**Dealing with a Post-BRIC Russia**

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***Post-BRIC Russia Domestically*: Russia has gone from hubris to stagnation and her foreign policy will be constrained by the need to modernize.**

* Before the crash Russia perceived itself as a BRIC country rising with China. This led to assertion in the neighbourhood and aggressive anti-American stances in global institutions. After the crisis Russia’s elites think the country is in stagnation with Europe. Russia’s self-perception has changed her foreign policy priority to modernization, non-confrontation with the EU and US, and a streamlining of ambitions in the ex-USSR.
* Russia is now post-BRIC: Russian elites instead talk of stagnation, not assertiveness. There is growth in corruption, capital flight and a lack of meaningful economic or governance reform. Russia is not seen as a booming opportunity but a risky frontier market by investors and her own people. Popular fear of uncontrolled migration is rising that may lead to nationalism.
* The elections will not change Russian foreign policy. However they matter in the long-run. The two most likely potential Kremlin candidates for the Presidency – Prime Minister Vladimir Putin and President Dmitry Medvedev have come to symbolize two distinct Russian futures. Despite not being seen as an independent politician, Medvedev staying in the Kremlin would be interpreted as Putin slowly retiring and a boost to his modernization drive. Putin’s return to the Presidency would be seen as more of the same and signal Russia remains a country where leaders die in office.
* Post-BRIC Russia’s foreign policy will be constrained by domestic need for modernization. This means that the EU can have more leverage. A Russia that fails to modernize also raises new threats – more organized crime, flood of asylum seekers from the North Caucasus or worsening business conditions for EU companies.

***Post-BRIC Russia in the CIS:*** **Russia doesn’t dominate the neighbourhood anymore but focuses on a ‘Lily-pad empire.’**

* Russia is being squeezed in the CIS by the EU is the Eastern Europe and the Caucasus and China in Central Asia. Russia is no longer the only pole to post-Soviet states.
* Post-BRIC Russia has fewer resources and is pursuing a limited policy in the CIS. Russia is focusing on sectors it can control – a “Lily-pad” empire of bases, pipelines and strategic economic assets. Russia wants to rebuild its influence without taking economic and social responsibility for states or handing over cash.
* This strategy is facilitated by the perceived US withdrawal from the region and the EU's 'fatigue' with its eastern neighbors. The EU needs to gear itself to react to this low-cost sphere of influence plan.

***Post-BRIC Russia-China*: Russia no longer has a China option.**

* Russian intellectuals play with an idea of a possible alliance with China, but Beijing is not interested: mutual distrust remains. China views the US-Russia reset as the act of an untrustworthy power. Russia has been seen by China as a “useful idiot” at the UN and BRICS forums.
* Creeping trade-dependence of Russia’s Far Eastern provinces has led to concern that the region could become economically dependent on China, eroding Russia’s economic sovereignty.
* China is not supportive of the Russian sphere of influence, quietly building Central Asia out the Russia’s economic reach.
* Russia would like to balance between China and the US but Beijing doesn’t believe Moscow has the capacity: its position in East Asia is weak and has no influence in geo-economics outside of energy.
* As a result, Moscow has no longer the option of creating an axis against with Beijing the EU or the US at the global or regional level.

***Post-BRIC Russia – US*: The reset has empowered Europe to make the next step forward**

* The reset has worked: US and Russia cooperate strategically and now lament the insufficient trade. This is a mirror picture of the EU-RU relations: a robust trade, but the strategic dimension is missing.
* But the low-hanging fruit is taken: no hope for more progress after summer 2011, due to ‘toxicity’ of the missile defence and presidential elections in both US and Russia. However, this is of secondary concern for the US, whose attention is progressively shifting towards Asia.
* The EU has benefited from the US-RU reset as a collateral beneficiary: the US re-think has pushed many EU members to reconsider their relations with Moscow; being a cold warrior has become obsolete.
* With the US increasingly busy in Asia, it is up to the EU to engage Russia on key issues of its interest on the European continent, including the joint neighbourhood.

***Post-BRIC Russia – EU*: Europe has a strategic opportunity but is stymied by bilateralism**

* The EU is more united. There has been a convergence of country’s attitudes around a more hardnosed German position towards Russia, as seen in the Meseberg initiative. The Polish-Russian reset has ended the previous ‘containment coalition’ towards Moscow.
* The EU has made progress on energy security by the construction of interconnectors and the Third Energy liberalisation package. These have the potential to keep Russia’s energy power in check.
* However, the EU’s soft power is fading in Russia as the policies are seen as business-driven, not values-based. The EU is perceived as weak, declining and unable to deliver or be transactional on issues on which Russian is a demander.
* The EU is still not getting as much as it could from Russia. There is very little ambition to change Russia or push harder on the neighbourhood. The soft-consensus masks the continued lack of unity within the EU – entrenched bilateralism.
* The EU’s vision shrinkage means that the EU treats Russia like a ‘small China’ – a country you can do business with, but have little political ambition.
* The EU’s post-crisis tactics are under-performing. The current flagship project the ‘partnerships for modernisation,’ was supposed to be a vehicle to trade technology for rule of law. But deals are in practice national champions-driven, competitive between member states and not really pursuing rule of law projects with almost no coordination.
* The EU and Russia engaged in a dialogue on a visa-free regime. The EU member states are, however, divided in their visa policies and on the speed of the visa dialogue. Under these conditions the EU cannot use the ‘visa-free’ carrot to obtain what is wants from Russia.
* The EU needs to define its interests like the US and China. The EU has the correct end goal but not enough tactics and focus on deliverables.

***Conclusion and Recommendations:***

* ***Making Rule of Law the core of objective of the EU-Russia partnership for modernization*:** For instance, a pan-EU Anti-Corruption law could be a way to push harder for modernization. The EU should bring in its own ‘Magnitsky List’.
* ***New Threats from a stagnating Russia:*** This push on anti-corruption and Russian modernization helps shield the EU from new threats if modernization fails - an increase of Russian corruption, organize crime, dangers for business and asylum seekers coming to the EU.
* ***Much more issue linkage:*** Learning from the US and China the EU should link issues in negotiations. The EU should consider implementing an e-visa system for tougher protection of European business in Russia and a visa-free regime.
* ***The EU has ignored the neighbourhood*:** The EU needs to focus on the neighbourhood to counter Russia’s “lily-pad” empire and shore up the sovereignty of ex-Soviet states. The EU shares interests with China in Central Asia and the US in this regard. As the US focuses more on Asia and the Middle East the EU will need to step-up its involvement to safeguard its interests.
* ***Russia is less present at a global level:*** Post-crisis Russia and the EU are less relevant globally and Moscow has been non-confrontational at the UN. The EU needs to work in lock-step with the US in multilateral institutions and focus on the neighbourhood where it can still make a difference.