RUSSIAN FEDERATION
2012

Short-term prognosis
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INTRODUCTION

Dear colleagues,

Dealing with Russia has never been boring and it appears to be all the more interesting this year. Although the Parliament elections at the end of 2011 and the presidential election in spring 2012 do not promise big surprises, they are certain to offer many exciting nuances. Several new facets have been added to an already multifaceted Russia during the last year, both domestically (various civil initiatives) and internationally (e.g., reaction to the Arab Spring).

First of all, though, I wish to express admiration for my fellow co-authors for the predictive power they demonstrated in the previous symposium. The majority of processes went exactly as described in *The Russian Federation 2011*.

In particular, I have to thank Mr Erik Terk, the Director of the Estonian Institute for Future Studies, for the following generalisations. He has evaluated the “hit rate” of our prognosis for many years and stated on several occasions that the general precision of the predictions stays within 60–70%. Quite good, is it not?

To continue with acknowledgements, I must also express my appreciation to Open Estonia Foundation, our most generous sponsor that has supported several of our projects. The most educational of them have probably been the Tartu Meetings – a series of joint discussions between the analysts, experts and free thinkers from Russia and the neighbouring states and their Estonian colleagues.

As before, the publication of this symposium was supported by the Estonian Foreign Policy Institute (in addition to the much appreciated contributions of its employees as co-authors). Additional support was provided by the European Parliament’s Group of the
INTRODUCTION

Alliance of Liberals and Democrats for Europe whose representative MEP Ms Kristina Ojuland also contributed as a co-author.

The Centre for EU-Russia Studies (CEURUS) was established at the University of Tartu in 2011. The Academic Centre for Baltic and Russian Studies (ABVKeskus) has been active since 1997 and participates in the work of the new centre, contributing to its forecasts, Tartu Meetings, podcasts and media reviews in addition to the publication of related research on its website www.ut.ee/ABVKeskus, discussions in the mailing list (which currently boasts approximately 70 members) and other activities.

Naturally, I should like to express my appreciation to Mr Andrei Krashevsky, who translated parts of this symposium, and to Tartu University Press publishing house – our collaborators in the publication of this series for several years.

It goes without saying that my deepest thanks belong to alma mater – the University of Tartu which has been the host to all these wonderful events.

Finally turning back from the important but not so interesting issue to reader acknowledgements and to our main object of interest, i.e. Russia, I wish to repeat what I said at the beginning. Russia and its developments are interesting and the researchers of Russia can never be bored. It is true both for purely academic or applied researchers, for generalising experts and narrowly focused specialists – many processes take place in Russia and these processes are sometimes contradictory. It is a mess of persons and ideas, success stories and conflicts. Therefore, my dear colleagues and readers, we all have much to do.

I wish you a pleasant and interesting reading! The Russian Federation 2012: A Short-Term Prognosis should supply it in abundance.

Karmo Tüür
Academic Centre for Baltic and Russian Studies, Director
December 2011
EVALUATION OF THE LAST PROGNOSIS

Erik Terk

With the primary geopolitical tension sites and key issues for the world policy makers having shifted to other locations (the rise of China, the potential conflict hotspots in Asia), Russia having clearly passed the nadir of economic crisis and the political opposition being marginalised, most of the authors of the short-term political forecast Russia 2011 did not consider dramatic events in Russia or related to it, either positive or negative, very likely this year. Time showed that they were quite right about it. However, one year later we can view the situation in a slightly different light. While during the building of the forecast several forecasters hoped, more or less cautiously, for a rift in the Russian political elite between the supporters of the more Westernised Medvedyev and the more pro-imperial Putin, but the emergence of the civic society was considered less likely, the hopes seem to have exchanged their places at present, following the “casting” manoeuvre with the premier’s and president’s posts at the top, the parliamentary elections and the spontaneous protests against the election fraud.

We shall begin the review of the forecasts and their realisation with the domestic processes in Russia, economic, social and political developments.

R. Vare’s economic forecast outlined the likely and not particularly favourable developments in the Russian economy like
continuing growth model based on the sale of natural resources, probable slowing of high-tech oriented modernisation process, increasing imports, problems with controlling inflation, the high cost of credit for firms, the shrinking of the state’s financial reserves. He emphasised that a large share of investments pertains to investing in the state-owned infrastructure and that the state’s policy favours especially the development of large corporations and their conglomerations in a number of sectors rather than the development of entrepreneurship in general. Among the infrastructure projects, he predicted progress with the North Stream gas pipeline and the Ust-Luga oil terminal, both being a long-term concern for Estonia. All these developments became a reality. R. Vare estimated the 2011 economic growth to reach roughly four percent while the actual figure should remain between 4 and 5 percent; the precise amount will depend on the results of the last couple of months of the year, which were characterised by a slowing of economic growth.

A doubtlessly interesting process is the privatisation, which has again become topical in Russia. While during the economic crisis privatisation was carried out primarily for fiscal considerations, it is presently presumed that the goal, besides earning revenues to the budget, is the improvement of efficiency by turning over the enterprises to private capital. R. Vare describes this process as privatisation to friends or privatisation at friendly price and states that this results in the enterprises being turned over predominantly to business groups close and loyal to the state/Putin. It appears that a more comprehensive idea of the progress of the current wave of privatisation in Russia can be gained only next year or later. It is primarily about the extent of the privatisation and whether the state will attempt to retain opportunities to continue participating in the control of the enterprises’ activities in the post-privatisation period.

An economic growth of roughly 4–5 percent, especially with the current developments in the world economy, cannot be considered
underperforming in itself. The state budget has surplus, the use of industrial enterprises’ capacity has returned to the pre-crisis level. The population’s purchasing power has increased as reflected by the significant growth of car purchases, for example. One could conclude that reality has proven better than the forecast by R. Vare. This could well be right in the short-term perspective yet most Russian economists and experts are quite pessimistic about the future of economy. The signs of danger are actually the same ones already discussed at length: the low significance of modern sectors in the structure of Russia’s economy and export (approximately as high as in India and lower than in China and Brazil), low saving and investment rates, corruption in economy, capital flight, weak small and medium-size entrepreneurship, large income gaps slowing the growth of the domestic market’s purchasing power etc.

Russia escaped from the economic crisis relatively unharmed thanks to having created large financial reserves before the crisis began and having managed to liquidate the governmental debt. The situation is worse at present, in the post-crisis period. The state spending increased during the crisis and it is likely that the revenues level of the coming years will not allow their continued financing, while cutting the spending would be extremely difficult. The general tax level actually declined during the previous period, not due to particular success of the economic policy, but thanks to the relative simplicity of taxing the fuel and raw materials’ revenues compared to other taxation. The beginning of 2011 already saw the rise of the enterprises’ tax burden. The outlook of the fuel and raw materials market is not entirely positive either; it is feared that the EU demand for Russia’s natural gas probably would not fully recover. Meeting China’s energy hunger is an important chance for the future, but building the corresponding infrastructure will take time.

The forecasters (V. Morozov, A. Alexeyev), when assessing the domestic political processes, were unanimously pessimistic
regarding the chances of political parties to play an important role in Russia in the near future. The forecasts presumed that the oligarchic party system will continue operating and no real political competition will emerge there. The only question would be the ability or failure of the ruling United Russia (Yedinaya Rossiya) party to win constitutional majority after the parliamentary elections. It was stated that the bureaucratic apparatus obstructs the opportunities of the opposition parties and the emergence of new political parties. The likelihood of fraud of the election results was also hinted at (V. Morozov) and the forecasters predicted that the smaller parties would fail to reach the parliament. As we presently know, these forecasts were unfortunately realised. The assessment of A. Alexeyev on the chances of the political parties, including the opposition parties, to play any noticeable role was even more pessimistic: the Russian citizens’ least likely course of action would be the realisation of their interests via political parties. It could happen, in his opinion, via some protest movements, but even that alternative would not be very significant in 2011. The judgment on whether the latter assessment was too pessimistic will depend on how significant the year’s-end protest actions over the election fraud are viewed as, and whether one can believe that these actions could lead to some positive dynamics, resulting in a more distant future in the restoration of real political competition.

The forecasters were more concerned with the hidden processes within Russia’s pyramid of power than with the parties’ contest; the issues included the top-level power shifts (Putin versus Medvedyev) and the question of the centre-periphery relations, which is vital for a country with a territory like Russia’s.

Regarding Putin-Medvedyev the forecasters presumed a potential opportunity for the emergence of political competition, yet the authors disagreed over the likelihood of an open rift. R. Lang presumed that some “friction” between the two centres of power and
role conflicts would emerge for purely objective reasons and that the
difference between the president’s legal and the premier’s secret
services backgrounds would increase the likelihood of rivalry. In
case of an emerging confrontation it could be presumed that Med-
vedyev would be supported by the economic circles interested in
legislative stability and the Russian youth with pro-Western views. V.
Morozov was more cautious in his forecast. He did not consider
open rivalry between Medvedyev and Putin particularly likely, at
least in 2011. Defining clearly his political positions and doing it in
the beginning of the year, due to the logic of the political calendar,
would have meant opposition to Putin and that would have been a
very risky tactics for Medvedyev, especially as he, contrary to Putin,
does not possess sufficient control of the mass media.

Morozov, although admitting that nothing prevents Putin from
taking the president’s post at the next election, operated in his
forecast with the option that Putin could fear the decline of his
image as the “all-national leader” and therefore support Medved-

eyev’s second term. Obviously the price of this move would be loyalty
to his person. However, that would significantly undermine Med-
vedyev’s motivation to act as an independent political leader. It is
possible that this logic was actually considered in the first half of the
year, yet the alternative chosen involved the “castling” of the pre-
sident’s and premier’s posts.

As for Russia’s evergreen issue of regions, it is necessary to diffe-
rentiate between the problems of maintaining control over North
Caucasus and the operation of the “power vertical” regarding other
regions. A. Ventsel emphasises that the dependence of regions on
Moscow has generally strengthened during the economic crises (in-
creased subsidies), while the retirement of Luzhkov sent a clear
message to the regions about the prospects of too self-willed leaders.
Therefore A. Ventsel pointed out some changes in the Moscow-
regions relations during Medvedyev’s term of office, but did not
ERIK TERK

expect major breakthroughs or conflicts. The forecast was vindicated by the actual turn of events. However, the situation in the North Caucasus regions is quite different and very much strained. Moscow has so far controlled the situation with large subsidies and in some cases by effectively handing over power to loyal clans. But this tactics, as J. Piirsalu points out, cannot be sustainable indefinitely. Money from Moscow predominantly ends up in the hands of the local corrupt elite rather than the population and a likely result is the increasing activity of Islamic radicals criticising the corruption. No such dramatic change took place in 2011, but it cannot be claimed that the developments did not proceed in that very direction.

As for foreign policy, most forecasters expected an improvement of Russia’s relations with the West in 2011, both at the level of the key Western nations, the NATO and at EU level. Improvements in relations were forecast by T. Lumiste (Russia – NATO), K. Noormägi (Russia–Germany), M. Kanarbik (Russia–Nordic countries). V. Varjas and H. Lõbu were optimistic about Russia’s relations with Italy and Spain respectively; it is true that both countries have had traditionally close relations with Russia. A. Lobjakas forecast that no major changes would occur in Russian-EU relations in 2011, yet it could become a year of important preparations for significant improvements in a more distant future (visa-free travel, Russia’s involvement in the so-called European security architecture). It is true that other authors besides T. Riim did not predict dramatic changes in relations with Russia in 2011, but did expect moderate developments towards improvement. T. Lumiste, for example, stated that a rapid improvement of Russian-NATO relations could only occur on the background of a dramatic event, e.g. a conflict involving Iran. It was speculated, whether an improvement of the Russian-EU relations could lead to Russia’s more positive behaviour in the regions of the so-called frozen conflicts (Transnistria, Abkhasia, South Osetia, Nagorny Karabakh). The answers varied
from negative opinions to prognoses that some demonstrative moves of goodwill could be expected as long as these would not contradict Russia’s interests of controlling the situation. In reality, however, no positive shifts took place in that area.

The article by E. Tulvik on Russian-US relations should be pointed out among other forecasts. The author views the year 2010 as rather marking a new stage in arms race and recalls in that connection some aggressive and self-confident statements by Russia’s leaders. The USA has neglected Europe due to its other problems, but if it can withdraw from Iraq and Afghanistan it will again be able to pay sufficient attention to Europe. According to E. Tulvik, in such case a rather forceful confrontation could be expected in this region. Since these preconditions (regarding Afghanistan) were not met, we obviously cannot verify the validity of the forecast. It seems, however, that the author’s entire construction had been based on a perception of the situation, which significantly differed from that of other experts.

Regarding Middle East it was forecast (S. Mikser) that Russia would more or less cooperate with the West in that region and would rather take care of its energy interests than display major political activity. As for relations with China (M. Lää nemets), it was predicted that cautious cooperation would continue with energy carriers playing the central role; broader forecasts presumed the continued strengthening of China’s positions in Eurasia with Russia being unable to do much about it.

Did reality validate the positive forecasts concerning relations between Russia and the West? Yes, at least as far as there were no significant setbacks. Some authors predicted that Russia could launch an anti-Western (and/or anti-Baltic nations) campaign before the parliamentary elections. This failed to materialise in a noticeable volume, but a cynical explanation would be that there was no need for it with the elections being decided by another method,
fraud. Russia’s response to the Western intervention in Libya was actually unexpectedly tolerant, possibly due to the primary initiators of the intervention being European countries, France and Italy rather than the USA. On the other hand, Russia allegedly sent signals regarding Syria that it would not repeat such moderate reaction.

What was forecast regarding the Russian-Baltic states’ relations considering all mentioned above? K. Tüür pointed out that Russia’s policy towards the Baltic states has become significantly more flexible and softer and predicted, considering this background, that Russia could undertake quite important moves towards Estonia in 2011 outlining the improvement of relations. As for Latvia, the author of the forecast (A. Kudors) pointed out a certain positive effect of President Zatlers’ 2010 visit on relations with Russia and the Russian firms’ increased investment activity in Latvia. Yet the author remained quite skeptical in his forecast, expressing concern over Russia’s new attempts of making trouble and manipulating. A. Gražulis cited success in the realisation of some Latvian-Lithuanian cross-border projects, but was not particularly optimistic either. He presumed that issues related to the energy sector would be very important in Russian-Lithuanian relations in 2011.

The reality of Russian-Baltic relations in 2011? The dynamics as a whole has been positive rather than negative, in economic relations rather than in political ones. Yet the political relations have not seen major setbacks even though there has been no significant progress either. However, no important positive initiatives regarding Estonia, as predicted by K. Tüür, e.g. reopening of the border treaty issue, took place. The effect on Russian-Latvian relations of the dramatic events in Latvia’s domestic affairs, the early elections and the omission of the Harmony Centre from the new government will become apparent after some time.

Issues pertaining to economy as well as foreign policy are Russia’s admission to the WTO, the launching of the customs union
of Russia, Belarus and Kazakhstan and further development prospects of the union.

The **WTO accession** was a long-awaited and long-delayed process. The forecasters (K. Arujoja, O. Kokoulina) did not dare to make definite statements in their 2011 prognoses and considered the likelihood of accession 50:50. It appeared, however, in December 2011 that the process was finally completed and Russia had a clear path to WTO. It can be expected that there will be no problems with the ratification of the document in the Russian parliament next year.

The authors of the article analysing the prospects of the WTO accession concentrated quite seriously on the issue of whether Russia is ready to join the organisation and does it actually want to join. It seems, however, that the most confusing issue in the final stage of negotiations, besides getting Georgia’s acceptance, was not Russia’s difficulties in determining its decision or stage of preparedness, but the fact that the WTO accession was related to another issue, that of forming the Russian-Belarus-Kazakh customs union. The terms and transition periods acceptable to Russia had been agreed upon as Russia at some stage suddenly raised the issue of the three countries’ common negotiations with the WTO. This was an issue in no way compatible with the WTO negotiations format. Although Russia soon withdrew this demand, it was clear that the discussing of the additional issues related to Belarus and Kazakhstan slowed the process to some degree. Russia in fact did not have a real alternative to accession in 2011. Remaining outside the WTO as the sole major economic power would have been totally irrational.

Creating the **customs union** between the three countries was actually a subject undeservedly neglected in the 2011 forecast book. This issue was briefly treated in the chapters concerning Kazakhstan and Ukraine, while the forecast on Belarus ignored it completely. It could be argued, on the one hand, that launching the customs union, even though the harmonisation of the corresponding legis-
lation is still incomplete, was a definite achievement, effectively the first successful integration project among a number of initiatives undertaken in the CIS area. Although the integration potential of the three countries cannot be considered too high as several economists point out, it does improve the opportunities for developing industry and transport, as well as increases the attractiveness of the economic area for outside investors. The prospects for expanding the customs union and developing it into a single economic area are more complicated. As viewed at the end of 2011, the issue of new members seems still quite open. It is increasingly apparent, however, that Ukraine, despite the seemingly suitable change of power in Russia, wants to retain its independence. It is willing to participate in some integration projects useful for it, but does not agree to join any alliance controlled by Russia (the functional approach to integration). As for the movement from the customs union towards in-depth forms of integration, the EU experience shows how complicated that issue is and which resources it requires.

Although Western political analysts frequently tend to view the Russia-Belarus-Kazakhstan integration project according to the closed model, as an attempt to create a Russia-centred separate economic world, there are numerous reasons for questioning that interpretation. First of all, Russia as the key member of the integration association is joining the WTO; it therefore makes little sense talking about a closed association. Secondly, even in the initial stage of forming a new economic association discussions have started about the mechanisms and treaties for future integration of the new association into another, more powerful organisation, the EU.
INTERNAL
DEVELOPMENTS
This chapter is being written at a moment when Russia’s political system is on the verge of a potentially very radical transformation. As we predicted in our previous prognosis, 2011 has been dominated by the parliamentary elections, which took place on 4 December 2011, and the question of presidential succession (the presidential elections are scheduled for 4 March 2012). Overall, the events developed in accordance with the scenario that we described a year ago as the most likely one. Vladimir Putin essentially nominated himself as a presidential candidate and offered Dmitry Medvedev to become the next prime minister. The Duma elections produced a result that we predicted, with the same four parties remaining in the parliament. United Russia (UR) lost its constitutional majority in the lower house, but was still able to get 238 seats out of 450 (preliminary figures), thus preserving full control over the legislative process.

Making sense of the unexpected

There are indications that this outcome was not predetermined. The creation of the Popular Front (PF) by Putin in May 2011, with a clear mission to secure victory in the Duma campaign, may be interpreted as an indication of his intention to lead the “party of power” through the elections. However, by the end of the summer the PF had all but disappeared from the media spotlight, as Putin was
clearly trying to distance himself from UR. The first place on the UR’s list was assigned to Medvedev, thus making him officially responsible for the results of the elections. After the vote, Putin suddenly decided to reinvigorate the Front by declaring that his presidential campaign will rely on the PF rather than UR. It is clear that he is trying to distance himself from the party even further.

This was not at all surprising in view of the extremely poor showing of UR at the Duma elections – it dropped below the psychologically significant barrier of 50 per cent (the final official result was 49.32 per cent). Moreover, this happened despite the unprecedented violations of all sorts, from putting pressure on the “dependent voters” (the military, school teachers, municipal officials, etc.) to outright falsification. Social networks and other web-based resources immediately made public a vast amount of evidence of fraud.

Even more surprising was the civil society reaction to the elections: for the first time in decades, there were mass protests across Russia. The scale of the demonstrations probably confirms that huge numbers of people indeed voted against UR, and that even the relatively low results were achieved by putting all available resources to full use. This makes one wonder whether the “vertical of power” is still capable of delivering the most important outcome of this election cycle – making sure that Vladimir Putin is elected president in the first round.

The prospects for the presidential elections

One minor prediction in our last year’s prognosis that proved to be wrong was the timing of the announcement of Putin’s candidacy for the presidential elections. We believed that he would keep the suspense for as long as possible, and declare his intentions when the Duma campaign is in full swing. Unfortunately for him, Prime
MINISTER Putin did not read our prognosis and decided to announce his candidacy relatively early – two months earlier compared to 2007. This was probably done in order to boost the UR Duma campaign, but it had the opposite effect. We do not yet have any “hard” data (such as opinion polls), but monitoring of the debate suggests that the announcement of the swap-over within the tandem was a huge disappointment for the majority of the Russians and became one of the key factors behind both the mass voting against UR and the post-election protests. People are tired of Putin’s “stability”, which they increasingly see as stagnation, disappointed with the fact that the current system blocks vertical social mobility, and want to see at least some new faces at the top.

Yet even with this disappointment and mass mobilisation, Putin remains a very strong candidate. Many people would in the end hesitate to vote against him out of fear that the unknown future might prove worse than the familiar stagnation. Putin will definitely exploit this fear in his campaign. A crucial factor would be the absence of any strong alternative candidate – all oppositional leaders, both systemic and radical, would inevitably divide the electorate if they are seriously considered as candidates. At some stage it appeared that Medvedev could present a soft liberal alternative that would be acceptable to a wide range of political forces, at least as a second best choice. By now, however, being exceedingly loyal to his senior partner, the current president has discredited himself as the national leader. Against this background, even the question whether he is indeed going to get the premiership after the March elections, or will simply be dumped by Putin, becomes insignificant.

Taking all these factors into consideration, we would estimate that the second round of the 2012 presidential elections is possible, but not very probable. However, the very need of posing this question indicates that there are other, and potentially even more significant, issues on the horizon.
Stability vs. reform

The degree of mass mobilisation after the Duma elections clearly points towards an “orange scenario” for Russia. Even if the protests do not succeed this time, the pressure on the authorities will continue to increase. The period when most people were willing to trade in their freedoms in exchange for stability is over. Even while the opposition is unable to agree on a single presidential candidate, the demand for democratisation is shared by a large majority and becomes ever more vocal. Preserving the status quo is increasingly difficult.

In principle, it is not impossible that the Russian elites and Putin himself recognise the need for a change and initiate a gradual democratisation. Another option is to crush the dissent by brutal force, moving from soft to hard authoritarianism. In this case, however, they run a serious risk of provoking an “orange revolution” or even a civil war.

So far, the Kremlin has tried to “sit through” the trouble by pretending that nothing important is happening. Most probably, this tactics will be successful this time, but it cannot be relied upon forever. Unreformed political system also means unreformed economy, which would continue to function as a supplier of oil not just to the West, but also to the East. Having missed the chance to reform the political system when it is still relatively stable would make Putin hostage not just to his security forces, but also to the global oil prices. Thus, a choice for stability now would mean greater instability in the future, when the state is no longer able to buy the people’s loyalty. Given the volatile state of the global economy, this future may come very soon – if not in 2012, then it is a very likely scenario during the next presidential term.

* * *

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POLITICAL SYSTEM

To sum up, we would predict that Putin will stay on the top by winning back the presidency, mainly due to the inability of the opposition to come up with a single candidate. He will not risk with any major repressions, neither with a further crackdown on political freedoms, nor a far-reaching reform. The political system might become more open and less centralised – indeed, the first move towards decentralisation, the return of the gubernatorial elections, was announced on 15 December. At the same time, the authorities will closely monitor the development of civil society, including web-based activism, and use “high precision” repressive measures against the most vocal members of the opposition. In spite of that, the degree of political mobilisation will continue to increase, and we are likely to see more protests on the local and national issues. It looks like after a decade of depoliticised stability, politics in Russia is back.
In my opinion, legal developments in Russia in 2012 will be determined by several major factors.

Obviously, the hottest debate will be held about the amendment of civil law. A conflict between the “civilians” (well-known lawyers who drafted major amendments and restructured the Council on Codification and Improvement of Civil Law) and the “lobbyists” (authors of an alternative draft submitted by the Ministry of Economic Development and a number of business lawyers protecting interests of big business) that broke out in 2011 will reach a new stage.

Above all, an issue of on which stage the state should exert the main control over business will be debated at: the “entry” (raising the minimum investment threshold for the registration of legal persons, enforcing notarisation of all corporate actions, imposing certain limits on the freedom of contract, increasing transparency of company affiliations etc.), as the civilians believe, or the “exit” (toughening the responsibility for malpractices combined with an absolute freedom of action for shareholders, granting a number of substantial powers to “affiliated persons who are not shareholders”, a wider application of the party autonomy principle to the choice of applicable jurisdiction in legal relations involving foreign participation, and general liberalisation of corporate regulations), as advocated by the lobbyists.
Second, special courts on intellectual property rights, established at the end of last year, will open in 2012. Review of disputes arising from decisions of Rospatent [the Russian Federal Service for Intellectual Property, Patents and Trademarks] and disputes about intellectual property arising from the decisions of the antitrust agency by special (patent) courts will facilitate a much-needed uniformity of court practice in this category of cases. Promotion of an idea favoured by the top brass in arbitration law concerning further specialisation of courts in the area of economic disputes and widening of arbitration courts’ competence (at the expense of courts of general jurisdiction) by way of transfer of disputes arising from legal relations in the areas of taxes, customs, financial market, investment and antitrust activities to the jurisdiction of arbitration courts may be expected.

Third, in all likelihood, efforts will be made in 2012 to establish a system of administrative court procedures as provided for in Russia’s Constitution which is supposed to broaden and simplify opportunities of private persons in their disputes with the government.

Fourth, the Supreme Arbitration Court is likely to continue to defend its position outlined in recent years which supports the introduction of elements of case law into Russia’s legal system. Arbitration courts will be more active in applying previously established legal positions to similar cases.

Considering the fact that the state is the largest investor in Russia’s economy, the fifth factor is a set-up and introduction of the Federal Contract System. It should replace the discredited system of public procurement, improve transparency and reduce corruption in tender procedures.

Six, in 2012 I expect further liberalisation of criminal law (above all, in relation to perpetrators of economic and, in particular, tax crimes) in the form of decriminalisation of certain offences,
lighter sentences and fuller protection of rights of suspects and indictees.

Seven, certain changes are also expected in Russia’s law of criminal procedure. In particular, a possibility has been discussed to replace the institution of disinterested witnesses during the performance of investigatory actions with procedural recording of such actions using technical means.

Eight, implementation of several proposals by the Ministry of Justice with regard to the penitentiary system (replacement of penal colonies with prisons; inclusion of pre-trial detention time into the term of the sentence with a higher co-efficient; establishment of probation service to ease social adaptation of released convicts etc.) may significantly change the legal landscape.

Nine, a reform of notaries vesting in notaries new powers with regard to certification of deeds (including real property and corporate contracts) and a broad authority in the area of legal aid (collection of documents, verification of their authenticity to confirm that the subject of a contract is legally clean, filing of documents for the registration of rights etc.). The res judicata doctrine will be applied to notarised documents. At the same time, financial control over notaries by the state will be tightened.

Other important factors include the ratification of the Treaty on Eurasian Economic Commission – the first supranational integration institution in the CIS area; changes in national law that Russia will be forced to introduce in the case of its accession to the WTO; specific measures that Russia must take in connection with the obligations arising from its recent accession to the OECD Anti-Bribery Convention; development of an online service for filing complaints with arbitration courts in an electronic format; a possible transfer of the state registration of legal persons and sole proprietors from tax inspectorates to the Ministry of Justice.
Moreover, the authority of the Federal Bailiff Service may be expanded in 2012 with a corresponding reduction of functions performed by private collector agencies which may be reduced to the role of an intermediary between creditors and the Federal Bailiff Service.

Finally, infighting is likely to continue within the legal community concerning the introduction of a monopoly on many types of legal aid and, above all, representation in legal proceedings for lawyers with the advocate status, as planned by the Ministry of Justice.

On the whole, many trends that characterised the legal development of Russia in 2011 will continue into 2012. At the same time, a new looming political cycle will surely bring some changes. Whatever the result of the election, the incumbent president is leaving the office. It should be noted that Dmitri Medvedev – because of his educational background and previous occupation, as well as due to the unofficial but strictly followed “specialisation” in Russia’s ruling tandem – prioritised the area of law. Consequently, those processes in Russia’s legal development (e.g., “liberalisation” of criminal law and criminal procedure law, as well as certain institutional reforms) that received an extra boost during Dmitri Medvedev’s term may lose momentum or altogether stop under the new conditions.
The previous forecast of developments in the Russian economy in 2011 proved generally correct with a minor reservation that some specific events or their effect somewhat differed from the prediction.

The major determinants of Russia’s economic prosperity – the prices of natural resources, especially oil and natural gas – grew higher than predicted, thus further strengthening Russia’s fiscal position. The prediction of a sharp increase in social spending before the 2011/2012 elections, especially regarding salaries and pensions with the emphasis on security or military services, was also correct. Nevertheless, a higher-than-predicted increase of the prices of natural resources prevented the corresponding draining of Russia’s reserves. On the contrary, Russia’s international reserves reached the new high at USD 580 billion.

The inflation rate (9.5%) surpassed the predicted 8%. The Central Bank has not raised the refinancing rate and, therefore, brakes to the growth of the credit market were not applied as predicted. The credit market went through a certain restructuring as the access to credit for strong companies or those enjoying a political support was eased, while retail loan conditions worsened, limiting opportunities for natural persons and small businesses. It was caused by crisis-related banking rules, rather than by the policies of the Central Bank or inflationary pressures. This situation will continue into 2012.
The prediction that the new president would be made known before the end of the year was also correct. At the same time, the unexpected departure of Finance Minister Alexei Kudrin hints at possible future problems in public finances, even if the current situation is tolerable. The amount of spending promised in the heat of the election campaign (including the overambitious rearmament program) may exceed the available means and burn a record amount of reserves within a couple of years. Anyway, the balanced budget argument will continue to be used in official rhetoric in connection with privatisation.

The predicted large-scale privatisation on the basis of a 3-year program started with a certain delay, probably because of the elections as (big) privatisations are not particularly popular with the Russian public opinion. Nevertheless, the freight operator of the Russian Railways has been privatised – once again with the competition of two Russian oligarchs. This time Gunvor decided to step aside (supposedly because of political “advice”) and the company was sold almost at the starting price to Vladimir Lisin, who is considered Russia’s richest man (according to Forbes). The privately owned share of port and airport assets has been gradually growing; the circle of owners of mass media assets has been also changing towards “more reliable and state-friendly” owners.

Planned IPOs, including those of banks and several big state-owned companies, have been postponed because of the crisis. Considering the situation in the world, it is difficult to expect many IPOs in the major Western markets in 2012 as well. However, it is entirely possible that some natural resources company will go public on an Asian equity market. A prediction that big (especially state-owned) companies with investment capabilities would continue an aggressive takeover of assets from their debtors or private owners who were facing difficulties, was also to the point. However, the forecast was wrong specifically about Mikhail Prokhorov who left business – at
the Kremlin’s urging – and was subsequently shamefully pushed out from this position.

A prediction of fears among the Russian businessmen in connection with the president’s “comeback” and, consequently, the desire to defend their assets, turned out to be correct. Since the transfer of capital through the foreign exchanges was difficult – although not impossible – because of the crisis, capital flight became the main capital outflow channel which pointedly intensified immediately after the announcement of the “new old” president in the fall of 2011. In 2012, it will continue even in larger proportions because of the fear of an increased pressure on ordinary companies from security services associated with the new president. However, the outflow of capital will be balanced by new big investments from large international corporations into the natural resources industry, especially in oil and natural gas production.

The GDP growth forecast was close to the actual situation (4% vs. 4.5% according to the IMF). This growth was mostly based on increased export prices and investments into infrastructure in the natural resources industry, rather than on domestic consumption. At the same time, the non-oil deficit of the state budget already reached 11% and should continue to grow in 2012 when the economic growth is expected to stay within 3–4%.

As predicted, Nord Stream has commenced with the operation of its first pipeline and will continue the construction of the second one which should be completed in 2012. Other pipeline projects will also continue with the exception of South Stream which is hampered by delays while Russia, helped by France and Italy, has been trying to secure EU support for the project as it managed to do in the case of Nord Stream. However, Russia is unlikely to secure EU support for the project in the next year.

A predicted rise in the social security tax resulted in the expected shift of economic activity into the cash-based shadow zone.
A decision may be expected in 2012 to return to a lower labour tax rate. However, Mr Putin – who intends to become the next president – promises to abandon proportional taxation in favour of progressive taxation, probably as early as 2013.

Russia cancelled its negotiations on joining the WTO, as was duly predicted. In 2012, new rules will be applied in the predicted manner which means the continuing confusion around the use of non-tariff barriers by Russia.

The practical application of the announced Customs Union has also been mired in confusion, because of the Eurasian Union project initiated by the returning president Vladimir Putin which is supposed to become fully operational in 2015. In the meanwhile, the rearrangement of the whole respective structure with the testing and application of its separate components will start in 2012 under the management of Viktor Khristenko, a well-known government official.

Although the issue of modernisation, a favourite subject of the outgoing president Dmitri Medvedev, is still commonly used in the rhetoric of the new administration, there is no reason to expect any practical acceleration in this area in the coming years. Nevertheless, Medvedev-initiated Skolkovo project and a number of smaller Putin’s initiatives will continue to stumble ahead.

A predicted natural gas OPEC became an organisational and actual reality in 2011 when the two biggest producers – Russia and Qatar – divided the natural gas market between themselves. This trend will continue, especially considering the increased supply of natural gas from Russia to Germany to compensate for the energy deficit resulting from the shutdown of German nuclear power stations. However, concerns again started to emerge regarding Russia’s export capability, because natural gas from Turkmenistan (which is important for Russia’s exports) has been increasingly flowing from Turkmenistan to China.
An effect of the port of Ust-Luga on the Estonian transit was relatively close to the predictions. The transit of oil products by the Estonian Railway will continue to shrink in the coming years, partly replaced by the growing transit of other goods (especially containers) by railway and through ports. Although the Russian Railways will continue to limit the number of Estonia-bound trains to 17 pairs of trains a day, some new commodity flows will be able to bypass the limit. I refer to Rail Garant, a company planning to construct a container terminal in the Port of Muuga. The project was finalised in 2011 and the terminal should be completed by 2013.

Queues at the Russian-Estonian border-crossing points have not become shorter and will continue to be a problem in the next year due to the rules of play imposed by Russia. However, the introduction of new parking lots and adoption of new technologies by Estonia in Sillamäe-Narva and Koidula have made border crossing more flexible and humane on the Estonian side. Fortunately, plans of the Russian government to introduce customs clearance for trains at border-crossing points have not been realised. It would render border crossing much more difficult and slow for trains as well. Nevertheless, there is a reason to fear that it could still happen in 2012.

To sum up, Russian economy may be expected to develop in 2012 with the same growth rate and, mostly, along the same lines as before. There are no reasons to expect drastic changes neither in the structural reforms of the economy nor in the growth rate, except a considerable increase of orders for defence industry and widening of natural gas export operations in the European direction.
The following prediction about probable developments in the Russian energy industry in 2012 focuses on the EU’s impact on Russian natural gas export, its internal gas market and Russian relations with the transit and gas producing nations in CIS.

A brief comparison of previous forecast with real developments in Russian gas industry in 2011 reveal several concurrencies as well as a few miscalculations: the European Union strengthened its stance to enforce the Third Energy Package, Gazprom has continued to cede its share in the Russian internal gas market to the independent producers, Russian relations with the gas producers in the Caspian region are even more stalled but Russian relations with Ukraine have appeared to be more complicated than expected.

Impact of the EU on Russian natural gas export

There were two events in the EU in 2011 concerning the implementation of the Third Energy Package (TEP), which deserve close attention because of the impact on Russian gas export to the EU in the future.

On September 27th the offices of European energy companies linked with Russian Gazprom have been raided in connection with the EU antitrust investigation. It was a clear sign to the member states of the EU, to Gazprom, its partners and subsidiaries in Europe
that the European Commission will go on with separating the production of energy or energy carriers from distributing and selling them. Therefore one could argue that Gazprom has to drop its plans to establish control over the whole natural gas supply chain in the EU.

In November Poland energy company PGNiG bought a small amount of natural gas from a German supplier instead of Gazprom because of lower price. Requested volumes of natural gas were delivered to Poland from Russia via the pipeline Yamal-Europe but money for the gas supply was paid to the German company not to Gazprom. Such a trading scheme is a direct result of the implementation of the TEP: the EC demanded to open the Yamal-Europe pipeline in the EU for third parties and to hand over the pipeline’s maintenance to an independent operator. Three Poland chemical companies have already shown interest in using the similar scheme along with PGNiG. Therefore it is possible that other Central European countries will follow the example as well.

**Russian internal gas market**

Russian independent gas producers increased their share in domestic gas supply: they produced approximately 99 billion cubic meters of natural gas in 2011, which makes about 25% of the internal natural gas market. This trend will continue in coming years and one of its reasons is described below.

Gazprom is defending its positions in the internal market by counteracting the coordination and passing of the bill, which will enable independent gas producers’ free access to the main gas transporting system (GTS). Therefore independent producers have to acquiesce with regional natural gas distributing networks: they already dominate in the gas supply in seven regions. Recently
Novatek agreed with Gazprom to obtain the distributing gas network in Chelyabinsk oblast – Gazprom sold half of its share in ‘Mezh-regiongas Chelyabinsk’, which enables supplying the region’s big metallurgic companies with natural gas. It is very likely that other independent gas producers will follow the example of Novatek, especially in regions with heavy industry.

**Russian gas relations with transit countries – Ukraine, Belarus and Moldova**

Gazprom achieved full ownership of Belarusian pipeline operator Beltransgaz in 2011 in exchange for discount on the price of gas supplies. This event has implications on similar negotiations with Ukraine and Moldova.

Ukraine has started an ambitious program to increase domestic gas production and to diversify the import routes of natural gas. But Kiev is very much interested in a discount on the price of imported gas until the realization of that program. Therefore Ukraine has agreed to create two joint ventures with Gazprom to operate Ukraine’s gas transporting system.

Gazprom has already hinted at a possibility to drop the price of gas supplied to Moldova as well if the latter will abandon its plans to implement the requirements of the Third Energy Package of the EU. Therefore it is highly possible that Chisinau will follow the examples of Minsk and Kiev and sell its share of 35% in Moldovagaz to Gazprom.

If Gazprom will succeed in Ukraine and Moldova then it has secured the control over the export pipelines in transit countries in CIS.
Russian relations with gas producing countries in the Caspian region

There have been no improvements in 2011 in Russian gas relations with Turkmenistan and Azerbaijan: Moscow has not been able to convince Baku and Ashgabat to abandon the idea of future exports of natural gas to the EU. The latter has been just slightly more successful: the EU gave a mandate to the European Commission (EC) for the negotiations with Azerbaijan and Turkmenistan on the Trans-Caspian Pipeline (TCP) which is meant to transport Turkmenistan gas to the European markets.

Russia is not interested in the evolvement of competitors in the European gas market and Moscow has responded therefore with murky threats and calls for consensus among the coastal states about the terms of building energy infrastructure in the Caspian Sea.

The possibility that Russia will stop the building of TCP by military threat or strike as suggested by some experts should be considered but a sabre rattling despite the fact that Turkmenistan has been rather cautious in its statements about the TCP.

The EC’s Energy Commissioner Guenter Oettinger has warned that if Russia will hamper the building of TCP the EU would not allow it to build the South Stream gas pipeline. Therefore it cannot be ruled out that the EU and Russia will come to terms on both pipelines: Russia will turn a blind eye to the TCP and the EU will give the status of TEN (Trans-European Network) to the South Stream pipeline.

Conclusion

Overall impact of the EU’s Third Energy package will force Russia to review its natural gas exporting policies so that Gazprom has to
start selling the delivered amounts of gas for one price along the whole border of the EU.

In the Russian internal market Gazprom will continue to bear the burden of the greatest supplier of the population competing at the same time with independent producers in supplying of heavy industry with natural gas.

Russia’s aim in relations with transit countries is to avoid the pursuing of the EU’s energy policy by them, especially attempts to separate the production (or supply), distribution and selling of natural gas in CIS countries.

Russia’s aim in relations with gas producing nations in the Caspian region is to avoid the building of pipeline link, which will force Gazprom to compete in the European gas market with gas supplies from Central Asia.
The assessment of possible developments in the Russian Armed Forces and defence sphere given in the previous edition of this symposium may be considered partially correct.

Contrary to the prediction, at the moment when this forecast was written (December 2011) both Defence Minister Anatoly Serdyukov and Chief of the General Staff General of the Army Nikolai Makarov continued to hold their offices. Nevertheless, in the author’s opinion, replacement of Messrs Serdyukov and Makarov is still probable and may happen within the next few months or after the 2012 presidential election, at the latest.

In the fall of 2011, the candidacy of Dmitri Rogozin, the Russian ambassador to NATO, was aired in Russian media for the minister of defence position. The current Commander of Airborne Troops Lt. Gen. Vladimir Shamanov was earlier predicted to become a new Chief of the General Staff. Insofar as political situation in Russia remains volatile in the aftermath of the State Duma elections held in December 2011, all kinds of staff decisions are subject to change over time.

The strengthening and reinforcement of the Black Sea Fleet with new vessels (partly by transfer of surface ships from the Baltic Sea Fleet) has not started yet either. It was caused by delays in Russia-Ukraine negotiations on treaty provisions regulating the reinforcement, arming and supply of the Black Sea Fleet. According to Russian officials, there was a very high probability of finding a mutually
acceptable solution with Kiev in the fall of 2011; the failure tellingly illustrates the dependence of assumptions about the Russian defence planning on short-term political circumstances. According to Russian media, if the negotiations with Kiev reach a deadlock, vessels intended for the Black Sea Fleet will be used to reinforce the Baltic Sea Fleet instead.

Yuri Dolgorukiy, a new Borei-class (Project 955) strategic nuclear submarine, has finally entered service in 2011 and Alexander Nevsky, the second submarine of this class, has started sea trials, but the last trial launches and entry into service of the new strategic nuclear missile Bulava which is intended for deployment on Borei-class submarines have been postponed until 2012.

Contrary to the prediction in the last forecast, commissioning of Severodvinsk, the first Yasen-class (Project 885) nuclear attack submarine, has been postponed until the second half of 2012.

Developments in the Ground Forces, Air Force and other service branches mostly went as predicted. On the whole, in 2011 the Russian leadership managed to achieve a degree of stabilisation in the military shaken by radical reforms.

Shift to a professional army

The most important principal change, however, occurred in the enlistment policy of the armed forces. Since the launch of the military reform in the fall of 2008, conscription was emphasised as the enlistment principle of the Russian Armed Forces: of the total of one million-strong military personnel, 65–70% had to be composed of conscripts serving 12-month periods and the number of contract privates and sergeants (kontraktniki) had to be cut to the minimum, i.e. to approximately 100,000 men.
However, by the fall of 2011 a new and radically different approach was adopted – a gradual decrease of the share of conscripts to 10–20% of the total military personnel and a prioritised increase of the number of contract privates and sergeants to approximately 425,000 men by 2016–2017.

A systemic reform programme of the mobilisation reserve of the Russian Armed Forces played a background for the decision to increase drastically the number of contract soldiers. According to current plans, the reserve component of the armed forces will be cut to 700,000 men who will be financially compensated for maintaining constant readiness and participation in training exercises. Actually, it is an attempt to introduce a professional army’s reserve model, basically copying modern models generally accepted in the Western countries.

Thus, it means a turn to the professional army model. It is too early to say whether this decision will be upheld in the future. Russia is known for making similar strategic decisions carelessly in the past only to overrule in the same careless manner choices presented as final a couple of years before.

Expansion of officer corps

Another important principal change in 2011 was to give up an initial reform objective to cut down the number of officers in the Russian Armed Forces to 150,000 men. According to new plans, the total number of the officer corps shall reach approximately 220,000; the need for the increase was substantiated by the bigger personnel requirements imposed by a new service branch – Air and Space Defence Forces. According to Russian analysts, the need to adjust the officer corps’ size was actually caused by a simple fact that the initial
calculations did not take into account some elementary things such as scheduled vacations, sick leave, training leave etc.

At the same time, a successful motivation of the officer corps and enlistment of contract privates and sergeants directly depends on whether the federal budget for 2012–2014, approved at the end of 2011, will be kept in its current form.

The current budget provides for the allocation of massive amounts on defence spending, salary increases for military personnel and weapons procurement. The total Russian defence budget will increase to 1.853 trillion roubles in 2012 (20.5% increase compared to 2011), to 2.329 trillion roubles in 2013 and to 2.737 trillion roubles in 2014. This growth is also remarkable considering the share of defence spending in the total Russian federal budget – 13.9% in 2011 and rising to 18.8% in 2014. Financial resources intended for the implementation of the state rearmament programme – 1.109 trillion roubles in 2012 alone – shall be added to the aforesaid amounts.

**Salary increase**

Huge salary increases for the Russian military personnel are planned from the beginning of 2012. Until now the average salary of contract privates and sergeants has been 8,000–10,000 roubles, but starting from 2012 a contract private shall receive 30,000 roubles and a lieutenant newly graduated from a military school shall receive 50,000 roubles.

According to Prime Minister Vladimir Putin, the increase of military salaries and pensions will require approximately 1.5 trillion roubles in 2012. So far low salaries and pitiful living conditions were one (but not the single) reason why the enlistment of contract soldiers has run into problems.
Thus, salary increase is an important factor to attract sufficient numbers of qualified personnel to the Russian Armed Forces which, in its turn, is a prerequisite for the achievement of overall military reform objectives.

Impact of domestic policy

Domestic political situation in Russia has become the most important external factor influencing developments in the military. The final outcome of the wave of protests that engulfed Russia after the recent State Duma elections is presently difficult to predict. Dissatisfaction with the incumbent regime is already starting to influence – and will probably increasingly influence – the budget policy of the current Russian leadership. According to this policy, the major spending items of the federal budget in 2012 and subsequent years will be the armed forces, state defence order, security services etc., whereas amounts allocated to education, health care and similar social spending will decrease even in absolute numbers.

The growing public discontent and pressure on the budget policy of the ruling regime might yet force Putin’s team to revise the current budget towards substantial cuts in defence spending. Another possibility is a significant change of power structure in the state’s top leadership which may also result in a revision of budget priorities. It would mean a setback for the Russian military.

Nevertheless, although direction of domestic developments in Russia is of key importance for the armed forces in 2012 and subsequent years, such prediction is outside the scope of this forecast.
THE POLITICAL ROLE
OF THE RUSSIAN ORTHODOX
CHURCH

Alar Kilp

I predicted accurately for 2011 that the political visibility and influence of the Russian Orthodox Church (ROC) increases based on the strengthening symbiosis between nationalism, Orthodoxy and cultural identity. The general assumption that Dmitry Medvedev is sticking to the principled state secularism of the Putin era, however, requires revision.

Since 1990, ROC has pursued four main political agendas:
- chaplains in the army;
- federally organized classes of the Orthodox culture on all levels of public education;
- restitution of the pre-Communist property of the church and
- legal protection of the privileged status of ROC in Russian society.

Under the church leadership of Kirill I (since 2009) and during the presidency of Dmitry Medvedev (since 2008), however, there has been a progress for ROC in these spheres that during the religious leadership of Aleksii II (1990–2008) and the presidency of Vladimir Putin (2000–2008) did not exist and were unimaginable. The chaplain system has been federally established in the Russian army; church properties are being restituted (which can prospectively turn ROC into the largest landowner within the Russian Federation) and
the “Fundamentals of Orthodox Culture” courses are authorized on a federal level.

This development can be explained by differences of personalities and styles of leadership of presidents and patriarchs – and particularly, in case of a patriarch by his political ambition and attitude, and in case of a president by his personal attitude towards religion and religious issues.

In general, Dmitry Medvedev has responded to ROC’s requests more positively than reluctant Vladimir Putin, and Kirill I has more forcefully, actively and personally lobbied with the state than Aleksii II.

In internal leadership of the church, Aleksii II was a conciliatory democrat. In relations with the state, he did not stand forcefully for a well-defined political agenda. Presumably, due to the experience of seven decades of the control of the church by the Communist state he preferred to have principled distance between the state and the church. Kirill I, however, has concentrated the church power in his own office, has ruled the church more in an authoritarian style and has also succeeded in advancing the public interests of the church. In terms of leadership, the transition of patriarchal power from Aleksii II to Kirill I resembles the transition of presidential power from Boris Yeltsin to Vladimir Putin.

In about the same time, when Putin became president, Kirill realised that the mission of ROC is to bring Russia in accordance with Orthodox traditionalism, authoritarianism, non-Westernism and an authentic Russian values and he has been advancing this vision since then.

Also Medvedev differs from Putin in his attitude towards ROC. Putin attempted to bring the project of the classes of the “Orthodox Culture” to halt, Medvedev has authorized these classes on a federal level. The Putin led federal government did not base its ideology on Orthodoxy, preferred to speak of a multi-confessional Russian
culture and advanced a secular vision of Russia’s political and economic development. Medvedev has been more pro-Orthodox in all these areas, although he has remained unwilling to endorse the patriarch’s Orthodoxy-inspired authoritarianism.

What will the year 2012 bring? The pattern of church-state relations between Kirill I and Medvedev has brought a cumulative success for ROC. What ROC has recently achieved, however, is challenged both from the state, society and the church itself.

Most likely Vladimir Putin will be elected to presidency in March 2012. Without doubt, Putin will be less sympathetic than Medvedev to the concerns of ROC, Orthodoxy and religion in general. Most likely Putin will not return to the church-state relations that existed before Medvedev’s presidency, but any further advance of the social status and political influence of ROC is as unlikely as well.

When Vladimir Putin will be re-elected to the presidential office and ROC is still led by Kirill I, the pattern of the mutual relationships of the leaders of ROC and the state will be unprecedented in post-Soviet Russia, because so far these offices of leadership have not been simultaneously embodied by charismatic, authoritarian and strong leaders on both sides.

In Russian society the anti-regime and anticlerical moods are significantly overlapping and have been on the rise recently. People who are tired of the political regime are negatively attuned also regarding ROC and its ties with the regime. As both the patriarch and the president will be facing amounting opposition in their respective (religious and political) spheres of authority (due to less democratic style of leadership), these “new opportunity structures” may contribute also to further strengthening of the ties between ROC and the state.

The presidential campaign of Vladimir Putin is relying both on Orthodox symbolism and on women’s breasts – I refer to the
campaign initiated in July 2011, where the girls of the Putin’s Army expressed their support for Putin by tearing up their shirts for Putin (“Porvu za Putina”). Such campaigns give contradictory messages for different segments of the electorate. As a person, Putin is a nominal Orthodox, who lacks the level of commitment, practice and private piety the Russian electorate has seen in Dmitry Medvedev and in his wife Svetlana Medvedeva. The latter are pious Orthodox believers, active parishioners and promoters of the Orthodox cause. During the last presidential elections ROC and other major religious traditions in Russia supported the candidacy of Medvedev simply because of his positive attitude toward religion and religious issues. Medvedev has introduced an image of the Russian president positively engaged with traditional religion to the extent that did not exist during Putin’s presidency. In this situation Putin has two basic alternatives – he either reverses the pro-Orthodox trend of the Medvedev’s era or conforms himself with the example set up by Medvedev.

To sum it up, after the presidential elections both ROC and the Russian Federation will be led by ambitious and strong leaders. I believe that – at least until the end of the year 2012 – the political and popular support to Putin’s presidency will not be strong enough for him to initiate a major reverse in the “the balance of powers” between ROC and the state that has undergone a significant shift in favour of ROC during the Medvedev era.
Mass Media Development

Olga Chepurnaya

Any dramatic development of traditional mass media in Russia in 2012 is unlikely. A pre-election surge of information flow will give way to apathy and political and economic instruments of exerting influence upon mass media will remain unchanged. In all probability, the existing alliance of mass media, business and political corporations will not change in any meaningful way.

Some developments in Internet media and television may be expected but those will be caused by the logic of technological progresses. Moreover, after the end of election campaigns a further decline of consumer trust to mass media is possible.

Digital Television

What does the future hold for regional and small channels?

In the next few years Russia shall carry out the transition from analogue to digital television. This process is forced upon Russia by the global trend (released frequencies are handed over to the Ministry of Defence). The transition to digital broadcasting in Russia’s border regions shall be carried out within the next two years. Analogue broadcasting is becoming technically inexpedient, because the use of these frequencies by armed forces of neighbouring countries (Japan, Finland and some other states have already
released these frequencies) causes signal disturbances for Russian broadcasters.

How will this technological innovation affect the national television? On the one hand, the implementation of this project at national scale requires significant investments. Before analogue television can be fully disabled, TV channels must be provided with new equipment and consumers with a possibility to tune in on digital channels. Thus, such a project also depends on the availability of technical support which is virtually non-existent in most regions.

The first federal multiplex (an official name for a group of channels bundled together for digital broadcasting) has been approved within the framework of the Federal Target Programme and already started broadcasting in the Far East. This multiplex includes 8 channels. These channels are broadcasted for population free of charge. It is planned to have three multiplexes providing population with 18 free channels.

A high level of competition for the right to be included in the federal multiplexes has been noted among TV channels, because it provides an opportunity to expand or preserve the audience. What are the criteria for TV channel selection – high ratings, political loyalty or economic efficiency? What kind of impact will this competition have on the content broadcast by TV channels? Will it exert a negative influence on the prospects of small regional TV channels?

Many experts suggest that TV viewers will prefer to use services of pay television providers (cable, satellite, digital) as a result of the transition to digital broadcasting. If Russia unduly delays the transition to digital broadcasting and the quality of analogue television deteriorates significantly, consumers will simply have no other choice.
Internet media

Development of Internet media in Russia has been fast, but chaotic. Russia’s Mass Media Law of 1991 does not mention Internet resources and registration of a site as a mass media channel is currently voluntary. However, last summer Dmitri Medvedev again initiated a discussion upon the need to regulate liability for statements made in the Internet. In the spring of 2011, the Federal Service for Supervision in the area of Telecommunications, Information Technologies and Mass Communications (Roskomnadzor) announced an open tender for the development and supply of a software and hardware system for the control of publications in Internet media. Surely, an idea to introduce legislation for controlling Internet media has been aired before. I assume that presently there are simply no adequate technical means to ensure control over Internet resources, but this gap might well be filled within the next year.

A need for the legislative regulation of Internet information resources has been cited not only by government representatives, but also by the owners of resources as well as active Internet users, because suits for slander and disinformation in the Internet are not infrequent even in the absence of specific legislation.

Thus, it may be expected that the mass media legislation will be amended in 2012 to include provisions pertaining to the Internet. However, until the registration of a site as a mass media channel remains voluntary, many Internet resources will be exempt from these amendments and significant changes in this area should not be expected.
Trust in mass media

Opinion polls conducted by FOM (Public Opinion Foundation) and VTSIOM (All-Russian Centre for the Study of Public Opinion) have shown that trust in traditional mass media (newspapers, magazines, radio and television) has been gradually but inexorably declining. Moreover, residents of big cities with a higher Internet penetration rate show the lowest level of trust in the information received through mass media. Most probably, it is an opportunity to verify information that results in the decline of trust. When evaluating activities of mass media, respondents often say that the Russian mass media perform well in the area of entertainment, but lags behind regarding reliable and timely information.

It is likely that the results of the elections, their interpretation and the level of trust in the elections will greatly affect the level of trust in mass media in 2012. On the other hand, political activity of Russians usually drops after the elections and the consumers of mass media may well be satisfied solely by the entertainment component of the national mass media.

Conclusions

In all likelihood, the audience of the Russian mass media will expand at the beginning of 2012 because of the forthcoming elections. However, the effect will be short-lived since the general level of trust in mass media is not high and likely to fall even further in the aftermath of the elections.

Technological developments may significantly affect Russian television, but it is not quite clear yet to what extent the TV channels and viewers are ready for the transition to digital broadcasting.
MASS MEDIA DEVELOPMENT

In recent years, the most rapid development in Russia has occurred in Internet media. A stricter government control may be established over Internet media, subject to the availability of a legislative and technological base in the near future.
CIVIL SOCIETY

Zhanna Chernova

Introduction

Events in 2011 have shown that the previous forecast of the development of Russia’s civil society was generally correct. The most effective civil initiatives that are visible to the general public are collective actions by citizens taken in response to government actions and seeking to defend the rights and interests of citizens. On the contrary, the role of officially registered and often pro-government organisations in real public life is marginal. Insofar as they actually serve government interests, such organisations lack a broad public support and effective channels for recruiting new members.

Civil society in Russia is divided into segments both by area of activity and the degree of institutionalisation as well as the nature of interaction with the government. A further growth of civil initiatives in connection with the protection of rights and grass-root charitable activities of citizens may be expected in 2012.

A segment of the civil society localised in the Internet is a point of growth of the third sector. At the same time, NGOs that are institutionalised, recognized by the government and represented in the Civil Society Forum or the Public Chamber, in particular, will continue to play the “front” of the civil society which is controlled by the government and serves the interests of the latter.

Institutionalised forms of civil society are characterised by cooperation with the government on a regular or ad hoc basis. Partner-
ship relations between the government and such NGOs result in a low level of citizens’ trust in the formal institutions of the civil society. Almost half of the respondents polled by Levada Centre believe that such organisations have political backing and were initiated by the party of power or the opposition. A growing distrust to the government and doubts about the legitimacy of elections will be projected onto NGOs that closely co-operate with the state. There will be no significant growth in the number of people participating in institutionalised NGOs. The number of organisations recognised by the government will decrease or stay the same depending on the scope of the government’s financial support.

Internet as a promoter of civil society

The Internet is a powerful tool of collective mobilisation and implementation of civil initiatives. 2011 saw the steady growth of civil initiatives organised with the help of Internet resources, e.g., protest actions to protect the Khimki forest, a series of rallies for clean elections.

A distinctive feature of protest actions in 2011 was the increased number of participants. While the first collective initiatives were localised and emerged as spontaneous protests or energised communities seeking to solve specific local problems, by the end of the year the existing protest potential in the society was accumulated through the use of Internet resources and acquired the form of mass protests against the rigged elections to the State Duma.

It became apparent in 2011 that the vertical social contract that emerged in the early 2000s was ceasing to function. The state has unilaterally violated the contract, intervening with the private life of citizens without providing any real effective mechanisms to protect their rights.
Power of collective protest

Against the background of a growing mistrust in all the branches of government, civil associations – informal, initiated by small groups of people for solving specific problems and based on horizontal links – seem to be the most effective way to overcome failures of government policies and market economy. Citizens seek to cooperate with each other for solving specific problems in their daily lives, work out methods of resistance to government actions, develop strategies to oppose ineffectual government policies, including those in social sphere (protests against the demolition of garages, collection of aid for families in a difficult situation, protest actions of new mothers cheated by their employers etc.).

While isolated action is seen as ineffective and institutionalised NGOs are mistrusted, informal and virtual communities command the necessary trust of citizens and have the potential to achieve specific tasks in an effective manner. Civil activism is the most intensive in the Internet where – thanks to the “publish, comment, join” formula – problems not only get articulated, but also attract specific persons who consolidate around a problem and develop strategies for its solution.

An important difference between informal civil initiatives and institutionalised NGOs is the protest nature of the former. Such actions are directed against the government and laws or restrictions introduced by it, e.g., protest actions against budget reform. A distinctive feature of new civil initiatives in 2011 has been an increasing participation of younger members of educated middle class in big cities. Obviously, a political and civil activism of this – formerly non-politicised – social segment will be growing and increasingly acquiring protest overtones.

Interaction between the government and civil society in 2012 might proceed as follows. It is possible that the growth of protest
sentiments in society magnified by discontent with the results of the State Duma elections will provoke the government to tighten control. A proposal aired by some officials to abolish the anonymity of users and introduce Internet censorship is a revealing example. In such case an ever growing number of civil society actors will be joining the unofficial opposition. Only institutionalised NGOs that play by the rules of the government will stay in the legitimate space. At the same time, real civil initiatives aimed at the protection of rights and mutual assistance of various citizen groups will be migrating to the Internet that provides an effective mobilisation resource and strengthens weak social links.

Whatever the case, a more active participation of the middle class in the political and social life should be expected in 2012.
The decline of Russia’s population will continue in 2012, but at a slower pace. Regional differences of demographic processes will increase. A rapid population growth in North Caucasus is certain to continue in the next few years. Population has been also steadily growing in the Central Federal District, but this growth has been and will certainly remain slower than in the North Caucasus. In all other federal districts the population is declining, especially quickly in the Far East.

Between the two censuses (in 2002 and 2010) population decreased in 63 federal subjects and grew only in 20. Population growth was reported in Dagestan (15.6%), Chechnya (15%), Karachay-Cherkessia (8.9%), Moscow (10.9%), Moscow Oblast (7.2%) and Khanty-Mansi Autonomous Okrug (6.9%); the rest grew by less than 4%.

The sharpest population decrease over this period was in Magadan Oblast (14%), Pskov Oblast and the Komi Republic (11.5%) and in Murmansk, Kirov and Kurgan Oblast (11%). These trends have continued for more than twenty years and there is no reason to expect changes in the next few years: in Moscow with surroundings the population is growing due to domestic migration and in the Muslim federal subjects due to a consistently high birth rate. Population of Ingushetia and Chechnya was declining ten years ago because of the war, but returned to a rapid growth in recent years. There is a clear trend that the population is growing
DEMOGRAPHY OF THE REGIONS

only in Moscow with surroundings and in several regions around the Caspian and Black Sea and in Caucas.

Latest developments

To predict population changes in the next year, it would be sensible to review corrections made on the basis of demographic data received in the first half-year of 2011:

- The Central Federal District (38,455,789 residents, including 11,510,097 in Moscow as of 1.01.2011) is one of the two federal districts with a growing population, especially in towns and villages of Moscow Oblast – up to 1% a year. Moscow itself adds at least 0.3% residents a year.

- In the North-western Federal District (13,599,613 residents, including 4,849,178 in Saint Petersburg as of 1.01.2011) the population as a whole is in decline, positive growth may be expected only in Saint Petersburg, Nenets Autonomous Okrug and Kaliningrad.

- In the Southern Federal District (13,858,263 residents as of 1.01.2011) the population is declining, except Krasnodar Krai, Astrakhan Oblast and Adygea.

- In the North Caucasian Federal District (9,473,138 residents as of 1.01.2011) the biggest population growth is expected with a population increase across the whole federal district, in Chechnya and Ingushetia even by 2–3%.

- In the Volga Federal District (29,922,990 residents as of 1.01. 2011) growth is expected only in Tatarstan (up to 0.3%) with an overall population decline everywhere else.

- The Urals Federal District (12,076,505 as of 1.01.2011) will lose population as a whole, only Tyumen Oblast will grow by 1.1% and Sverdlovsk and Chelyabinsk Oblast at a somewhat slower rate.
Siberia (19,252,711 residents as of 1.01.2011) has been losing population rather rapidly for a number of years and the trend is certain to continue in 2012 with the exception of Altai and Tuva Republics and a marginal growth in Krasnoyarsk Krai, Novosibirsk and Tomsk Oblast.

The Far East (6,299,276 residents as of 1.01.2011) has the greatest rate of population decline, but even here several regions have grown and may continue to grow – the Sakha Republic, Sakhalin and Chukotka (the latter showed an exceptional 1.6% annual growth that may continue in 2012). Other administrative units of this federal district have been steadily losing population, especially Magadan, Amur Oblast and the Jewish Autonomous Oblast.

Demoscope.ru, a website, has a population counter that shows the current population figures according to the population register. In December 2011 this number exceeded 142,800,000, but in a year it will probably decrease by 50–250 thousand (depending on the method of calculation). A new birth is registered in Russia every 18 seconds, but a new death every 16 seconds.

Conclusions

Although the rate of population decline in Russia has slowed down in recent years, the decline is still remarkable. Disorderly population accounting fails to provide clear data on the actual size of Russia’s population as a whole and separately in each federal district. Official statistics also show a decline, but these figures are several times

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1 Note: According to official statistics, the population of the Russian Federation was 142.9 million people at the beginning of 2011, having decreased by 48.3 thousand (0.03%) during 2010. However, if we count by seconds, the decrease was at least 220 thousand year-on-year. The rate of decline has slowed down.
lower than expert estimates. There is a general consensus that during the record-setting years the population decreased by up to 750,000 a year, but the decline has slowed down in recent years.

Of all the regions, only the North Caucasus (because of a high birth rate) and Moscow with surroundings (because of heavy domestic migration) will grow in 2012. In the rest of Russia the population will continue to decrease as it has been happening in the last two decades. Population decline will be especially quick in Russia’s Northern regions and in the Far East. Significant changes in the aforesaid population processes in Russia in 2012 are unlikely.
The Russian constitution (1993) states that the source of state power is the multinational people of the Russian Federation. This means that the people consist of many nation(alties). The multinationality is reflected *inter alia* in the fact that along with the regular Russian regions, there are nationally defined federative units: 21 national republics, 10 autonomous areas and one autonomous region.

Substantial changes have taken place in the nationalities policy of Russia since Vladimir Putin became the president in 2000 that conjoined with the changes in the federalism policy and regional policy. Putin’s plan for recentralisation and rearrangement of the ‘power vertical’ has led to a principal transformation of the (ethno)-political regime towards the dominance of the federal centre and considerable deteriorating of regions.

**United Russian political nation**

Elaborating their new ideological platform, Putin’s authorities gradually introduced the idea of nation-building to the public discourse. The Concept of National Educational Policy of the Russian Federation (2006) became the policy document. The document aims at the ‘consolidation of the multinational people of the Russian Federation into a single Russian political nation’ (‘Russian’
here bears the meaning of the territorial-political term ‘rossiiskii’ not the ethnolinguistic one ‘russkii’).

At the institutional level nation-building implies exclusion of the ‘nationalities question’ from the state structure and political processes and its restriction to the sphere of culture. At its farthest nation-building implies the possible refusal of the very principle of national federalism and the elimination of national republics and autonomous areas. Accordingly, instead of ‘nationalities policy’ the terms ‘ethnic policy’ or ‘ethnocultural policy’ are preferred.

Starting with the arrangement of seven federal districts in 2000, the recent further steps towards the reconfiguration of the federal state structure were the elimination of six out of ten autonomous areas since 2005. The abolition of electivity of regional administration heads in 2005 was aimed at taking away power from the national regional elites. The Presidents of the republics of Tatarstan and Bashkortostan, forced to leave in 2010, were the last strong regional leaders of the Yeltsin’s era.

In 2011 another step directed at lowering the status of regions was the prohibition on naming the heads of regional administrations as presidents. All in all, during the last decade federal authorities have succeeded in establishing control over the leadership in regions, although the situation in the North Caucasus is still rather complicated.

Among the practical measures for downgrading the principle of multi-nationality by the formation of the state policy was the abolition of the federal Ministry for Nationalities’ Affairs in 2001. The Ministry for Regional Development (Minregion) was created instead. Only in 2002, after the hostage crisis in the Moscow Theatre ‘Nord-Ost’ the Department of Inter-Nationalities Relations responsible for nationalities policy was established in addition to one and half dozens of Minregion’s departments.
Language policy

Despite the maintenance of the duality of the goal of ‘unity in diversity’ in the nationalities policy of Russia, at the federal level almost the only complex of measures directed not at the strengthening unity, but at the promotion of diversity was the implementation of the Joint Programme of the Council of Europe, European Union and Russian Minregion ‘National minorities in Russia: Development of Languages, Culture, Mass media and Civil Society’ (2009–2011) financed by the EU. The main reason for this programme was the hope that Russia would ratify the European Charter for the Regional or Minority Languages.

Many Russian and European experts agree that Russian legislation provides the level of the protection of languages which is comparable with the minimum international standards formulated inter alia in the ECRML. Nevertheless, the Joint Programme did not lead to the ECRML ratification by Russia. Russia’s reluctance to do it is being explained among other reasons by its fears that the promotion of languages would lead to the reinforcement of regional separatism.

Russian nationalism

Russian nationalist ideology has received a remarkable impulse for its further dissemination having as its background the demographic crisis and anti-migration attitudes, the economic crisis and growing dissatisfaction with the authorities. ‘Russian Marches’ arranged by nationalists since 2005 gathered more and more people every year. In December 2010 the actions of the radical wing of Russian nationalists transformed to a mass non-sanctioned gathering on the Manezhnaya square next to the Kremlin’s walls and an internationality unrest in Moscow and other cities of Russia.
Federal authorities reacted by the arrangement of the session of the Presidium of the Russia’s State Council in Ufa, Bashkortostan, in February 2011 that was devoted to the measures directed at the strengthening the inter-nationality concord. Russian leadership emphasised the need to prioritise the support for Russian culture.

During the election campaign to the State Duma the issue of nationalities was present to a certain extent. Unofficially the party ‘United Russia’ had been using this issue promoting the candidates of titular nationalities in the national regions in order to increase its rating. The party in government and other leading parties had been incorporating the Russian nationalist rhetoric in their programmes. Despite the decrease in the support of ‘United Russia’ in December 2011 elections, Russian nationalists are still not represented at the political arena as a separate force.

The policy to be continued

The policy of nation-building will be continued also in 2012. The elaboration of a new federal target programme ‘Strengthening of the Unity of the Russian Nation and the Ethnocultural Development of the Peoples of Russia’ by the Minregion is announced. In the observable future a new Concept of the State Policy in the Sphere of Inter-Ethnic Relations could be expected.

In the coming year the factor of Russian nationalism would be present at the political scene. Authorities would attempt to grasp and monopolise this channel of political mobilization. Given growing activism of Russian nationalists, the re-establishment of a federal Ministry responsible for nationalities policy is probable. But it would deal first of all with the ‘Russian question’ and the Russian people as the ‘state-forming people of Russia’.
The VI World Congress of Finno-Ugric Peoples to be held in Hungary in September 2012 is expected to be a noteworthy event. The Presidents of Estonia, Finland, Hungary and Russia are invited. In line with the current identity politics in Russia, international Finno-Ugric cooperation might be viewed as an obstacle for nation-building by Russian authorities. Russian authorities take steps to ensure control over Finno-Ugric cooperation inter alia imposing on Finland a principle of non-interference in nation-building.
The current situation in the Russian part of Caucasus may be described as a pile of dead-ends. And we are not talking about a single issue, but of many, albeit interrelated, problems. To a large extent, the problem clusters arise from geography.

One set of problems in the Russian part of Caucasus (Krasnodar Krai and Stavropol Krai) is spawned by lawless activities of semi-legal paramilitary groups (especially, the Kuban Cossacks), while the local authorities are corrupt and linked to criminals.

In the Western Caucasus (Adygei, Kabardino-Balkaria, Karachay-Cherkessia), the main source of difficulties is a traumatised collective memory (falsification or suppression of history and social consequences of such policy). In addition to or in connection with these issues there is a whole array of various terrorist movements.

A completely different approach is required to issues related to the Eastern Caucasus (Chechnya, Ingushetia, and Dagestan). Chechnya is actually building an independent state and Ingushetia is moving in the same direction. Moscow has come to an agreement with Chechnya (in exchange for its minimised presence), but in Dagestan a low-level war is being fought between guerrillas taking refuge in the mountains.

The situation in semi-recognised states (South Ossetia and Abkhazia) that have not been officially incorporated into Russia also influences the whole region. The major question is about the path that these countries separated from Georgia will be taking:
independent nation-building, their own political agenda or a total blind submission to Moscow.

Memory wars

The forthcoming Olympics heightened sensibilities of the Circassian who demand the recognition of ethnic cleansings and genocide. Declarations of the Circassian intellectuals about carrying out an alternative Circassian Olympics in 2012 cannot help worrying the federal government, if for no other reason than for a threat to become a campaign for the boycott of the Sochi Olympics. Presently, such threat seems to be the only source of a serious concern for Moscow. It is manifest in a protracted neglect by Moscow of all actions related to the Circassian Olympics carried out by the Adygei in the Russian part of Caucasus, the Circassian diaspora around the world and descendants of the Muhajir (who number about 7 million, according to some data) exiled from Russia to the Middle East in 1864 after the defeat in the long Russian-Circassian war.

However, the lack of foresight and low political culture of the federal government is revealed in the whole string of short-sighted, not to say provocative actions. For example, Mr Putin during a visit to Guatemala in July 2007 recited nationalities that formerly populated Sochi, but he did not mention the indigenous Circassian. During the Vancouver Olympics, the Russian Olympic Committee sent a Cossack choir to represent the Kuban region and culture (ignoring an extremely conflicting relationship between the Cossacks and peoples of the North Caucasus).

The problem of the Circassian genocide has aggravated after the Georgian parliament officially declared the events of the 1860–1870s in the Western part of Caucasus “genocide committed by the Russian Empire against the Circassian people.” Certain organisa-
Silent conflicts?

The Cossacks vs. the Circassians and Islamists vs. traditionalists. Silent conflicts have engulfed three Western republics of the North Caucasus – Adygei, Kabardino-Balkaria and Karachay-Cherkessia. In 2010 more terrorist acts were committed in Kabardino-Balkaria than in Chechnya and the counterterrorist operation regime was twice imposed at the local scale. There was a completely unexpected clash between Shariah (religious) law and adat (common law) – it is manifest, in particular, in the murder of such supporters of traditional law as Aslana Tsypinova, an ethnographer, and Ramazan Friyev, head of administration of a Balkar settlement.

Moscow responded to Wahhabism and terrorism in Dagestan and Kabardino-Balkaria by simple financial injections which caused, in its turn, strong waves of anti-Caucasian sentiments in the whole Russia. A slogan “Stop feeding Caucasus!” and even an idea of severing Caucasus from Russia were aired.

Conclusions

To sum up, I predict that Moscow will be unable to ensure order in the North Caucasus until Russia’s leadership have put a strong and effective end to the regional corruption, accepted political correctness as a norm of their political behaviour and rejected the imperial thinking translated into every political action by the federal government. The Olympics will be carried out smoothly only if the
government makes positive efforts to establish a dialogue with the "natives" – the Circassian/Adygei communities.

At the moment the federal centre is looking for easy solutions, openly bribing local elites. However, the general public does not benefit from these donations at all. At the same time, these resources could be spent on civil initiatives such as the establishment of foundations to organise repatriation, economic and cultural development and, finally, solving representation problems in the government – in other words, such measures that improve rather than demonise the image of modern Russia.

Russia’s accession to the WTO might result in Russia’s distancing itself from the direct intervention in the affairs of Abkhazia and Ossetia under the pressure from international organisation. If Khloponin’s team manages to bring effective results concerning the implementation of the programme on improvement of social and economic conditions, the situation in the North Caucasus will gradually stabilise, because it is obvious to all researchers and analysts that Islamic fundamentalism and other radical movements in the region stem from a sluggish economy and lack of prospects. Ideas to “severe” Caucasus from Russia are unlikely to come true and anti-Caucasian sentiments in Russia will intensify.
FOREIGN RELATIONS OF RUSSIAN REGIONS

Eero Mikenberg

The conduct of foreign and foreign economic relations of Russia’s regions is one aspect of the centre-regions relations. Furthermore, general trends in the Russian foreign policy play a role in the context of regional foreign activities. Therefore, a short analysis of these two factors is advisable here.

Putin’s U-turn

In centre-periphery relations of the Russian federation and its subjects, a U-turn was made when Putin came to power. In the late 1990s, regions were more strictly subjected to the federal centre after years of remarkable political and economic autonomy under president Yeltsin. This process of re-centralisation included curbing the foreign policy and foreign economic relations of federal subjects.

The official foreign policy of Russia become more assertive when the new leadership emerged and Yeltsin was replaced. Having regional foreign policies around competing with the official position of the federal centre in foreign affairs did not comply with the re-centralisation approach.

In the 1990s, regions had developed different subnational foreign policy and foreign economic relations’ capabilities and ambitions.
In general, national republics were the most capable players in the field of subnational foreign activities. In some national republics, such as Karelia, there were even regional foreign ministries.

In the process of re-centralisation, regional foreign ministries had to be closed down and their duties transferred to other regional institutions. The term “foreign activities” or “foreign relations” used in regional administrations were replaced by a less ambitious “foreign economic relations”.

In all regions, foreign policy activities, such as concluding agreements with foreign counterparts, were subjected to a written approval by the federal Ministry of Justice, which effectively ended such practice. Conference diplomacy, participation in international programmes, such as cross-border cooperation schemes and cooperation without formal agreements continued to develop, however.

Conference tourism

The year 2012 could bring about a weakening of the power vertical in Russia, imposed by the Kremlin on regional administrations. Given the results of the parliamentary elections in December 2011, and a poor showing of the pro-Kremlin party United Russia, further internal fighting can be expected inside the political class. Rivalries between different factions (let us call them pro-Putin and pro-Medvedev) in the apparatuses of regional administrations can bring some interesting results in subnational foreign activities, too.

In fact, foreign platforms, such as conferences or cooperation programmes, can be suitable for expressing dissatisfaction with the current situation in Russia (as could be observed on the IX Peipus Forum in Tartu in November 2011, where participants from Pskov oblast quite openly discussed the shortcomings in their region). The
underlying dissatisfaction with the political and economic situation can be more easily expressed in a foreign country.

Any kind of formal agreements with foreign counterparts will still be subjected to a bureaucratic and politicised approval process by the federal centre. Therefore, this will not become a favorite option for the regional foreign relations officials. Instead other less formal ways of interacting with the outside world will be used.

Foreign relations of Russian regions will continue to evolve around a politically low key, i.e. with the same-level foreign contacts on the subnational level of target countries. Conference diplomacy, i.e. active participation in all sorts of seminars and gatherings abroad and at home will remain popular with regional representatives. Politically charged issues, which are more relevant in the official foreign policy, such as the situation of compatriots in the former Soviet republics or opposing NATO eastern enlargement, will generally be avoided in such meetings, however. This is a part of the Russian tradition of not offending your host.

Conclusions

All in all, conference diplomacy is probably the best compromise between the need of the federal centre to maintain the vertical of power and the regional need to find foreign partners for the socio-economic development. Foreign actors interested in bringing about changes to the political and economic life in Russia would be well-advised to take a regional approach, i.e. target regional administrations, instead of interacting with the federal centre only. Some interesting statements can be expected on such forums by Russian regional officials, including outright criticism of the political situation in Russia.
EXTERNAL RELATIONS
RUSSIA AND THE WTO

Kristjan Aruoja

It probably does not come as a surprise anymore that Russia has not yet become a member of the World Trade Organization (WTO). Hence, it is true that after 18 years of negotiations, nothing has changed in respect to finalising Russia’s quest to the world trade club. Undoubtedly, progress has been made towards the goal, but nevertheless, a world record has been set in the category of the length of WTO’s accession process.

In conjunction with the foregoing, the optimistic prognosis for 2011 did not provide a description of an accurate progress of events in relation to the matter at hand. As a brief recap of the past prognosis, the main points to be brought out are the following: Georgia’s right to veto Russia’s accession, presidential elections as a possible political debate regarding the global trade issues and the interplay between economic considerations and political decision-making while determining the entry to the WTO. Then again, having a quick look at the previous prognosis and taking into account the current progresses, one has to admit – it was a close call. In the end of 2010, some strong indications let us presume that the parties were about to close the deal in no time. At present, although the ritual of accession has still been ongoing for another year, the process has never been this close to an end.
Status quo of the accession process

All obstacles in the negotiations have been overcome as the WTO Working Party on Russia’s accession has approved the terms for entry. In light of this development, it is expected that Russia will receive an invitation to join the organisation in mid-December 2011 at the WTO’s Ministerial Conference (highly probable, but not formalised by the time of submitting this prognosis). With that, an official green light has been given for becoming a member of the club.

It is then ultimately up to the Russian State Duma to ratify the accession documents within six months. It does not seem likely that other members of the WTO would not ratify the agreement in their parliaments after the positive decision has been made at the Ministerial Conference. However, there is logically a possibility that Russia will not ratify the documents and hence it means that the odds of not joining, albeit unlikely, are still there. In any case, it is clear that Russia, having received the invitation and approved the agreements, will become a full member not before one month after the ratification. In light of the foregoing, the present prognosis focuses on the scenario implying Russia’s imminent membership.

Speeding up the accession process and possible reasons behind joining

Although it might sound slightly sarcastic to talk about the speeding up of accession process, it seems, however, that there are some factors confirming this. Essentially, the question is why Russia has agreed to join the WTO now, when it had more or less similar conditions already a year ago? In relation to that, only Georgia’s resistance does not seem to constitute a plausible explanation. Of
course, Georgia blocked Russia’s accession, but as the two countries agreed on the international monitoring system on the borders of Abkhazia and South Ossetia, both sides have withdrawn from their previously uncompromising standpoints anyway. This settlement has been mentioned as a crucial point in overcoming the final obstacle in the Russia’s WTO accession, but the true reasons for resolving the issues probably lay somewhere else and Georgia’s veto is just an over-emphasised smokescreen. Bearing this in mind, the following provides a set of ideas which might have at least some relevance in connection to the dynamics of the relationships between the parties involved.

Firstly, some have suggested that during the crisis, protectionist economies have done to a certain degree better than open economies. Obviously, protectionism cannot be considered sustainable, but at the same time, the crisis is not over yet and world economy is not stable at all. So why commit oneself to rule-based free trade at the present time? The answer could be indirect. Even if protectionist measures might work for some more time, the crisis is a good opportunity to acquire authority outside one’s own borders, e.g. in the EU. Although Russia cannot probably solve problems with the euro, the difficulties could, nevertheless, provide a chance to influence the EU.

Secondly, a more pragmatic explanation might be that as Russia is in need for foreign investments, they truly want to be in the system. For instance, in the timber industry, Russia has tried to get e.g. Finnish companies to build up pulp and paper mills on the Russian territory (i.e. to develop the industry there) by increasing the export tariffs for timber. While this is not functioning to its full extent, accession to the WTO might change the situation. Quite similarly, other sectors need foreign financing as well. In addition to that, accession would intensify the competition and improve the quality of goods and services, which is beneficial for the consumers.
Thirdly, a broader consequence of becoming a part of the global trade structure is apparently related to the general division of powers. While the West obviously wants Russia to be in the WTO for smoother and more predictable business reasons, it seems that the final word is for Russia to say. Russia can even fight wars with other states (the example of Georgia) and still get what it wishes. This shows something about Russia’s strength and authority in international relations.

Lastly, Russia, although showing that it is not completely happy with the accession conditions, has most likely agreed on the terms favourable to it. Even though different reasons for Russia’s decision to join may be discussed, the genuine truth is difficult, maybe even impossible to grasp.

Immediate implications when ‘yes’ is said and concluding remarks

In conclusion, it must be stated that no instant and substantial change would occur when Russia enters the WTO. Yes, Russia has to lower certain tariffs, but due to the transition period, there will be no immediate full effect of all the WTO principles. Accordingly, Russia will have extra time to adjust its legislation to comply with the WTO rules. In any way, foreign companies will gain access, subject to certain limitations, to the Russian market, whereas in general, the accession probably has a win-win outcome in the long run, although Russia will suffer from short-term economic shocks (i.e. in relation to getting used to the competition from outside and modernising its economy).

This is just the beginning. Russia’s membership in the WTO probably has a special place in their wider agenda and serves as a substantial tool for further steps, e.g. joining other organisations
such as OECD or attempting to reform the international trade rules. All in all, it is to be seen how the relationships will evolve. What is sure is that there is nothing sure in Russia’s WTO accession before the final documents have been signed.
RUSSIA AND NATO
Toomas Riim

The previous forecast predicted the continuation of practical cooperation between Russia and the West (including NATO) and the accommodation of each other's positions on the solutions to global economic and security problems. The background for such developments was very promising, especially due to the consensus on Iran and North Korea and a decision on Russia-NATO partnership in the missile defence system made during NATO's Lisbon summit in November 2010.

Alas, such optimism suffered a serious setback in 2011. Rhetorical exchanges between Russia and NATO became very harsh.

To forecast developments in Russia-NATO relations in 2012, I will examine issues that most affected these relations in 2011: the creation of a missile defence system in Europe, the Libyan conflict in the context of the Arab Spring and co-operation in Afghanistan.

Missile defence system in Europe

Problems with the deployment in Europe of the US/NATO missile shield started to emerge already in January 2011.

According to NATO Secretary General Anders Fogh Rasmussen, the most effective form of Russia-NATO missile defence cooperation would be NATO protecting its member-states and Russia protecting its own territory. According to Russian Foreign Minister
Sergei Lavrov, it would mean a system based on the US design where the USA would not cede its “push button” right in the missile defence system. According to Dmitri Rogozin, Russia’s ambassador to NATO, Russia will not allow such designs of the missile shield that would neutralize the guarantee of Russia’s sovereignty – its strategic nuclear arsenal.

In short, NATO thinks that the missile defence system should be composed of two independent systems which only exchange information between each other and Russia wants a joint system that can be operated by both sides. Russia also offered to take responsibility for providing missile defence to the Eastern European and the Baltic Sea states.

As NATO has refused to satisfy Russia’s wishes, throughout 2011 Russian politicians (Messrs Rogozin, Lavrov, Medvedev and others) voiced threats to respond with military and technical countermeasures if Russia is not heard (deployment of the Iskander mobile theatre ballistic missile system in Kaliningrad oblast, accelerated development of Yars, a new intercontinental ballistic missile, commissioning new early warning radars etc.).

Russia is also unhappy about the plan to deploy parts of the missile shield in the Eastern Europe and, according to Mr Medvedev, Russia may respond by deploying the Iskander missiles in the Western and Southern parts of Russia and pulling out of the START treaty. Threats/recommendations have been also voiced to deploy the S-400 Triumf, the latest air defence missile systems, in Belarus.

This avalanche of threats notwithstanding, the USA has quietly continued to deploy elements of the missile shield in Poland, Romania, Turkey and Spain. In early September Mr Rogozin said that a radar system that was being deployed in Turkey did not pose a threat to Russia’s security, but still found an opportunity to accuse the USA in the desire to build an independent missile shield regardless of the promise to cooperate with Moscow.
In early November of 2011 Mr Rogozin said that a decision to continue talks about the missile shield could be made on the basis of the NATO summit's results in May 2012, because then “the architecture of missile defence that the Americans are going to build in Europe within the NATO framework” would become clear. This phrase is also a clear reference to a terminological change in Russia. Initially, Russia was talking about the European missile shield, but later started to call it the NATO and/or US missile shield in Europe.

The Libyan conflict

NATO air force strikes against the forces of the Libyan dictator Muammar Gaddafi in March 2011 also caused tensions in Russia-NATO relations. Somewhat surprisingly, Russia did not strongly oppose the NATO operation and did not hasten to support Gaddafi’s regime, although Russia had economic and military-technical interests there (participation in oil and natural gas companies and export of arms worth billions of dollars).

Although Russia abstained from the UN Security Council resolution on Libya adopted on 17 March (imposition of a no-fly zone), it expressed an opinion that the coalition’s air strikes were disproportionate, resulted in civil casualties and foreign nations have no right to arm rebels in Libya on the basis of the said UN resolution.

In June Russia declared that it would use all its power as a permanent member of the UN Security Council to prevent the adoption of a similar resolution on Syria. Although NATO has so far ruled out the intervention in Syria, it still cannot be completely ruled out if the conflict in Syria escalates. Russia's reaction to a possible new NATO intervention is likely to be different from the case of Libya.
Russia-NATO practical co-operation in Afghanistan

At the same time, an enhanced Russia-NATO co-operation in Afghanistan is continuing. In the summer, NATO and Russia reached an agreement upon the creation of a fund to finance the purchase of the Russian Mi-17 helicopters for Afghanistan’s military. At the beginning of March Russia extended the term of the contract upon the use of the Russian An-124 Ruslan strategic airlift aircrafts to serve NATO’s needs within the framework of SALIS programme.

Both parties are satisfied with the transit of supplies to the US forces in Afghanistan. According to the Deputy Foreign Minister Ivanov, the US forces alone shipped more than 20,000 containers with supplies through Russia and Russian experts train narcotics police in Russia and Afghanistan. James Appathurai, NATO’s spokesperson, also praised the cooperation: “Transit from Europe to Afghanistan is working very well. The volume of cargo moved on this route is very large. We would welcome an agreement upon return transit. Russia is an important and large link in a very long logistic chain.”

Conclusions

Although the year 2011 was full of rhetorical tensions in Russia-NATO relations, it has not resulted in any practical deterioration of these relations. Both parties will continue their successful co-operation in Afghanistan, the necessity of which has not been questioned by the Russian leadership. Regular meetings in the NATO-Russia Council will also continue with the discussions upon the European missile shield and many other issues.

Russia’s rhetorical pressure with regard to the missile shield is likely to continue in 2012, at least until the Chicago summit. If
Russia is not given some real promises during the summit, it may
discontinue the negotiations for some time. It would not however
mean that Russia-NATO practical co-operation should necessarily
suffer. Naturally, in 2012 we still cannot talk about a “real partner-
ship based on shared values”.

In the context of possible events with a potential to change
dramatically Russia-NATO relations in 2012, a possible conflict over
Iran’s nuclear programme is the most probable candidate. However,
it is difficult to predict whether the relations would then change for
the better or for the worse.
RUSSIA AND THE EU

Ahto Lobjakas

The 2011 forecast was accurate in the most general aspects – this year will not go down in history as pivotal in EU-Russia relations. The engine, which was barely ticking over at the beginning of the year, is now close to grinding to a halt. Not through any discord, but by mutual neglect.

Both sides have been greatly preoccupied by other things. Yes, the EU’s ability to sing from the same hymn sheet has continued to deteriorate in 2011, but even without Catherine Ashton’s limp-wristed leadership, the Arab Spring and the Eurozone sovereign debt crisis would have been sufficient to massively distract and hamstring the EU. Russia, on its part, seems perfectly content to see the EU go under. Vladimir Putin, Russia’s president-in-waiting and supreme leader in all but name, quite gleefully presented in the October 4 issue of Izvestiya his “Eurasian Union” as an alternative vision capable of learning from the “mistakes” of the EU – and get there much quicker.

One thing remarkable about the Putin vision is the total absence of Dmitri Medvedev’s ambition of creating a new “security architecture” for Europe. Presumably, Putin now feels Russia no longer needs to solicit cooperation from as feeble a power as the EU.

It is by now abundantly clear that the twice-yearly EU-Russia summits have become a moribund ritual. Post-PCA talks are virtually dead due to a complete absence of Russian interest and cooperation in the four so-called common spaces is hostage to Russia’s
AHTO LOBJAKAS

whim. Russia’s apparently imminent accession to the WTO (strongly supported by the EU) is no substitute for a broader strategic partnership. If anything, Russia’s hierarchy of priorities serves to underscore the fact that its predominant interest in the relations with the EU is commercial gain.

Diplomats on the EU side freely admit that for Moscow there remains one single genuine desirable issue in the whole setting of the multilateral relationship: visa liberalisation. With the EU likely to give a joint nod to some sort of an “action plan” or “road map” in that direction, the momentum should be sufficient to ensure that 2012 will still see two annual EU-Russia summits (instead of just one, as an increasing number of voices in the EU suggest).

There is another field where Russia retains a considerable interest in cooperation with the EU – energy. This is integration a la Moscou, however, a purposeful effort at divide and rule. With Nord Stream in operation, Russia has acquired another vital bilateral interest it shares with Germany (and, to a lesser degree, with the Netherlands, France etc). Giving EU companies a 50 per cent stake in South Stream is another pointed gesture of goodwill in the direction of Germany, France and Italy – while Nabucco’s chances of ever materialising take yet another hit. This trend is likely to persist through 2012 and beyond.

Insofar as there is a conflict of purpose and/or a contest of wills between the EU and Russia, it will increasingly be confined to the union’s Eastern Neighbourhood countries. It is now the EU that is on the defensive. Without having seemingly done or achieved all that much, Russia has all but upended EU strategies in the Ukraine and the Caucasus. Following the jailing of Yulia Tymoshenko, the EU relationship with Ukraine is on ice, with Viktor Yanukovich’s year-end trip to Brussels “postponed” indefinitely. Georgia is slowly losing its struggle to keep South Ossetia and Abkhazia on the international agenda – and has by now effectively turned itself into yet another post-Soviet autocracy.
Belarus, as ever, hangs in the balance, with Alyaksandr Luka-
shenka playing both sides against the middle. Moldova represents a
small ray of hope for the ideals of the EU’s eastern outreach project,
but that remains wholly dependent on Russian goodwill. Trans-
nistria talks resumed on November 30 after a hiatus of almost six
years, but with few prospects of success.

This is the preeminent area where both sides will be totting up
their successes and failures in 2012. Again, the prediction is that the
forces of disorder will prevail, if only because they follow the grain
of the age.

Overall, 2012 should be another anemic year in the EU-Russia
“strategic partnership.” Famous last words?
RUSSIA AND
THE EUROPEAN PARLIAMENT

Kristiina Ojuland

To the date, the European Parliament has adopted four resolutions on the situation in Russia in 2011, expressing concern over the violations of the principles of democracy and the rule of law and highlighting the need to uphold human rights and civil liberties in the country.

The approaching parliamentary and presidential elections in Russia that has become increasingly authoritarian have made numerous Members of the EP uneasy. As the tracks have been carefully laid to secure another victory of the ‘United Russia’, it has become clear that the European Union will be dealing with Putin in the Kremlin at least for another six, if not 12 years. With the tightening grip around the free media; registered and non-registered opposition groups; non-governmental organisations; ethnic, religious and sexual minorities; but also some businesses, it is not a particularly pleasant prospect from the European point of view.

The progress on the new Partnership and Cooperation Agreement has been slow, as the parties have difficulties substantially extending the common ground and overcoming major differences on trade and investment as well as human rights. The overall rhetoric has so far been calm and restrained.

while drawing special attention to the case of Sergei Magnitski and the severe deficiencies in the judiciary and penal system and practices in Russia. Widespread corruption has been criticised repeatedly. An own-initiative report is being drafted by the EP proposing a consistent EU approach on non-democratic regimes that would enact visa and economic sanctions also on the Russian officials, who are responsible for the perversion of the rule of law and violations of human rights.

Delegation to the EU-Russia Parliamentary Cooperation Committee has had three PCC Working Group meetings in 2011 – in Brussels, Astrakhan and Sochi – and the 14th PCC meeting in Warsaw discussing regional cooperation and relations with neighbouring countries, science and research cooperation, rural development, environmental protection, sport, sport infrastructure and youth policies, which are all rather neutral issues. The upcoming elections were finally discussed in September in Warsaw and a carefully formulated paragraph was added to the final statement and recommendations.

On November 9–10 the Alliance of Liberals and Democrats for Europe organised the conference ‘Helsinki 2.0’ that was inspired by the 1975 Helsinki process, which proclaimed the universal character of human rights and democratic values. The conclusions of ‘Helsinki 2.0’ questioned the ability of Russia to comply with the obligations stemming from her membership in the Council of Europe and the OSCE, called for challenging the credentials of the State Duma delegation in the PACE and reassessing the cooperation between the EP and State Duma, while encouraging people-to-people contacts and visa liberalisation. The ALDE proposed drawing up a new EU-Russia strategy during the first half of 2012 as well as establishing a Helsinki 2.0 Watch Group on democracy and the rule of law in Russia.
It goes without saying that not all political forces in the EP will be supportive of such bold suggestions, which can be understood, keeping in mind that some may accept Putin staying in power as inevitability. Pragmatically minded Members may find that in the midst of financial turbulence, while the very existence of the EU is called into question, it may not be the best idea to be making enemies. The Members opting for a values-based approach, on the other hand, may retort that when having to give up on the values that the EU claims to stand for, it does not deserve to exist at all. If the parliamentary and presidential elections in Russia are not held in line with the standards for free and fair elections – which seems to be the case – it will polarise the EP and the parliamentary cooperation will come to a standstill.

For 2012 there are three EU-Russia PCC Working Groups foreseen: in April Russia after parliamentary and presidential elections and migration policy in the EU and in Russia will be discussed in Moscow; in May there will be talks in Strasbourg on common responsibility in the world and security and foreign policy; and in August Civil society and its role in a modern state will be reflected upon in St. Petersburg. In December the 15th PCC will be held in Strasbourg and climate change, including the Arctic Region, will be tackled and the results of the three Working Groups will be presented.

The climate at the PCC meetings will be frosty throughout the year, as there will be a number of Members bringing up the shortcomings at the elections and some perhaps even calling for breaking off parliamentary relations. There may be some Members boycotting the PCC meetings altogether. All Members will find it difficult to justify the continuation of relations with their Russian counterparts in the customary mode. It is likely that the High Representative will be caught between two fires – some influential Member States pushing for advancing the relations, while the EP is
advocating for an EU reaction to the rise of authoritarianism in Russia.

Much of the future of the parliamentary cooperation between the State Duma and the European Parliament also depends on the presidential elections in Russia on March 5, 2012. From that it seems there is nothing even remotely democratic to expect, so the EU will be facing a dilemma – whether to go on with business as usual or re-address its approach to Russia entirely.
The trends predicted for 2011 have mostly come true. However, it was not the case in the defence area where we predicted further steps by Germany to integrate Russia into common security architecture. Nevertheless, this issue was discussed at the level of civil society (for example, an article co-authored by former defence minister Volker Rühe and Wolfgang Ischinger, a foreign policy advisor to former chancellor Kohl). Economic relations have been also gaining pace. Russia has been continuously supported at the government level on the issue of visa-free travel. However, a specific decision is yet to be made by the German government to announce this support officially.

German-Russian bilateral relations have been based on two keywords: a strategic partnership offered by Germany and a separate concept of modernisation partnership coined in 2008 within the framework of the Petersburg Dialogue, a German-Russian political forum held twice a year.

Germany’s international efforts are currently focused on saving the Eurozone and Germany has only started to grasp its role in international affairs. A medium-sized power is becoming a regional power struggling to cope with itself and the changed situation due to its historical burden. On the one hand, more leadership is expected from Germany and, on the other hand, there is a fear that a new superpower is rising which might be capable of a unilateral action. The latter should not be, however, taken seriously because there are
no political forces in Germany cherishing greater power ambitions for their state. For Berlin, it is an uncomfortable situation that might be actually characterised as a foreign policy normalisation. An abstention in the vote on a resolution authorising air strikes in Libya – the fact that was much talked about – corresponded to the old pattern of the German foreign policy that ruled out military operations. One should not ignore the domestic political context in Germany either where regional elections were looming and where domestic politics has been known to turn foreign policy into an instrument of an election campaign (the 2002 parliamentary elections and Mr Schröder’s decision to refuse support to the USA, a traditional ally).

The pivotal event of German-Russian relations in 2011 was the official opening of the Nord Stream pipeline in Lubmin on 8.11.2011. This project – which ran into a lot of opposition and protests from the Baltic States and Poland – has been implemented as Berlin and Moscow constantly promised. In this context the German government have always stated that this project is important for Europe and represents an energy partnership in the best sense of the word. Russia has reasons to expect an increase in Germany’s dependence on the Russian natural gas, considering Germany’s decision last spring to shut down its nuclear power stations. A decision to abandon the use of nuclear energy (a political step that some people in Germany even considered revolutionary) would give a sufficient foundation to support such expectations, but Germany is trying to bypass that option, making plans for the development of renewable energy after a quick change of mind (it was decided already at the beginning of 2011 to postpone the shutdown of some nuclear reactors).

It is also important that Chancellor Angela Merkel in her address at the opening of the Nord Stream spoke not only of a strong and reliable partnership, but also of the reliability of supply and diversification of energy sources. Russia and Germany are planning to
agree on a long-term energy partnership plan in 2012 that is supposed to be completely new and cover a whole range of issues from science to specific means of transportation.

In addition to the completion of a big project, the 20th anniversary of the recognition of the Russian Federation by the FRG will be celebrated on 25 December 2011. Moreover, the year of 2011 will be the last year of President Medvedev’s interregnum. Ms Merkel has always supported Dmitri Medvedev whom she considered a more pro-Western and democratic leader than Vladimir Putin, but she was probably forced to recognize that both leaders are two sides of the same coin as Dmitri Medvedev continued the policies of Vladimir Putin. Thus, Ms Merkel distanced herself from Russia already during Mr Medvedev’s term in office. Mr Putin – who was deprived of the prestigious Quadriga award because of a strong opposition by the German civil society – will make his attitude to Germany neither friendlier nor more critical.

Economy (especially energy) continues to play the central part in Russian-German relations. The biggest lobbyist in Berlin is the Committee on Eastern European Economic Relations that demands most loudly visa-free travel with Russia, arguing that Germany loses hundreds of millions of Euros because of visa requirements. It is hoped that visa-free travel will become reality by 2018, at the latest. In that context, the German government will be facing a difficulty of trying to accommodate both economic and political interests. It should be noted that Russia is not viewed in Germany as positively as it may appear. According to a recent poll, only 32% of Germans believe that Russia is a reliable partner.

In 2012 the bilateral relations will be increasingly characterised by the beginning election campaign in Germany and Vladimir Putin’s return to power in Russia. Any significant changes in the pattern of interaction are unlikely. Positions of German political parties on Russia have steadily improved in recent years. The FDP
RUSSIA AND GERMANY

(which has been the most critical of Russia) has lost the voters’ support and must fight for the chance to stay in the parliament after the next elections. The conservative CDU has traditionally attempted to integrate economic interests and democratisation; the programme of the social democratic SDP has been historically most Russia-friendly and the Greens have shown similar attitude.

The 2012 trends in Russian-German relations may be summarized as follows:

– intensification of the dialogue on energy partnership;
– a clear support to visa-free travel with Russia stated at the German government level;
– German attempts at Russia’s Europeanization and Russia-Germany joint security policy initiatives on a missile defence system.
Over the past nearly two decades since the end of the cold war and the collapse of the Soviet Union there have been several ups and downs in the relations between Russia and the United Kingdom. Following a remarkable improvement at the turn of the 21st century (British Prime Minister T. Blair was the only Western leader to visit Russia and meet with V. Putin before the latter was elected president of Russia) the relations have since soured. This downward trend started after the United Kingdom and Russia had taken diametrically opposing positions during the Iraq crisis in 2003. The visit by the new British Prime Minister D. Cameron to Moscow in September 2011 was the first one after a hiatus of several years, during which high-level Russo-British contacts took place only during international conferences and meetings. D. Cameron’s visit will certainly help remove some tensions in the relations, though it will not solve all the problems. The Russian leaders reacted positively to the commitment of the United Kingdom to take part in several projects aimed at modernizing the Russian economy. Previously, Britain was not considered among the potential partners for modernization.

In 2012, a slow but steady progress in Russian-British relations is likely to continue. Although D. Cameron’s Cabinet is the first coalition government in many years, the position of the Prime Minister
is quite solid. The voices of the supporters and opponents of improving relations with Russia, which come from various quarters, have approximately the same degree of influence.

It should be borne in mind that the relations with Russia are not a priority issue for the British ruling circles. The only thing that could affect British politics in that respect is some drastic change in the U.S. policy. That, however, is very unlikely, since the presidential election campaign in the United States will focus on domestic issues of economy, while relations with Russia will not figure high on the agenda of any of the major candidates.

The main vector of Russia’s foreign policy is also likely to remain essentially unchanged. Major foreign policy decisions are jointly taken by the President and the Prime Minister, while the differences are slight and touch only the minor details. Therefore, the likely reshuffle between the two top Russian leaders in the spring of 2012 could lead to only microscopic changes in the foreign policy.

The most important international issue in 2012 will again be the global economic crisis. Russia and the United Kingdom will be busy finding ways to tackle it at the G-8 and G-20 summits. Both countries take a fundamentally similar approach – the way out of the crisis should be sought jointly through the enhancement of international cooperation instead of resorting to isolationism or confrontation. However, some differences are also likely to emerge despite this general line. Russia does not feel quite comfortable in the G-8 as seven of its other members quickly develop a common position which Russia has to acquiesce to. Russia tries to find a counterbalance by all means possible through mainly supporting the BRICS, and especially the G-20. However, the BRICS are of little interest to the United Kingdom since its trade relations with those countries are rather insignificant.

Another complex international problem to be dealt with will be the preservation of the non-proliferation regime. Objectively, both
Russia and the United Kingdom have a stake in strengthening the regime. The acquisition of nuclear weapons by new states, including the so called “rogue states”, could not only weaken international security in general, but would also undermine the exclusive nuclear power status of Russia and the United Kingdom. One of the most acute issues here is the Iranian problem. London, just like other Western allies, believes that it is time to take more stringent measures against Iran. Primarily this implies economic sanctions, but in principle the possibility of using force is also on the table. Russia believes that new sanctions would solve nothing. Russia rules out the possibility of a military solution and focuses on the need to negotiate. This, in turn, arouses suspicion in the UK and other Western states that Russia is trying to provide patronage to the Iranian nuclear program. These suspicions are only partly justified: the group which supports the Iranian nuclear programme is now in the minority in Russian political elite. Should the political situation around Iran aggravate, the Russian-British relations could also suffer. Unlike Russia, the United Kingdom is not involved in the negotiations on North Korea’s nuclear programme and a possible worsening of the situation in the coming year is unlikely to affect significantly the Russian-British relations. The question that is likely to divide Russia and the United Kingdom in 2012 is related to the methods of handling crises, particularly in the Middle East. The United Kingdom played a crucial role in toppling the regime in Libya, and is actively lobbying the UN Security Council and other international organizations for tougher sanctions against Syria, although stopping short of the possibility of direct military intervention. Russia, on the contrary, tends to support President Bashar al-Assad, while trying to play the role of a mediator between the government and the opposition. Most probably al-Assad will have to go, which would undermine Russia’s position in the region and could create tensions between Russia and the United Kingdom.
The role of the United Kingdom in the recent events in the Middle East has shown that some regrouping is taking place within the European Union. Britain and France began to re-establish their close partnership (it existed for almost the entire first half of the twentieth century until the Suez Crisis of 1956). In the long run this could lead to a weakening of the Franco-German cooperation (their positions were already drifting apart on Libya). It could be particularly unexpected for Russia since its European policy has always been based on a desire to negotiate with Germany and France (the “big three”), and over the past ten years everything was staked on developing a strategic partnership with Germany. This new configuration could force Russia to intensify a dialogue with the European Commission. Dragging the United Kingdom to the “big three” roundtable is very unlikely to be attempted by Russia.

As for the Russian-British relations in the area of economy and the fields of science, education, and culture, a step forward is very likely. In 2009 there was a significant decline in the trade between our two countries, and we are recovering from that only now. The share of the British foreign trade with Russia is less than 3% and it is comparable to that of Finland. The most active cooperation takes place in the field of energy. Despite the challenges of recent years, BP has not only maintained its presence in the Russian energy market, but it is also clearly seeking to expand its operations. It is also possible that British companies will take part in the Skolkovo project as well as in the construction work for the Olympic Games in Sochi. The British political elites are still perceived in Russia as close allies of the United States, rather than partners for modernization.

Difficult problems will lie in the field of military and security. The exchange of military information between two countries stopped in November 2011 and it is unlikely that it will be resumed.
next year. Cooperation between secret services was also stopped
several years ago and there are very few chances of resuming it.

However, the low-point of relations has been left behind. Ahead
of us is a slow but steady progress.
RUSSIA AND ITALY

Stanislav Tkachenko

Today’s Italy is one of the most important foreign policy partners of Moscow in European Union and globally. Solid and well-diversified relations have been established in all major political, economic, social and security areas. Moscow and Rome are on very close positions on many challenges and threats in world politics.

Institutional support of bilateral political and economic relations of Russia and Italy is rather unique for Russian foreign policy. Probably, only Russia-Germany cooperation is characterized by the same number and quality of cooperation agreements and institutions, established at the official level to guarantee minimization of transaction costs in developing all forms of bilateral contacts at the official, business and societal levels.

Since 2002 in Russia-Italy relations a new form of summits has been established: regular (annual) Interstate Consultations on highest level, accompanied by academic conferences and cultural events. The most recent one took place in December 2010. Besides President Dmitry Medvedev and Prime-Minister Silvio Berlusconi, there were also Russian and Italian ministers of foreign affairs, defence, industry, energy, communications, who attended the event together with several hundreds of experts and businessmen. Dmitry Medvedev described the bilateral relations at that meeting as “the most excellent, being at the level of strategic partnership and developing with high speed in all spheres”. In response, Silvio
Berlusconi strengthened “special cordiality” as a distinctive feature of contemporary relations.

The high level of bilateral relations may be explained to a great extent by personal friendship of Vladimir Putin and Silvio Berlusconi, which started in the early 2000s. Dmitry Medvedev shares the same vision of significance of these relations, that is why temporary departure of Vladimir Putin from Kremlin did not harm the relations between the countries and not between the leaders either. Changes among the leadership of Italy and Russia in 2011–2012 (departure of Silvio Berlusconi and Dmitry Medvedev) will make the bilateral relations less informal. But due to strong business and cultural ties of the two countries the generally high level of contacts will stay this way.

Economic cooperation of Russia and Italy takes advantage of the leaders’ friendship. In 2010–2011 trade turnover between Italy and Russia is growing fast after the dramatic decline during the 2008–2009 economic crises, when bilateral trade decreased from $53 billion to $33 billion in just one year. In 2011 trade may return to the pre-crises level, putting both Russia and Italy among top 5 leading trade partners for each other globally. Italy will stay at this very high position among Russia’s economic partners in mid-term perspective.

Russia-Italy energy partnership is probably the most important sector of their economic cooperation. Russia’s supply of natural gas provides up to 30 percent of its consumption in Italy. Technological cooperation of Russia’s Gazprom and Italian ENI led to a successful construction of the Blue Stream pipe-line from South Russia to Turkey and further to South Europe. Today both Russia and Italy are working hard to implement another geoeconomic project in this area – South Stream pipe-line via Black Sea to consumers in the Balkans, Italy and Central Europe. The project will not survive if one day Italy will decide to take back its political and financial
support for it. It may happen if new leadership of Italy will face strong pressure from its EU partners, first of all – from Poland, Bulgaria and the Baltic States.

The year of 2011 hosted a rather unique event in the history of the Russian and Italian relations. At their summit in Rome, the leaders of Italy and Russia inaugurated the Year of Russian culture in Italy and the Year of Italian culture in Russia. There are about 550 exhibitions, theater and concert performances, academic conferences and seminars, joint publications of documents and art books, which should help the two nations to understand each other better. In June 2011 the Russian Center of Science and Culture has been opened in Rome with a mission to facilitate research cooperation and arts exchanges between the two countries.

Due to the peculiarities of Russian political system, with the President and Prime-Minister playing a central role in it, such an intensity of contacts guarantee that message on the importance of bilateral Russia-Italy relations should be taken by decision-makers in Russia; politicians, heads of state corporations, business leaders with strong governmental ties, etc. Russia’s “up-down” political system was functioning in favour of the rapid and extensive Russia-Italy relations. And the foreseen replacement of Dmitry Medvedev by Vladimir Putin as the President provided a sort of guarantee that bilateral relations will continue to grow in the future.

But it is the changes in the Italian political system due to the sharp budget crisis and budgetary restraints, which led to the collapse of governmental coalition in Italy and to the replacement of Silvio Berlusconi by Mario Monti as the Prime-Minister of Italy. Nowadays it is hard to predict long-term consequences of this move for bilateral relations. But it is most probable that Mario Monti will secure its relations with Russian leaders into a sphere of pragmatic contacts. Bilateral trade may not suffer from such changes, but it is very likely that such institutions, as «2+2» ministerial meetings (Ministers of
Foreign affairs and Defence), the most important, Interstate Consultations, will be abolished as a sign of more pro-European policy of Prime-Minister Mario Monti.

In 2012 there will be fewer contacts between the two countries on a political level, but we will see the intensification of business contacts. Both Italy and Russia are facing the threat of the second wave of the economic crisis. Russia’s WTO membership will provide Italian companies more chances to enter Russian market as well as Russian investors will benefit from the better access to Italian assets. That is why the two following processes may be the most obvious to occur in 2012: the growth of bilateral trade and investment cooperation and the decline in the scope and intensity of a political dialogue.
RUSSIA AND SPAIN

Hendrik Lõbu

At first glance, in 2011 Russia seemed to achieve most of its political and economical goals towards Spain. At the international level Spain supported Russia politically in almost all of the political matters (except the Libyan war) and Russia answered with promises to give Spanish entrepreneurs a wider access to its markets and to secure stable oil prices. All of this, accompanied by more than 400 joint events in the areas of politics, economy, culture and education during the Year of Spain in Russia and the Year of Russia in Spain respectively, helped to paint quite a positive image of Russia in the Spanish media.

On the other hand, when one tries to examine Russo-Spanish relations a bit closer, the perception of Russia’s political success in Spain and the harmony in mutual relations might not be entirely true. On the contrary, it seems like Russia needs Spain more than Spain needs Russia and Spanish foreign policy makers have played it out with great success.

Political relations

The official rhetoric of the relations between these two countries has been utterly amicable, whereas in real life (at least in the security policy) the words have not always been accompanied by actions.
On political level Spain supports visa freedom with Russia, opposes NATO Eastern enlargement and the EU neighborhood policy in former Soviet republics. In addition, the Spanish officials have made positive statements on Russia’s idea of the new European security system that emphasizes the importance of the OECD instead of NATO. But all of these gestures cost almost nothing to Spain.

In the background, Spain has pursued an independent and not always Russian-friendly policy, without harming its economic interests in Russia. For example, the expulsion of Russian diplomats last December-January (two Russian officials were accused of espionage in Madrid), different positions on the Libyan war, the revelations of WikiLeaks (some Spanish politicians allowed themselves quite harsh opinions on Putin and Russia) and Spanish agreement to take part of USA anti ballistic missile (ABM) project did not change anything in bilateral economic relations.

It seems that Russia has to tolerate Spain’s political limbo between the USA and Russia, because the latter needs Spanish investments for its economical modernization and Spanish political support in NATO (to block its Eastern enlargement) and in the EU (to weaken the EU neighborhood policy in post-soviet space).

Economic relations

The highlights of the bilateral economic relations in 2011 were probably the visit of Prime Minister Jose Zapatero to St Petersburg International Economic Forum in June and President Dmitri Medvedev’s visit to Madrid in December. In the course of St Petersburg’s Economic Forum and with the participation of Zapatero and Medvedev the Spanish oil company Repsol YPF formed a joint venture with the Russian Alliance Oil Company, worth around 800
RUSSIA AND SPAIN

million USD. As a result, Repsol owns 49% of the new company and will make investments to finance future projects of exploration and production in the Volga-Urals region.

Besides the energy policy, both countries have showed their growing interest to cooperate in the fields of technology and modernization. Russia has declared its intent to import the know-how and investments of Spanish companies in the federal renewal programs of Russia’s decayed road network.

More precisely, in 2011 the mutual discussion has started between the two countries on involving Spanish engineering and construction companies in the reconstruction of the infrastructural projects for 2014 Winter Olympics in Sochi and to assist Russia in getting prepared for the 2018 World Cup. Spain has also shown interest in participating in the Skolkovo Innovative Project.

Nevertheless, Spanish – Russian trade is yet relatively insignificant. Last year, Spain held 18th place in the list of Russia’s trade partners, but by the end of 2011 the annual trade turnover was expected to increase over 10 billion euros, which would be 40% more than in 2009.

Predictions for 2012

In 2012, the diplomatic interaction (mutual visits, joint events etc.) decreases, because the Russian-Spanish cultural cross year will end and both countries will be more occupied with the domestic issues. In economic cooperation, Russia’s need for know-how and investments will increase and the share of oil products and minerals in overall Russia’s export to Spain will stay around 80–90%. It will be interesting to see if Spain, who has high public dept and other financial problems, is able to increase its foreign economic activity in the Russian market.
HENDRIK LÖBU

Vladimir Putin’s presumable comeback as the President of Russia and the set-up of conservative Mariano Rajoy as a new Prime Minister after Spanish parliamentary elections in December will not bring any fundamental changes in Russia-Spain relations.
Nobody could predict what happened in Smolensk on 10 April 2010 and how it will influence the Polish-Russian relations in the following year. The airplane crash in which the Polish president and Polish authorities died was an unprecedented tragedy which created a chance for a complete reset of the relations with Russia. Nevertheless, the passing year showed that dialogue between both countries was without particular breakthroughs with long term results.

Echoes of Smolensk tragedy

At the beginning of 2011 all progress which had been made in the past year by Russians in re-assessment of historical events (the Katyn massacre) was in eclipse because of the report on the causes of Smolensk accident. On 12 January the Russian Interstate Aviation Committee blamed for the tragedy in whole the Polish side. This announcement caused a huge stir on the Polish political scene and tension between Russia and Poland rose again.

The opposition led by Jaroslaw Kaczynski, twin brother of the former president, received a solid argument for continuing its conservative agenda and strengthening their own electorate gathered around the conspiracy theories involving Russians. However, the Smolensk tragedy did not play an important role in the parliamentary elections on 9 October. The results showed that people had
enough of Kaczynski’s confrontational approach toward the neighboring countries, particularly Russia and Germany.

The Poles chose for at least the next four years a better partner for Russia. The ruling of Civic Platform means a more open line of discussion for the Kremlin. Of course, Donald Tusk is not a Russophile. On the contrary, during Poland’s EU presidency he is an advocate of “Eastern Partnership” interfering in the Russian sphere of interests. However, he is more pragmatic and predictable in relations with Russia than Jaroslaw Kaczynski. Tusk’s fairly balanced foreign policy towards Russia and its neighbours will be represented for next years by the recognized Minister of Foreign Affairs Radoslaw Sikorski. Poland with the government open for international cooperation and president supporting political aims similar to the prime minister’s is ready for a new start with Russia. To make it happen the Kremlin must prove that it can go beyond the carefully staged moments of openness and goodwill.

Energy anxiety

News about finalizing petroleum terminal in Ust-Luga within the framework of the Baltic Pipeline System-II has caused concern in Poland, because the main aim of the project is to increase the importance of the oil exports by tankers at the expense of the Friendship Pipeline. Many people drawing black scenarios for Polish oil imports in 2012 and beyond do not consider two details. Firstly, Poland is buying oil from intermediaries guaranteeing continuous supplies based on short term contracts, so, no matter what, dealers need to find another supplier, not the government. Secondly, Poland, thanks to its transhipment infrastructure in Gdansk, is able to bring at any time crude oil to domestic refineries from Algeria, South Africa, and others.
2011 was a year of gas disputes and negotiations for new prices. Poland is still counting on shale gas, but meanwhile everybody knows that until unconventional gas from Polish fields will replace Russian gas, the main supplier will be Gazprom. In November Poland’s gas monopoly PGNiG turned to the Stockholm Arbitration Tribunal for a ruling on gas price discounts and a switch to gas spot prices after deadlocked talks with Russians. Gazprom is unlikely to revise its long-term gas contracts and Poland currently really does not have other import routes until 2014. In the next two years, the LNG terminal in Swinoujscie should be ready, which will open new possibilities. Currently, Poland is importing from Russia approximately 9.9 bn m³ of gas, the capacity of the LNG terminal is going to be 5 bn m³ and in the future up to 7.5 bn m³ per year.

Nevertheless, the widely commented opening of the Nord Stream on 8 October is not seen anymore as a project against Poland. Moreover, there is a possibility for Poland to connect to the Czech Gazela Pipeline, which will be filled by gas from the Nord Stream. Either this way or the other Russian gas can come to Poland. All in all, energy security in Poland will still rely on Russian supplies but the situation in the coming year despite the outcomes of the arbitrary ruling should not be so difficult as public opinion says.

Above the politics

The Polish-Russian relations have many dimensions, in which political ones play a dominating role. The year 2011 brought progress in cultural and social cooperation between both sides, which shows that it is possible for Poland and Russia to put aside historical sentiments and sorrows and think about the future beyond political disagreements.
Worth mentioning is the fact that Poland applied to the European Commission with a request for special conditions for the agreement on small border traffic with the Kaliningrad region. Kaliningrad residents will be able to come to Warmia and Mazury and part of Pomerania. It is an important step in bringing both nations closer together and start diminishing the role of Russophobic prejudices in Poland.

Conclusions

The relations between Poland and Russia are characterized by a conflict of interests that will continue in 2012 despite short term rapprochement, which has become perhaps one of the most surprising developments in European politics in 2011. Among the key issues dividing Poland and Russia will still be the re-assessment of the Katyn massacre, the “Eastern Partnership” programme, energy security, and projects including more players among whom Poland plays an essential role, for example, the American missile defense system in Europe.
Previous predictions about the relations between the Nordic countries and the Russian Federation have been precise, because they have been determined by the Helsinki Process, which started back in 1975, and because none of the external factors has affected traditionally good relations in the High North. Thus relations between Russia and the Nordic countries could be labeled as traditionally cool in the sense of being sophisticated. The major independent factor that makes previously mentioned relations stable and mutually beneficial are a cold climate and environmental degradation that the Soviet centrally planned economy has left for all regional actors to feel concerned about. Bilateral relations as well as multilateral organizations, such as the Nordic Council and several sub-regional councils, determine relations between the Russian Federation and each of the Nordic countries.

Framework of relations

The very broad policy framework for the cooperation between the Russian Federation and the Nordic Countries is provided by the strategic documents of the Nordic Council of Ministers (NC). The guidelines for the Nordic Council of Ministers Cooperation with
North West Russia 2009–2013 were approved during the height of the international financial crisis in 2008.

Regardless of the financial turmoil and the Russo-Georgian war that preceded the preparation of the strategic document the guidelines are still fundamental for the relations in fields of education, environment, good governance, education and cross border cooperation. Within such cooperation framework mostly the North Western Russian regions are affected and it allows to solve problems in the environmentally sensitive Baltic Sea drainage area, and thus to facilitate the rise of awareness of common issues among the citizens in North Western Russia. Cross border cooperation and facilitation of trade has been the long term goal, but due to the regional characteristics of the cooperation framework there were no huge breakthroughs due to Russia not being a member of the World Trade Organization.

The co-operation between North-West Russia and the Nordic countries is intimately linked to the European Union’s (EU) policies for cooperation with Russia. The 1994 Partnership and Cooperation agreement is still effective and the Four Common Spaces framework enables to cooperate in such fields as economic issues & the environment; freedom, security and justice; external security; and research, education, and cultural aspects. The previously mentioned agreements include also the EU’s Baltic Sea Strategy frame ensuring the cooperation of Russia particularly in the Baltic Sea area. Major cooperative instruments have stayed with us unchanged all those years, such as the Knowledge and Networking Programme, participation in the Northern Dimension’s Partnership, co-operation with NGOs (the NC’s NGO programme), cross-border co-operation, co-operation through the Nordic institutions as well as co-operation with other regional players, such as the Barents Euro-Arctic Council, the Council of the Baltic Sea States and the Arctic Council.
RUSSIA AND THE NORDIC COUNTRIES

The Russian WTO membership in the late 2011 will galvanize the stability in the European North or in the Russian North Western region. This long awaited moment will allow the cross border trade to flourish. Scandinavian manufacturers, food and forest processors, retail giants will find new outlets for their products, and it will also facilitate trade for those Baltic businessmen who work as suppliers for the Scandinavian mother companies.

Future outlook

Endogenous events in 2012 should not alter the gradually built pillars of regional cooperation in the wider Northern European region, which are based on principles of mutual trust. The parliamentary elections in December 4, 2011 and its effects on the presidential elections set for early March 2012 will alter domestic politics in the Russian Federation, but it should not alter bilateral relations with the Nordic countries.

The relative weakness of the Baltic States vis-à-vis Russia, and particularly the Russian use of historic narratives and the legal status of Russophone population could make politicians in the Nordic countries use mechanisms of preventive diplomacy (reminiscent of the Swedish and Nordic diplomacy during the early 1990s) through the transmission belt of regional cooperation networks in order to alleviate possible ratcheting up of tensions between the Russian Federation and the Baltic States.

The Nordic countries will continue to target their cooperation efforts with Russia in the low policy fields, and the most prominent of them will be research, education and innovation, environment and clean energy, prevention of child abuse and devising schemas for involvement of the elderly in the workforce. The ongoing emphasis on the cooperation between the small and medium size
businesses will continue, particularly if the presidential elections in Russia will allow further liberalization of the Russian business environment.

The appeal of the European Parliament for the Russian government to rerun the parliamentary elections in Russia should not affect relations between Russia and the Nordic states; however, hawkish announcements about the deployment of Russian nuclear weapons in the Baltic vicinity could galvanize the proponents of the NATO membership in Sweden and Finland.

On January 22, 2012 the Finnish presidential elections could turn out decisive both for Sauli Niinistö and Finland’s future membership in NATO. Such an act could alter the traditional status quo politics in the High North. One may conclude that first, with the election cycle just finished in most Nordic states, gradual creation of the wider cooperative zone in the Northern Europe would continue. And second, outcomes of the Eurozone crisis would affect Finnish domestic policy and together with the presidential elections in Russia would be the two major factors affecting traditionally stable relations between the Nordic states and Russia in 2012.

Relations between the Russian Federation and the Nordic countries have been traditionally stable due to the predictable domestic politics. The developments in Russia and the Eurozone in 2011 will have a terminal effect on the internal dynamics of individual countries in the short term. Nordic academics and politicians have been busy designing policy framework for constructing the High North as a cooperative region of peace. In this area countries equipped with sustainable economic models will continue to serve their mission as examples worth emulating, and would serve as a natural zone of attraction for the inhabitants of North Western Russia.
RUSSIA AND THE BALTIC SEA REGION

Dmitri Lanko

2012 will witness an increasing Russian interest towards the Baltic Sea Region. There are at least three factors to that.

‒ First, it is the expected return of Vladimir Putin to the post of the President of the Russian Federation; the man, contrary to his successor and simultaneously predecessor Dmitry Medvedev, indicated his personal interest in the Baltic Sea Region affairs already during his two terms in the Kremlin in 2000–2008.

‒ Second, it is the formal factor: in July 2012 Russia will take over the Presidency in the Council of the Baltic Sea States from Germany and will pass it on to Finland in July 2013.

‒ Third, there will be a significant change in Russian approach towards the Baltic Sea Region: contrary to what used to be Russia’s official point in the past, Moscow will start treating its policy towards the Baltic Sea Region as part of its wider policy towards Europe in general. Such a change will not only attract attention of Russian policymakers, lobbyists, think tanks and journalists to the Baltic Sea Region, but it will also attract attention of foreign observers towards Russian policy in the Baltic Sea Region.

Despite his popular image of Vladimir Putin’s ‘puppet’, Dmitry Medvedev appeared to have a different view of the world outside of Russia compared to that of his predecessor and successor. In particular, Medvedev’s view of the regional composition of the world was
DMITRI LANKO

different from Putin’s. Most of all, that concerned Medvedev’s approach to the post-Soviet space, which he did not consider as one region, preferring to treat its European (Russia, Ukraine, Belarus and Moldova), Asian (Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan and Tajikistan) and Middle Eastern (Georgia, Armenia and Azerbaijan) parts separately. At the same time, it also concerned his view, or, in fact, absence of view of the Baltic Sea Region, of which he, unlike Putin, has never even spoken during his term as President. As a result, no major infrastructure project in the Baltic Sea Region that is vital for Russia has been completed or launched during Medvedev’s term. St. Petersburg’s South-western Wastewater Treatment Plan and the ferry line connecting Kaliningrad with mainland Russia were completed during Putin’s second term in office, while the Nord Stream Pipeline and Kaliningrad nuclear power plant will open, if ever, during Putin’s future term(s) in office.

The programme of Russia’s CBSS Presidency started to be prepared already in late 2010 in tune with the preparations for the German Presidency, which began in July 2011. In 2012 Russia will start its second CBSS Presidency; unlike the previous time, this time Russia will be, first, well prepared, and second, the Russian Presidency programme will be in tune with its predecessor’s, German Presidency programme. The official motto of the Russian 2012 CBSS Presidency will be ‘modernization’; with that Russia will do its best to attract more partners to the modernization partnership for the south-eastern part of the Baltic Sea Region, which was established during the German Presidency. Moreover, Russia will propose establishing an expert group on modernization under the auspices of the CBSS following the example of Agenda 21 expert group for sustainable development and other expert groups operating at the moment. At the same time, if that proposal appears not to be welcomed by other CBSS member states, Russia will not insist. Modernization, which used to be the keyword of Dmitry
Russia and the Baltic Sea Region

Medvedev’s term, will disappear from Russian political agenda as soon as the country chooses its new President.

Until now, one of the key points of Russia’s policy towards the Baltic Sea Region in general and the CBSS in particular used to be deep concern about the role of the European Union in the region. That was one of the reasons of Russia’s frosty reaction to the adoption of the EU Baltic Sea strategy two years ago. 2012 will witness a change here. One indicator of it comes from the Russian-Norwegian border. In 2011 the two countries signed the agreement allowing residents of the 60-kilometer wide border area to travel from Russia to Norway, and vice versa, visa free. Though the agreement is purely a regional breakthrough, which has already been declared an important achievement of both the Barents Euro-Arctic Council and the CBSS, Russian diplomats have already declared that the agreement will become a testing ground for advancement of Russian-EU relations and an important step towards the Common Space of Freedom between Russia and the EU. With Russia finally joining the World Trade Organization in late 2011, 2012 will witness advancement of negotiations on the Common Economic Space between Russia and the EU; the Baltic Sea Region will provide testing grounds in this respect as well.

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To sum up, Russia’s growing interest towards the Baltic Sea Region in 2012 will push forward the following practical steps.
- Russia will intensify the completion of the Nord Stream Pipeline.
- Russia will intensify preparations for the construction of the nuclear power plant in the Kaliningrad Region.
- The Russian Government will force Russian enterprises to participate more actively in the modernization partnership for the
south-eastern part of the Baltic Sea Region, which means Kaliningrad and the neighbouring areas of Lithuania and Poland.

- Russia will conduct initial negotiations concerning the plans to establish an expert group on modernization under the auspices of the CBSS. Overall, ‘modernization’ will be the motto of Russia’s Presidency in the Council.

- Russia will launch negotiations with Poland, Lithuania and Latvia concerning the establishment of visa free regimes for residents of border areas; Russia will not even attempt to launch such negotiations with Estonia due to a very frosty Estonian reaction to the very idea.

- Finally, Russia will declare the Baltic Sea Region a testing ground for some practical implications of the future Common Economic Space between Russia and the EU. However, all those plans will remain on paper if the economic instability, which appeared to be a feature of both Russia and the EU in late 2011, continues to shape either of the parties or both of them in 2012.
RUSSIA AND ESTONIA

Karmo Tüür

The previous forecast of Russian-Estonian relations (for the year of 2011) proved generally correct.

The minority problem remained on the agenda (a demand to continue education with the Russian language of instruction) but has not acquired sharper overtones. The Setos have been increasingly “actualised” on the Russian side of the border up to the official elevation of this issue to a politically important status in Pskov Oblast.

The suggestion of a positive engagement on the part of Russia also turned out generally correct, but it would be more aptly called a “positive silence”. Although there were no openly sharp or critical messages, positive messages were also rare. However, compared to earlier and more passionate periods, even such calmness may be called positive. An unintentional incident of co-operation during the rescue of pilots in Tajikistan brightened the general background even more.

At the same time, we have to admit that the hope cited in the last forecast regarding a possible continuation of talks on the border treaty has not realised – at least, not in the sense of any meaningful progress of the treaty.

A similar situation is likely to continue in 2012, except for one hypothetical possibility further discussed at the end of this forecast.
Economic ties are slowly growing

The so-called shadow schemes continue to dominate in Russian-Estonian economic relations. Russia uses Estonia for somewhat odd currency exchange schemes (roubles are moved through companies in Estonia and other Baltic states to come back to Russia as euros). Capital quietly continues to flee from Russia and purchases of real estate in Estonia is one of the channels for this outflow. The scandal that broke at the end of 2011 over the sale of Estonian residence permits organised by Estonian businessmen with political connections provides a suitable example.

Although some success stories in Estonian-Russian economic relations could be talked up (e.g., Estonian companies in the Russian retail market or Russian tourists in Estonian hotels), successful companies from both countries prefer to keep a timid silence about such cases. They rather focus attention on semi-official limitations imposed by the Russian Railways on transit cargo going through Estonia (cargo volume is limited to 16 pairs of trains per day).

Notwithstanding the limitations, the trade has been slowly growing, at least until the next political reorganisation – it could hardly be otherwise between neighbours who are not engaged in open hostilities. Russia’s possible accession to the WTO also has a certain impact (e.g., customs duties putting a cap on timber export are going to be abolished, although they will be replaced with limitations on volume).

Traditional pressure issues to continue

The issue of history has been losing importance in Russian-Estonian relations, because history is becoming more complicated in Russia itself. It is difficult to discern direct incentives to accuse Estonia of a
RUSSIA AND ESTONIA

wrong interpretation of history in 2012 (if the 5th anniversary of the Bronze Night is put aside). There is indeed a possibility that Estonia will be once again vaguely referred to as “a Baltic state where negative processes are taking place”. However, such references will sound as ritual repetitions rather than a pointed campaign.

The minority problem will be also surfacing all the time. The situation of the Russophone citizens will be mentioned (again, as a side comment), for example, in connection with Latvia’s language referendum or as a response to the next Fenno-Ugric event in Russia. To counterbalance it, an increased attention will be paid to the Seto issue with the allocation of financial and media resources aimed at bringing Setos back to their historical settlement area in Pskov Oblast.

The problem of the border treaty has lost urgency and its resolution may occur, so to say, in passing, as a technical issue. More probably, though, the border issue will be left unresolved to be used as a possible bargaining chip.

Possible negative developments

Estonia will remain a peculiar instrument in Russia-EU relations. Although Estonia is not a goal in itself in this game, it is used as a living reproach to be continuously cited in negotiations with Brussels.

Estonia, on its part, will continue to oppose Russia’s interests in Georgia, Ukraine and, to some extent, Moldova. Although Estonia’s direct capabilities to achieve its objectives in the target states are relatively low, such behaviour will be irritating. Estonia will be using its membership in the Western clubs (the EU and NATO) to remind of the importance of the Eastern partners.
KARMO TÜÜR

Hypothetically speaking, we cannot rule out a possibility of provocations in the aftermath of the 2011 State Duma elections and in the run-up to the 2012 presidential election in Russia with a view to divert public attention from domestic to external problems. However, Latvia or some other suitable pretexts are more likely to be used for this purpose.

Conclusions

Russian-Estonian relations have come through different times. Belligerent wars of words have alternated with more quiet and even relatively friendly periods. It seems that in 2012 the relations will be developing by inertia without sharper oscillations. Domestic factors both in Russia and Estonia do not facilitate open demonstrations of friendship.

Actual relations (trade, tourism, joint cross-border projects) will be developing at their own pace without much fuss. Nevertheless, political rhetoric will continue to be mutually offensive. Principal contradictions in the visions of the past (interpretations of history), the present (minorities, border etc.) and the future (interpretation of spheres of influence) have not disappeared and expressions of disagreement will continue, especially on the international arena.
RUSSIA AND LATVIA

Andis Kudors

As it was forecasted, the visit of the President of Latvia Valdis Zatlers to Moscow in December 2010 resulted in the improvement of bilateral relationship’s information background in the Russian media in 2011. Also the prognosis fulfilled regarding insufficient contribution of the meeting of the two Presidents to bilateral economic relations between the countries. However, an increasing number of Russian entrepreneurs use the possibility to obtain a permit of residence in Latvia guaranteed to them by the law of Latvia on condition that a particular sum of money is invested in real estate or new jobs are created in businesses.

So far the prognosis has not materialized considering the possible growth of criticism toward Latvia for the seeming violation of the rights of the Russian speaking part of the population, which was expected before the election to Russia’s State Duma. However, the aforementioned possibility still may be timely also prior to the presidential election in Russia in 2012.

The forecasted decrease in the publicity of different positions on historical issues has come true partially. In 2011, the above mentioned Zatler’s visit resulted in setting up the two countries’ commission of historians, which began to function at the end of the year. Although not too much can be expected from the commission’s activities, a positive effect may include a chance for Latvian historians to gain access to Russian archives of history.
Russian language status

Just as in 2010, also in 2011 possible changes in relations between the two countries could occur as a result of the outcome of the parliamentary election in Latvia. In the early election to the Saeima (Parliament of Latvia) of 2011, the pro-Russian party “Harmony Centre” gained more votes than other parties. However, just as in the post-election period in 2010, the party was not allowed to the governing coalition.

A political “revenge” followed in the form of the participation of the leader of the “Harmony Centre”, Nils Ushakovs, in collecting signatures in support for the allocation of the status of second state language to the Russian language. Since the necessary number of signatures was achieved before November 30, the issue will be considered in the Parliament of Latvia. In case the Saeima declines the initiative, the decision will be made according to the results of an all-Latvia referendum in March or April 2012. Taking into account the current distribution of political forces in parliament, the Saeima will probably deny the status of second state language to Russian. It can be predicted that the referendum would refuse to change the status of the Russian language, too. However, such outcomes might be followed by Russia’s response including criticism for violation of the rights of Russian “compatriots” in Latvia.

Compatriots

In 2012, a foundation set up by Russia for protection of the rights of compatriots is to begin its functioning, and its activities may be expected also in Latvia, thereby the theme of Russian compatriots will not be forgotten. In his recent interview to the internet site “Pomny Rossiyu” (“Remember Russia”), Russian Minister of Foreign
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Affairs Sergei Lavrov, while answering to the reporter’s question what could be done by the Russian diaspora in the foreign countries, answered inter alia that “the diasporas are our huge resource, and it should be exploited at full capacity”. The aforementioned will have to be taken into account by Latvian foreign policy makers also in 2012.

Role of economy

To some degree, next year Latvian-Russian relations will be influenced by the presidential election and potential economic difficulties in Russia. Russia’s federal budget is drafted on the basis of the expected oil price of 100 US dollars per barrel, therefore, unlike the previous years, there is no place for manoeuvring.

The raise of social expenditures (which was initiated in the pre-election period) will probably stimulate exceeding the forecasted 6% inflation. The population’s failed expectations, which were aroused during the pre-election time, might provoke citizens’ disappointment about the economic and political stagnation.

Along with a possible dismissal of ministers caused by the aggravation of the crisis, President Putin would start to seek some virtual opponents, against whom the claims for concealing the problems would be used. In such a situation the seeming violation of human rights in Latvia may come in handy.

New policymakers

Latvian-Russian relations will be influenced by the position of the new Minister of Foreign Affairs of Latvia Edgars Rinkevich. Rinkevich was heading the former President V.Zatler’s administration at
the time when Zatlars visited Russia. Although Rinkevich is not a member of the recently established “Zatlars’ Reform Party”, it was this party that nominated him to the post of Minister of Foreign Affairs in the present Government. Rinkevich plans to improve relations with Russia with the aim to achieve some economic gains. But, considering the already quite good economic ties between Latvia and Russia, it is not clear what other gains are expected.

The Russian-Georgian agreement on frontier control issues and the following accession of Russia to the World Trade Organization can be regarded as an event positive for Latvia. Russia’s 18 years long attempts to enter the WTO have succeeded, bringing better trade prospects, lower import tariffs and clearer rules of the game for the countries which maintain trade contacts with Russia.

Conclusions

In case the present Government is not dissolved this year and Edgars Rinkevich maintains his post of Minister of Foreign Affairs, the cautious but optimistic line in Latvian-Russian relations which began in 2007 with the signing of the two countries’ frontier agreement will continue. As Rinkevich is the “person close to Zatlars”, the Ministry of Foreign Affairs of Latvia will develop a positive and neutral diplomacy in relations with Russia.

The situation may aggravate in March because of the potential annual rally of the former members of the World War II Latvian legion in Riga. Russia benefits from maintaining Latvia as a target for criticism, responding thus to the European Union and European Council normative claims about the democracy and human rights situation in Russia.

Therefore, it can be predicted that also in 2012 Russia will charge Latvia with the seeming violations of the rights of minorities
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on the international scene. This issue might be accentuated by Russia in March or April when a referendum would be held in Latvia regarding the granting of the status of second state language to Russian.

The two countries' economic ties will be preserved on today's relatively high level, and they may still be improved by Russia's accession to the World Trade Organization.
RUSSIA AND LITHUANIA

Dovilė Jakniūnaitė

The forecast for 2011 about Lithuanian-Russian relations did not differ too much from reality. If nothing important happens, we should not expect any substantial changes. Thus, the prognosis that nothing would change much turned to be right. 2011 was the continuation of the same arguments and the same disagreements and 2012 should not be much of a difference, though we might expect some twists.

2010 appeared to be the year of feeling neglected by the US, which cared more about favoring Russia than thinking about Central Eastern Europe. It was also the year of Lithuanian hopes to revive the almost non-existent relations with Russia by becoming more pragmatic. However, the year 2011 destroyed these hopes. First, it became more than obvious that disagreements are too radical. Even to have more or less working and functional relations is too difficult and the only possible way is “agreeing to disagree”. Second, the open reluctance of Russian leaders and diplomats to be engaged in any kind of constructive talks got stronger. Even the symbolic forms of cooperation do not work. The efforts by the Lithuanian Ministry of Foreign Affairs to create the Confidence Forum, the work of the commission of historians, were unsuccessful. Now the normalization of the relations depends firstly on Russia’s willingness as well on Lithuania’s conscious decision not to annoy Russia on the questions it considers vital. Both conditions are highly unlikely.
RUSSIA AND LITHUANIA

Thus, very little happened in 2011: one official visit by the Foreign Affairs Minister to Moscow to meet his counterpart in Russia without any agreements or even common declaration; one positive (and ironic, considering the insignificance of the event) moment – the beginning of the building of a new bridge connecting Lithuania and Kaliningrad; finally, one bigger “scandal” indirectly involving Russia. In July the Austrian judicial authorities decided not to extradite a Russian citizen, the former KGB officer Mikhail Golovatov to Lithuania, where he is a suspect in the case of the Soviet assault on the Vilnius television tower in January 13, 1991. The reaction by the Lithuanian media and politicians was furious, emotional, and condemnatory. Austria was accused of obeying Russian orders.

The two issues dominating the bilateral agenda are the energy and the politics of history. The energy discussions revolve around two questions. The first one is Lithuanian efforts to implement the Third EU energy package, which seeks to unbundle the sales, production and transportation of energy in the EU countries. It is directed towards Gazprom and its gas monopoly because of which Lithuania pays the highest gas prices in Europe. This initiative created further tensions with Russia. The second question is the Baltic Nuclear Power Plant being built in Kaliningrad region. Lithuania raises the questions of economic sustainability of the NPP; there are also worries about nuclear safety and opaqueness of the project. The environment impact assessment is not done according to the UN ESPOO Convention, there is no information about the implementation stages, licenses by Russian nuclear safety, ecological safety institutions, etc.

The reaction to the Golovatov case is clearly connected with the second issue – the politics of history and the differing interpretation of recent history on the political level. The refusal to cooperate in the January 13, 1991 case is not the only troubling area. The biggest problem here is the question of the occupation of Lithuania in 1940
(Russia does not agree to call it so) and Lithuania’s demand to discuss the damages for the occupation. Currently, Lithuanian officials constantly remind of this position just as Russian officials state their position, and nothing happens.

Thus, currently there is no escalation on either side on these issues, but no positive moves are made either. The relations now can be described as stagnation. Each side understands the disagreements and agrees not to talk about them. No improvement took place in 2011, there are few expectations about any changes in 2012 as well.

Definitely, energy and politics of history will further dominate and problematize the relations. Most probably, the differing historical interpretations will remain the dormant issue with several declarations and statements from radical camps on both sides. Energy will be definitely on the agenda all the time.

Two processes might interfere in how the relationship conditions might develop. The first is the developing economic and euro crisis in Europe. If the crisis escalates further, Europe might turn all its attention to itself and pay no attention to what is happening around or in any other policy area inside the EU. This might turn advantageous for Russia to become a more active economic player and investor in the EU countries and to gain more indirect influence through that. The second is the internal situation in Russia, especially the presidential elections and the possible reactions afterwards. An unexpectedly high discontent with the Duma elections at the beginning of December demonstrated the possibility of instability and protest potential in society. Such processes, on the other hand, might divert all Russia’s attention to itself. And if the authoritarian tendencies strengthen there, a more assertive foreign policy might be expected in the region. This turn of events would also put much more pressure on Lithuania’s position regarding Russia.

October 9, 2011 marked the twenty year anniversary of restoration of bilateral relations between Russia and Lithuania. Except
RUSSIA AND LITHUANIA

for the first six months or so these twenty years were full of tension, disappointments, sometimes indifference, and very few constructive cooperation efforts. Now the point is reached where each side knows their positions and is not prepared to accommodate them. This makes a short-term forecast pessimistic and uneventful unless unique large-scale events happen in the European context or inside Russia itself.
A main objective of Russian foreign policy in recent years has been to re-establish Russia as a modern global player with a clear area of “privileged interests” in her neighbourhood by means of a permanent seat in the UNSC and also by the key role Russia is playing on the global market as a supplier of raw materials. Russia has been promoting the concept of a multipolar world where, in Russia’s view and despite the “reset” policy, the US (and NATO) domination should be suppressed, naturally also within the sphere of Russia’s “privileged interests”.

The return of the former anti-West/anti-NATO rhetoric in Russia evident in the second half of 2011 may well outlive the electoral period depending on global, regional and domestic developments. If the anti-missile station in Kaliningrad is to be reinforced by the deployment of Iskander tactical missiles in Russia’s European borders and Russia withdraws from the new START Treaty, it would have a negative impact on the whole Eurasian space.

In this space Russia will increasingly try to seal her alleged exclusive rights in the Arctic, which is rich in hydrocarbon and other resources, reinvigorating at the same time several post-Soviet integration projects aiming for the construction of the Eurasian

* The article reflects the author’s personal ideas and is not related to his employer’s views in any way.
Union from these building blocks. Yet even the next two Presidential terms may be insufficient for Russia, while digesting her WTO membership, to go from a Customs Union of three, which is still not working properly, the CIS FTA and EurAsEC to the creation of the mentioned project.

Being it as it is, PM V. Putin has called for the creation of a “Eurasian Union” that could serve as “a bridge” between Europe and the dynamic Asia-Pacific region. He sketched out an idea of a further integration of the economies of the existing Customs Union members, gradually expanding the Union to include Kyrgyzstan, Tajikistan and others willing to join the CIS nations having priority. Putin reiterated the idea of creating a free-trade zone “from Lisbon to Vladivostok”. Seen by some as purely pre-electoral, the idea of a Eurasian Union was also seen as an attempt to convince the elites that the current Russian Prime Minister has a direction for the future; it is a project that no one within the elites can oppose and which implies no hard decisions in the short-term. It would have been as well sold easily to a wider public if, as a national state, Russia had not been straining against simultaneous separatist pressures on its southern flank and a popular strain of nationalism, which is increasingly hostile to the presence of Central Asian immigrants, and federal subsidies to the North Caucasus.

If it is not a pre-electoral fume – which is hard to believe – this may well be a signal that Russia under Putin will look to tighten its grip on the post-Soviet space. If and when operational, the Union can also serve at least initially as a sort of defensive instrument helping to raise Russia’s political profile, ensure economic growth, her relative competitiveness and her weight, not least when interacting with other international actors or, for example, when negotiating a new agreement with the EU. Russia’s ambitions in the Arctic would also sit well with the idea: the Northern Sea Route
would be exploited to solve some of the problems of Eurasian transit.

However, a recreation of a Russian-led full-fledged community of interests is impossible to imagine without Ukraine. Acquiring golden shares for Russia in several large-scale industrial projects, Ukrainian enterprises together with possible control over the management of the Ukrainian gas transportation system would deliver additional leverage through growing (inter)dependence. Naturally, Russia will continue to keep the Customs Union option open for Ukraine in case of further deterioration of Ukraine-EU relations, which may well result in the DCFTA with the EU postponed or not coming into force.

In addition, one can not neglect the fact that in order to hold back the growing zero sum game feeling in its bilateral relations with China and despite their occasional unified actions in the UNSC, Russia seems deliberately trying to bind China into all sorts of long term contractual relations, notably on gas, while aiming to protect the diminishing Russian influence in Central Asia. Therefore some Russian analysts believe that the Eurasian Union was aimed as a counterweight not only to European influence (in decline due to the Eurozone crisis that erodes it), but also mainly to constrain that of China. As a Russian blogger put it: “Like it or not, men from the West, but I see no one but Putin, who can save Eurasia against China’s expansion”.

Russian foreign policy in general and in particular its efforts on the Eurasian stage have always been a hostage to the Russian internal political situation and economic well-being. The Utopia of Russia as an isolated island of stability in the eye of the global financial storm has evaporated. On the eve of the new global economic and financial crisis – which, as many in Russia believe, is inevitable – Russia has made several repercussions trying to create a sort of cordon sanitaire for her economy and attract the CIS leaders, shaken
by the Arab Spring, to join what was already called by some a “Union of Sovereign Democracies”.

Having serious economic dimension, the core of the Union seems to be of political nature. While this endeavour appears to be oriented to the East and turned to the West, Russia has to invest in more other companions only hoping that this would lift up all shares. Interests of other current and potential minority shareholders could be assessed as being more pragmatic and narrow. For the Kremlin it is a long-term project yet without profit assurance; for the rest of the CIS leaders who are willing to join it seems to be rather a short term personal shelter to outwait possible economic and political turbulences – global, regional or domestic. However, a key-question remains: would personal short-term interest of the CIS leaders be equal to long-term expectations of their populations?
RUSSIA AND THE CIS

Andrey Makarychev

There are six trends that in 2012 will define the tempo and the institutional contours of the Commonwealth of Independent States.

Firstly, there are good chances to believe that in 2012 the domestic voices skeptical to Vladimir Putin’s integrative project will be heard more. It is expectable that dissident opinions will focus on several targets for criticism. Opponents will challenge the putative role of the Customs Union as a “linkage” between Europe and Asia due to the fact that such a role will be recognized neither by the EU nor by major Asian economies. The contribution of the post-Soviet integrative institutions to the sustainability of global development, announced by Putin, will also be questioned, since the gist of the Putin/Medvedev-Lukashenko-Nazarbaev project is more of a regional than of global scale.

Secondly, within the Kremlin’s CIS policy itself in 2012 we shall see a growing tension between two different logics. On the one hand, the integration blueprint is of technocratic nature (with heavy accents on market mechanisms); yet on the other hand, it cannot be detached from political connotations (exemplified by the constant references to Soviet memories which appear to be deeply divisive, as well as by a political question of sovereignty which, according to the Kremlin, should not be compromised to supra-national integration). It is hard to predict whether those tensions will bring institutional effects, but in the public discourse their role will be quite meaningful.
Thirdly, the institutional competition between Russia and the EU in their common neighbourhood will, with all likelihood, persist, with Ukraine and Moldova at its core. It is mainly the soft power and economic tools that will play crucial roles in this contest for allegiance, and Russia’s chances on both tracks look quite mediocre. Moscow’s soft power strategy will be significantly constrained by the choice between two options: either Russia imitates the EU model of integration (and therefore legitimizes it by its own commitment to reproduce it), or offers an alternative to it (which is simply non-existent). Besides, Russian soft power efforts will be systemically undermined by public effects of expulsion campaigns against illegal migrants from CIS countries as gestures of retaliation against their governments, by selective application of economic sanctioning, as well as by the growing nationalistic reaction within Russia against the key ideas of common economic space – open borders, equal employment rights, etc. That is why Russia’s policies will most likely be reactive, i.e. the Kremlin will be keen on taking advantage of the problems that its neighbours face in their relations with the EU and/or NATO, and on possible repercussions of the crisis in the Eurozone. Against this background, bilateral diplomacy will prevail over multilateral forms of cooperation.

All this will certainly raise the question of whether the CIS integration is, as Putin claimed, compatible with the EU model, or it rather leads in a direction opposite to Europeanization. The inevitable pro-EU moves of “Eastern Partnership” countries (perhaps, with the exception of Belarus) will keep driving the Kremlin angry, and this reaction is going to be quite indicative of the ambiguity of Moscow’s pro-European sentiments. Yet this competition will not sharpen the Russian–EU relations too much due to the fact that Moscow has established quite close diplomatic contacts with the two key “engines” of EU’s eastern policy – Germany and Poland.
Fourthly, the Chinese factor will further complicate the situation. It is very probable that politically China will support the CIS integrative momentum, but economically Peking will keep strengthening its presence in the markets of Belarus and Central Asian countries, having all chances to outperform the Russian business there.

Fifthly, Russia will most likely fail to prove practically that it has not only intentions, but also an ability to implement politically the leadership function within the CIS. The limits of Russian power will become more lucid. This could be an important turning point in Russia’s relations with the EU, which often criticizes Russia for passivity in situations where Moscow, in the European eyes, could have been acting more decisively. Yet Russia’s failure to implement its own electoral scenarios in Transnistria and South Ossetia in the fall 2011 fleshes out the deficit of Russia’s political resources in its near abroad.

Sixthly, in 2012 the very commitment of Russia to prioritizing the CIS countries will be more robustly questioned by the Kremlin’s alternative political strategy of a new version of “great power management”. These two policy tracks are not always in harmony with each other; what is more, the strengthening of Russia’s relations with major world powers will in most cases be negatively perceived by CIS members. Thus, Russian-American “reset”, as well as the Russian-German Nord Stream pipeline project, were severely criticized by many in Ukraine as detrimental to Kyiv’s interests. There are some grounds to believe that in some other post-Soviet countries, especially in Georgia and Belarus, the prospects of hypothetical political deals between Russia and the West will be discussed with increased suspicion.

Russia’s policies in the CIS in 2012 will be thus more country-specific and driven more by macro-structural factors (first of all, by the dynamics of Russia’s relations with the West) than by Russian
own strategy. Ultimately it is the lack of normative resources and soft power in Russia’s toolkit that will hinder further integration in this area.
RUSSIA AND BELARUS

Ryhor Nizhnikau

The Russia-Belarus relations in 2012 will likely follow the trends of the previous years. Russia will continue to pursue its economic and political agenda on Belarus put forward by Putin in the early 2000s. Belarus will try to extract as much dividends as possible from participation in Russia-led projects to solidify the regime’s domestic positions severed by economic crisis.

The last prognosis correctly indicated that in 2011 the regime would face domestic and external pressure. However, the only option Minsk had was to make a deal with Moscow. As usual, the Russian government made an offer Minsk could/would not refuse.

Underlying interests of the parties

Over the last years Belarus and Russia have developed a framework for a special relationship aimed at gradual integration on the basis of bilateral and regional projects championed by Moscow. As part of Russia’s economic, political and security projects in the post-soviet area and a long-time supporter of Moscow in the international arena, Belarus was characterized as Moscow’s closest ally. The long-lasting relationship resulted in overdependence of Minsk on Moscow and attempts of the Kremlin to use it as a leverage, which led to a sequence of bilateral conflicts.
RUSSIA AND BELARUS

This relationship has been built on contradicting interests of the parties. The main interest of Russia is a merge of Belarus and Russia as it was indicated by Putin in 2003. Mr. Lukashenka wants to maintain his sole grip in Belarus and thus he sees Russia primarily as a sponsor of his socio-economic model on which his regime’s stability is dependent. For that reason Lukashenka is an obstacle for Russia; on the other hand, the collapse of the regime may provoke unwanted consequences for Moscow. For that reason Moscow has pursued a policy of gradual economic and political tying of Belarus under economic, financial and political pressure.

Russia-Belarus relations in 2011

In this regard, a year of 2011 is a good illustration of the on-going tendencies. After the presidential elections of 2010 preceded by a 1.5 fold increase in wages and pensions, Belarus has experienced a serious economic and financial crisis. A 65% devaluation of the Belarusian rouble skyrocketed inflation, impoverished population and escalated social tensions. The Belarusian government appeared in a situation of international isolation with limited access to credit market, in which an appeal to the IMF predictably bore no fruit. Moscow demanded privatization for loans, declined initially to reconsider the gas price formula for 2012, increased the price of the premium in the oil price formula, shortly cut off electricity supplies and continued anti-Lukashenka campaign in the media.

As a result, the Belarusian government, without hesitation, signed a Declaration on Eurasian Economic Integration aimed at tightening economic integration of Russia, Kazakhstan and Belarus and coordination of trade and economic policies, a move toward what Vladimir Putin proposed to be a Eurasian Union of ex-Soviet republics. Furthermore, the Belarusian government agreed to sell a
50% stake in Beltransgaz, which made Gazprom the sole owner of Belarus gas transport system.

In return Russia cut the price for gas from 2011 third-quarter price of $279 per thousand cubic meters to $164 for the start of 2012. The plan presupposes the provision of gas at domestic price rate in 2014 – one year prior to the intended inauguration of the Eurasian Economic Union. The plan itself is not of an explicit economic benefit to Russia; however, it sends a clear signal to Ukraine, ends gas wars with Belarus and ties Belarusian economy to Russia even more. In this regard, the desired one-by-one sell off of leading enterprises is likely to follow.

Another important deal reached by the parties was a finalization of a $10 billion loan offer to Belarus over 15 years for the construction of a nuclear-power plant.

Lukashenka and the West

It is worth noting that the relations with the European Union or any other actor are secondary in this equation; the West has been used by the Belarusian regime as an additional leverage in talks with Russia. It was the case of tactical rapprochement with the European Union in 2008–2010 at the peak of Moscow pressure on Minsk and a similar attempt earlier in 2005.

The presidential elections and following events complicated the application of the tactics of playing the western card in negotiations with Moscow. Prosecution of political opponents, arrests and sentences to his contenders at the presidential elections and prominent political and human rights activists made it impossible for a while. However, given the worries in some European capitals over the future of Belarus and the potential of losing it to Russia, Belarus will not be sanctioned economically or completely isolated. But for
RUSSIA AND BELARUS

Lukashenka any rapprochement with the West can be only temporal and tactical.

In this regard, the sabotage of the Eastern Partnership Summit in Warsaw, withdrawal from the US-Belarus agreement on enriched uranium, or sentences to human-rights activists shows that Minsk does not consider relations with the West worthy enough at this point.

Conclusion

In 2011, Belarus and Russia reached a number of agreements, including a gas deal which was characterized by Mr. Putin as ‘a very important question that will regulate our relationship with Belarus for years to come’. Minsk’s economic policies and Moscow’s strategy put the Belarusian president in a position in which he is hardly able to sustain Russia’s policies of gradual deprivation of economic, political and energy independence. Domestic developments and an unfavourable international environment forces Mr. Lukashenka to seek Moscow’s help, which creates an additional window of opportunity for Moscow to pursue its interests. And Moscow will continue to capitalize on that in 2012.
Contrary to optimistic predictions, there was no strategic breakthrough in Russian-Ukrainian relations in 2011, although the relations did become much more stable. An intensive top-level dialogue has not resulted in a desired outcome for either party: a natural gas consortium to operate Ukraine’s natural gas transportation system has not been established, negotiations upon the delimitation of the sea border in the Kerch Strait are far from completion, economic integration projects have so far translated into mere declarations of intent. Unfortunately, according to a witticism of Alexei Miller, head of Gazprom, the parties will celebrate the New Year of 2012 without New Year presents.

At the same time, the current development of Russian-Ukrainian relations at least promises to maintain the status quo in the foreseeable future. Key objective markers of the bilateral relations in 2012 will be the level of actual business co-operation between Russia and Ukraine, equalizing trade balance and agreeing upon mutually beneficial co-ordinated positions on the major issues of foreign policy and world politics rather than mere demonstrations of the emotional closeness between the leaders of the two states.

One of the most important incentives for such co-operation is the fact that prioritised areas of co-operation (critically important for the national economies in their existing form) have been singled out with the following benefits:
1) *Efficient joint competition in world markets.* First and foremost, it refers to the joint targeting of the world grain market by means of a trilateral grain pool (Russia, Ukraine and Kazakhstan), the joint promotion of products and services in the arms market, and promising prospects of the joint participation in the market of transit transportation services.

2) *Restoration and development of innovative industries.* The most realistic prospects are in the Russian-Ukrainian co-operation in rocket production, aircraft construction, nuclear power engineering and production of precision instrumentation.

3) *Improvement of the structure, and increase of the volume of trade.* If the agreement on the CIS free trade area is ratified in 2012, we may hope to see the end of trade wars, lesser protectionism, a new synergy from mutual access to national markets and a decreasing share of fossil fuels in the trade structure (in 2011 fossil fuels made up over 35% of Ukraine’s import from Russia).

In 2012 Russia and Ukraine will also become aware of the limits of such cooperation (depth of integration). When such limits are reached, co-operation becomes increasingly less attractive and transforms into some kind of a “friendly” takeover. Therefore, there is a possibility of tactical crises in the bilateral relations that are often used to put pressure on a strategic partner with a view to make its policies more loyal or predictable. For Russia, these are the bypassing pipelines South Stream and Nord Stream and inflexibility in natural gas pricing. For Ukraine, the construction of a LNG terminal for alternative supply of natural gas, a declaration to reduce purchases of the Russian natural gas, establishment of a natural gas consortium with a considerable share of European partners: E.On Ruhrgas, ENI, Gaz de France – Suez, OMV may be cited.
Possible disagreements on several economic issues arising from the wide-spread state protectionism of national companies and diverging visions of further integration in the post-Soviet area are also quite likely in 2012. The political pressure to let Russian business groups into the privatisation of Ukraine’s natural resources and blue chips of the national economy may be confidently predicted. The most liquid and interesting pieces of the Ukrainian economy for Russia are energy producing and distributing companies, sea ports, the state-owned companies Antonov and Yuzhny Mashinostroitelný Zavod, OJSC Turboatom, the state-owned companies Zorya-Mashproekt and Shipyard named after 61 Communards, Feodosiya Shipbuilding Company More, and others. Establishment and expansion of control over such enterprises will be an ever-present incentive behind such tactical crises.

A different understanding of the geostrategic choice is a more complicated factor in Russian-Ukrainian relations that traditionally exerts a disintegrating influence. Prospects of European integration are more attractive to the Ukrainian business and political elites than concepts of Eurasian integration currently proposed by Russia. Russia’s integration initiatives – the Customs Union, Common Economic Area, Eurasian Economic Community – have been traditionally perceived by the Ukrainian elites through the complicated co-existence experience in the Soviet Union, which was dominated by central control from Moscow.

At the same time, the final design of Russian-Ukrainian relations is likely to be settled upon after the elections of the main stakeholders in the post-Soviet area – presidents of the USA and Russia. In the case of Russia, the elections mean a traditional use of the “Ukrainian card”, return of Vladimir Putin to presidency and, consequently, restoration of the expansionist “Putin’s diplomacy” that Ukrainian elites are thoroughly familiar with. In the case of the USA, the change of administration might result in a departure from
RUSSIA AND UKRAINE

the “reset” diplomacy and development of a new policy towards the post-Soviet area. Triple elections in 2012 (presidential elections in Russia and the USA, parliamentary elections in Ukraine) might produce a *force majeure* of a totally unpredictable kind that could upset the game of all players.

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In conclusion, it should be mentioned that 2012 may bring about a resolution as well as escalation of problems that have accumulated in the bilateral relations. The most notable of them are: (1) difficulties with negotiating a more adequate agreement on natural gas with Ukraine, caused by Russia’s inflexibility; (2) pressure on Ukraine using foreign (economic) policy tools to overcome Ukraine’s reluctance to grant Russia access to privatisations; and, finally, (3) pressure to influence Ukraine’s foreign policy course with a purpose of drawing Ukraine into the Eurasian Union caused by Ukraine’s reluctance to abandon its own European prospects.

In the run-up to March 2012 a moderate increase of pressure on Ukraine is possible to demonstrate the successes of Russia’s ruling tandem and personally the presidential candidate Vladimir Putin in foreign (economic) policy. The extent of use of the Ukrainian card will depend on internal dynamics of the presidential campaign in Russia. Between the presidential election in Russia in March and the parliamentary elections in Ukraine in October 2012 a period of stillness is possible, because both parties will wait for the new configuration in the Ukrainian parliament and the position of the ruling Party of Regions after the elections.

A short-term disturbance in the *status quo* is possible if the government of Nikolai Azarov is dismissed in an attempt to shuffle executive resources in the run-up to the elections against the background of a significant drop in the ratings of the ruling party. In
such case, the balance of power within the Ukrainian elite may shift between two camps that may be conditionally called the European platform (Rinat Akhmetov, Boris Kolesnikov, Sergei Tigidko, Andrei Klyuyev and others) and the Eurasian platform of the Party of Regions (natural gas business of RosUrkEnergo – Dmitri Firtash, Yuri Boiko, Sergei Levochkin and others), leading to a short-lived “autumn” deterioration of Russia-Ukraine relations. The *status quo* will be re-established after the elections in October 2012 and appointment of a new government (if the Party of Regions preserves its dominance in the Ukrainian politics).
RUSSIA AND CENTRAL ASIA

Mart Nutt

Background

Central Asia, for the purposes of this forecast, means five former republics of the USSR – Kazakhstan (KZ), Kyrgyzstan (KG), Uzbekistan (UZ), Tajikistan (TJ) and Turkmenistan (TM). In addition to the common Soviet past, they share Sunni Islam and Russian as a language of education and lingua franca. Four of them have Turkic languages as official languages and TJ uses a version of the Persian language. All five states are ruled by authoritarian governments and face serious corruption problems. All five are rich in natural resources, especially Turkmenistan with its oil and natural gas reserves, but the standards of living are low even compared to the former USSR, except for Kazakhstan. High unemployment, fast population growth and low salaries have forced millions of people from Central Asia to look for job opportunities in Russia, Kazakhstan and other places.

International relations

The Central Asian states mostly started to attract international attention at the beginning of this millennium because of developments in Afghanistan and Iraq as well as because of their natural resources. International activity of the Central Asian states has also
been on the rise. Several regional powers such as China, Iran, Turkey and Russia compete for a greater influence here.

China has made consistent efforts to enhance its influence in Central Asia after the collapse of the Soviet Union. China has put an emphasis on the strengthening of its economic presence. From the political perspective, China is worried about the spread of separatism and radical Islam in Xinjiang. The Uyghur, an indigenous people of Xinjiang, speak a language similar to that of the Uzbek and profess Sunni Islam as well. The ideas of Pan-Turkism also tend to spread to Xinjiang from Central Asia.

Iran’s attention is focused on TJ as a kindred people. However, Iran’s influence is unremarkable even in TJ. The leadership of TJ is wary of the influence of radical Islam spreading from Iran.

On the contrary, Turkey’s activity is quite noticeable. Its Pan-Turkism policy has become more pronounced under the government of Recep Tayyip Erdoğan. In addition to large-scale economic assistance and investments, Turkey focuses attention on education; for example, it is interesting that Turkey supports schools in TJ with the Uzbek language of instruction rather than with the Tajik language of instruction. Russia is also not indifferent to Turkey’s activity in Central Asia. Turkey helped switch the Uzbek and Turkmen languages to Latin script, while the latinization of the Kazakh and Kyrgyz languages is being prepared.

Russia’s attitude to Central Asia is somewhat dualistic. On the one side, Russia has been wary since the Soviet times of Islamisation spreading from Central Asia. On the other hand, Russia has considered Central Asia its colony, i.e. a source of labour and raw materials that must be kept politically in a satellite status.

Russia has avoided criticism against the authoritarian leaders of the Central Asian states and has not openly raised the issue of limited rights of the Russians in Central Asia, although several millions of Russians have emigrated from these states during the last
20 years. At the same time, Russia has decisively intervened in the internal affairs of the Central Asian states in the case of developments deemed disloyal to Russia. It happened in KG a couple of years ago and, recently, Russia applied a considerable pressure to TJ to free the Russian and Estonian pilots.

In general, a neo-colonial attitude of today’s Russia to the Central Asian states has not changed since the collapse of the USSR. These states depend on Russia economically to a very great extent. The outside border of Central Asia (i.e. the border of the former USSR) is guarded by the Russian border guard. The Russian military is deployed in the Central Asian states; however, their own armed forces are also under Moscow’s control through their officer corps, weaponry, equipment, learning aids and paper work conducted in Russian. The leaders of these states avoid open confrontation with Russia.

Relations between Russia and Central Asia are not problem-free. Russia dislikes the gradual departure of these states from the Russian sphere of influence. Above all, it is manifest in the growing influence of China, Iran and Turkey in economy, politics, development aid and, in the case of Turkey, culture. The Russian language is being consistently and noticeably forced out from education and communication areas – especially among the younger generation of intellectuals – and the Central Asian leaders quietly facilitate this process. A sharp decrease in the number of Russians has helped the locals to rise to positions of leadership. Relations between the Russians and local nationalities have worsened, sometimes resulting even in violent clashes (above all, in KG and KZ). Turkmenbashi, a former leader of TM, effectively expelled the local Russians by the introduction of new citizenship requirements.

Foreign workers coming to Russia from Central Asia have been the source of the greatest tensions in recent years. According to various statistics, their number is 3–5 million; most come from UZ,
but the situation in TJ is the hardest. Approximately one million Tajiks work in Russia (and KZ), most of them illegally. Although they do not need a Russian visa, they do need a work permit which is, however, almost impossible to obtain, forcing them to work illegally. Thus, they have no protection, receive no help against persecution and, mostly, no access to medical assistance. Russia’s treatment of the Central Asian peoples is racist – in the last year alone over 700 Tajiks were killed or became victims of racially motivated murders in Russia, which is more than the number of soldiers NATO lost in Afghanistan. Moreover, Russia has not recognised the new TJ’s passports which omit patronymics and does not allow Tajiks with new passports over the border. At the same time, Russia needs cheap labour and disfranches the Central Asian nationals deliberately.

Earlier, leaders of the Central Asian states kept silent about the problem of foreign workers to avoid tensions in relations with Russia. Presently, however, TJ alone has submitted several diplomatic notes to Moscow in connection with murder and poor treatment of its nationals. During the Human Dimension Implementation Meeting organised by ODIHR in Warsaw in September/October 2011, TJ officially raised the problem of foreign workers and criticised Russia in very sharp terms.

The ‘Central Asian Spring’ will continue in 2012. It is unlikely to bring about quick changes, but it will point to increasing tensions in relations with Russia. The keywords will remain the same – increasing influence of China, Iran and Turkey, attempts by the Central Asian leaders to curb Russia’s influence and the problem of foreign workers that attracts growing international attention. The ideas of Eurasia that a reactionary wing of the Russian government is trying to inculcate apparently play some part in attempts to strengthen Russia’s control over Central Asia. However, such ideas have got a relatively lukewarm reception in Central Asia, except for KZ.
RUSSIA AND THE CASPIAN REGION

Aleksey Vlasov

Although it was stated by some experts that the «Caspian Five» was on the verge of negotiating the text of the Convention on the Caspian Sea’s legal status, 2011 has not become a turning point in the situation around the Caspian region. Still, trends arising in the security sector, methods for solving the problem of the Caspian Sea’s legal status and pipeline routes have different directions. Interests of the «Caspian Five» converged on the signing of the Convention on the Caspian Sea’s legal status but controversial issues remain. This factor increases the risks at the regional level which are supplemented by a further aggravation of the situation over Iran.

The main interests of Russia in 2011 with the prospect for 2012 will be concentrated in the realm of limiting the influence of extra-regional forces in the Caspian region and the strengthening of military alliances as a factor containing and counteracting the possible risks. The increasing terrorist threat to oil and gas fields in the region is among these risks.

Nowadays the most urgent issue in the disputes over the Caspian Sea is the ongoing process of militarization in the region. It is worth stressing that it means not only the increasing of the «Caspian Five»’s military power but also a more evident involvement of external actors (the U.S. and EU) in the implementation of the rearmament programme of the fleets in Azerbaijan and Kazakhstan. For instance, in 2011 the U.S. supported Azerbaijan’s naval forces to improve the security of the Caspian Sea. This step taken by
Washington has caused a sharp reaction from Moscow and Tehran. As it was claimed by the Russian side «the protection of maritime boundaries is an internal affair and the prerogative of coastal states that do not require assistance from other states». Iran’s Foreign Ministry spokesman in turn declared that the military presence of extra-regional forces would make the disputes over the Caspian Sea more complicated.

The convergence of views of Moscow and Tehran on this issue is likely to continue in 2012. At the same time it is evident that the U.S. will continue its policy of developing the military-political cooperation with Baku and Astana in the Caspian region.

Iran holds such policy, on the one hand, in order to limit Russian influence in the Caspian region and South Caucasus. On the other hand, it takes into account Washington’s strengthening investment involvement in projects being implemented in the realm of Caspian energy resources.

Regardless of the increasing risks in the Caspian region, international investors were informed that during the 30th session of the working group on the development of the Convention on International Legal Status of the Caspian Sea disputes over the most urgent problems were settled. Then the representatives of Azerbaijan and Kazakhstan told about the possibility to reach consensus and to sign an agreement. Indeed, it is likely that over the next few months the sides will agree and adopt the text of the agreement.

The central issue of the Caspian agenda for 2011 was the Trans-Caspian gas pipeline. It is obvious that the realization of this project is one of the priorities of the EU, but such plans contradict Russia’s energy strategy in the region. It is likely that in 2012 the issue of trans-Caspian project will be the subject of complicated negotiations between Moscow and Baku, Ashgabat and Astana.

The positional struggle between Moscow, Brussels and Washington has not yet led one of them to the final victory. It is unlikely in
the near future that the «big game» will end with the victory of one party. The fact that Kazakhstan still adheres to the Russian approach in this issue seems to be a great success for Moscow. It means that the construction of the pipeline is possible only after the signing of the Convention, taking into account the positions of other members of the «Caspian Five». However, it is possible that under the pressure of external forces Astana will correct its position and become more loyal to the project of the Trans-Caspian gas pipeline. The US diplomacy through the words of the American ambassador in Baku has already declared the inadmissibility of the interference of third countries in the negotiations on the establishment of a Trans-Caspian pipeline system.

Thus, the forecasts for 2012 are based on three main points.

- It is likely that the Convention on the Status will be signed in 2012. The position of Tehran requires taking a more flexible attitude on the issue, taking into account the significance of the situation in the US-Iranian relations. Concessions from Iran, in turn, will encourage Ashgabat to take a more constructive position in the negotiations. Otherwise, the government of Turkmenistan risks being in a position of complete isolation on the issue of the Caspian Sea’s legal status.

- The militarization of the region will continue, and this process will be more rapid. There are some reasons that drive Azerbaijan and Kazakhstan to build its own military power in the Caspian Sea. Speaking about Baku, it is connected with the general militarization of the country, which is aimed at a speedy resolution of the Karabakh issue. Speaking about Astana, the growth of military capabilities designed to minimize terrorist threats to the fields on the Caspian shelf proceeds from the danger of terrorist threats in recent months has become increasingly apparent for the Kazakh government. In this situation steps made by Moscow are aimed at further strengthening its own
military faction in the Caspian Sea and seem to be inevitable. There are new proposals, addressed to Astana concerning the development of military-technical cooperation within the Collective Security Treaty Organization or other integration platforms.

Finally, the Russian proposal to establish a Caspian Economic Cooperation Organization most likely will not be accepted by other states of the «Caspian Five» for two reasons. The first one is a pressure from external actors. And the second one is an apparent reluctance to engage in any integration associations under the patronage of Russia. It is necessary to point out that in case of a successful realization of the Eurasian Economic Project Kazakhstan’s position can be adjusted in the next 3–5 years.

Speaking about the energy supply routes that pass through the Caspian region, we can predict the continuation of trench warfare between Moscow, Washington and Brussels. While the problems of the European economy increase, most of the declared projects will remain on paper.

In general, the Russian government seeks to address problems of the Caspian region in a broader context of actions within the framework of the geo-strategic region, including even the Southern Caucasus and Central Asia. In addition, Moscow will seek to unite the Caspian states, especially Azerbaijan, to realize the Eurasian Economic Project not only in terms of trade and economic relations, but also in the context of security issues, transportation, and environmental problems. However, internal destabilization, which is potentially available in any of the Caspian region’s countries, can prevent these plans.
The Russian-Armenian relations have been stable during the whole post-Soviet period without any abrupt rises and falls. The major areas of interaction between the two states are political, military and military technical, economic, cultural and humanitarian co-operation as well as the co-ordination of positions in various international organisations and multilateral arrangements in the post-Soviet area and globally.

Russia’s involvement in the talks on the peaceful resolution of the Nagorno-Karabakh conflict is also significant because of Russia’s importance for regional processes in the Southern Caucasus and its co-chairmanship (with France and the USA) of the OSCE Minsk Group, which has mediated this conflict since 1992.

Current situation in major areas of co-operation

The most important political and defence development in the bilateral relations during recent years has been the Supplementary Protocol to the Treaty no. 5 of 1995 regulating the status of the Russian military base in Armenia, which was signed in August 2010 during the state visit by President Medvedev to Armenia. According to this document, the geographical area of responsibility of the 102nd Russian military base has been widened to include the whole territory of Armenia (not just the perimeter of the former Soviet
borders with Turkey and Iran, as in the previous version of the treaty) and the duration of its stay in Armenia has been also prolonged. Moreover, under the Protocol Russia undertakes to supply the Armenian armed forces with modern and compatible weaponry and military equipment. Armenia is inclined to interpret this document as a guarantee of security and military assistance from Russia in the case of war with Azerbaijan.

On the whole, regarding the resolution of the Nagorno-Karabakh conflict, Russia has taken initiative (with the consent of the other co-chairmen of the Minsk Group) since 2008 to organise meetings and talks between the Presidents of Armenia and Azerbaijan, the last one of which was held on 24 June 2011. The meetings have failed to produce results, but facilitated the continuation of the negotiations process despite the uncompromising stances of the conflicting parties.

In financial and economic terms, Russia is the biggest investor in Armenia’s economy with the total amount of investments close to USD 3 billion, and the volume of trade between Russia and Armenia is approaching USD 1 billion. During the last state visit by Armenia’s president to Russia in October 2011, an agreement was reached to intensify economic co-operation between the two states with an emphasis on the development of transport and energy infrastructure. The prioritised areas of future co-operation are Russia’s assistance with the construction of a new nuclear power station in Armenia, participation of Russian companies in the modernisation and construction of new motorways and railroads (also to Iran), commissioning of the new 5th bloc of the Razdan thermal power plant to enable a large-scale export of Armenian electricity to Iran and other countries in the region, IT and high tech projects and development of Armenia’s defence industry.

Cultural and humanitarian co-operation between the two states is an important factor influencing their political and economic relations. Armenia has a joint Russian-Armenian (Slavonic) Uni-
RUSSIA AND ARMENIA

versity, the majority of Armenia’s population has a good command of the Russian language because of their common history; a numerous Armenian diaspora in Russia greatly facilitates the Armenian-Russian humanitarian ties (according to the official census data, 1.13 million Armenians were living in Russia in 2002 and currently the number may be approaching 1.8 – 2 million people, according to expert estimates).

Co-operation in various organisations in the post-Soviet area (CIS, CSTO, and EAEC) and international structures (UN, OSCE, the Council of Europe and others) is another significant element of the bilateral co-operation. Due to the trusting and even allied nature of military and political relations between Armenia and Russia the two countries seek to co-ordinate their foreign policy on major issues.

Prospects and forecast for 2012

No significant changes in the Armenian-Russian relations should be expected in 2012 neither in political nor in international co-operation issues. A certain clarification of positions regarding the relations of the two states with the EU and regional powers (Iran and Turkey) is possible. It is expected that after the 2012 presidential elections, Russia, on the whole, will preserve the continuity of its policies in the Southern Caucasus, although a certain hardening of Russia’s positions in the region is possible – in particular, in the relations with Georgia (taking into account the well-known attitude to Georgia of the most probable next president of Russia – the incumbent prime-minister Vladimir Putin).

The major element of the military and political co-operation will be the continuation of the military and technical co-operation of the two countries. Russia will seek to maintain a military balance of
power in the regional arms race between Armenia and Azerbaijan (which capitalizes on the proceeds from natural resources), because Russia is not interested in the renewal of military operations in the Nagorno-Karabakh conflict area.

A pause in the negotiations process over the Nagorno-Karabakh conflict resolution is possible, because the new president of Russia will be reluctant to continue initiatives of his predecessor Dmitri Medvedev, organising unsuccessful meetings of the Armenian and Azerbaijani leadership and risking its reputation. Nevertheless, Russia, acting together with the USA, France and the EU, will maintain control over the situation in the conflict zone to prevent its escalation.

In economic terms, the implementation of previously agreed projects will continue, especially in infrastructure, but its effectiveness will depend on a certain normalisation of the Russian-Georgian relations and on the availability of financial and economic resources in Russia in 2012, especially if the global crisis takes a turn for the worse again.

To sum up, the Armenian-Russian relations will stay relatively unchanged in 2012 and the traditional pragmatic co-operation will continue at the same level.
Since the war of August 2008, Russia’s relations with Georgia have remained strained, almost non-existent. Moscow refuses to negotiate with the government of Georgia led by President Mikheil Saakashvili. Russia recognizes Abkhazia and South Ossetia as independent states and rejects the notion of illegitimate ‘occupation’ of these parts of Georgia by Russia, advanced by official Tbilisi and its Western sympathizers. Tbilisi, on its part, claims that these breakaway territories are unlawfully occupied by Russia and that the conflict over them is not Tbilisi’s conflict with the Abkhaz and South Ossetians, but a Russian-Georgian inter-state conflict.

These contradictory claims notwithstanding, Russia and Georgia had to engage in direct negotiations in 2011 over Russia’s membership in the World Trade Organization. By November 2011, Russia got clearance from Tbilisi on WTO membership, in exchange of promising ‘electronic customs controls’ on Russia’s borders with Abkhazia and South Ossetia, exercised by the Swiss representatives. This diplomatic agreement was hailed by both Moscow and Tbilisi as a diplomatic victory.

Issues in Georgian-Russian relations

The key factors influencing the relationship of the two states in 2012 have remained largely unchanged in the last few years. First of all,
there is a disagreement about the status of Abkhazia and South Ossetia – whether they are inalienable parts of Georgia or independent states. The regimes in Abkhazia and South Ossetia reject any notion of political cooperation with Georgia as a parent state and look to Russia for economic and political assistance. There is little change to be expected in this matter.

Second, Russia is determined to prevent Georgia’s membership in NATO. There has been little progress in Georgia’s rapprochement with the Alliance and even less promise of such rapprochement. Georgia’s aspirations to become a member of the European Union are similarly utopian for the foreseeable future and pose little material or ideological threat to the regime in Moscow. It is unlikely, therefore, that Russia will take any active steps toward preventing Georgia’s drive toward NATO or the EU.

Third, relations between Georgian and Russian leaders, President Saakashvili and Prime Minister Putin in particular are extremely venomous. Putin’s plausible comeback to power will not mitigate the strained relations between the two states. It is entirely possible that Putin will try to undermine Saakashvili not so much for strategic reasons as for personal vengeance.

Fourth, Georgia’s move last year to recognize the genocide of the Circassians of the North Caucasus by Russia further strained relations between the two states. This move was a clear indication that the Georgian Government is likely to use any available means to weaken Russian influence in the Caucasus, short of deploying military force, given the lessons of August 2008. Therefore, Georgia’s further political engagement in the North Caucasus is likely, yet these moves do not promise to be effective on a large scale.
Russia and Georgia are approaching the next cycle of elections in 2012. In this regard, the situation is very similar to 2008 when Presidential elections in Russia and Parliamentary elections in Georgia took place. This semblance is complemented by the election year also in the United States, which makes a certain impact on Georgian-Russian relations. The logic of this trilateral relationship in the context of electoral cycles may strain relations between the three states. The Russian leadership is definitely prone toward manipulating anti-Western (especially anti-American) sentiments for advancing its electoral goals. Prime Minister Putin, who is running for presidency in 2012, has a particular penchant for this type of rhetoric.

Quite similarly, the Georgian president Saakashvili, does not shy away from deploying anti-Russian nationalistic rhetoric either when it comes to persuading his compatriots to side with him. The parliamentary election of 2012 has recently become a particularly vexing issue for the Georgian President as he faces a considerable political opposition from a Georgian multi-millionaire, Bidzina Ivanishvili. Ivanishvili has appeared on the Georgian political scene recently and declared his intention to win the parliamentary election with an overwhelming majority. Given Saakashvili’s flagging popularity, Ivanishvili may have a chance. Therefore, nationalistic pre-election rhetoric may become Saakashvili’s vehicle for electoral success.

The United States’ presidential election may become the third element of this dangerous rhetorical showdown between Putin and Saakashvili. In his pre-election period, President Obama may be particularly vulnerable toward the conservative Republicans’ criticism of American policy of reset with Russia. This leaves Obama with little choice but support Saakashvili if there is any resumption
of political or military hostilities between Georgia and Russia. This may lead to a situation similar to 2008, which made the military and political conflict between all the three states virtually inevitable.

Besides dangers of conflict resumption in the context of this trilateral relationship, the Georgian-Russian relations will most probably retain low intensity. It is plausible that Russian-owned companies will continue their tacit investments in Georgia, particularly in the field of gas transportation infrastructure and the railway system. The Georgian Government finds itself in a financially difficult situation when the income stream from foreign aid and direct foreign investments is dwindling and the Government faces necessity to repay considerable sums for its quickly accumulating foreign debt. This may lead the Georgian Government to sell these two ‘strategic assets’ and Russian companies disguised as offshore firms.

Overall, unless regime change occurs either in Georgia or Russia, there is a very little prospect of improved relations between the two states. The most likely scenario would be a rise of political tensions short of military re-engagement.
In 2012, trends in Russia-US relations will be shaped by a set of factors, including the fallout from domestic political campaigns, rhetorical vagaries of the political leadership in both countries as well as developments in the international environment of Russia-US relations.

Overall, the relationship will be shaped by choices of each country’s top policymakers. Their decisions will not be “pre-determined” by “structural factors”, but will rather reflect their assessment of the long-term benefits their respective countries stand to gain from either cooperation or conflict. Such assessment, in its turn, will be informed by the personal convictions of the leaders, their interpretations of the counterpart’s behaviour and inputs from bureaucracies and domestic political opponents.

The domestic politics in both countries will not help to cushion possible shocks. Against the backdrop of the Magnitsky and other similar cases, Russia will continue to face criticism by members of the US Congress, the NGO community and – at times – the Obama administration officials for an allegedly poor human rights record and a failure to curb corruption. Congress may move to replace the Jackson-Vanik amendment (that will have to be lifted soon after Russia joins the World Trade Organization) with a provision requiring sanctions against the Russian officials who, according to the US government, have committed unlawful action against US citizens or corporations.
By late 2011, the rise or revival of bitterly anti-American politicians in Russian politics has signalled a shift towards resentment in the mainstream attitude to the US in the Russian political spectrum. It is likely that in 2012 no political figure in Russia will stand to derive a tangible benefit from advocating good relations with Washington. In the meantime, the Russian 2012 presidential campaign and voting will elicit a critical response from the US administration, increasing the tension even further.

Controversy may also be aggravated by disagreements on a number of long-standing and emerging security issues, such as missile defence, Iran’s nuclear programme, popular uprisings in the Middle East, the potential enlargement of NATO, or the pipeline construction across the Caspian Sea.

As long as a mutually acceptable solution to the perceived challenge of the US missile defence projects in Europe and Asia to Russia’s strategic deterrent is not in sight, the Russian leadership will be following up in 2012 on a set of countermeasures announced by President Medvedev in November 2011. Moscow will pursue an increased spending on strategic nuclear forces and airspace defences and accelerate nuclear-armed submarine construction projects. However, deployments on NATO borders of Iskander short-range missiles and withdrawing from the New START Treaty will remain on the table as, respectively, Russia’s medium- and long-term response options. In its turn, Washington will not be changing its missile defence plans and will only offer Moscow verification measures and data exchange opportunities that Russia regards as insufficient.

Missile defence will become increasingly entangled with all other arms control issues: strategic and tactical nuclear arms as well as conventional forces in Europe. As a result of significant differences that stalled negotiations on each of these tracks, no blueprint for a new arms control agreement will crystallize in 2012. Without
visible progress on this track, prospects for further rapprochement between Georgia and NATO will loom larger than a sober assessment of the stakes involved could suggest.

Controversy over Syria is likely to simmer until the internal conflict in this country enters an endgame. However, a crisis over Syria in Russia-US relations remains unlikely because the civil conflict in Syria has a chance of being resolved internally in the foreseeable future and because no outside power has shown willingness to intervene in a decisive manner. The Russia-US relationship may be dealt a more serious blow in case of an Iranian nuclear programme showdown as long as Moscow’s support for sanctions against Iran is part of a compromise that laid the foundation of the dramatic improvement in Russia-US relations in 2009–2011 dubbed “reset”.

Central Asian security and developments in Afghanistan in 2012 will be giving Russia and the US opportunities for cooperation. However, Moscow will increasingly question the rationale for and the expediency of the continued US military presence in Kyrgyzstan and – should it materialize – Uzbekistan. This controversy may be fuelled by Russia’s concerns with the US-backed projects of trans-Caspian pipelines.

All that said, trade and investment opportunities generated by Russia’s accession to the WTO may help to alleviate some of the pressure generated by security policy differences.

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Despite the expectations of some Russian policymakers, until America’s economic engagement with Russia becomes comparable to the one that exists between the US and China, Washington will not publicly recognize Russia as a player that could affect the balance in US-China relations. In the meantime, Moscow will be
crafting its America policy on the assumption that the United States has entered a period of dysfunctionality and irreversible decline, so that time is on the side of Russia. As a result, both Moscow and Washington will be likely to de-emphasize their converging interests and stress disagreements. Statements to this effect on both sides have good chances of becoming self-fulfilling prophecies in 2012.
RUSSIA AND LATIN AMERICA

Elena Pavlova

Strangely enough, the year of 2012 may indeed become a turning point in the relations between Russia and Latin America. The early presidential election will be held on 7 October 2012 in Venezuela and its outcome may have a very serious impact on Russia’s relations with Venezuela in particular and the region in general.

Much has been written and even more said about the ever-growing attention of the Russian leadership to Latin American states. However, as most researchers realise, Russia has not yet managed to achieve a strategic partnership in the region – even with those countries that Russia has big joint political projects with, like Brazil. So far the BRIC project has remained an ambitious initiative and it is the Russia-Brazil connection that is one of its weakest links. The existing economic ties between Russia and Brazil have been developing at a relatively good pace, including trade in agricultural products and co-operation on energy and space. An active political co-operation between the two states has a cyclic nature – although in the 1990s a number of documents were adopted to define the framework of a possible future partnership (a high-level Russian-Brazilian Committee was established and several framework agreements signed), a new upsurge in the relations occurred only in 2010, when the Strategic Partnership Action Plan was adopted. All these efforts have not yet resulted in a desired strategic partnership and there is no reason to believe that something might radically change in the coming year.
Another important partner for Russia in the region is Venezuela with two important areas of co-operation – oil industry and arms trade. As is customary in Russia, let us begin with oil. The Russia-Venezuela co-operation in this area has been very promising in recent years. Several Russian companies such as Gazprom Neft, Lukoil, Rosneft and some others have been actively working with Venezuela on various projects (e.g. investment projects, development of energy resources, construction of thermal power stations, exploration of natural gas reserves). At the moment these projects have come under threat, because a possible change of power – due to the elections and the deteriorating health of Venezuela’s President Hugo Chávez – may result in the cancellation of agreements.

In our opinion, the situation is not as dire as it may seem, because it is difficult to imagine that Russia will be completely pushed out from the Venezuelan oil industry even if the neoliberal opposition comes to power. Successors of Hugo Chávez are unlikely to dare repeat his manoeuvres with the nationalisation of oil rigs. However, it is also clear that Russia should start considering a new strategy upon the Venezuelan oil industry already now, taking into account a possible change of power.

The second major area of Russia-Venezuela relations is arms trade and here Russia’s prospects are even more pessimistic. In all probability, the Russian arms industry will lose a significant part of its Latin American market in the near future. It will be caused by developments in Venezuela as well as by notions on arms control that are increasingly spreading in Latin America.

The situation in Venezuela may profoundly impact the relations of Russia with ALBA states (Alianza Bolivariana para los Pueblos de Nuestra América), because Hugo Chávez is the leader of the Bolivarian Missions project mostly supported through Venezuela’s “oil diplomacy”. A potential disappearance of such an important source of financing of various social welfare projects in ALBA states
is already causing a headache for the political elites there. Moreover, the situation in Cuba – the second most important ALBA state – is also getting complicated, because the illness of Fidel Castro may lead to a certain political instability. Thus, ALBA may lose another important area of cooperation – a “medical diplomacy” carried out by Cuba. Such developments might seriously undermine the unity of the bloc that provided Russia with important support regarding the recognition of South Ossetia and Abkhazia and which Russia is interested to continue cooperation with. The problem lies in the fact that ALBA’s future is so uncertain at the moment that Russia is unable to make adjustments to the direction of possible cooperation.

According to the Russian Ministry of Foreign Affairs, APEC may become another area of intensified cooperation between Russia and Latin American states. The Russian Ministry of Foreign Affairs has recently started mentioning this organisation more often in the context of negotiations with certain Latin American states, which is, of course, related to the next APEC summit in Vladivostok in 2012. However, any significant shifts in this area are unlikely because the current political tensions within APEC make it difficult to see this organisation as a potential platform for new negotiations.

Russia continues to cultivate active trade ties with several Latin American states – Chile, Argentina, Mexico, and other states in the region. The trade volume has been steadily growing, talks are under way upon a possible cooperation in energy and other industries, e.g. tourism, and the only apparent obstacle is global financial problems.

To sum up, Russia has stable relations with Latin American states. Certainly, Russia is unable to compete with the USA or EU member-states in the area of economic cooperation, but the trade volume has been growing without significant obstacles. A potentially more complicated situation has emerged in the area of political cooperation. As I mentioned above, in this context much depends on
the elections in Venezuela, because Russia has not been able so far to establish a stable model of mutually beneficial co-operation with Latin America that would not depend on the fate of Latin America’s “turn to the left”.
In the last prognosis for 2011 I did not foresee the great East Japan earthquake and tsunami on March 11th. Russia sent to the area the second largest rescue team only after the U.S. In spite of all official niceties, however, it failed to rouse a national appreciation toward Russia. The Japanese did not have leisure to pay attention to the foreign assistance.

My predictions for 2011 proved right in the following:
- An official visit of a Japanese premier did not take place. Despite the unsolved territorial dispute, Japan enlarged its import of natural gas and oil from Sakhalin and Siberia, and
- the military exchanges were continued.

My prognoses for 2011 proved wrong as follows:
- the new START treaty was ratified by the US Congress (the reason of my failure is that I did not fully assess the seriousness of President Obama in this issue),
- Russia and China did not go so far as to establish a quasi alliance (the reason of the failure is that both countries managed to stay in dialogue with the U.S.),
- Russia did not make Japan an easy target for criticism in its election campaigns and did not harass the Japanese fishermen around the four contested islands (because of the great earthquake Russians’ negative feeling about Japan in relation with the territorial problem dissipated at least for a while, and also
Japan and Russia – the “cordial underestimate” of each other will go on

The foreign policy of Mr. Noda, the current Japanese prime minister, is a cautious and an orthodox one with priorities on the alliance with the U.S. and on concurrent intensive relations with surrounding countries, China inter alia. He himself would not want to address Russia so much, because no substantial breakthrough in the territorial question with Russia is foreseen. His premiership is not secure yet, because the opposition parties, which have majority seats in the Upper House, are poised to obstruct any major initiative by the government so as to enforce an early election. Some politicians in the ruling party (DPJ) may try to move the territorial issue even at the cost of a substantial compromise, but this will not be an official line.

On the other hand, economic and other practical relations may well develop. Japan’s import of the Sakhalin natural gas and the Siberian oil will keep growing partly because of the Fukushima atomic plant accident (in 2011 the imported Sakhalin natural gas occupied about 10% of Japan’s total consumption). Japan’s automobile makers and other manufacturers will keep investing in Russia by opening and enlarging their factories. Related services like banks and insurance companies advance to Russia.

However, both in politics and in economy Japan and Russia will keep considering each other as secondary partners. For Russia, Japan may potentially be a very important partner strategically and economically, but as long as Japan keeps its close alliance with the U.S. and as long as Japan keeps demanding four islands back, Russia does not see much strategic value in Japan.
RUSSIA AND JAPAN

Moreover, in the eyes of ordinary Russians Japan is a finished country not only because of the growing Chinese power but also because of the recent earthquake. They do not realize that Japan’s economy has largely transformed itself from the production of final products to the production and export of mother machines and high-tech parts for automobiles and electronic commodities, not to speak of the fact that the negative consequences of the earthquake have already been overcome.

Japan in its turn will not stop regarding Russia as a failed economy totally dependent on the export of oil. There are some voices in Japan who, seeing in Russia a potential counter-balance vis-à-vis China, propose to build intense relations with Russia even with a considerable compromise in the territorial issue, but they will remain marginal.

Military affairs

In 2011 the Russian military took several actions in the Far East, which can be construed as hostile in the eyes of the Japanese: the massive military exercise entailing the contested four islands, and several reconnaissance flights. But the Russian leadership tells Japan that these moves are not directed against Japan, and that they are eager to continue the friendly military exchange, which will be heeded by the Japanese side.

Russia is now poised to reinforce substantially its Pacific Fleet run-down after the fall of the USSR. The larger part of the reinforcements will be used to keep dominance in the Sea of Okhotsk vital for Russia’s strategic balance vis-à-vis the U.S., but an occasional dispatch of even one cruiser to the Sea of Japan or further to the South would generate political ripples in East Asia. Whether it will be against the interest of Japan will depend upon each contingency.
Conclusion

In 2012 there will be elections and leadership changes in Russia, South Korea, China, Taiwan, the U.S., and perhaps even in North Korea and Japan (again). Before its dust sits, big changes will hardly take place in the power configuration around East Asia.

Putin now faces a big frustration of the Russians, who feel themselves alienated and suffocated in the current regime. If Putin, in dealing with such voices, tilts toward a more conservative line, it will negatively affect the Russo-Japanese relations and if he favors a more reformist policy, it will promote those relations.

Russia will host the APEC summit meeting next September in Vladivostok. It may well end up with a lackluster gathering, since Obama will be occupied with his own election campaign, and Hu Jintao will have to step down in one month. Russia will cater the needs of the ASEAN countries (they have been the main force in APEC, which Russia apparently does not realize) and Japan will be vital for the success of the meeting.
Russia’s policy towards the states of the Korean Peninsula in 2012 will be determined by the following main factors:

- First, a continuing economic crisis in the EU and unstable situation in the hydrocarbon market forces Russia to look for new oil and natural gas markets. East Asia, including the Republic of Korea, is very promising in that regard.
- Second, the eastern direction of Russian foreign policy is generally strengthening at the moment, similarly to the late 1990s.
- Third, in September 2012 Russia will host an APEC summit which will further facilitate contacts between Russia and South Korea (both states are members of APEC).

Political contacts between Russia and South Korea have intensified in recent years (the President of South Korea Lee Myung-bak has visited Russia on three occasions since 2008). Interaction between the two states will accelerate in 2012. Given the unstable situation in Europe, Russia needs new markets for its hydrocarbons. The large market (in 2009 South Korea imported 3.074 million barrels of oil
per day, making it the fifth largest oil importer in the world) and a relatively stable economy make South Korea an attractive trade partner.

A course towards modernisation and innovative development declared by Russia also facilitates closer ties between the two states. South Korea is currently a regional leader in innovative development, successfully applying the principles of green growth. The experience of South Korea is extremely attractive for the Russian establishment – a fact that was noted during the second forum of Russia – the Republic of Korea Dialogue (2011).

South Korea also has a considerable interest in Russia. Fuel and energy co-operation with Russia provides South Korea (which has no natural resources to speak of) with an opportunity to participate in the development of hydrocarbon deposits in Siberia and the Far East (the Irkutsk natural gas project, development of coal deposits in Yakutia and Buryatia, oil and natural gas resources on the island of Sakhalin). Another important factor is the maintenance of a relative stability on the Korean peninsula thanks to the rather friendly relations established between Moscow and Pyongyang in recent years. In all probability, South Korean politicians will view Russia as a means to renew negotiations with North Korea on nuclear issues.

North Korea

There will be no significant changes in relations between Russia and the Democratic People’s Republic of Korea. Presently, Russia is interested in the development of the Trans-Korean Railway project to allow a quicker and cheaper freight transportation from Asia to Europe than by sea as it is done now. The Trans-Korean Railway is supposed to connect the railways of South and North Korea and link South Korea to the Trans-Siberian Railway. However, the imple-
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mentation of the project has been delayed due to the peculiarities of the North Korean regime and the general instability in the region. The development of this project would allow transit of Russia’s liquefied natural gas to South Korea via North Korea. However, in the present situation when North Korea is capable of delaying supplies for political blackmailing, it is difficult to see how such trilateral co-operation could be effective. Under the incumbent North Korean regime it might result in an escalation of conflict.

Moscow needs dealings with Pyongyang to maintain its strategic importance in the region. Russia is currently trying to return North Korea to negotiations on the nuclear problem. It seems rather unlikely under the existing political conditions. By now the six-party talks have exhausted their potential. New ways to resolve the protracted nuclear crisis should be looked for.

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Giving a general evaluation of Russia’s policy towards the Korean Peninsula, it should be noted that the established status quo does not contradict Russia’s interests. The co-existence of two Koreas and Russia’s participation in negotiations on the resolution of the nuclear problem in the Korean Peninsula mostly account for the strengthening of Russia’s positions in Northeast Asia.
RUSSIA AND CHINA

Yana Leksyutina

The year of 2011 was a period of dynamic development of Russia-China relations in different areas. The two sides celebrated two prominent anniversaries in their interaction — the 10th anniversaries of the SCO founding and the signing of the Treaty of Good Neighborliness, Friendship, and Cooperation. The level of the bilateral relations was elevated from “strategic partnership relations” to a “comprehensive strategic cooperative partnership”.

Russia and China in the global and regional context

The dynamics of Russia-China strategic cooperation in 2011 was determined by two developments in global affairs: the ongoing reform of international financial system and the “Arab spring”.

The global financial crisis opened a window of opportunity for Russia and China to push forward the reforming of the current international financial system, where the U.S. and other developed countries still play the crucial roles. In 2011 the two countries undertook coordinated efforts to urge the IMF and the World Bank to speed up the ongoing quota and governance reform including an increase of the emerging countries’ quotas (also those of China and Russia). The G20 and BRICS are regarded by the two countries as the major mechanisms to protect their interests in the time of transformation of the international economic system. Besides, in order to reduce reliance on the US dollar and reinforce the
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international influence of their currencies, Russia and China expanded further the local currency settlement and lending both on the bilateral basis and in the multilateral format of BRICS (due to the agreement inked in April 2011).

In 2011 the two strategic partners demonstrated an intensive coordination on the international arena. Particular attention has been paid to multiple crises in Western Asia and North Africa, the Iran nuclear issue, the North Korean problem, Afghanistan. Although in some instances the two countries failed to coordinate their foreign policies, namely in the Libyan crisis, their stances were convergent rather than divergent. The common vision on the pressing global and regional problems was confirmed in the Russia-China Joint Statement on the Current International Situation and Major International Issues issued on June 16.

The year of 2011 also marked two promising shifts in the performance of the SCO. In September an agreement in principal was reached on the creating of the SCO energy club, the idea proposed by V. Putin back in 2006. China revealed its intent to strengthen the SCO's security mechanism, which meant a significant departure from China's previous emphasis primarily on economic issues. China's newfound interest in defense and security within the SCO can be attributed to the necessity to enhance the protection of its energy infrastructure and growing investments in Central Asia. This task was actualized by the events in Western Asia and North Africa, which resulted in a loss of Chinese economic holdings, and by the phased U.S. withdrawal from Afghanistan starting from July, which introduced some uncertainty into the region's future.
While political and security issues have always been high on the agenda of the Russia-China relationship, economic ties have long been considered the weakest component. Understanding the necessity of diversifying their relations, both countries have been undertaking joint actions to solidify trade and economic ties. During the last several years Russia-China trade has demonstrated an impressive increase in volume and growth rate. In 2010 trade turnover reached a record of 59 bn, thus making China Russia’s largest trade partner. The bilateral trade volume in 2011 is expected to exceed 70 bn. In June the two sides announced an ambitious target of lifting bilateral trade to 100 bn by 2015 and 200 bn by 2020. There is a high probability that these targets will be achieved.

Despite an increase in mutual investment in recent years, its scale is still quite modest. Russia and China have been trying to improve the investment environment and regularly arrange investment promotion meetings. In 2009 the two countries endorsed the Investment Cooperation Plan, in October 2011 they signed a memorandum of intent to set up an Investment Fund worth up to 4 bn, the major part of which will be provided for projects in Russia.

In energy cooperation there were twists and turns during 2011. As soon as the Russia-China oil pipeline was officially put into operation on New Year’s Day, the two sides found themselves in a dispute over the pricing for pipeline oil supply, since some details had been overlooked in the beginning. The two sides in 2011 again failed to agree on a long-anticipated natural gas deal. It is unlikely that in 2012 a consensus over gas price will be reached, unless Russia comes to terms with China.

One of the important developments for an enhanced Russia-China economic cooperation was the signing of a memorandum of cooperation in economic modernization in October 2011, which is
RUSSIA AND CHINA

equivalent to the Russia-EU Modernization Partnership plan. Until recently Russia had been quite passive in accepting China as a partner for modernization, looking mainly westward and to South Korea for advanced technologies.

In general, it is fair to say that at present economic cooperation between Russia and China enjoys a strong momentum. In 2012 there will be three spheres of particular attention — investments, modernization and innovations, and regional cooperation.

Leadership transitions and its implications

In 2012 both Russia and China will enter a period of leadership transition. The outcome of the March 2012 presidential elections in Russia is quite predictable. Putin’s return to the Kremlin will likely result in Russia’s foreign policy readjustments toward a greater cooperation with China and turning Russian diplomacy towards the East in general. Putin’s return is highly welcomed by the Chinese.

In turn, a leadership transition in China will not influence the dynamics of Russia-China relations in 2012, since it will be completed only by spring 2013. It is expected that Xi Jinping will succeed Hu Jintao as the General Secretary of the CPC in 2012 and as the President of China in 2013. In 2012 China will be likely to align closer toward Russia as a result of Beijing’s growing frustration with the U.S. assertive “return to Asia” policy.

In 2012 Russia and China will closely coordinate its stances on global and regional arenas. The principal multilateral mechanisms of Russia-China cooperation will be the UN Security Council, G20, BRICS and the SCO. Security matters will probably play the greater roles in the performance of the SCO and BRICS. In the bilateral context Russia and China will work hard to enhance their relationship through strengthening trade and economic ties.
RUSSIA AND AFGHANISTAN

Harri Tiido

Russia has become increasingly interested in the situation in Afghanistan over the last couple of years. The reasons for that are varied – the Western (especially US) presence in Central Asia, the flow of drugs from Afghanistan to Russia, the danger of Islamic radicalism spreading from Afghanistan to Central Asia and, possibly, further to Russia itself, economic and political benefits of cooperation with NATO (USA) by way of providing a supply route for the military forces in Afghanistan through the Russian territory, a growing Chinese presence in Afghanistan with a possibility of the expansion of the Chinese power in Central Asia.

As this list shows, Russia’s interests are mostly centred on Central Asia, which is considered by Moscow its natural sphere of influence. Therefore, Russia’s primary interest is to prevent the developments in Afghanistan from perpetuating the Western (especially US) presence both in Central Asia and Afghanistan. Thus, an internal contradiction is evident in Russia’s interests – a reluctance to put up with the Western military presence and a desire to see a stable state in Afghanistan which would not be possible without the Western presence for some time yet.

As the year of 2014, when the security responsibilities will be transferred to Afghanistan itself, draws nearer, Russia is taking more energetic steps in several directions. Russia’s attitude to President Hamid Karzai is changeable, but as a rule of thumb, the worse are Hamid Karzai’s relations with the West, the warmer are his relations
with Russia. An appointment of Zamir Kabulov, a former Russian ambassador to Afghanistan and a special envoy of the Russian President on Afghanistan, is an important indicator of Russia’s attention. The experience of Mr. Kabulov in Afghanistan and his personal contacts with various political groups there suggest that Moscow may navigate behind the scenes of Afghan politics better than the Western states. How could Russia influence the situation? An emphasis is put on two directions – activities in Afghanistan proper and Central Asia. With a strong Russian support, Afghanistan was accepted to the Shanghai Cooperation Organisation (SCO) as an observer state and in the fall of 2011 Mr. Kabulov confirmed that Moscow also supports the full membership of Afghanistan in this organisation. Indeed, multilateral structures are one of the main tools used by Russia to influence developments in Afghanistan. To ensure that Central Asia is firmly kept within the Russian sphere of influence, co-operation within the framework of the Collective Security Treaty Organisation (CSTO) is being strengthened. In 2011, the CSTO conducted the biggest military exercises to date in Central Asia as well as a simulation of antiterrorism operations. Russia managed to prolong the deployment of its 201st Motor Rifle Division in Tajikistan for another half-century. The main task of this 7500-strong unit is to keep the situation on the Afghan border under control and stay prepared for possible operations in other locations in the region.

Russia is also attempting to raise its economic profile in Afghanistan. During the first half-year of 2011 the trade between the two states amounted (according to unconfirmed reports) to USD 600 million, showing a rapid growth. For Russia, Afghanistan is a potential crossroad of trade routes in the region as well as a potential future supplier of natural resources. Moscow does not wish China or some other foreign country to establish control over the local resources.
From the future perspective, Russia’s activities have been recently developing in several directions. There are rumours that the Russian envoys have renewed contacts with the Northern Alliance, from which Russia previously distanced itself because the Northern Alliance’s power in Afghanistan was waning. Russia is engaged in active talks with President Hamid Karzai and his administration, trying to draw Afghanistan closer to the framework of relations between Russia and Central Asia. According to Marek Mekiszak, an expert on Russia in the Oriental Research Centre in Poland, there is indirect evidence of contacts between Russia’s representatives and the Taliban. There are people inside the Taliban with the background in secret services dating back to the times of the communist regime who have preserved contacts with the modern Russian secret services.

I forecast the following developments in Russia’s relations with Afghanistan in 2012:

- Moscow will secure for Afghanistan the full membership in the Shanghai Cooperation Organisation to tie it more closely to other states in the region.
- Russia may also bring Afghanistan closer to the Collective Security Treaty Organisation, e.g. as an observer state, to ensure the protection of Russia’s interests in Central Asia.
- The Western states (USA) will be granted transit for shipping supplies to Afghanistan from the north, as before. Quite possibly, it will remain the single positive development in the Russian-American and Russia-NATO relations. The transit will be also used as a political lever to protect other Russian interests in the relations with the West.
- Russia will again make a proposal for NATO to establish official relations with the CSTO (where Russia has a decisive vote), rather than deal with Central Asian states on a separate basis.
- Russia will establish closer contacts with opposition forces in Afghanistan to ensure the protection of its interests irrespectively
of the direction of further developments. Any tensions between President Karzai and the West will be exploited to draw Karzai closer to Russia.

- Russia will make harsh declarations, demanding the end to the Western military presence in Afghanistan after the transfer of security responsibilities. Simultaneously, the USA and Central Asian states will be warned against the establishment of the Western military strong points.
- Economic cooperation will intensify; Russia will offer assistance for the reconstruction and development of infrastructure and industrial facilities once built by the USSR. Such works will be often financed by the West.
- In the context of international propaganda, Russia will repeatedly cite the inability – not to say reluctance – of the West to eliminate drug production in Afghanistan.
- In Moscow, Zamir Kabulov will hold more sway over Afghanistan-related issues than the Russian Ministry of Foreign Affairs.
- The Russian military structures will warn of a possible military conflict in Central Asia because of the transboundary effects of negative developments in Afghanistan.

Conclusions: Russia’s biggest concern is to prevent developments in Afghanistan from becoming a pretext for the perpetual military presence of the West (USA) in Central Asia and Afghanistan. Further developments in Afghanistan will be used by Russia for cultivating its own power base as well as for demonstrating the Western (US) incapacity. The transit of non-military supplies through Russia and Central Asia will become an item in political bargaining with the West over other issues (e.g. missile defence etc.).
2012 in the Middle East will become a year of drawing conclusions on revolutions, parliamentary and presidential elections and the spread of instability to new countries and regions. The most turbulent events of interest to Russia will occur in Syria. The regime of Bashar Al-Assad could have been saved and reformed if Moscow had decided to lend its support much earlier – in winter or spring of 2011 the latest. The final decision was taken, however, only last autumn when the revolution in Syria had effectively passed the point of no return. At an earlier stage there was a possibility to come to terms, for example, to get concessions on Libya in exchange for non-intervention of international forces in Syria, but in 2012 Moscow is facing participation in the settlement on Syria against the USA, the EU, Persian Gulf states and Turkey, which co-ordinated their positions to resist the regime of Mr Assad and support the opposition in Syria. Russia flatly opposes any intervention in Syria’s domestic political situation and unequivocally supports the official regime which is bound to Moscow by strong political, economic, cultural and military ties. Russia is afraid of losing these ties if Syria’s regime is changed according to the Egyptian or Libyan scenario.

The situation in Syria will be resolved within the first few months of 2012 and Moscow will be pushed aside from making any important decisions on the issue. Similarly to Libya, most ties will be severed and a new government in Damascus will refuse to renew the treaty on the Russian naval base in Tartus. Due to a high
probability of escalation of the internal conflict in Syria into a full-scale civil war with subsequent disintegration of the state, Russia should prepare to receive a large number of refugees – first of all, several thousands of Russian nationals (mostly Russian women married to Syrians) as well as allies of Mr Assad fleeing from represions that will be unleashed upon them.

Growing tensions in Syria will increase international pressure on Iran, the main regional ally of Syria. In my opinion, a military invasion to Iran is unlikely in 2012, but in the following months we will see tougher sanctions against, and even severance of diplomatic ties with Iran by several European and Persian Gulf states. Russia will once again be forced to choose between a position in the international community and its own interests. Proposals of tougher sanctions against Iran are expected in the UN in 2012. After all, Moscow will resolve to support Iran in the UN but – judging by the general speed of decision-making on international issues – it will be done out of time, when the next political scandal over Tehran has already escalated. Iran’s regime is sufficiently stable and there will be no military intervention into Iran’s affairs by NATO, the USA or Israel in 2012 and therefore, any sharply worded declarations of the Russian support of Tehran are unlikely.

In the second half of 2012, Turkey will be gradually abandoning its traditional peaceful multidirectional zero-problems-with-neighbours policy that it has pursued in recent years. Ankara has completely aligned its Middle East policy with the USA, the EU and Persian Gulf states and currently become one of the most vocal critics of Syria’s regime. In that regard, positions of Russia and Turkey collide. Due to a possible increase of instability in Russia and considering the positive image of Vladimir Putin among the Turkish secular opposition, Turkey may become mildly critical of the official Moscow and voice its support to opposition movements. Turkey will also react negatively to the integration of the post-Soviet
space attempted by Russia within the framework of the Eurasian Union, which is considered by Turkey a competitor to a potential increase of Ankara’s influence in the South and North Caucasus, the Volga Region and Central Asian states.

The pivotal issue to determine Russia-Middle East relations in 2012 will be Moscow’s reaction to the revolutionary upheaval in the region and a rising revolutionary mood among the opposition in Russia. Similarly to Libya and Syria, public protests in Russia will be supported by the USA and the EU as well as by Turkey and Arab states. Thus, Russia will be facing a necessity to choose a new foreign policy strategy for the Middle East. The Muslim Brotherhood is currently on the list of terrorist organisations and its activity in Russia is prohibited. However, this organisation is probably the main driving force behind the revolutions in the Middle East and there is a relatively high probability that it will come to power in Egypt and other states in 2012.

Russia will be forced either to continue its current policy toward the revolutions, thus facilitating the rise of a similar mindset domestically, or revise its attitude to objective processes taking place in the Middle East. Such revision may take an active or passive form. In the former case, Moscow will accept the Arab Spring in 2012 as it is and legitimise a number of prohibited organisations, simultaneously continuing its support of the remaining secular authoritarian regimes. Such policy would result in a gradual erosion of Russia’s political influence in the Middle East and a shift to pragmatic economic ties with the regional states. As an alternative, Moscow may actively intervene in processes in the Middle East, drawing support from legitimate Russian-friendly forces in the region (Syria’s Christians, Israel’s Russophone community) and build a new image of Russia in the region.

The most probable scenario of developments in Russia’s policy toward the Middle East will be a passive reaction to events, weak
RUSSIA AND THE MIDDLE EAST

attempts to defend its interests in Syria and prevent the USA and Israel from uniting the international community on the issue of new sanctions against Iran. In the first half of 2012 Russia will be mostly focusing on domestic problems and in the second part it is likely to switch attention to the implementation of the integration strategy in the post-Soviet area. Therefore, a certain increase of Russia’s influence in the Middle East may be expected only after the presidential election and appointment of a new government in Russia.
RUSSIA AND TURKEY

Onur Aydın Korkmaz, Raivo Hool

Relations between Turks and Russians cannot be described as rosy since their first official contact at the end of the 15th century until the turn of the millennium. Long periods of antagonism have been interspersed with a few periods of peace. The relationship between the Russian Federation and the Republic of Turkey was not entirely marvellous until the year 2000 when Vladimir Putin ascended to presidency and it can be attributed to the previous generation’s continuation of the old Soviet style political strategy.

Under Putin, Russia’s political strategy towards Turkey has become pragmatic and more realistic. Since then, economic and commercial relations have improved. In 2010, the trade volume between the two countries was $26 million, which made Russia the second largest trade partner for Turkey after Germany. There is still a trade imbalance between the countries as Russia’s exports to Turkey were $21.6 billion, while Turkey’s exports to Russia amounted to just $4.6 billion. There has been a mutual visa waiver in effect since 2010, which has also helped improve relations beyond just economic grounds.

Geopolitical rivalry

At the same time, there are areas in which a geopolitical rivalry is being played out. As both countries are descendants of competing
RUSSIA AND TURkey

empires in the area around the Black Sea, both want to reassert their influence in the region.

The eastward expansion of NATO is one of the friction points. Turkey has been pro eastward enlargement, but as Russia has been vehemently against it, so Turkey has become less supportive of the idea. At the time of the Russian-Georgian war in 2008, Turkey supported Georgia, which exacerbated tensions between Russia and Turkey to a degree. Turkey also supports Azerbaijan in the latter’s conflict with Armenia over Nagorno-Karabakh, whereas Russia’s support belongs to Armenia.

Turkey has also been wary of a growing Russian military presence in the Caucasus area, especially during the Chechen wars, which Turkey feared would cause undesired instability in the whole region. As the conflict in Chechnya has been frozen or ended – depending on whom one should ask – the Turkish concerns have been somewhat diminished. That does not mean Turkey is entirely happy regarding Russia’s influence in Central Asia’s Turkic countries, especially in the light of its own growing economic and political clout in the region and the Muslim world as a whole.

The possible political sources of friction aside, the nations have been able to establish economic relations independent of political issues.

Energy

Energy plays a large part in relations between Russia and Turkey. Turkey gets 42% of its energy from Russia. Turkey is the second largest consumer of Russian gas after Germany. It is connected to the Russian pipeline network by the Blue Stream gas pipeline. Turkey has also given a go-ahead to seismic research for building the South Stream pipeline through the Black Sea, which means Turkey
has all but shifted its support away from the Nabucco pipeline that it initially favoured.

A large reason behind the shift is the planned Samsun-Ceyhan oil pipeline. Meant for transferring Russian and Kazakh oil from the Black Sea to the Mediterranean Sea, it has been somewhat of a hot potato. Even though Turkey has actively promoted building it to ease tanker traffic in the Bosporus Strait, Russia has played a game of “now I support you, now I don’t”, as it has realised it would give away control over its dominant position and tried to find alternative routes that would bypass Turkey altogether.

Now, as the countries have developed a multi-level interdependency in the energy market, Russia has finally fully committed to building it, provided Turkey supports the South Stream over Nabucco. As Turkey needs the pipeline for the sake of the Bosporus and Russia needs Nabucco to die to maintain energy leverage over Europe, it was a win-win solution for the parties involved.

Russia has also agreed to build three nuclear power plants in Turkey. The construction of the first, a 4,800 MW plant starts in 2013 in Akkuyu in the Mersin province in southern Turkey. As all the know-how as well as the nuclear fuel will be provided by Russia, it will increase Russia’s hold on Turkey’s energy market and, perhaps, by extension on policy, as the situation with Nabucco has already demonstrated.

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It is expected that at the presidential elections in Russia at 4 March 2012, Vladimir Putin will be elected president, which means that the same strategic thinking and tactical manoeuvring will continue. In the short term, we can expect the relations between Turkey and Russia to improve, the trade volume to grow close to $40 billion and more steps about energy issues to take place on each side.
RUSSIA AND TURKEY

In the long term, Russia and Turkey are not competitors, as natural gas and oil suppliers are more in competition with each other. Turkey wants Russia’s help with the construction of the nuclear power plants and to have a hand in natural gas transit. As Russia gets more pragmatic in its political strategy, relations with Turkey improve. However, politically Russia and Turkey are not allies, so while an improving economic relationship might help the political relationship along, a deteriorating political relationship will drag the economic relations down and both countries will lose. Right now Russia has the upper hand as the energy supplier and know-how provider, but as China gains influence in Asia and particularly in Central Asia, Russia and Turkey will become closer in the long term.
RUSSIA AND ISRAEL

Yakov Rabkin

There exists a special relationship between Russia and Israel, albeit of a different kind than the one linking Israel to the United States. The Russia-Israel connection is old and multifaceted, including interstate diplomatic and military relations, business and technology links, tourism as well as cultural and media interface.

Israel’s links with Russia pre-date the establishment of the state; they extend from the origins of the Zionist settlement at the turn of the 20th century to the current role played by Russian-speakers in Israel’s politics, arts, technology and sciences. Not only did most pioneer settlers originate within the confines of the Russian Empire, but the ethnic roots of all of Israel’s prime-ministers, including the current one, Benjamin Netanyahu, can be found in that country as well. Four current ministers, including the foreign minister and the tourism minister, are Soviet-born Russian-speakers. This reflects the fact that these “new Israelis” account for nearly one quarter of Israel’s non-Arab population. They are reported to be more unabashedly nationalist and socially conservative than native Israelis. The initiative of the Soviet-born parliamentarians to launch an official investigation of Israel’s human-rights organizations in early 2011 further consolidates the anti-liberal image of Russian-speaking immigrants in Israeli society.

Israel is usually believed to be more interested in cooperation with Russia, namely in access to Russia’s market and to her fossil fuels as well as in using her political influence to moderate the
RUSSIA AND ISRAEL

growing anti-Israel public opinion in the region. Russia is mainly interested in harnessing Israeli technologies for industrial modernization. In the twenty years since the establishment of diplomatic relations between the two countries, each has been attentive to the other’s concerns and often taken a common stand in international organizations. Thus President Medvedev cancelled the sale of S-300 missiles to Iran, making that country more vulnerable to a possible attack. At the same time, Russia has repeatedly warned Israel not to bomb Iran, and has expressed concern about the plight of the Palestinian population, particularly in the Gaza strip. Israel is visibly displeased with the continuation of Russia’s contacts with the elected administration in Gaza, including President Medvedev’s meeting with Hamas leaders in Damascus.

Israeli officials in Russia portray their country as a bulwark of European civilization in the Middle East, thus capitalizing on the growing anti-Islamic sentiment in Russia. Israel also abstains from criticizing Russia’s armed forces’ conduct in the Caucasus. It can be expected to maintain the moratorium on arms sales to Georgia, which initiated a brief conflict with Russia in summer 2008. As a politically friendly gesture, Israel is also scheduled to erect in Netanya a Russian-designed monument to Soviet soldiers fallen during the Second World War, which, in Russia’s public opinion, favourably demarcates Israel from several post-Soviet republics where monuments to the Soviet Army have been dismantled. Finally, both Russia and Israel, referring to their respective ‘special circumstances,’ are ambivalent about their adherence to Western democratic values.

Military and strategic cooperation continues to increase, both in terms of joint production of weaponry and regular official consultations on security issues. Active cooperation has developed in several high-tech areas, including work on dual-use technologies. Israel and Russia also collaborate in supplying security materiel to
third countries, such as India, which partly compensates Russian arms industry for self-restraint in sales in the Middle East exercised to accommodate Israeli and American concerns. Bilateral links are likely to intensify in nanotechnology and energy storage/transport. Business cooperation may also include gas supplies on the part of Russia’s Gazprom, which would compensate for the fragility of the Egyptian gas pipeline to Israel. There exists a joint business council, and a bilateral innovation fund to be launched in 2012 is meant to create a matrix of interlinks between Russian and Israeli technology producers.

Israel includes the largest Russian-speaking diaspora outside of the former USSR, Russian tourists constitute the second largest segment of visitors to Israel, and Russian citizens consider Israel the second most attractive tourist destination. There is no visa required for travel between the two countries, which has led over 560,000 Russian tourists a year to visit Israel. Over 60 daily flights link several Russian cities with Israel.

There exists an active cultural exchange between Israel and Russia, going back to the establishment of Habima, Israel’s official national theatre today, in Moscow in 1917. Several Israeli plays are currently staged in Russia, while Russia’s most prominent theatre companies, singers, and orchestras regularly perform in Israel. Russian electronic and printed media are readily available in Israel. The coverage of Israel in Russian media is mostly done by former Soviet citizens settled in Israel, many belonging to the right of Israel’s political spectrum. This is having a long-term effect on Russian public opinion. Over two-thirds of Russians view Israel favourably, a higher percentage than in most European countries, and this appears to be a steady trend as 90% of the respondents in a recent survey claim to have improved their opinion of Israel. Vladimir Putin expressed the sentiment of many of his compatriots
RUSSIA AND ISRAEL

when he said: “There is a little piece of Russia in Israel” (Израиль – это немного Россия).

These are long-term trends that are likely to remain stable in spite of the turmoil that plagues the Middle East. Russia’s well-established contacts in Iran and Syria may play an important role in Israel’s policy making in the region. Russia will insist on treating Iran with respect and consideration, and may continue countering Israeli and American efforts to marginalise that country. Russia can be expected to support Palestine’s campaign for recognition on the part of the international community. While the impact of dual citizens of Russia and Israel has been crucial in strengthening the right-wing nationalists in Israel, their impact on elections in Russia, which, unlike Israel, upholds her citizens’ right to vote regardless of their place of residence, is numerically insignificant.
RUSSIA’S POLICY TOWARD COMPATRIOTS

Tatyana Kiilo

On the whole, directions of Russia’s policy toward compatriots have not changed: to carry out repatriation policy, to define a diaspora community of Russia’s compatriots and support its identity, to strengthen the status of the diaspora’s members in their home countries, etc. One might say that the policy toward compatriots have become increasingly fragmented ideologically, serves different political goals and have become intertwined with other political initiatives.

Image improvement

As before, the pivot of the policy toward compatriots is to increase the cultural and intellectual influence in the target states. However, a number of initiatives and programmes are intended for the implementation of a more pragmatic vision – the promotion of a positive image of Russia abroad. Such integration of political objectives is also reflected in the work organisation of bureaucratic structures that carry out this policy. For example, in 2012 Rossotrudnichestvo will become responsible for the implementation of the innovative co-operation programme of the CIS states, Russia-EU cultural co-operation and EU-related youth initiatives, the
RUSSIA’S POLICY TOWARD COMPATRIOTS

promotion of the Russian language and culture, protection of compatriots’ rights, etc.

Federal subjects also have implemented large-scale compatriots’ programmes. Actual activities under such programmes are subjected to national priorities and focus on the promotion of the Russian language and culture. Financial allocations to organisations responsible for the implementation of the policy toward compatriots have been growing and new structures are emerging. For example, a special fund has been established by the Russian Ministry of Foreign Affairs and Rossotrudnichestvo. The fund will become operational in 2012 and focus on the protection of compatriots’ language rights. The role of religious organisations in the consolidation of compatriots has been also growing.

Spread of language and culture

A noticeable organisation charged with the promotion of the Russian language and culture is the Russkiy Mir Foundation, which is mostly financed from the state budget. A foreign network of the Russkiy Mir’s centres (approximately 80 as of November 2011 plus Russian language offices; to compare, there were only 12 such centres in 2009) bears a structural resemblance to the network of China’s Confucius Institutes. The foundation is engaged in systematic and multifunctional activities; more than one thousand projects (mostly intended for the promotion of the Russian language and culture) have been financed over the period of four years.

Many of the foundation’s so called Russian centres have been established at renowned universities. The geographical distribution of the Russkiy Mir’s centres indicates that Asian, Central Asian and European states are given a higher priority. An important target
group of the foundation is the Russian language and culture teachers and their associations in foreign states.

To sum up, the number of issues and target groups covered by the policy toward compatriots has grown and the network of institutions is constantly developing.

Repatriation policy

In the previous forecast I gave a rather reserved assessment of the effectiveness of the repatriation policy. However, in the third quarter of 2011 the number of applications increased 1.8 times and the number of certificates issued to repatriates increased 2.6 times compared to the same period of 2010.

Prioritised target states of the repatriation programme may be inferred from the geographical distribution of offices of the Federal Migration Service – Armenia, Kyrgyzstan, Tajikistan and Turkmenistan. There are representatives of the Federal Migration Service in Moldova and Ukraine. In nine states – Azerbaijan, Belarus, Germany, Israel, Kazakhstan, Lithuania, Uzbekistan, Ukraine and Estonia – temporary task forces have been established that are responsible for the implementation of the programme. 35 federal subjects have been involved in the repatriation programme (as of 01.10.2011) with the addition of several border regions (e.g. Pskov Oblast).

In 2011, criminal proceedings were initiated in connection with the repatriation programme against officials responsible for the implementation of the programme and one subcontractor on the charge of embezzlement (the total of 69.44 million roubles in 2007–2009).
Forecast for 2012:

– The number of persons using the repatriation programme will continue growing; nevertheless, it will still be insufficient to meet labour needs of Russia’s regions and compensate for demographic problems (ageing and shrinking population). A majority of repatriates will come from Central Asia. It is possible that Russia, in addition to the established task forces, will apply other measures to simplify repatriation, e.g. organisation of vocational education in target states, trainings for young professionals interested in repatriation, etc.

– The foreign policy dimension of the policy toward compatriots will be focusing on the active promotion of the Russian language and culture, including teaching of the Russian language to foreigners. The main emphasis will be put on general education provided with the Russian language of instruction or based upon Russia’s syllabuses. A concept of the Russian school is being developed as a standard school model based upon Russia’s education standards. In the cultural sphere, the Cultural Achievements of Russia, a promotion programme, will be launched in 2013. Higher education with the Russian language of instruction provided abroad (so called cross-border higher education) and enticement of Russophone students to study in Russia are still on the agenda.

– The Baltic States and the CIS member-states will preserve their strategic importance as compatriots’ home countries. The set of policy issues with these states will not change: education with the Russian language of instruction, the status of the Russian language, social problems, discrimination and human rights, organizing compatriots.
Conclusions

The policy toward compatriots is a full-fledged and active policy direction that serves quite successfully various interests and objectives of Russia’s foreign as well as domestic policy. As before, the major goal of this policy in 2012 will be the expansion of Russia’s cultural and intellectual (and spiritual) influence in the policy target states and diaspora communities in these states. Henceforth the emphasis will be put on language- and education-related measures in conjunction with further consolidation and institutionalisation of compatriots’ organisations.
FROM GLOBAL TO REGIONAL POWER

Fyodor Lukyanov

The deepening EU crisis, the intense US presidential campaign, the change of power in China, the continuing upheaval in the Middle East, including a possible escalation of the situation in Iran will provide a likely context of the Russian foreign policy in 2012. Add to this the fact that Russia itself, judging by recent events, is facing a rather intense political season.

Global challenges

The next president of the Russian Federation will find himself in an unfavourable situation. He will be forced to manage a situation which is extremely vulnerable to outside factors beyond Moscow’s control. The collapse of the euro, aggravation of the US deficit problem, decelerating growth in China, major instabilities in the Middle East are all possible, if not inevitable. Any of these events might seriously affect Russia’s situation and the only thing Moscow could do is to attempt some response.

A distinctive feature of the modern political environment is that no state may fence itself against external processes. Thus, any more or less noticeable internal instability is automatically affected by external factors: a political reaction of leading actors and their combined interests, the impact of ideological attitudes, the catalyst effect caused by the openness of global communication. Therefore, the
leadership of a state must ensure, above all, the internal stability, which means attempting a precarious balance between protectionism and facilitating a social and political dynamism. A tilt to either side risks losing control over the situation. In the case of Russia, stability may be ensured by the guaranteed legitimacy of the next president if neither voters nor external observers could question the election results.

Under the conditions of the aforesaid global uncertainty, a decisive factor is an ability to make precise short-term forecasts of global developments (a longer-term perspective is better put aside) and a cautious course of action. The medical principle *primum non nocere* becomes very nearly the only course of rational action, because any activity, let alone drastic steps, is fraught with unintended consequences and deepening instability.

**Regional opportunities**

In practice, it means that Russia’s foreign policy must very carefully choose priorities to concentrate upon and stay away from games for which it lacks necessary resources and capabilities. A process that started in late 2000s after the war with Georgia and the global financial crisis is very likely to continue, i.e. Russia will be focusing on issues of immediate concern to Russia, gradually transforming its perspective from global to regional. Since Moscow’s direct interests cover to all practical purposes the whole of Eurasia, Russia is certainly not in risk of becoming a small power. However, the remaining issues are turning into an accessory tool to achieve goals in the neighbourhood.

Thus, the process of the gradual withdrawal of Russia from the Middle East is likely to continue. It is an objective process because regimes that served as an anchor of Moscow’s presence in the region
FROM GLOBAL TO REGIONAL POWER

from the Soviet time have been falling. Whatever forces come to power there, they will not be looking to Russia. Instead, the Kremlin’s real assets are problems with Iran and Afghanistan, which cannot be solved without Russia’s participation. It is all the more true because of the sharp deterioration of US-Pakistan relations that further narrows the US transit opportunities and, therefore, makes the USA more dependent on the Northern route.

Changes and emotions

The Eurasian Union will be a priority project. In essence, it is an enlargement of internal market which seems a logical step given the growing external instability. Notwithstanding the name of the union that conjures up an association with Asian steppes, the pivot of the project is Ukraine, a perfectly European state. Amazing developments occurred in Kiev in 2011, which resulted in a situation where the membership of Ukraine in the Russian economic union – inconceivable until recently – does not appear impossible anymore. In the next year the *modus vivendi* of Russia and Ukraine will be clarified because too many interests are linked to this relationship, and the EU, which counterbalanced Russia’s influence until recently, has become too weak.

Other major issues of Russia’s policy in 2012 include the following:
- The US missile defence system; Russia has already linked its participation in Russia-NATO summit next spring to agreements on this issue. There will be no progress; the real question is whether the parties will manage to avoid a serious clash.
- Relations with China, which are rising to the forefront of the whole Russian foreign policy, because the regional and global influence of China is growing too quickly.
FYODOR LUKYANOV

– The EU natural gas policy – although the whole European project has been eroded, the European Commission continues a rather inflexible policy on this issue.

On the whole, the year promises to be full of changes and emotions, because the processes that started in 2011 will undoubtedly accelerate in 2012.
CONCLUSIONS

Karmo Tüür & Viacheslav Morozov

This conclusion is being written in late December 2011, while most of the prognoses in this book were made a bit earlier. As a result, the authors of this afterword are slightly “wiser” than the other contributors, and so is everyone else who is going to read this text later. The end of the year 2011, and especially the end of December have been full of events which can influence the future of Russia – that very future which we tried to predict.

On the one hand, beneath any changes that might occur at the level of politics in the nearest future (registration of new parties, dismissal of the head of the Central Electoral Commission or even fiscal decentralisation) there are objective processes which cannot and will not be manipulated – such as demography, macro-economic trends, etc. But on the other hand, the necessary reforms in the political or legal system, the army or the mass media can be accelerated, stopped or even reversed by political will. In the end, the reforms need to be carried out, or otherwise even the relatively modest standard of living reached during the previous decade will inevitably deteriorate. However, so far it is possible to postpone the difficult decisions, and we do not know for how long this tactics of procrastination is going to work.

At the level of foreign policy the situation is somewhat different, or maybe even reverse. In the semi-authoritarian model of policymaking that has been created over the last decade, political action to a large extent depends on the will of decision-makers in
Moscow, which, in turn is going to be influenced by the domestic political agenda. Yet at same time even in current international politics there are too many factors which cannot be controlled from Moscow. Other countries hold elections and change governments, there is economic interdependence and overall strategic choices to be made about future threats and partnerships. Thus, while the population at large is less concerned with foreign policy than with the state of the economy and social security, it is still difficult for the Kremlin to achieve what it wants or at least to pretend that there are achievements.

In what follows the editors attempt to sum up the views of approximately 50 co-authors. It is not an easy task, given the diversity of the contributors’ positions, but some patterns seem to emerge out of those multiple individual prognoses.

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Russia’s domestic prospects are mostly evaluated in pessimistic terms. Most authors predict stagnation: the reforms are running out of steam, the state continues to control the economy and civil society, the demographic situation in most regions worsens while nationalist and xenophobic feelings escalate. It must be noted, however, that most of the contributions were written before the 4 December elections and the mass protests provoked by the official results. While by no means trying to put each author’s analysis and conclusions in doubt, we might suggest that the overall tone of the prognoses reflects a gloomy mood that anyone who is closely following the developments in Russia has felt throughout 2011.

Foreign policy articles reveal a more diverse picture. Russia’s relations with its traditional allies in the “old” Europe, such as Germany, Italy and Spain, are likely to remain stable or even improve. Certain progress can be also noted in the traditionally
problematic cases, such as the United Kingdom or the Baltic states (at least Latvia and Estonia). Lithuania, on the other hand, demonstrates the opposite dynamics, and in all of these cases the habitual tension and the usual conflict issues continue to complicate the relations.

At the same time, Russia’s partnership with the European Union is losing the sense of purpose: the only issue of some mutual interest is the freedom of movement, but even here the progress is going to be slow and painful. Speaking about the “wider” West, relations with the U.S. are under strain, as both sides are overemphasising the existing conflicts and pay too little attention to the areas of success. Potentially, the same attitude is likely to spill over into Russia’s relations with NATO. The only arena where potential success is in sight is the World Trade Organisation – provided, of course, that the Federal Assembly ratifies Russia’s accession to the WTO in time.

The post-Soviet space, where Moscow promotes a number of integration projects, comes out as the most important area of Russia’s foreign policy effort in 2012. It is likely that Russia’s attempts to gain more influence in the area will continue to intensify, but the next question that comes up in this context is whether Russia has enough resources to continue with all the ambitious projects that it has announced. It will also continue to face tough competition on the part of other regional and global players, in particular in Central Asia.

As for Russia’s global influence, the balance is also uneven. On the one hand, it seems to make some progress in relations with China and the Koreas, and in its policy on the Afghanistan. On the other hand, the situation in the Middle East is undergoing dramatic changes, most of which undermine Russia’s position and produce tensions with the countries which, over the last twenty years, have developed good working partnerships with Russia on a range of issues (such as Turkey and Israel).
In East Asia, Russia so far has no chance of success in developing relations with Japan – the country which it probably needs most, both as a source of new investments and as a counterbalance to the growing Chinese influence. Finally, Russia’s recent advances in Latin America have probably also reached the limit of what is possible to achieve and continue to depend on good relations with individual leaders such as Hugo Chávez.

Last but not least, it seems that the domestic political situation is the biggest unknown under the current circumstances. It turns out that the push for reforms from below is very strong, and the “vertical of power” is starting to give in. If this trend radicalises in the course of 2012, it will inevitably affect all areas of domestic and foreign policy, sometimes in unpredictable ways.

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Whatever we come up with as a summary, we strongly suggest that you read through all these different prognoses yourself and make your own conclusions. Only in this case will our attempt to draw a contour of the probable future for Russia be really fruitful.

The current collection of prognoses is not the first attempt to think about the future of Russia. We have done this before and will do it again. After all – it’s interesting, isn’t it?
“Politica” Series (ed. Rein Toomla)

- *Maailmast 2005 (Collection of articles about international relations)*, ed. Rein Toomla and Karmo Tüür, Tartu 2005