



Europe and Russia

Special Session of the Club of Three
Moscow, 17-18 May 2019

INTRODUCTION

The Club of Three returned to the topic of Europe and Russia relations this year with a special session in Moscow. It followed a meeting held at the Alfred Herrhausen Gesellschaft in Berlin in 2016 with a group of senior Russian figures from business and the policy field.

The Moscow meeting focused specifically on areas where some common ground could be found: the areas where economic sanctions do not apply and business collaboration continues to be possible, and Syria and the Middle East, considering how far talking and co-operating with Russia might help to

promote enduring political solutions. A dinner was hosted by French Ambassador Sylvie Bermann at her residence on the Friday evening, during which Russian senator Alexey Pushkov and Charles Grant (Director of the Centre for European Reform) gave keynote speeches.

Three sessions on relations with Russia, the Middle East and economic cooperation were held at the French embassy on Saturday 18 May. This was followed by an evening reception at the residence of British Ambassador Sir Laurie Bristow to mark the end of the meeting.



Left: Aleksey Pushkov (Friday dinner)



Right: Tom Brake (speaking) and Norbert Röttgen (Saturday sessions)



Top left: Alexander Shokhin and François Le Goff (Friday reception)

Top right: Michael Maclay (speaking) and Ambassador Sylvie Bermann

Bottom left: Alexey Gromyko (Friday dinner)

Right-hand side: Katja Gloger (dinner, right-hand side)

MEETING PARTNERS

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FRIDAY DINNER

The dinner at the residence of Ambassador Bermann was attended by a number of special guests including Alexey Pushkov (Russian Senator for Perm Krai and former Chairman of the State Duma's committee on international affairs); Alexander Shokhin (President, Russian Union of Industrialists and Entrepreneurs); Markus Ederer (EU Ambassador to Russia); and Arnaud Le Foll (Country Chair and General Director of Total E&P Russia).

The discussion focused on the different course that history was taking following what was commonly called the post-Cold War 'Pax Americana' during which globalisation spread under the supremacy of the United States. For the Europeans present, history was heading towards a darker Hobbesian world as one of them put it, in which the values they thought had triumphed in the 1990s were no longer widely accepted.

The point of view from Russia was rather different. The rules-based order that the West had sought to project globally was never set in stone. The West itself had broken these rules during interventions in Kosovo and Iraq. The new world 'disorder' emerging was in many ways the consequence of US attempts to retain its hegemonic position in a multi-power international environment. Both Europe and Russia suffered from these actions.

One of the Russian participants stressed that the annexation of Crimea had been a "necessity" rather than a choice in response to the deepening relationship between

Ukraine and NATO, in the same way as Europe had felt compelled to react with sanctions. Understanding each other's fundamental interests would help build a more stable relationship in the long run.



Top: EU Ambassador Markus Ederer

Bottom: Joachim Bitterlich (centre)

SATURDAY 18 MAY

SESSION I – MANAGING RIVALRIES IN A MULTIPOLAR WORLD: A FUTURE OF STRATEGIC STABILITY OR FOREIGN POLICY ADVENTURISM?

Chair: Baroness Pauline Neville-Jones

Speakers: Norbert Röttgen | Tom Brake | Jean-Louis Gergorin | Alexey Gromyko

The main substantive discussions began with a first session on Europe-Russia relations and the wider geopolitical context. The emergence of multiple centres of power and decline of the rules-based international order built by the West had given rise to a more unpredictable global environment.

It seemed that Russia was adapting better to this, while Europe was uncomfortable. In particular, the Europeans felt caught between the United States and China in their intensifying trade wars. For the Russians however, being in the middle was a guarantee of their survival as an independent power. Some of them pointed out that Europe would gain from seeking strategic autonomy by building its own defence and security system.

The intense cyberwarfare between the three main cyber superpowers – US, China and

Russia – was one awkward aspect of this new reality. For Vladimir Putin’s Russia, the combination of cyber-attacks and information manipulation via social media was a cheap and very efficient way of exerting its influence on the West. This type of asymmetric warfare – applying pressure in areas where its opponents were weaker – was contributing to restoring Russia’s international status as a major force to be reckoned with.

In terms of Europe-Russia relations specifically, the situation was deadlocked. Although there was willingness on both sides to move forward, it was difficult to find a way through. Bilateral dialogues had so far

Bottom (left): Italian Ambassador Pasquale Terracciano (session I)

Right: Dmitry Danilov (speaking)



merely been an exchange of narratives. The Europeans were not willing to accept Russia's new kind of power politics, which was a threat to European stability. On arms control, there were also accusations that Russia had violated the Intermediate-range Nuclear Forces treaty. Russia on the other hand saw NATO's activities at its borders as a breach of the principle of equal security.

Were present relations between Europe and Russia worse than during the Cold War? Those who had lived throughout the post-WWII era did not think so. What was potentially more dangerous however was that the two sides had much less contact with one another. Major confrontations had been avoided during the Cold War

because various channels of communication had been put in place, which was not the case today.

Some Europeans expressed readiness to accept responsibility for certain foreign policy mistakes that had been made in the past decades, but progress on Ukraine was imperative before sanctions could be eased and normal relations be resumed. Given the confrontational approach taken by the US and other major powers around the world, it seemed that small steps towards resolving the Ukraine conflict were vital if real progress was to be achieved. But for now, the expectation was that this conflict would at best stagnate or even further escalate after the election of Volodymyr Zelensky.

LIST OF PARTICIPANTS

Claude **ALBER** *Collins Aerospace* | Oksana **ANTONENKO** *Control Risks* | Sylvie **BERMANN** *French Ambassador to Russia* | Joachim **BITTERLICH** *ESCP Europe Paris* | Thomas **BRAKE** *House of Commons (UK)* | Alexis **BROUHNS** *Solvay SA* | Dmitry **DANILOV** *Institute of Europe (Russian Academy of Sciences)* | Samuel **DANILOWITSCH** *Pluteos AG* | Igor **DELANOË** *Franco-Russian Observatory* | Pierre-Henri **DUMONT** *Assemblée Nationale* | Arkady **DVORKOVICH** *Skolkovo Foundation* | Markus **EDERER** *EU Ambassador to Russia* | Jean-Louis **GERGORIN** *JLG Strategy* | Katja **GLOGER** *Journalist and Author* | Charles **GRANT** *Centre for European Reform* | Alexey **GROMYKO** *Institute of Europe (Russian Academy of Sciences)* | Beate **GRZESKI** *German embassy in Moscow* | August **HANNING** *Pluteos AG* | Reiner **HARTMANN** *Uniper Global Commodities SE* | Martin **HOFFMANN** *German Russian Forum* | Anna **KUCHENBECKER** *European Council on Foreign Relations* | Alexey **KUZNETSOV** *Institute of Scientific Information for Social Sciences* | Vasily **KUZNETSOV** *Institute of Oriental Studies (Russian Academy of Sciences)* | Armand **LAFERRERE** *Orano* | Arnaud **LE FOLL** *Total E&P Russia* | Francois **LE GOFF** *Club of Three* | Jean-David **LEVITTE** *Rock Creek Global Advisors* | Michael **MACLAY** *Club of Three* | Margarita **MATHIOPOULOS** *ASPIDE Group* | Anne-Elisabeth **MOUTET** *Daily and Sunday Telegraph* | Baroness Pauline **NEVILLE-JONES** *House of Lords (UK)* | Victoire **NEWMAN** *Gragus Ltd* | Alexey **PUSHKOV** *Russian Senator (Perm Krai)* | Frank **PRIESS** *Konrad-Adenauer-Stiftung* | Emmanuel **QUIDET** *French Chamber of Commerce and Industry* | Norbert **RÖTTGEN** *Foreign Affairs Committee, Bundestag* | Sergej **RUBINSTEIN** *Pluteos AG* | Mikhail **ROSTOVSKIY** *Moskovsky Komsomolets* | Frank **SCHAUFF** *Association of European Businesses* | Alexander **SHOKHIN** *Russian Union of Industrialists and Entrepreneurs* | Maxim A. **SUCHKOV** *AI-Monitor* | Pasquale **TERRACCIANO** *Italian Ambassador to Russia* | Ivan **TIMOFEEV** *Russian International Affairs Council* | Boris **TITOV** *Presidential Commissioner for Entrepreneurs' Rights* | William **WELLS** *Rothschild & Co*

SATURDAY 18 MAY

SESSION II – SYRIA, US DISENGAGEMENT AND THE WIDER MIDDLE EAST: WHAT PROSPECTS FOR THE FRAGILE REGIONAL BALANCE OF POWER?

Chair: Jean-David Levitte

Speakers: Maxim A. Suchkov | Igor Delanoë | Joachim Bitterlich

The Middle East was by far Russia's most successful foreign policy area. There were no obvious breakthroughs in its dealings with Asia and, as previously mentioned, relations with the West remained tense. But through its Syrian campaign it had managed to break its isolation due to sanctions over Ukraine and Crimea, stabilise Assad's regime and put an end to territorial threats from ISIS. As a result, Russia had become a key player in the region, even more so now that the US had announced its disengagement from Syria.

Did Russia had a strategy for the Middle East or was it simply being opportunistic? There was from a European point of view no clear answer. The US knew what it did not want: Russia taking the lead on security issues, Iran as a regional leader and China occupying the economic terrain. But it did not have a plan for what it wanted to achieve.

As far as Europe was concerned, there was real interest in engaging with Russia on security in Syria as the risk of more refugees crossing EU borders was still very high

Some participants noted that the US and Russian approaches to the Middle East were quite similar in the sense that they were both currently seeking to gain high returns from low investment. Right now, Russia seemed to be benefitting more from this.

Russia was starting to develop long term economic ties with the region, first and foremost through the arms trade. But it was also looking to export agricultural goods such as wheat in anticipation of the climate

Bottom (left): Ivan Timofeev (Saturday sessions)

Right: Maxim A. Suchkov



challenges that the Middle East was facing. Water supplies and the energy field – particularly power production – were other areas in which Russia was seeking to make a contribution.

The situation with Iran was also addressed during this session. Iran’s decision to suspend its commitments under the 2015 nuclear agreement earlier in May had raised great concerns about an imminent conflict with the US. Some of the participants believed that President Trump’s statements that he did not want war with Iran were sincere. However, Iran’s own intentions were less certain.

A proposal to ease the crisis was offered by one of the Europeans. Since no EU company was willing to stay in Iran due to the threat of secondary sanctions from the US, Russia could step in by buying more oil and gas from Iran in order to help its economy. In return, Europe would buy the same quantity of oil and gas from Russia.

One of the German participants suggested a different approach: The Europeans should work with the Americans to find a solution. There was no point in trying to resuscitate the Joint Comprehensive Plan of Action (JCPOA) which many believed was completely dead. But Iran might be persuaded to come back to the negotiation table if the Europeans and Americans, with the help of Russia, proposed a broader package including other regional issues of strategic importance such as Yemen.



Top: Mikhail Rostovsky

Bottom: Anna Kuchenbecker (right) and Beate Grzeski during the coffee break

SATURDAY 18 MAY

SESSION III – ENERGY AND BEYOND: HOW CAN EUROPE AND RUSSIA FURTHER THEIR ECONOMIC INTERESTS IN AN ERA OF SANCTIONS?

Chair: Frank Schauff

**Speakers: Oksana Antonenko | Arkady Dvorkovich
Reiner Hartmann | Boris Titov**

The third and final session looked at possible ways of strengthening economic cooperation between Europe and Russia in areas not affected by sanctions.

The Russian economy was predicted to grow by about 1.5% in 2019 although the tax increases introduced at the beginning of the year had temporarily dented this growth. But this tax hike was there to finance an ambitious infrastructure programme that would help boost the economy in the coming years. Investment in education and healthcare were other key priorities for President Putin. This was a sign that Russia was serious about economic reform and modernisation. At present, most of the growth was still coming from the energy and manufacturing sectors.

Infrastructure modernisation was not just a priority for Russia. It was also of particular interest to the EU in relation to the Chinese Belt and Road Initiative, as Russia was situated between Asian and European transport corridors. Much needed to be done to improve the Russian road network. Without its involvement, the BRI project would not succeed.

Innovation was another area where Russia was seriously investing. One of the Russian participants noted that the technology and digital sectors had rapidly grown in the past decade, with a total of about 5,000 start-ups today compared with 2,000 in 2008, and hundreds of thousands of jobs created. Many of these start-ups were located at the Skolkovo innovation centre in Moscow. They



Left: Arkady Dvorkovich and Jean-David Levitte at the start of session III



Right: Boris Titov (speaking) and Reiner Hartmann

had the potential to develop high value products with a global reach.

According to one of the Europeans, Europe was going to remain one of Russia's key partners despite sanctions and ever closer ties between Moscow and Beijing, in part due to the quality of its direct foreign investments. All of the major brands were present in Moscow. Over the years, European FDIs had brought some of the best technologies to Russia, helping to modernise parts of the Russian economy. This made Europe a very attractive and competitive compared to others.

Several Europeans supported the idea of the European Bank for Reconstruction and Development (EBRD) resuming lending to small and medium-size enterprises. Freezing new investments in Russian SMEs since the Ukraine crisis and annexation of Crimea had been a mistake. Unlike big conglomerates, Russian SMEs had no links to the regime and should therefore not have been subject to sanctions. Supporting them had contributed to the growth of a Russian middle class and independent economic sector aspiring to meet EU standards. Their situation had stalled and even deteriorated since the EBRD's decision.

Others pointed out that the US-China rivalry represented an economic opportunity for Russia as some European companies were starting to consider moving some of their supply chains there in order to reduce their exposure in China. This was facilitated by the fact that the cost of labour in eastern Russia was becoming cheaper than across the Chinese border.

CONCLUSION

The world had much changed since the beginning of the century when the Club of Three explored through its AMEURUS initiative whether norms of common behaviour, and even possibly a community of values, could be established between America, Europe and Russia. Relations with Russia had come to a complete standstill. At international level, the rules-based order was being replaced by a much more uncertain global context dominated by great power competition.

Strategic cooperation in key areas of common interest for Europe and Russia was the best way forward for the time being. Small steps in Ukraine would help. The rapidly growing Russian technology sector seemed to offer potential. European investment in SMEs could be a significant lever of growth in the country. But the EBRD freeze on these investments was still in place. There was also some interest in a dialogue on the Middle East, especially since Iran had suspended its commitments under the JCPOA process.