of Russia's financial market in December 2014. The drop in oil prices and sanctions had only exposed and exacerbated the structural weaknesses of the Russian economy: too much reliance on oil and gas revenues, inefficiencies in the industrial sector and underdeveloped Small and Medium-sized Enterprise (SME) sector among other things. Although the economic outlook for 2017 and 2018 seemed more favourable, Russia would continue to face difficulties in the long term unless it diversified its activities.

Not everyone agreed entirely with this assessment however. There were signs that Russia's economy remained a force to be reckoned with. Despite problems, recent data from the International Monetary Fund had shown that Russia had retained its position as the world's sixth largest economy. It had also risen from 120th in 2011 to 51st in 2015 in the World Bank's ease of doing business rankings. And its banking sector had been cleaned up and recapitalised with some success. Regarding oil and gas, one of the European participants contested the view that Russia was too dependent on this sector. The country was simply following a supply and demand logic, providing its western European neighbour with what it needed most: energy.

There was a clear sense from the European business community that Russia's place was in Europe. Cultural ties with countries such as Germany in particular were strong, which meant that economic relations would inevitably improve in future. One of the participants who had worked with Russia since the 1980s said that there had been ups and downs over time but European companies had always kept investing in Russia. This was still the case now. They stayed put and were ready to do business again once the storm had passed.

The potential for investment in the industrial sector, in areas such as railways and power supplies, was significant as major upgrades were needed. One of the Russian participants pointed out that there were now other competitors in some markets and, as a result, Russia was likely to turn to other investors in future. But European investments remained attractive. There was little appetite for Chinese investments in Russia, at least for now, because they did not bring standards and long term growth to the country, another participant noted.



**Top left** (left to right): Eberhard von Koerber, Marie-Hélène Bérard, Eckhard Cordes, Oksana Antonenko, Andrew Fraser  
**Top right** Eckhard Cordes gives his views on economic ties between Europe and Russia

**Left** Dmitry Danilov makes a point about modernisation in Russia

## CONCLUSION

The May Working Session did go some ways towards strengthening mutual understanding between Europe and Russia at a time of great tensions between the two neighbours. Although they could not convince one another of the legitimacy of their respective actions over Ukraine and NATO, it was agreed that a dialogue should be restored in order to overcome difficulties.

Following the collapse of official communication channels, both sides needed to find new common ground on which a sound relationship could be rebuilt. Syria was good place to start. But some felt that cooperating on a few areas of mutual interest would not be sufficient, and that only an institutional relationship based on new terms of engagement would provide stability and security on the European continent in the long term.

Calls for modernisation and a return to convergence were met with scepticism from the Russian side. There were signals that Russia was now looking eastwards for business opportunities and that it did not want to go back to the discussions it had held with the EU during the past decade and which had caused many frustrations. However, Europe and Russia remained key economic partners and it was clear that they still had a lot to offer each other. European companies were willing to keep investing in Russia. For most Europeans, Russia was unquestionably part of the European space and their cultural, economic and business ties had to remain strong.



**Top** (left to right): Thomas Matussek and Michael Maclay

**Middle:** Daniela Schwarzer and Norbert Röttgen

**Bottom** (left to right): Ruslan Grinberg, Alexey Kuznetsov and Alexey Gromyko