

## Theses for a New German Policy toward Russia

### Nine Recommendations for Reaching New Goals

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Russia has seen the dramatic securitization of its politics, economy, and society since 2012. For Russian leaders, struggle with the West has served as a means of underpinning their power and their system. As the domestic economic situation worsens and nationalistic forces gather strength, the danger of further destabilization grows more acute. For German and European policy to exert effective influence in the medium and long term, it must apply a complex combination of containment and cooperation.

#### **German Policy toward Eastern Europe: What are the Goals and Where is There Room for Manoeuvre?**

The goals of German policy toward Eastern Europe must in the short term be to stabilize the situation in Ukraine; in the middle term to bring Russian leadership to the negotiating table in order to reach a new *modus vivendi*; and in the long term to renegotiate relations on issues of security, energy, and business as well as to persuade Moscow to recognize international law. German and European instruments for achieving this are limited, however, for Russia's current leaders, following their own cost-benefit logic, according to which self-isolation is the price of preservation of power and self-defense. We are now seeing the securitization of all areas of Russian political, economic, and social life. The country's leaders see economic interdependence with the European Union in negative terms. Europeans consistently promoted close links between Russia's economy and that of the EU, particularly in energy policy, as a "win-win situation" and a means of establishing mutual trust. From the Russian point of view, however, the West has now turned this into a "weapon" for wresting concessions from the Russian side in the Ukraine crisis. As a consequence of this development, Russia will loosen its economic ties to the EU even more determinedly and start to cultivate other

trading partners (particularly China), in addition to having more recourse to domestic industry.

For the regime of Vladimir Putin, the struggle with the West – and with the United States in particular – has become a means of propping up his system, for it provides him with a source of legitimacy in difficult times. The old Russian social contract in which public welfare was improved in exchange for political inactivity dissolved with the global financial crisis of 2008–09 and the end of Putin's second term as president. Economic growth had been based above all on high gas and oil prices. As the downward trend gathered strength at the end of 2011 and in early 2012, demonstrations on the streets of Moscow and other large cities called for political change. Two years later, however, the annexation of Crimea, the destabilization of eastern Ukraine, and a show of strength in response to Western sanctions succeeded in dramatically improving the public's opinion of Putin (with approval ratings going up to 80 percent from their 2013 low of less than 40 percent).<sup>1</sup>

Despite the worsening economic situation, public support is now consistently high. Surveys show that rising inflation and declining purchasing power have done nothing to dampen the belief held by a growing number of

Russians that their country is on the right path.<sup>2</sup> Mobilizing the population against domestic and external enemies has generated a wave of patriotism and consistently high approval ratings. Russian leadership thus currently has very little interest either in improving relations with the West or in solving the conflict in Ukraine, which of course severely limits the Russian side's willingness to compromise or its openness to outside influence. Were these circumstances to change, the economic crisis would surely once again become a major concern for most Russians.

## The Effects of Sanctions on EU Policy

The fact that the EU and the US have ruled out a military reaction to Russian destabilization policies in Ukraine means that economic sanctions are the main means of drawing a red line around President Putin and, above all, preserving US and EU credibility. The only vocabulary the Russian president understands is the language of strength. In his view, to compromise is to show weakness. Staying a consistent course and refusing to recognize Russia's annexation of Crimea are thus the EU's key means of containing the conflict and preventing additional provocations that would allow Russia's leaders to engage in further destabilizing tactics.

At the same time, it is again becoming very clear that sanctions are but one of several instruments and cannot alone substitute for active policies. At the moment, the Russian side is reacting from a security and geopolitical perspective and temporarily resists the effects of economic sanctions. This calculus could change, however. If the economic situation worsens, in combination with the low price of oil, in the second half of 2015, public approval could fall, and Russian leaders may feel pressure to take a more cooperative approach. This of course depends on a number of factors, such as whether energy prices continue to fall, whether Russia can get credit from China through energy transactions, or if it can obtain financing options on the international financial market. Here, too, Russian leaders think more in the short and middle term, reacting to developments.

At the same time, sanctions have a counterproductive effect in that they have hardened positions, unleashed a wave of patriotism, and strengthened the isolationists in Russia's political sphere. President Putin can use the sanctions to distract the public from the weaknesses of his economic policy. He is now strengthening the state's role within the economy, whether business likes it or not. This will only lead to more inefficiency within the Russian economy, to more corruption, and to the death of small- and medium-size businesses. Fostering the

interdependence of economics and society should remain an important part of Germany's Russia policy, since this is the sole means of strengthening cooperative actors within Russian society and within its elite. Sanctions weaken Germany's scope of action, but there are few alternatives. They must nonetheless be accompanied by active policies aimed at commitment and containment.

## Recommendations for German Policy, Business, and Society

1. In addition to pursuing sanctions against a portion of the Russian elite and certain industrial sectors, German and European policy needs to pursue a positive agenda toward Russian society as a whole. Thus, alongside visa restrictions for leading representatives of the Putin system, there should be a policy of making the visa process simpler for the majority of Russians (by eliminating visa fees, for example, and easing travel restrictions). Even if EU member states could partially do this within the context of existing laws, this is also about making a symbolic gesture. Furthermore, exchange programs for young professionals, journalists, and students should be extended on a grand scale (much like what the Erasmus program does for students within the EU). Here, civil society, grants, and other sources of support such as political and corporate foundations have a major role to play. Existing formats for civic exchange should receive more support as well. Equally important is to broaden the forms of dialogue so that the larger Russian public, not just the elite, can participate.

2. Short-term instruments to improve communication policies in Russia and toward Russian-speaking communities within the EU are also needed. Even if Russian leaders clamp down on the work of NGOs, independent media, and social exchange, an explanation of Germany's and Europe's Russia policy must reach the Russian people. President Putin makes appearances on German television; leading German and European politicians should do the same in Russia. The German media, instead of focusing on internal differences, should focus on exposing the half-truths and lies circulating in Russian media and politics. Here, an Internet platform could be developed (in German, English, and Russian) that uses facts and sober analysis to systematically counter false statements made by Russian leaders and to bolster the arguments for EU and German policies. EU member states should also build up their offerings of Russian-language media (Deutsche Welle and the BBC, for example) in addition to developing a professional, independent Russian-speaking program for Euronews, the pan-European broadcaster.

3. Providing funding to support independent journalism in Russia and Ukraine should become a central area for foundations. This is not merely a matter of making available professional know-how but also enabling good reporting on developments in the region using independent Internet media. Providing alternatives to Russian propaganda entails increasing the number of Russian-speaking sources that themselves provide neutral, informative, and investigative reporting on the entire post-Soviet region, and particularly on domestic developments within the countries.

4. Equally important is building up the capacity within EU member states for serious analysis of political, social, economic, and security developments in all of the post-Soviet states as well as improving coordination on the European level. This requires the cooperation of state and non-state institutions and close work among existing institutions that provide policy advice on the region. Better coordination at the European level will aid the development and implementation of much stronger EU policy using existing European institutions. This would, moreover, strengthen common strategic planning and strategic thought in EU policy as a whole. Networking platforms and informal coordination formats that foster better understanding of Russian developments should be expanded.

5. The current regime in Russia rules out any notion of genuine political transformation; Russian leaders are using all their might to stay in power, and only completely new leadership will bring about real change. This can only come from within Russia itself and seems very unlikely in the foreseeable future. At the same time, there is the danger that Russia will be destabilized further, not least because of the worsening economic situation and the growing power of nationalist forces at the expense of liberal voices. A mix of containment and cooperation is therefore required: containment where needed and, where possible, cooperation to help foster medium- and long-term policy change. This also includes projects that ultimately serve cooperation as an end in itself, preventing Russia's further isolation and making a better understanding of Russian policy possible. These projects should not legitimize current Russian policy, however. That has been the case up until now with the Petersburg Dialogue, a regular meeting of politicians, businessmen, and civil-society representatives from Russia and Germany. The Petersburg Dialogue needs a fundamental overhaul in order to become a genuine platform for civil society, with diverse civic representatives present on all of its important committees. In order to make its institutions more

transparent, they could be separated from its parent organization, the German-Russian Forum, institutionally as well as in terms of staff. The German-Russian Forum should return to focusing on its core work: fostering exchange on many levels such as among young business professionals and youth.

6. German business must prepare to face great challenges in the medium term. Because the Russian regime places paranoia about security before economic rationality, no investor will find matters easy to predict. While a hypothetical lifting the sanctions after the crisis in eastern Ukraine has been contained would somewhat ease pressure, we can nonetheless see in Russia that the state's dominance is growing at the expense of private enterprise. For Russian businesses, difficulties making payments within the context of the current crisis will only make this trend more pronounced and further damage the investment climate. Because of the economic crisis, which is also a structural crisis, and because of the low price of oil, purchasing power in Russia will continue to sink, bringing about further deterioration of the situation in the consumer-goods and service sectors as well. Despite this, as long as it is economically feasible, German businesses need to stay active in Russia and should not give up on this market. For they remain an important tool of communication and means of cultivating exchange and contact with Russian politics and business – even as they should not tolerate or adopt Russian modes of doing business (lack of transparency, informal arrangements, corruption). At the same time, German business should once again take on more responsibility for reinforcing political communication as well as supporting small- and medium-sized Russian businesses, in addition to fostering young professionals.

7. German policy makers should craft their sanctions in a way that offers transparency and clarity to businesses, and in doing so set clear rules about export bans, particularly of dual-use products (that is, products with military as well as civilian applications). Business will continue to be central to German-Russian relations, although it will have to constantly respond as these relations become increasingly politicized. Security matters will be increasingly important, and Russian policy will exert greater control over Russian investment in the EU. This is a long-term trend that cannot be stopped even if compromise is reached with Russia. Here business needs to take more responsibility, firmly bolstering political analysis with economic policy expertise.

8. Russia cannot be viewed apart from Ukraine and other countries in the region. The “Russia first” attitude in Germany’s Eastern Europe policy is a thing of the past. To stabilize the situation in Ukraine, there is a short-term need for deals that acknowledge certain limitations in the sovereignty of states in the shared neighborhood. The idea of Ukraine and other states in the region joining NATO should be shelved at least for the middle term, especially as long as implementation resources are unavailable. Parallel to this, we need to see new ideas and more resources to stabilize the security institutions of states outside of NATO and to offer them membership perspectives in the long term. If the EU fails in its own neighborhood, the relevance of its entire foreign and security policy could be questioned, opening the way for migration, criminality, and violent conflict to exert greater pressure.

9. The OSCE is a weak instrument for negotiating security matters with Russia and guaranteeing Ukraine’s security. OSCE efforts should continue to secure the Ukraine-Russia border and bring Russian separatists into the negotiations. At the same time, however, a new format is needed for addressing questions of “hard security.” One such format could be the NATO-Russia Council – since NATO cannot be blocked from the Russian side and the Council includes the US as a negotiating partner and important security policy figure. Alongside this, a new system is needed to support collective security and build trust: a new CSCE-type process (referring to the Conference on Security and Cooperation in Europe).

## Outlook

Precisely because tension with Russia presents a long-term challenge, it requires a fundamental shift in German and EU policy strategy and a much sharper focus on the entire post-Soviet region. The current Russian leadership has enormous destabilizing potential – not only domestically but also across Russia’s neighborhood. To bring about this policy shift requires thorough, well-founded analysis and better networking among EU member states – as well as coordination with the US. Germany’s Eastern Europe policy needs to work with all actors in the region – not only with political institutions but also with business, academia, social stakeholders, and foundations. The worsening political climate cannot mean giving up on promoting social exchange with Russians. Meanwhile at home, political and social representatives must pay serious attention to and proactively discuss the polarization of the debate within Germany over the crises in Russia and Ukraine, for it is monopolizing resources and often directing the public’s attention away from realistic, sober analysis. All stakeholders need to pitch in here to formulate appropriate responses to this conflict over Europe’s future order.

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## Notes

1 See Levada Analytical Center (polling institute), “Analysis of February Election Results” [in Russian], March 5, 2015 <<http://www.levada.ru/05-03-2015/fevralskie-elektoralnye-reitingi>> (accessed March 23, 2015).

2 “Russians See Improvements in the Economy” [in Russian], *Kommersant*, March 3, 2014 <<http://kommersant.ru/doc/2679072>> (accessed March 23, 2015); Russian Public Opinion Research Center (VCIOM), “Social Welfare of Russians: Getting

Used to the Crisis? [in Russian], Press Release Nr. 2785, March 2, 2015 <<http://wciom.ru/index.php?id=515&uid=115167>> (accessed March 23, 2015).



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