

## Moscow's Assertive Foreign Policy Will Pose Global Challenges

- 1 US
- 2 Iran
- 3 Iraq
- 4 Terrorism
- 5 Pakistan/Afghanistan

### 6 Russian foreign policy

*Moscow will complicate the resolution of key international issues in 2008, and Russia could increase instability among its neighbors.*

- 7 South Africa
- 8 Turkey
- 9 Latin America energy
- \* Red herrings

Stomton

**M**oscow's foreign policy will present challenges on an array of sensitive international issues in 2008. A Kremlin increasingly emboldened by Russia's economic growth and political stability will seek more forcefully to assert a global role, and to demand the international recognition that the elite believes Russia now deserves.

Moscow frequently issues challenges to the prevailing international political order, and its often bare-knuckled approach to foreign policy will worry diplomats and investors in 2008. While Russia is still too weak economically and militarily to have significant impact on a global scale, it will act as a spoiler on specific issues in order to increase Moscow's diplomatic clout, and will work to make international institutions more deferential to the Kremlin's interests. The Kremlin has made opposition to US unilateralism a key goal of its foreign policy. Investment and trade are still unlikely to be affected significantly by political tensions, though Russian companies seeking to expand abroad could encounter political resistance that the Kremlin might, in turn, reflect toward Western companies entering Russia.

First Deputy Prime Minister Dmitry Medvedev is likely to win the presidential election in March 2008 thanks to President Vladimir Putin's endorsement. Medvedev is likely open to improving relations with the West, but he is still part of an elite consensus that has settled on an assertive foreign policy orientation during the Putin years. Putin has already said he is ready to accept Medvedev's offer to serve as his prime minister, ensuring considerable policy continuity, at least through the first year of Medvedev's administration. During the transition period, the Russian elite will continue to deploy anti-Western and nationalist rhetoric to consolidate support for the existing system. As the US presidential race heats up over the next several months, rhetorical exchanges

between US and Russian elites could be openly acrimonious, though major structural changes in the relationship are unlikely.

Political relations with the US will remain strained over a host of bilateral and international issues, and they could deteriorate further. Tension will continue over Washington's plans to position components of a missile defense system in Poland and the Czech Republic—deployments that Moscow finds threatening. Moscow's suspension of its commitments under the Conventional Forces in Europe (CFE) treaty will further fuel the discord. NATO has not ratified an updated CFE-II, negotiated in Istanbul in 1999, because Russia has failed to comply with commitments—made during those

### *Medvedev may soften foreign policy tone*

its forces from Georgia in 2007, but continues to maintain a peacekeeping contingent in Abkhazia. Russia regards the treaty, which limits its military deployments west of the Urals, as an unfair constraint on its sovereignty. Regardless, Washington views the CFE as a pillar of European strategic stability, and Moscow's willingness to suspend it causes concern about the Kremlin's commitment to other strategic agreements.

Friction will increase over a range of international issues, reflecting a deepening schism between Moscow and other western capitals on global affairs. For instance, Moscow and Washington will clash over the future status of Kosovo. Russia continues to oppose any settlement lacking Serbia's support, and has issued credible, if veiled, threats to use its UN Security Council veto to block any such proposals. The US appears prepared to recognize a unilateral declaration of independence by Kosovar Albanians, which would exacerbate strains in US-Russia bilateral relations. Moscow's increasingly warm overtures and weapons sales to anti-US regimes such as Venezuela, Iran, and Syria will further rankle US leaders—and Moscow's decision to complete the Bushehr reactor and provide advanced air-defense systems to Tehran will remain key sources of tension. While the Kremlin sees itself as a potential mediator between the West and Iran, Washington increasingly sees Moscow as an impediment to pressuring Tehran

### *US-Russia relations will remain contentious*

opposition forces within Russia will prompt continued criticism from European capitals and from Washington, which the Kremlin will reject as external meddling in Russian affairs. Moscow remains convinced that the US is intent on fomenting a revolution to Western-style democracy in Russia, similar to the colored revolutions that Washington supported in Georgia in 2003 and Ukraine in 2004.

Disputes over Kosovo and the CFE will shake Russia's relationship not only with the US but also with the EU in 2008. A unilateral declaration of independence by Kosovo—without the UN's endorsement—could provoke renewed instability in the Balkans, which could present challenges to EU security policy. The EU, with US backing, would then be likely to blame Russia as a major cause of the trouble.

negotiations—to withdraw all of its troops from Moldova and Georgia. Moscow withdrew most of

to suspend uranium enrichment. Finally, heavy-handed treatment of pro-Western

On a strategic level, having suspended the CFE, Russia could potentially move troops to the borders of the Baltic or South Caucasus countries without notifying NATO or allowing verification. Amid the renewed possibility of a flare-up between Moscow-backed

### *Kosovo, CFE, and energy issues will cause friction*

Abkhaz separatists and Tbilisi, the prospect

of a Russian military buildup in the region has raised concerns. The EU would consider such moves a provocation given that they would exacerbate political tension and potentially jeopardize trade flows.

Tension over energy issues will persist between Russia and the EU, particularly due to Europe's energy security concerns and Russia's continued reluctance to sign on to European proposals for an energy charter that would open Russia's upstream and pipeline assets to more foreign ownership and competition. At the same time, Russia is aggressively pursuing downstream assets in its business and energy relations with Europe. These demands probably reflect both economic and political motives on Russia's part, and they will create concerns about sovereignty, prompting resistance in some European nations. Also, in direct opposition to Russian interests, the EU, with US backing, will continue to seek to develop new pipeline routes from the Caspian that circumvent Russian-controlled infrastructure. However, Russia's rival proposals appear to be more economically viable and are likely to move forward.

Relations with the UK, which have deteriorated markedly over the Litvinenko affair, are unlikely to see significant improvement in 2008, but London will remain a key destination for Russian capital and IPOs. Russia's relationships with Italy, France, and particularly its major trade partner Germany should remain reasonably stable, though

### *Russia will seek greater influence over neighboring former Soviet states*

not without some problems. Moscow's ever-sensitive relationship with Warsaw has already improved since the election of Polish Prime Minister Donald Tusk, whose more moderate

overtures toward Moscow have prompted some softening of Russian policy toward Poland. Relations between Russia and Estonia, which severely ruptured in 2007, also appear to be gradually improving.

Moscow will continue its drive to increase its political and economic influence over the former Soviet states on its borders. It views the US as a primary competitor in this sphere, and China as an important partner in blocking US influence in the region. While Russia does not seek to reconstitute the level of hegemony that it enjoyed under the USSR, the Kremlin views the CIS as firmly within the sphere of political influence. Moreover, Moscow sees the region as a lucrative investment opportunity for Russian state-controlled and private companies. In its most acute form, Russia's policy toward what it calls "the near abroad" will include increasingly strong support for separatist movements in Georgia, whose president has taken clear steps to affiliate his country with NATO and the EU.

If Kosovo declares independence with significant international support, Moscow will likely respond by bolstering ties with two breakaway republics within Georgia's borders, Abkhazia and South Ossetia, and possibly other secessionist regions in the former Soviet

### *The Kremlin may use energy exports to exert regional pressure*

those enclaves. This would severely damage Moscow's ties with Tbilisi, and further damage its ties with Brussels and Washington. Any destabilization or open conflict in Georgia could also have spillover effects on trans-Caucasian energy routes. Elsewhere, the Kremlin could use energy exports to exert pressure on Ukraine, Belarus, and the Baltics to accommodate Moscow's political interests. In Ukraine, Russia might again cut off gas toward the end of 2008, but it is not probable. The Ukrainian government will probably stick to the price it negotiated with Gazprom in late 2007. However, if recently-elected Prime Minister Yulia Tymoshenko calculates that a populist anti-Russian stand is domestically advantageous, she may lead a charge against existing energy arrangements with Russia, which could lead to another standoff.

sphere. Moscow might eventually recognize their independence, and—having suspended its CFE commitments—could potentially move in troops under the pretext of protecting Russian citizens in

Turkmenistan could prove a hot spot for competition between Russia and the West in 2008. As that country continues its incremental opening to foreign investment in the gas sector, Moscow will seek aggressively to forestall any new commitments by Ashgabat that could imperil Turkmenistan's gas exports to Russia because Gazprom relies on these inflows to meet its own export and domestic supply obligations.

Russia's relationship with international bodies is likely to remain thorny throughout 2008. Wherever possible, the Kremlin will continue to brandish its UN Security Council veto. Russia's rocky WTO accession process will continue with difficulty, particularly as political strains with the EU and US affect negotiations. Putin has

### *Russia's WTO accession process will continue with difficulty*

criticized the WTO, yet joining the organization on terms that are advantageous to Russia remains an important priority both for Putin and for his economic team. Heated rhetoric with other G8 members will persist, as US-led criticism of Russia's democratic shortcomings intensifies during the US presidential election campaign and the tightly managed Russian presidential transition from Putin to Medvedev.

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Russia may take steps in 2008 that lay the groundwork for more systemic threats to international stability in the longer term. Russia-China relations have become much closer over the past several years. If this relationship moves closer toward a formal alliance, it could become an anti-American pole in international affairs—one all the more dangerous if both continue to move closer to Iran. In addition, Moscow is talking to a host of gas-rich nations about the potential to create a grouping that, in the long run, could lead to some form of price support for natural gas, as well as coordination of investments and exports. A resurgent Russia could side more

aggressively with underdeveloped countries in international institutions, despite the opposition of its G8 partners.

Overall, Russian foreign policy is assertive and often revisionist, but it lacks a clear strategy; decisions are often taken to bolster Russia's short-term prestige or clout.

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*Russian foreign policy lacks a clear strategy*

obstructive, rather than constructive. Russia's brusque approach toward international affairs will create geopolitical tremors and worry investors in 2008.

The Kremlin's approach to many key international issues will continue to be

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