



NATO Foundation  
*Defense College*

THE SHAPING OF  
**EASTERN  
EUROPE**

ALTERNATIVE PRIORITIES  
AND OUTCOMES

The NDCF is a unique think-tank: international by design and based in Rome, due to its association with the NATO Defense College. Its added value lies in the objectives stated by its charter and in its international network.

The charter specifies that the NDCF works with the Member States of the Atlantic Alliance, its partners and the countries that have some form of co-operation with NATO. Through the Foundation the involvement of USA and Canada is more fluid than in other settings.

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Since it is a body with considerable freedom of action, transnational reach and cultural openness, the Foundation is developing an increasingly wider scientific and events programme.



**The shaping of Eastern Europe  
Alternative priorities and outcomes**  
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NATO DEFENSE COLLEGE FOUNDATION

Edito da A.G.R.A. srl  
via Nomentana 257  
00161 Roma  
tel +39 0644254205  
fax +39 0644254239  
e-mail [info@agraeditrice.com](mailto:info@agraeditrice.com)  
[www.agraeditrice.com](http://www.agraeditrice.com)

Finito di stampare  
nel mese di settembre 2015

Realizzazione editoriale: Agra srl  
Progetto grafico: Rosa Schiavello  
Copertina: Shutterstock  
Stampa: CSR – Roma

#### **Gruppo di Lavoro**

Alessandro Minuto-Rizzo  
Alessandro Politi (editor)  
Zora Lea Hauser  
Emma Ferrero  
Matteo Marsini

*We thank SIOI for the collaboration*

**NATO Defense College Foundation**  
Via Alessandro Serpieri, 8  
Roma 00197  
[www.ndc-foundation.org/](http://www.ndc-foundation.org/)

**B | T | D** The Balkan Trust  
for Democracy  
A PROJECT OF THE GERMAN MARSHALL FUND

*The written or electronic material published for this conference by the NDCF has been made possible also by the financial support from the "Balkan Trust for Democracy, a project of the German Marshall Fund of the United States". Opinions expressed in this publication do not necessarily represent those of the Balkan Trust for Democracy, the German Marshall Fund of the United States, or its partners.*

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**ALTERNATIVE PRIORITIES AND OUTCOMES**

*Conference organised by the*  
NATO DEFENSE COLLEGE FOUNDATION

*in cooperation with*  
THE NATO PUBLIC DIPLOMACY DIVISION, THE BALKAN TRUST  
FOR DEMOCRACY, THE LATVIAN PRESIDENCY OF THE EUROPEAN UNION  
AND THE US MISSION TO NATO







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SOFIA: ECOLOGISTS PROTESTING





CONFERENCE HALL "SALA CONFERENZE INTERNAZIONALI", ITALIAN MFA







AMBASSADOR ALESSANDRO MINUTO-RIZZO  
*President NDCF*

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## FOREWORD

Before organizing this conference, my constant thought was that discussing about the situation and the evolution of Eastern Europe in 2015 was not an intuitive endeavour. Once the Cold War was over, with a complete change of political systems in Eastern Europe, we thought that from that moment onwards our task was to accompany the many components of the region towards parliamentary democracy, rule of law and open markets. Any country would be free to join alliances of its choice and to decide about its own future.

The European Union, was story of great success in the 1990s and the majority of the countries went in that direction: in 2004, 10 new members joined the existing ones. A historic moment for all.

The same group opted also for membership in the Atlantic Alliance. A debate took place at that time in the US Congress about the wisdom to accept new members adding little to the Alliance in terms of capabilities. Political reality prevailed.

Russia, no more the Soviet Union, abandoned Communism and seemed for some years to be heading west and towards a profound renewal. Now, after a generation, we see nationalism on the rise and President Putin saying that the dissolution of the Soviet Union has been a major historic political mistake. Everybody has the right to have his own opinions, what is decisive is the way to act.

An unilateral change of borders is unacceptable because, beyond personal views, international law is a big red line that cannot be violated among independent countries.

And then after the annexation of Crimea all sort of emotions came back, often from a distant past that we had hoped to have buried for ever. Everybody comes out too loudly and it can be a prelude to worse.

The NATO Defense College Foundation has as a primary purpose to address strategic issues of major importance. That is why we held in Rome this conference about the shaping of Eastern Europe, knowing well how delicate and contested those issues are.

I am happy to state that we were able to collect the best existing expertise from about twenty different countries including, among others, the Latvian Presidency of the European Union.

The discussion that took place over two days was passionate, respectful and of course diverse; always at the highest level.

At the Foundation we are firmly convinced that dialogue and direct contact among actors are irreplaceable. In a difficult world where many languages are spoken and many different views are held it is indispensable that we all speak to each other, without exclusions.

I hope that this book, which includes the presentation from so many speakers and different opinions, can be a valid contribution to knowledge and to better understanding. We think that it is important to circulate the analysis of major strategic issues to a larger public; these things should not be for specialists only because they are of interest for everybody.



ALESSANDRO POLITI  
*Director NDCF*

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## POLITICAL SUMMARY

The conference addressed the subject through five sessions each dedicated to a specific topic:

- The evolution of security in Eastern Europe;
- Energy supply and security scenarios;
- What possible co-operation is possible on the backdrop of current crises and frozen conflicts;
- The more or less strong coupling of democracy and economy;
- The interplay of opportunities and challenges in the Caucasus.

During a debate that was forthright, factual, professional and practical, despite obvious difficulties deriving from the crisis, numerous relevant points emerged:

The annexation of Crimea has been a turning point that does not allow to imagine a return to a new normal of a past European security architecture. All security institutions in Europe should be actively involved in solving the crisis, not just the EU and NATO.

The crisis is not mirroring the past Cold War because: the Putin government is very personalistic; Russia's choice on Crimea has introduced a strong divisive element in its other Eurasian arrangements (EurAsEC, CSTO and Eurasian Union); other actors are much less cohesive as Western community compared to the past.

Three possible proposals emerged *vis-à-vis* the relationship with Moscow: cooperative confrontation; blend of hard and soft power and "contain, constrain and retain connections". It is interesting to notice that all concepts underline the importance of political instruments and share a hybrid approach in order to effectively neutralise Russian hybrid warfare.

Article 5 remains at political and diplomatic level a mainstay of the Alliance, also

with regard to its precise engagements. Nevertheless the 1997 NATO-Ukraine Charter includes a formal commitment to support the principle of inviolability of frontiers, which binds also USA and UK in the 1994 Budapest Memorandum.

Deterrence is another keystone, but its nature as a continuum from non-military aspects to conventional means to nuclear ones must be reintroduced in order to respond appropriately to Russia's nuclear gesticulations and hybrid warfare. Part of it are actually the verifications within the existing CFE and INF treaties.

Energy supply security is important, but within factual limits. Russia cannot substitute the European market with the future Chinese one. As long as energy prices are low, there is room for the EU to negotiate better bargains, provided there is a common approach. In the longer term the mix of renewables and improved electricity distribution/storage will strongly reduce the relevance of gas.

In the meantime the reform of the Ukrainian gas sector and projects like Eastring and TAP can increase distribution effectiveness and source diversification among different countries. The South Stream and Turkish Stream projects have been apparently shelved in favour of an expansion of North Stream.

NATO and the EU need to undertake a stringent internal revision in order to tackle in a faster and effective way the external challenges, which include China's expanding presence in the Mediterranean and in Central Europe.

The EU is seen as a crucial actor, who can further expand its potential in the fields of: energy supply issues (Third Energy Package) and security resilience by law enforcement capabilities (anti-trust, anti-money laundering and anti-organized crime), both very important in the Eastern European scenario. It needs however to audit and close its gaps in the security and defence systems, including the ability to withstand a limited military and/or cyber challenge. Despite its internal crisis the EU is a formidable enmity dissolving mechanism.

The link between democracy and economy has also been put in question by the crisis and by global developments. The support of market-based reform and private sector-led growth with appropriate policies is likely over time to lead to higher levels of democracy in less democratic countries and to prevent erosion of democratic systems in established democracies. It is a crucial stake in order to prevent a more widespread retreat of democracy in the European continent.

On the other hand one should keep in mind that different Eastern European countries are stuck in imperfect transitions where state capture mechanisms and frozen conflicts hamper any democratic development.

The Caucasus far from being far from being a nonessential issue, on the contrary features substantial unfinished business. Its numerous hibernated conflicts are a precarious status quo that can easily relapse into open conflict that more often than not may involve Azeri pipelines with serious consequences for energy supply in Europe.

It is necessary to forge a common and concrete Euro-Atlantic approach to the region in order to: avoid the consolidation of borders in breakaway or annexed regions; further tensions in the South Caucasus and the rekindling of conflicts in the North Caucasus.





ANGELANTONIO ROSATO

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## BACKGROUND PAPER

Until recently almost everyone assumed that an armed confrontation was unconceivable in Eastern Europe, apart from what was supposed to be an unfortunate exception in August 2008 (Georgia). This time a serious is ongoing in Ukraine since February 2014 provoking unprecedented casualties, damages and deepening the already severe multiple cleavages in the region.

Resilience analysis can be a useful tool to gather the region's capacity to undergo a cycle (resistance, absorption, adaptation, transformation) with positive final effects. This type of analysis has to take into account: the geostrategic context of Eastern Europe, the energy trade relationship among the regional partners, the influence of extra-regional actors in the different political and economic domains.

By applying resilience analysis to Eastern Europe we can imagine three scenarios for the Ukraine crisis:

- Frozen conflict (status quo)
- Minsk-2 agreement full implementation
- From escalating deterrence to possible confrontation.

The first scenario would be apparently favourable for Russia and it could appeal some decision-makers willing to have a country detached from Russian-minorities' areas and ready to fully shift to Euro-Atlantic institutions. The most probably risk would be that there could be intermittent destabilisation cycles at the borders with the illegally annexed or separatist regions, not to speak about continued economic damages due to the loss of trade.

The integral implementation of the Minsk-2 agreement would possibly offer concrete advantages to all actors: Ukraine would regain sovereignty and territorial integrity; the now separated regions would enjoy appropriate arrangements within a fully-fledged federation; basing rights would be negotiated by the parties. Ukraine could regain (in a different and re-normalised context of the relations

between EU, NATO and Russia) its historical geopolitical role of bridging country between different areas;

The third scenario appears to be the most unpredictable, the least controllable and the most costly for all sides.

Evidently the successful conclusion of the Minsk 2 exercise would require continued negotiation and dialogue with Russia through a realistic approach, around the tenets of international law and with the necessary assurances for member states of the Alliance.

Due consideration should be given by the parties to the advantages of economic association arrangements that are open, inclusive, balanced and transparent regarding the engagements and the outcomes.



ROGER COHEN

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## KEYNOTE SPEECH: A JOURNEY TO TRUTH AND ACCOUNTABILITY

It is always a pleasure to be back here. I spent some times here during the eighties, as a correspondent for the Wall Street Journal and I have a deep affection for Italy. It strikes me that Italy has retained something that tends to get lost elsewhere in the world. I call it “il momento dell’umanità” – the moment of humanity. Relationships in New York, London and other places where I spend a lot of time, tend to be transactional: people in a hurry, they want to get something done, they want something from you. In Italy it could be the case that they want something from you. However, there is still that minute, when somebody looks you in the eyes, registers the fact that you are a human being and goes on from that. In that sense, Italy has a lesson for the world. This country is also, as we know tonight, a place of exceptional beauty. If we could just get Russian, Ukrainian and American leaders together and lock them up in the Villa Madama for a week, we might have a solution to all our problems.

Let me start by telling you one or two things about myself. I spent my infancy in South Africa, I grew up in London at Oxford and then I suddenly became an American citizen. But even before that, from age 7, I have become a Chelsea fan and I am grateful for the end of the Cold War because it produced Mister Roman Abramovich, who took over Chelsea, leading it on a winning way, including premiership for quite a long time. Goes without saying that I cannot consider a complete divorce between Europe and Russia. Not even considering the fact that Russians have become very present in London, the whole Chelsea has become Russian speaking, which could get quite interesting if President Putin is serious about defending areas where Russian speaking people live.

The second thing about me, which informed what I feel and think, is that I am a Lithuanian descent. My grandparents and great grandparents were Lithuanian Jews who left Lithuania, then part of Russia, around the turn of the century to go to South Africa, where my parents were born. I was recently researching on my

family memoirs and I spent some time in Lithuania, in Žagarė near the Latvian border where my relatives were from. As a result of the Soviet post war imperium, Žagarė is more or less frozen place. Lithuania, like the other Baltic States, was occupied three times during Second World War, first by the Soviets, then by the Nazis and at the end of the war by the Soviet Union again. That was a deeply traumatic experience, to say the least. During my research, I also discovered that 2.476 Jews were shot dead on the main square of Žagarė, on October 2, 1941, during Yom Kippur. That was the entire Jewish community of the city. When the Soviets arrived, they found all the bodies in the woods. For a long time after the happening, there was only a small memorial in these woods. It was put up by Moscow and it commemorated the killing of antifascist by the Nazis.

I think it is important in our discussions about these countries, to recall the fact that they come from a deep trauma and a very confused history. Ukraine has its own deeply painful history, with deportation and famine during the Stalin years. We have to recall that we are dealing with countries that have a deep yearning for “normality”. We want to be normal, we want to be secure, we want to know what our history is, we want to know what happened, we want to clear the dark past up. Without having that sense – and I have it particularly because of my Lithuanian connections – it is hard to understand some of the feelings of Ukrainians, of Latvians and others about what is going on today.

The third thing I would like to say about myself is that I am a child of the Cold War. I lived with Europe divided, cut down in the middle. That created in me a very deep and passionate commitment to the institutions which made Europe a whole again, namely NATO and the EU: the transatlantic alliance. When I hear people talking about the transatlantic system being so passé, I simply cannot agree, nor see any sense in saying that. These institutions are the reason why we live in peace and security in Europe. That is an extraordinary achievement and I think we should be should recognize the importance of these institutions, instead of toasting them away.

The final think about myself, which informs the way I think, is that I spent quite a lot of years in South Africa under the cruel and unjust system of apartheid. Everybody was saying that the day in which the black would come out of the horizon and claim what was theirs, it would all be over and swimming pools would be red of blood. But it never happened this way due to the leaderships of Nelson Mandela and Frederik W. de Klerk. The worst is not always inevitable but leadership can change things and this is too often forgotten today. I am probably for that reason an optimist.

Despite that optimism, I have found myself very preoccupied about the state

of the world over the last 18 months. There has been a real moment of Western weakness. After the wars in Iraq and Afghanistan, with the mood of retrenchment in the United States and after the financial meltdown of 2008, Americans wanted their President focused at home. However, the international scene cannot be ignored and international relations are made up also of treaties, who establish redlines not to be crossed. One of this redlines was Syria. The American President recognized that, with State Secretary Kerry making a very eloquent speech about why the US would attack the Assad regime. France was also ready to intervene, but in the end nothing happened. The redline evaporated. And that gets noticed around the world. American weakness gets noticed around the world. Because it is still American commitments which underwrite security in the world.

The events we have been talking about today have happened in this struggling moment of weakness. President Putin's annexation of Crimea is something never happened in Europe since the end of the Second World War, which not only left thousands of people displaced, but also broke up territorial integrity and political independence of Ukraine, in direct violation of art. 2 of the United Nations Charter. It also shredded Russian commitment of 1994, for which Ukraine gave up 1.400 nuclear warheads, while Russia took on to respect the borders of Ukraine. This has raised issues of war and peace. What happened was a Russian operation, orchestrated by Moscow, and Putin's attempts of plausible deniability remember very much the same ones of Milosevic in Bosnia. All this has happened not because Ukraine wanted to join NATO or the EU, but just because it wanted to have a trade agreement with the EU.

Last year I was in Kiev and Ukrainians clearly told me that the issue is not rocket science. They look one way and see Belarus, they look the other way and see Poland. When the Soviet Union collapsed, the pro-capita income of Ukrainians and Poles was the same. Today, the pro-capita income of Poles is about 5 times that of Ukrainians. If the choice is between moving towards Minsk and moving toward Warsaw, in the eyes of many Ukrainians the issue is pretty clear.

Two lessons can be learned out of what happened in the last months. The first is that President Putin has created havoc in the grey zones, in Georgia and Ukraine. However, he was not able to do it – not yet – in the Baltic States, or any state which has been brought into an expanded NATO. Unlike many, I do believe that the expansion of NATO eastwards was the greatest diplomatic achievement of the United States and the European Union since the end of the Cold War. I do not believe for a moment that if the Baltic States were not in NATO, Russia would not have moved in there exactly the same way it did in Crimea. Today, we have not heard much about open societies, rule of law, freedom and democracy. As far as I know, that is still what the West stands for and it is still what a lot of this countries want.

Perhaps more could have been done, however the option of building a common European house from Lisbon to Vladivostok never existed.

The second thing we have learned is that we got it wrong. When President Putin said that the collapse of the Soviet Union was the greatest geostrategic tragedy of the 20<sup>th</sup> century, we thought he was not serious. Indeed, he was serious about it and we misread it. We thought modernity will do its job, as technology and trade relations will, too. We thought that with growing interdependence and by bringing Russia into the G8, we would finally be able to move Moscow towards the West. But in fact President Putin decided for another course. He decided that a close association with the West is dangerous, insofar it could undo the system he established in Moscow. In this context, he opted for standing up against the West, finding a greater strength in an antagonistic relationship, rather than in co-operation. I have no idea what pushed him so strongly in this direction, whether the street protests in 2011, a perception of Western perfidy in Libya, the sense of American weakness, the ousting of the grossly corrupt president Yanukovich or simply the fact that he is a KGB officer raising to the surface as the years advance. Most probably it is a bit of all.

In the end, the fact is that President Putin has changed direction and has ignited a wave of Russian nationalism based on a fable of humiliation and encirclement, which simply does not exist. A nation twice the size of USA or Canada or China; and this nation is encircled? By who? It is the greatest strategic volte-face of the century, with still scarcely fathomable implications. President Putin has lost interest in the West, and I think we better get used to the fact that his objective now is to weaken both the European Union and NATO. And to that end, he will finance and support any anti-European and anti-NATO grouping, be it the left in Greece or the right in France. We have to accept that for Moscow perceiving itself and being a great power means dominance over its neighbours.

At that point a short digression on fundamental cultural divides is essential. It has been illustrated, today in the presentation of Mr Nikitin, that the West support separatists. That is not quite true. The West supports values. More precisely, it supports liberty and democracy, freedom. This is why the West will intervene to overthrow dictators. But we lost a common understanding and common language which enables concrete and effective dialogue. For good diplomacy you need some minimum common cultural reference points and I worry that these points are simply being lost between the United States, Europe and Russia.

Moving on to what the West has done in response to Russian actions, I have to say we have been taken by surprise and reacted quite slowly. The West cannot accept any Russian veto on sovereign choices of neighbour countries. The cost-ben-

enefit analysis of Putin has to be changed, in order to force him to pull back from at least some of its actions. Also, the West has to reassure all NATO members, particularly the Baltic States. Art. 5 has been forgotten for too long becoming almost quaint, with only Estonian and Poles talking about its importance, while all the others would raise eyebrows on even mentioning the point. Only after a while thing began to get better: sanctions have been approved, Germany has shown some resolve, first steps towards cutting down energy dependency have been taken. Most important: NATO realized it need to boost defence spending because freedom and democracy are not for free. Another generation is becoming aware of that and of the fact that threats do exist, whether it is ISIS, Putin or others. That awareness, from 1990 to 2012, was in the process of disappearing. I think there is more that could be done for Ukraine, when their villages are infiltrated by snipers and hit by T-90 tanks while we are speaking and the Minsk agreements work up to certain point, and the West owes it to this Ukraine that gave up 1.400 nuclear warheads, to help arm it and to balance the military equation.

Something fundamental has shifted in Ukraine. President Putin has portioned out the nationhood of Ukraine. Now the Ukrainian people are in their nation forming moment and I do not think that tens of millions of Ukrainians are going to accept the undermining of their country, nor any veto over their sovereign choices. I think that fundamental shift has occurred and it will help them to achieve what the West has always tried to achieve: normality. These societies are evolving, seeking the rule of law, becoming more sophisticated. If on the one hand, Moscow knows perfectly how to manipulate corrupted leaders – which still affect the country – he is, on the other hand, less at ease with this new trend in the society. Another important point is that, even if there is a battle of ideas going on, there is no real ideology behind Putin which means there will be no return to a Cold War situation. As we sit here, there are thousands of people dying trying to get into Europe, into this entity where people can move around as they please, work as they please. How many people are dying trying to get into Russia?

It is very important, that especially after 2008 both the European Union and the United States regain their dynamism and vitality to show to the world the choice of democracy, that it is able to find jobs, that they are not increasingly unequal societies. Look, we don't want a new Cold War, I don't believe one is coming: the Russians are all over in Europe, I was just back from Liguria and menus are in Russian. In our relations to Russia, we have to try to contain and constrain, while retaining a connection to Moscow. Cooperative confrontation is too far for me at this point. We need toughness, constraining confrontation maybe. President Putin understands a certain language, which is not a language of meekness and concessions but a language of resoluteness. Maybe I am influenced by my experience in Bosnia, when everybody said that nothing could be done and then three days of

NATO bombing broke the siege of Sarajevo that lasted for three and half years. I am not suggesting a bombing campaign, I am suggesting we need to stand firm. These countries are important to me and they deserve better: decency, normality, accountability, the rule of law and openness, to be able to clear up their history, to know what happened in the 1930s, to get out from the ideology of the imperium that clamps down on the mind and prevents free thought.

I conclude by telling you that when I went back to Žagarė, two-three years after my first visit, for the very first time, in any town in Lithuania on the main square (not in the woods, not in a some far away place), a new plaque was erected. You have to know that 170.000 Jews of the 200.000 in Lithuania were shot down between June and December 1941, women and children included, one month before the Wannsee conference deciding for the Endlösung. This plaque in Žagarė says that on October 2, 1941, 2.470 Jews were murdered by the Nazis and their Lithuanian collaborators. Ladies and gentlemen, it only took 75 years. It is a long journey to truth and accountability. It is difficult for Lithuanians: they were victims of the Soviets and collaborators, some of them, with the Nazis. It goes without saying that a country would rather see itself as a victim than a perpetrator, however that is the truth. To get to this truth, to sift through, you need an open system, which is still what the West offers to the rest of the world, what Michnik told me in 1990: security, normality, openness; it is worth fighting for. And worth fighting for over the long term.



BENEDETTO DELLA VEDOVA

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## OPENING REMARKS

Dear Participants,

It is my distinguished pleasure to welcome you all here today. I am particularly pleased to welcome the President of the NATO Defense College Foundation, Ambassador Minuto Rizzo, the Commandant of the NATO Defense College, Gen. Bojarski, and the Vice-President of the German Marshall Fund, Mr Vejvoda.

To all of you, I convey the greetings of the Minister of Foreign Affairs and International Co-operation, Paolo Gentiloni.

The annexation of Crimea and the ensuing, and ongoing, crisis in Ukraine have undoubtedly shifted the attention of NATO towards a posture that reflects increased uncertainty and instability in the Euro-Atlantic space, concern over the pretence of redrawing internationally recognized borders outside of the provisions of international law, and growing uneasiness towards the military posture of the Russian Federation in the Baltics and in the Black Sea.

My assessment is that NATO's response so far has been nimble, effective and resolute. Heads of State and Government in Chicago have agreed on a set of measures that are being swiftly implemented. Italy is particularly proud of its air policing role in Baltic skies since last January. These measures are sending a clear message of military deterrence and political unity.

I believe that NATO has shown that it is still capable of reacting in a unified manner to what it considers as threats to collective security, and that it can respond to emerging challenges while retaining its specificity and avoiding becoming a "single-issue organization". Of course, the decision-making process at 28 may take some time, but the added value of the collective effort is truly the mea-

sure of NATO's unique nature as a political and military Alliance.

As it rediscovers the importance of military deterrence – which, in actuality, it had never neglected – NATO adapts to newer threats and challenges. This effort is reflected in the work related to countering hybrid threats, to enhancing public diplomacy and strategic communication, to strengthening its cyber defence capabilities. I find it particularly appropriate that a session of this Conference will be specifically devoted to energy security.

This is indeed an area in which NATO has made remarkable progress, especially since the opening of the NATO Energy Security Centre of Excellence in Vilnius. The Ukraine crisis itself has been a stark reminder that energy can be a matter of national security. It also highlights the importance of energy solidarity in Europe and gas reverse flows as an important strategic tool.

We can discuss whether or not NATO should include energy security issues in its daily agenda. But it is undeniable that diversification of markets and the search for alternative supplies are issues worthy of a discussion in the framework of non-military solidarity.

While NATO is pursuing means to tackle emerging threats, it is not losing ground in its commitment for the stabilization in crisis areas. The Alliance remains engaged in Kosovo and in Afghanistan, while it's looking forward to increasing its capacity building activities in favour of Partners such as Jordan, or Iraq, whose defence and security sectors are facing the offensive of the Islamic State and the spill over effects of the conflict in Syria.

Overall, NATO is staying the course established in the last 15 years, which has seen increased emphasis on stabilizing operations. NATO and the European Union should further increase their co-ordination and their political dialogue, also in the light of the strong gravitational pull that both exert on neighbouring Partners.

Considering that no crisis – and definitely not the one in Ukraine – can ever have a purely military solution, the right blend of soft and hard power instruments remains of paramount importance.

Mr. Chairman,

NATO is playing an important role in Eastern Europe and will continue to do so. Subsequent waves of enlargement have demonstrated the willingness of Eastern and South-Eastern European States not only to actively participate in building a

more secure Europe and in preventing crises out of area, but also – first and foremost – to embrace those values and principles of freedom, democracy, rule of law, that the Alliance is based upon.

More Partners are proceeding on their path to Euro-Atlantic integration, implementing the reforms required to upgrade their status. Other Partners, while not candidates to accession, are involved in institutional relations with the Alliance through mil-to-mil contacts, capacity building programs, military exercises, sharing the burden in NATO-led Operations in Kosovo and Afghanistan.

Therefore, I strongly believe that NATO will be able to continue its partnership with Eastern Europe, and will continue to be a pull factor for reforms in all the Countries which are willing to pursue their path to integration or simply toward stronger relations with the Alliance. I am also firmly convinced that we must continue to pursue dialogue, be it only at technical or diplomatic level, with the Russian Federation, to assist and support the Minsk process.

I shall stop here and allow time for your discussions which, I am sure, will provide precious food for thought for us all.

Thank you very much.



WARSAW: NEW COMMERCIAL CENTRE





# Session 1

## WHAT KIND OF SECURITY?





IAN O. LESSER

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## THE COMEBACK OF SERIOUS RISKS

The understanding of regional security goes far beyond the region itself, as one piece of much bigger puzzle, extending to the global scene. It is therefore necessary to start by giving a little bit of context and I will do it from the perspective of an American expatriate to Brussels. I will touch upon three main points, first addressing the situation in Europe, then discussing European-Russian relations and misunderstandings, to finally consider regional security within the broader scenario.

The events of the last three years have shaken up the European security order in a very profound way. Forty years after the Helsinki final act there is a serious threat to the European order and some of it is not going to be rolled back. Questions arise. How much can we reassure third countries against Russia? How much damage has already been done? And how much are we going to accept? All those are open questions, without clear answers. Indeed, our efforts should aim exactly at finding answers.

However, it is not just about the political order, it is also about the coming back of serious security risks in the European scenario, after a long time. Threats to European security, almost inexistent since the crisis in the Balkans, triggered a sort renaissance of territorial defence, with deep financial and strategic consequences. Along with an increase in spending, the question of nuclear strategy has come back on the table. The strategic debate is unfolding on both sides, with Russia providing quite revolutionary thinking about nuclear weapons over the last few years. Hybrid warfare is, meanwhile, on everybody's agenda, given that almost all kind of warfare is hybrid and that is not a recent development, on the contrary.

Then, what I call the "unfinished business" in Eastern Europe creates further vulnerabilities, which have not been on the focus, yet. With different declinations across the region, whether it is in the Baltics, around the Black Sea or in the Caucasus, this unfinished business leaves the European world as a whole very much exposed.

The second point I would make may seem ironic, but hides some truth in it. In

many ways, the situation is even worse than it was during much of the cold war, considering both the geopolitical and the operational level. We do not know what Russia wants and Russia does not know what we want, either. That is another part of the problem, adding up to an already impressive accumulation of strategic misperceptions and lack of knowledge.

The European integration question may provide a good example. In Brussels, only a few are enthusiastic about further enlargement, of both NATO and European institutions. The European approach to eastern partnership and to relations with Ukraine, excluded enlargement from the discussion and there is no sign at all that this may change any time soon. Ironically, to find somebody really believing in European enlargement in the eastern region, you have to go to Russia. Moscow is convinced about the European enlargement efforts and that is a profound misperception, escalating security risks by air, sea and along borders.

Especially in the Baltic and in the Black Sea, the lack of confidence building measures, together with a debate completely failing to address those issues opens up big political and strategic questions, to which we may be forced to come back very soon.

Third, I would like to return to the bigger scenario, putting again regional in a worldwide scene, where a backdrop of different other crises and demands will put the system deeply under pressure.

Not only the American response, but also the European strategy will make the difference in how the West is willing and able to deal with security threats over the next decade, or decades. For what concerns America, I am afraid to say, that it sticks to a more passive role of reaction and not action, after an extraordinary decade of activism in foreign and security policy. The US is mobilized around and within the NATO context and that is not going to change soon. The question is, therefore, how much attention are we going to pay to which crisis, in the coming years.

Attention is focused on questions other than Ukraine and new potential conflicts in the Korean peninsula or in the Middle East are reason for further distraction. The objective is therefore to keep the US engaged, while it is looking for Europe to do more. That leads us to another critical point: burden sharing.

I do think that the American attitude with regard to European foreign and security policy has not quite caught up with the reality. The one unreconstructed supporter of a more active European engagement on all of these issues is and has always been Washington. Naysayers are at the margins now, which means

that whatever the European Union does and spends, it is going to be supported from the Washington side. The only criticism would be Europe not doing enough, which of course is also due to economic stringencies.

Many activities in Europe have been focused on the question of narratives and counter-narratives, as one of the main tool to address security threats in Eastern Europe. There is obviously some truth in this, but I worry that it has become an excuse not to spend more, invest more and do more.

Finally, the issue of conciliating demands in the East, with demands in the South, is going to be extremely important, in particular for the European allies. I would venture to say that security challenges in the East are not the priority for a number of countries in Europe. Challenges in the South – migration, terrorism, foreign fighters among others – will gain more and more attention, while most probably needing an effort also on the operational level. It will be necessary to assess if the already existing NATO rapid response arrangements are going to be useful in the South, for instance. Some will say it weakens their original purpose, others may advocate a dual use.

All this taken together, brings us back to questions already raised in the past, but which today have gained a particular attention. What will NATO and the European Union do together? How are they going to cooperate? If formal cooperation is not an option, would informal cooperation be the solution? In any case, something needs to be done and it has to be effective and cost-effective.





MARCIN ZABOROWSKI

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## A MARSHALL PLAN FOR UKRAINE

Thank you for organizing this and thank you for having me here. It's always a delight to be in Rome and to be in the NATO setting.

Now Mr Shea, you have put forward five questions that frankly, if I am to respond to all these questions, then that's all I would say. But I think the questions are excellent and so I would just make fit all my notes into some responses. Please correct me if I misunderstood some of the questions.

Number one you were asking about how we can stabilize the situation in Ukraine and if the Minsk agreements do a good job. Now, I think that it is becoming more clear that the Minsk agreements cannot do the job because they are not doing it and the conflict is still going on and, days after signing the Minsk agreement, we had a huge offensive and intense operational activities by separatists. We have daily violence and deaths carrying in the area. The Eastern border of Ukraine remains under the Russian control; we don't have stability, we have growing humanitarian crisis happening there. How could ever the Minsk agreement do the job? I don't think so, the main reason for that being that the most powerful stakeholders from the West, namely the USA and the EU were not present at it. So there was an error, a fault at the creation. If you have the USA that is underwriting European security since WW II not present at the arrangement which is essential for the creation of stability in that part of Europe; if you have the USA being absent from this process, it can't work.

And it is obviously the whole method of choosing and picking those partners that you want to have at the table and that you want to establish an agreement with, that somehow was responsible for the fact that this deal is not working.

Now what we can do to actually stabilize the situation in Ukraine? Well, among

the many ideas, which are more or less innovative, two things are absolutely essential. Number one, a real major investment into the economy and not on the way it was being done in the early 90s when countries like the Czech Republic and Poland which were more or less willing and knowing where they were heading; but as a version of the Marshall plan, that's what is needed for a place like Ukraine. Otherwise it will be very difficult to bring it into a more stable situation.

Even though the current Ukraine government has a very high level of corruption especially at the governmental level, the phenomenon is declining and also the so called Armani-style civil servants, meaning people who earn 50 dollars but wear Armani suits – are also disappearing. So there are some really hopeful signs and there is a very very vibrant civil society in this country, which will not allow the politicians to run and come back to the old bad ways.

Now number two, Jamie was asking how good is the readiness action plan in addressing the challenge that EU has with the materializing threat from the East.

Well, it's good beginning in reversing the overall situation. It is modest and it is insufficient, but it is going the right way. Now the key thing here is that the overall belief that most of our partners has had since 1999 that Russia's intention was to be xxx a partner and that our interest were more or less congruent and they will meet at some point, that belief proved faulty, that belief had very serious material implications on our defence planning.

The fact that many of NATO western member states reduced defence capabilities, tanks for example are very rare these days in Europe, and some member states have completely got rid of armoured units. The level of defence spending has unreasonably declined, while it has kept rising at a consistent rate in Russia. All these decisions which have been taken over the last 25 years have proved far too optimistic. and having a RAP (Readiness Action Plan) which is somehow saying "Well we take some measures which should strengthen our militaries, provide a measure of reassurance to our allies in the East", is going the right way.

It is not sufficient, but it is a good beginning. For states between NATO and Russia, what can NATO concretely do to help these states out? Maybe there is no appetite for enlargement and there has never been much appetite for enlargement, by the way it would have never happened in 1999 and later on, had it not been for the constant pressure from Central-Eastern EU states it is another myth, enlargement has never been popular and now it's maybe not the time to run away and stop implementing the enlargement measures with respect to the nations which are territorially cut but promises are promises.

NATO committed itself to an open door policy and it committed itself that Georgia and Ukraine will become NATO members. Are we saying that it is no longer the case? My understanding is that we never said that and hence, since a promise is a promise, then there are implications of that. For example, offering Georgia a membership action plan at the incoming NATO summit in Warsaw would be a way to stick to the word.

Other than that, and it is my third point, the existing embargo arms export to the nations which are defending themselves, meaning Georgia and Ukraine is very strange. Ukraine does not seek to attack anyone, Ukraine is seeking arms to defend itself and as president Poroshenko told very clearly in Munich, Ukraine will not use arms except for implementing purely defensive measures.

Number four, Jamie is asking on Russia whether it is time for détente. I think from that from what I have said so far, it is pretty clear that it is not. Do I need to substantiate that? The issue comes with the European security architecture that it is go time to go back to this beautiful dream that we will have EU security architecture including Russia. I wish it was. it would be fantastic, and I think we will at some point in time, but it was unreasonable to think the Russian and ours interest were congruent for the simple fact that Putin does not see it that way.





RÜDIGER LENTZ

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## THE GERMAN BURDEN

I am very glad that you not only invited me here but also positioned me between an American expert in Brussels and a Polish neighbour, with Russia just over there. All of those who doubted the equidistance between Berlin and Moscow might be put into sleep! However, Mrs Merkel has come in the centre of gravity both within Europe and between the alliance and Russia. It is the inevitable German leadership, which, I am afraid to say, we have not asked for and are very reluctant to take on.

I will now shift the focus from the security, strategic and military categories which have been thoroughly discussed, to an overarching theme within which all this issues are framed: values, namely Western values. Ukraine has brought us into a situation where we have to rethink where we stand, where our values are and how are we going to defend them. The shaping of Eastern Europe, starting from its security, is a trillion dollar question, implying a cascade of further reaching questions. What is it that we are doing? Are we doing the right thing? And in first place, what would be the right thing to do? Decisions like rearmament or, instead, a newly adapted Marshall Plan, are values-based decisions. Also, when speaking about security in Europe, it is critical to consider that Ukraine is not the only issue at hand. Greece is a big problem too, which, at least for Germany, means that there is not much left for spending for other crisis, all implying a concrete financial commitment.

In short, the security and strategic question of Europe today is not only about tanks. It is about our deep belief in what the West has been living for and what it stands for, both in the West and the East. That is a discussion which will come or is yet to come. We had an interesting discussion with Aspen Italy, Germany and France on that regard, trying to figure out where we stand in Europe, in terms of values and value-based leadership. However, it is not only about Europe. Indeed,

Ukraine has shown us that this is also about values between the Russia of today, or maybe tomorrow and President Putin personally.

But let me first start with the situation in Europe. If Germany has been put, to a certain extent unwillingly, centre-stage with regard to the Ukrainian crisis, that is also because of British and French weak positioning in the question. And that problem is often underestimated. The fact that France has been, lately, so much absorbed with domestic issues and leadership problems, undermined the German-Franco axes, which was the backbone of European enlargement and integration policies. That strict leadership cooperation is almost inexistent now and it concerns me, as a German. It is not an happy feeling to be burdened with problems a unique major power in Europe, left alone to cope with security risks of that scale and importance. The Ukrainian conflict not only broke up an alliance but deprived Europe of a player which always brought common sense in the discussion.

However, recent developments in Ukraine have not come as a surprise to all of us. If we look back into Putin's figure as a leader, and into his personality, early signs on things going into the wrong direction can be easily detected. The will to integrate into the West, not to be intended as Western architecture but as mere pan-European value setting, has always been very reluctant to say the least. Exactly that is the point of deep concern, with which we will have to work in the years to come. We had a conference in Berlin, a couple of weeks ago, with over twenty among American congressmen and senators, as well as Russian experts from Moscow, meeting halfway. There was only one thing they all agree upon: this is not over soon. That means we now need to take time, find out where there is room to play and figure out how to sort out the problems at peripheries. The core, indeed, is not in danger. It will keep at least a reasonable degree of stability, both in Europe and Russia.

There positive signs to start with. First of all, Putin's strategy did not work, at least not until now. However, it took long deliberations on both sides, with some doubting Germany's intention. Now, Germany is taking most the burden on itself, in particular for what concerns the impact of sanctions on the German industry. Some degree of reluctantly may have been there, but at the end of the day Germany sticks to the sanctions, as recent statements by the industry and trade association confirm, in the name of a higher goal. Putin did not win on that point and will not.

A more dangerous picture is provided by peripheral countries, Hungary, Macedonia and the Balkans among others. They may enter the game soon, with critical consequences. Populations are under heavy information pressure, as far as Russian media – in particular TV – is concerned. Even in Germany, we see Russian

news putting forward Putin's argumentations. It is a war of words we have to cope with. Coming back to what has been already said, it is important to understand that it is about the person Putin, his intentions and how he is willing to risk in the months and years to come. Recently he showed his military tools and asset, with regard to which I would like underline, once again how we differentiate in terms of values. While Putin was organizing a military parade to show his strength, Washington celebrated the victory over Nazis in Germany with a great feast for kids and families, reminding the veterans for what they have done to defend democracy. Today we have to cope with what I call the Putin system. Russia is Putin and Putin is Russia.

If we are talking about security we have to take that in mind. And with that in mind, it is very difficult to say where our future security lies.





ALEXANDER I. NIKITIN

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## RUSSIA: NO PARTNER, STILL COUNTERPART

I would like to share some observations as an analyst and not a representative of the political class. My first point is quite simple: relations between Russia and the West have never been in such a deep crisis. These crises have a systematic character, they are not limited to one field but spread all over to diplomatic, economic, military and cultural relations. Nor is the current crisis limited to Ukraine and Russian politics towards Ukraine.

Russian President V. Putin affirms the West has been trying to weaken Russia for centuries. If not the Crimean episode, another pretext would have been found to pressure Moscow and sanction it. Indeed, Russia took the place of Iran in the Western list of threats, positioned next to ISIS. Putin's strategy is deeply different from Yeltsin's approach, which for more than ten years in the 1990s considered Russia a large, but regional power. Putin decided for a different path, positioning Russia as a global power with global interests. And it makes sense, given that Russia is still the largest country on Earth, approximately the size of the United States and China together.

However, at the same time, Russia in many parameters is deeply European. Russia makes up 40% of continental Europe and, most important, Russians have a European approach, European culture, mentality and values. However, despite the fact that 77% of the population of Russia lives in Europe and just 23% in Asia, there is now a serious reorientation towards Asia. Indeed, Russian leadership proclaimed that Moscow does now have an alternative to the relations with the West. Important proof of a turn to the East was the gas supply contract signed with China last year, underwriting what has been called the "gas deal of the century".

Russian leadership is promoting "non-Western alliances": the Eurasian Economic Union, the BRICS (Brazil, Russia, India, China, South Africa), the Collective

Security Treaty Organization and the Shanghai Cooperation Organization, are all proving that the West failed to isolate Russia. The Shanghai Cooperation Organization, for example, is even expanding. During its summit in Russia, in July, the first step to adopt India and Pakistan as full members, will be taken. This would dramatically change the composition of the organization, counting 1,4 billion Chinese, 1,2 billion Indians, with Russians and Pakistani somewhere in-between and last, relatively small Central Asian countries. Next in the row, Iran and Afghanistan will be discussing diplomatic relations with the Organization. Sixty per cent of the Eurasian continent is covered by the Organization and, as our Chinese friends like to say, every third person on earth lives in one of the SCO member countries.

Russia is not considered to be a partner of NATO, any more. At least, this is what has been proclaimed in several NATO's official declarations. The question, which immediately follows, is: if Russia is not a partner, then what is it? An adversary? An enemy? Can Russia really be put in the same category with ISIS? Some theoretical work, to define a middle ground, is necessary. From the point of view of Russia, NATO is not considered a threat. Of course, the fact that NATO is continuing on the path of enlargement and is moving military contingents in neighbouring countries, while empowering the organization with global functions, is considered dangerous by modern Moscow. However, we understand that the real threat to Russia is not coming from the West and NATO, but from the South, including from radical and extremist forces in the Caucasus and Central Asia.

In the Caucasus, seven large conflicts over the last twenty-five years, gained Russian attention. In Central Asia we still have instabilities in Afghanistan and Pakistan very close to the Collective Security Treaty Organization borders. Then, there was in the 1990s the civil war in Tajikistan and the hostilities on intersections of territories of Uzbekistan, Kirgizstan and Tajikistan, which cause conflicts between this nations. We still have a spill over of instability from Afghanistan. In short, we have homework to do.

Moving on to what is the Russian assessment of NATO strategies, we noted definitions from NATO's documents: "operations beyond the alliance territory", "operations on its periphery", "at strategic distance", "far from home territory with little or no host nation support, for extended periods, with more useable military capabilities". Currently, the Black Sea is a dangerous area, where hopefully diplomats will sooner or later find an adequate formula for a new *détente*. However, arms race and long term re-armament programs go on by inertia for decades. And that is what we are afraid of.

We understand that, in a certain sense, rules of the great European game are violated and Moscow undertook unconventional steps. But also the West interfered

into a group of conflicts on post-Soviet space. NATO is not threatening Russia survival, nor is it constituting a real stress to Russian security. However, it is now interfering on post-Soviet space conflicts, which it did not in the past.

Still, the West and Russia do have a long list of common challenges and threats: potential proliferation of nuclear weapons in countries like Iran and Saudi Arabia, radical Islamism and ISIS, domestic grown terrorism, radical groups in Yemen, Mali and Nigeria. By the way, it is important to notice that the spreading of extremism in Arab countries activated extremism in the Russian Northern Caucasus, which makes it our problem and not just somebody's else problem. Going on, there is the unfinished elimination of chemical weapons, the spread of cluster munitions, the collapse of the Treaty on conventional forces in Europe (CFE), piracy in international waters, drug trafficking, uncontrolled illegal migration and growing unpredictability in the military sphere .

New instruments were placed on the table by the international community to tackle approximately forty conflicts all over the world: firstly, NATO response forces; secondly, the European experiments of getting its own army together (we all remember the failed plan of having 60.000 men, then much modified into the CJTFs, sizing 1.500 men), and we also have the evolving force of CSTO, 17.000 men in the Collective Operational Reaction Forces (CORF), and in the last two years CSTO created 3.600-strong Collective Peacekeeping Forces). We have 40 conflicts on the global map, where many regional and sub-regional international organizations are involved, like NATO, EU, CSTO, CIS, African Union.

The history of separatism offers a lot of analogies and this should also be considered. In Chechnya, the West supported separatists against Moscow. In Kosovo, Western countries supported separatist forces against the Belgrade regime. Last but not least, in Iraq they took side against Baghdad, in Libya against Tripoli and in Syria against Damascus. The scheme is clear: the West supports separatism, rather than central authority. However, in Crimea, the West decided to support the regime, while Russia ended up defending self-determination. Of course also Moscow had its own pragmatic inconsistencies in the history of conflicts. Firstly, the change of attitude towards Milosevic, then towards Abkhazia and then regarding South Ossetia. Moscow refused to recognize the separatist states in Karabakh and in Transnistria. Last, and most important, the attitude of Moscow towards the Ukrainian crisis changed already three times. First considered option was the creation of two new subjects, to be united with the Russian Federation. Second considered option was a creation of , an independent Novorossya State, a sort of buffer zone between the West and Russia, seemed to be the most wanted option in Moscow. Finally, the government decided to support high level of autonomy of Eastern Ukrainian regions, but within a unified Ukrainian state.

This change of strategy is very important because it shows that Moscow attitude is not stable, rather it changes gradually. Considering also that Russia has some kind of territorial problems with 10 out of 15 its neighbours, we should take it with philosophy and accept the fact that territorial disputes and separatism are persistent and almost inevitable in every area of strong state sovereignty. Solutions could be found not only by re-dividing territories and by redrawing borders, but as well by combining special economic zones, double citizenships, joint ventures and international jurisdictions. That means there is potential to discuss, to negotiate. We can and should consider that the probable adoption of Ukraine within NATO in the framework of unresolved territorial disputes and in a status of war, could bring much more problems than it would resolve.

NATO-Russia relations have a history of ups and downs. Until 1999 they were quite positive. Then the bombardments of Belgrade were considered by Moscow as a dramatic change of behaviour of the Western side. At that time, Russia did not have any serious vested economic interest in former Yugoslavia and after 11 weeks of pragmatic negotiations jumped in UN-mandated military operation, then continued operations in Kosovo for two years together with NATO. Until 2008 relations improved again, to immediately degrade because of the Georgian war.

Russian dialogue with the West is, from the point of view of Moscow, aimed at bringing Russia to the Eurasian decision-making table for macro-security matters. An isolation of Russia, either coming from outside or initiated internally, would be dangerous. Unfortunately, sanctions led to increased rigidity and to a psychology of fortress and strengthening around the leader, contributing to the crisis in international relationships. What would be needed, instead, is a strategy aimed at move Russia in the European family. Now the negotiation table is empty.

To conclude, NATO is a general political counterpart, rather than a practical security counterpart to Russia. Moscow will not meet its own security challenges through its relations with NATO. However, it talks to the West through NATO. During two post-Cold war decades we cooperated strictly. Now, in the last two years, it seems we lost common understanding and the threat of an escalation towards a real conflict between NATO and Russia invisibly but inevitably grows.

Moreover, crisis in Russian-Western relations prevents from common engagement against the concrete threats and challenges listed above. More pragmatism and less ideology is needed on both sides. To start over, geopolitical changes should be recognized and accepted, while cooperation should be intended not only between leaders, but as well between societies. Indeed, most probably that was the underlying problem in previous Western-Russian relations: they were not supported by unity in common values.

Today, there are common challenges to Russia and the West and we are both internationally responsible for finding a new modus vivendi, mutual stability and cooperation towards common goals.



WROCKLAW/BRESLAU: SOLNY SQUARE





# Session 2

## ENERGY SUPPLY AND SECURITY SCENARIOS





ALEXANDER DULEBA

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## RUSSIAN GAS – EASTRING SOLUTION

Following the structure of this panel I will start from the central European region, if I may to label the V4 (Czech Republic, Hungary, Poland and Slovakia) plus the Balkan countries and the three Baltic countries. So what is the perspective?

Of course it's very difficult to predict how things will develop in detail but let me focus on some key lessons learned, which we have drawn from the gas crisis in 2009 when it comes to the energy security or the V4 countries because I am fully convinced that those lessons may be well applied also for the situation we are confronted and will be confronted in the coming period.

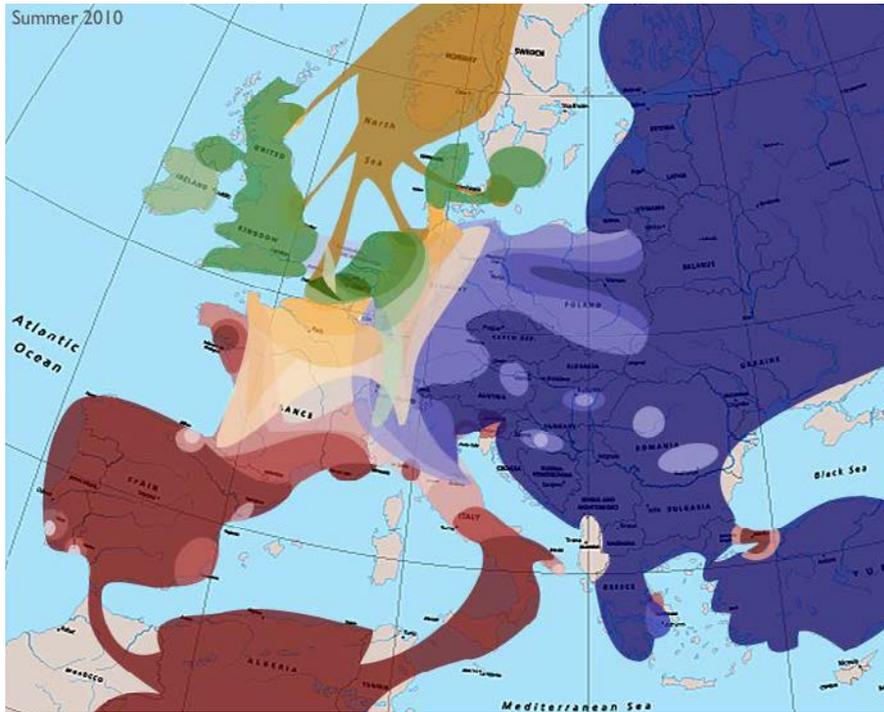
I would like to show you a map and I hope that this will work, because this is very I mean a very symptomatic map. I got the map, dated Summer 2010, from SPP (Slovenský Plynárenský Priemysel) which is part of Slovak Gas Holding owned in consortium also by GdF-Suez (Gaz de France). You can see the gas map of Europe, with a colour sort of specification rich areas of Europe.

I mean in terms of the dominant positions of gas producers, you can see the blue colour is half of Europe, including: half of Germany (because the former GDR was there), the former Comecon (Council for Mutual Economic Assistance) countries,

Turkey, northern Italy, Greece and the Balkans. and then you can see quite the red one and the salt, this are supplies from Algeria mainly and a more diverse sort of a picture to the north and north west.

Actually if one looks at this map, one can see that what is the problem: it consists in improving the energy security situation in the eastern part of the West, if we would label it this way, but also the very specific situation of Spain and Portugal where the dominant position of Algeria is more or less also clear.

A gas map of Europe (source: GdF-Suez 2010)



But Algeria is not Russia, Algeria doesn't use, at least I do not know, I don't have the information that Algeria would never use the supply of natural gas as a sort of political mean.

We had a lot evidences in the eastern part of the region that that is the case. Nevertheless I am, in my personal opinion, very optimistic that things will be improved. and the best case is Ukraine and the Naftogas and simply the companies, how they managed the very difficult situation and how they managed to change the dramatically old schemes of trading with gas over the last year and especially during the winter period.

In energy it might happen everything but let us clarify from the very beginning if we speak of energy this panel will speak about natural gas. Because oil supply is not a problem, and this is a very interesting difference because also the share of Russia in the EU oil consumption is even higher than when it comes to the natural gas consumption. But still there is no problem because we have the functioning market rules, there is plenty of suppliers and a well-developed infrastructure.

So this is not the problem. Actually natural gas at least what we should do is to

try to simply to make the situation with natural gas within Europe similar to that in the oil sector.

Electricity is not a problem at all, we have no problem with Russia with electricity ok, they supply fuel uranium to nuclear plants in the region but still it is not something dramatic that would create a complete dependence or problem for the central European countries.

Gas is a problem. The gas crisis in 2009, this was a turning point for the businesses and for political elites in our region. I interviewed one of the top manager of the Slovak gas industry in January 2009 and I asked him : "Tell me frankly, you look like you are shocked, that you are surprised that something like that happened, have you ever expected that it may happen? Even in a basic strategic security scenario, business and government should plan some alternative option and security scenarios". He said: "Believe me we never thought that it may happen. This, you know, sort gas map of Europe was taken for granted. There is no problem, gas from Russia is flowing, they use it for what we need and no one was thinking about any changes in the field".

Then Russia started to review its business strategies vis-à-vis its neighbours, starting from 2000 to 2003, then we got the first Belarusian crisis, because Belarus was the first country which was confronted by the stop of gas supply by Russia.

Only then Ukraine came in 2006 and then finally 2009 which was the more substantial period. This was a big shock, and what lessons we learned from this shock and what lessons might be applied also for the confronting, dealing coping with the situation which if it might happen that Russia will fully stop supply of gas via Ukraine as it was announced by the leaders of the Russian gas authorities.

There are three or four basic, lessons what the V4, learned from the gas crisis 2009 and this are also the solutions how we can manage the energy security in our region.

First, we learned that there is no national solution to energy security of any single country. there is no national solution to energy security to relatively small countries in the region of central Europe and the Balkans and the Baltic. So simply this was the lesson we had to learn: that we do not have national solutions and that we have to look for a regional strategy and regional perspective.

By 2011 the V4 recreated the high level group on energy security at the level of senior officials which proved to be a very relevant tool to manage the consensus of the four countries on how to proceed with the policy planning , how to coordinate

our activities. and actually it evolved, the real outcome is that actually now we have the road map towards the creation of the regional gas market among the V4 countries. The roadmap was adopted by the prime ministers in 2013 and should be implemented by 2018.

First, there should be political will – we have the sign of the political view partly that it comes to the origin to Ukrainian relations, and I am referring to the reverse gas flow via territorial Slovakia which was not easy to manage. Also from the political reasons. This a business project it is a very good project for the national gas transit system operator (Eastring company) but still the government controls 51% of this company and if there would be not enough political will the project could not be implemented. So the political will is needed. I will elaborate very briefly on what could be done in concrete steps in the present situation, having in mind all the problems we can be confronted with.

The second lesson is infrastructure is infrastructure, because also what helped very much Slovakia in January 2009 was a reverse flow from the Czech Republic which was really a technical solution which both companies managed to find, regardless from what was happening between Putin and Tymoshenko. The same case we have now vis-à-vis Ukraine; actually there is a new interconnector created between Slovakia and Ukraine which allows simply to supply the gas Ukraine needs. So interconnectors are very important.

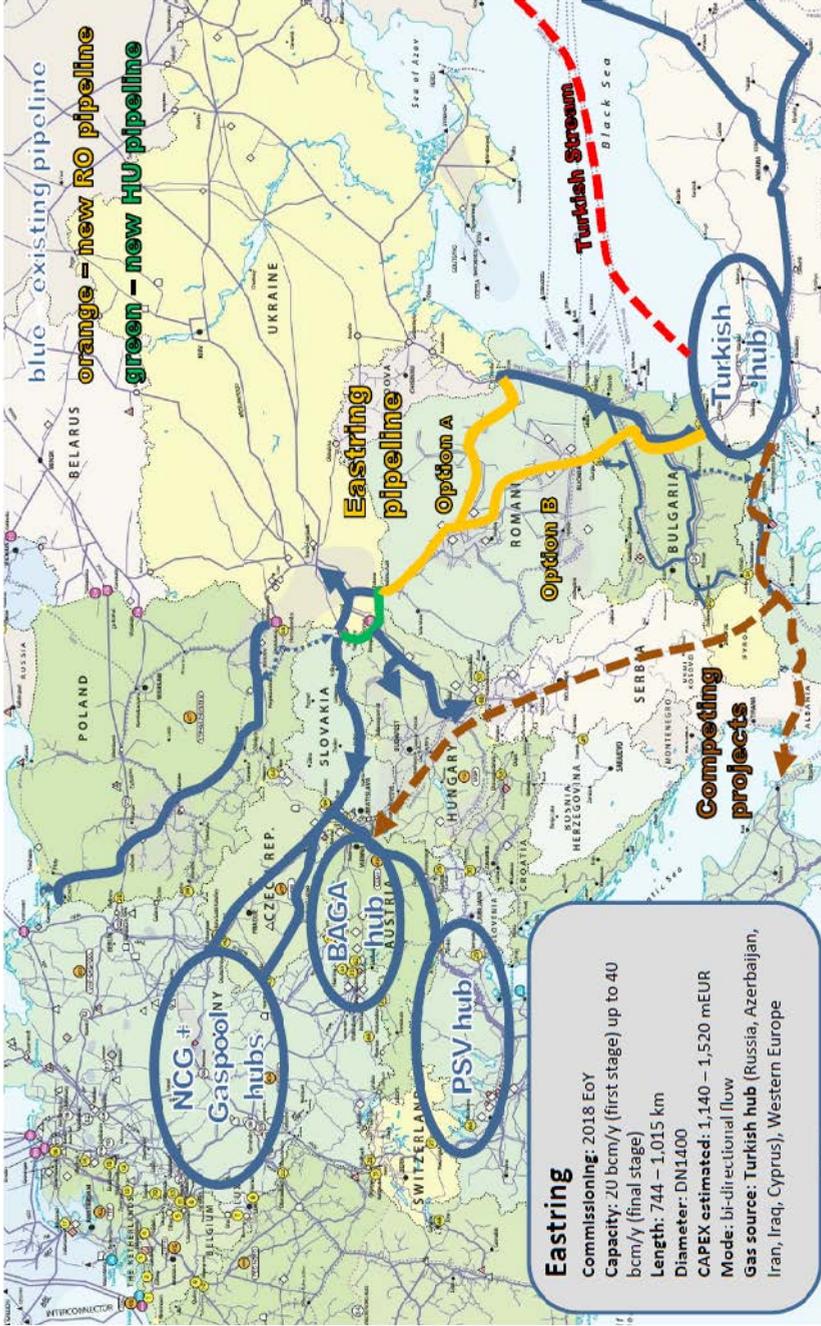
Third lesson, regional integration of the energy markets. What is new? We have very successful market coupling in electricity between Czech Republic and Slovakia Hungary and Rumania, with Poland as observer and now there is a question of... the market proved is really functional, I mean the price is, went down and actually so it is really good for the consumers and also for the traders and also for the producers of electricity in the region so that the market is expanding, going to build a regional cluster and then later on interconnected with other regional clusters within the EU towards the European energy union.

Finally the fourth lesson we learned: how important was the EU support and solidarity. So really I mean that it was like you know the EU energy policy in many cases is very responsive, my argument is if there would be no gas prices in January 2009 only hardly you would complete the adoption of the third energy package which is key for the development of the EU energy market but of course we benefited very much from the European energy program for recovery. Now, let me use two next maps. This is a very important map, the interconnections, you can see the North-South gas corridor and also important now is the interconnector between Slovakia and Hungary should start to work since first July of this year.

## North-South gas corridor



Eastring pipeline (project by Eurstream a.s.)



There is some delay, I am not going to elaborate on details but now it's very important to complete this Polish-Slovak interconnector and because if you remember the last map, this map was based on the East-West roads and east west transit infrastructure now what we need is to change that map and make it more diversified, we need simply to change the infrastructure from the north to the south. so this is a very important project.

Let me still say a couple of words about the eastern project which was offered by the Slovak company Eurstream which operates the transit system in the territory of Slovakia, which should be considered and could be discussed, there are some arguments in favour of this project, the other arguments against this project, but having an, being confronted with the fact or threat that it may happen that after 2019 Russia will stop transit of gas via territory of Ukraine and if Turkish stream becomes a reality we simply need some access to this Turkish Bulgarian border in order to be ready to hold this gas.

Secondly, the stress test organized by the EU Commission showed that Bulgaria is one of the less protected countries when it comes to the supply of gas and actually this project would help to solve the problem and simply would connect the gas hubs in western Europe with the Balkans via the territory of the V4 countries and would help to improve the situation of Bulgaria. Finally it might bring additional sources of Rumanian gas, because there are new volumes in the Black Sea shelf at the Rumanian coast, so to bring them eventually to the region and also to the western Europe.

Finally maybe a few points concerning what should be done in the present time, what should we work on, in order to improve the energy security of the region. First of all, my recommendation would be to use this institutional framework which really proved to be relevant and brought real outcomes in this high level of energy security working group with the v4 to include the other countries of the region that simply – with whom we shared energy security concerns and also we can develop some solutions with. Finally what's very important is to implement, to contribute to the implementation of the energy union roadmap.

And finally what I see as still a problem in our region is a sort of energy super power thinking and especially is very visible in the sector of electricity production because all our countries want to produce so much electricity they cannot consume and we can see this in the development of nuclear capacity in the region, for example. What is good for the region is that we have Rumania on board when it comes to the market coupling in electricity, I mean other Balkan countries can join the project and I mean it's something we can build upon. and finally the last point: Ukraine and Moldova. I think that especially when it comes to Ukraine we have

to think how to include Ukraine into the integration and creation of a regional gas market within the v4. and the final and concluding point is that we also should consider when it comes to eastern partnership program to – that the borders of the energy union includes also the countries which signed an association agreement with the EU including Ukraine Moldova and Georgia.



MARCO ARCELLI

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## GLOBAL ENERGY TRENDS BRING UNEXPECTED FRIENDS

I will offer something smart and innovative you may not have heard on other seminars on energy security. Thinking about energy security over the past few days I was reading many articles on the media about the difficulties to really achieve a single market in Europe, about the its reform, about siting of new infrastructures. looking for something smart, able to contribute in a constructive and innovative way to the debate on energy security and, beginning with my personal experience, I started to look at Russia and Europe through new lenses.

In Russia we, as ENEL, entered the oil and gas business in 2007, invested 350 million dollars, brought the fields into production, decided to sell them and sold them for \$1,9 billion. We cashed the money, replaced our position with long term supply contracts and were happy about the experience in Russia, where you know decisions are taken, you know the vision, and you know things happen timely.

In the same time-frame we have been trying to develop a gas field in Italy and we are not even through with the licensing phase. so my provocation is that I came to the conclusion that Russia is really not the enemy, if we want to consider things in a balanced way, but rather European politicians' best friend. Meaning that by diverting and deflecting the attention to Russia, we can avoid taking the decision we have to take in Europe, particularly in southern and central Europe.

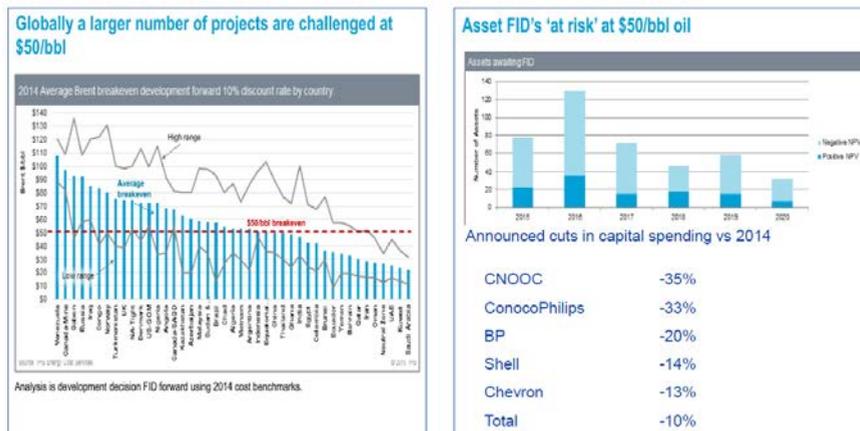
Russia is not the enemy. Russia is European politicians' best friend. It may sound a little bit provocative but that is to say that diverting and deflecting the attention to Russia it possible to postpone internal decisions and reforms, the lack of which may be considered an enemy worse than Russia ever will be.

I will first walk you through some facts which may be under the eyes of everybody but of which not many are aware. I will show that the short-term fluctuations

in oil and gas prices have an impact limited to the very short term and that we need to focus more on long term fundamentals to understand what the industry will be like in the years to come and what the impact will be on energy security. I will then point out that the coming of age of renewables, the question of energy efficiency and the emergence of energy storage, batteries and electric vehicles will fundamentally change the energy industry and overshadow any other issues – as for instance price fluctuations – on which everybody is now focused on. In this context, I will frame European-Russian relations, recognizing that in the short as well as in the medium term we are and will be each other’s best commercial partners. What we really need to focus on and actually what we are focusing on – even if we do not call it that way – is how to build alternatives to be able to negotiate the best deal with each other. That brings us to our starting provocation. Russia is a good excuse not to take the decisions we should take in Europe.

My first point about the impact of oil price fluctuations wants to address consequences on concrete projects. On the one hand, now that prices dropped from \$100 per barrel to \$50/60, many projects get cancelled or postponed because companies have less money to spend and projects are not as economical as before.

**Long term demand cannot be met by new supply at \$50-60/bbl**



Source: IHS-ENEL presentation

On the other hand, since it is possible to get better terms from contractors, costs can be cut down, creating potential to launch new projects. The two effects will balance each other out over the long run, sticking around and ideal pricing of \$70/80 or maybe \$90 per barrel.

The second point is about fiscal policies. With lower oil and gas prices producing countries have a lower fiscal take, which questions whether they are profitable and

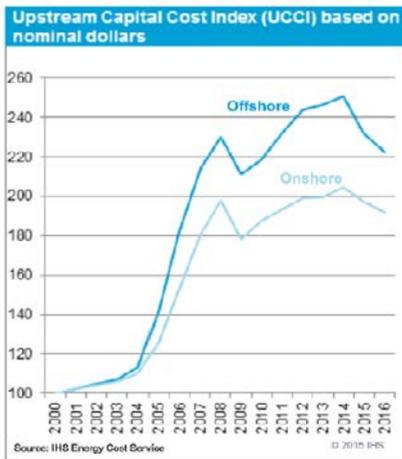
stable over the long term. However, fiscal policy is but one component of a much bigger issue they need to address and resolve, namely subsidies to consumption. Again, this is an effect that balances itself, since as prices come down, also the money that needs to be spent on subsidies decreases.

The third point is the fact that lower oil and gas prices free up resources in emerged economies and Western Europe, generating economic growth, which would lead to a consequent growth of energy consumption, opening up a quite optimistic scenario. However, the opposite happens for producing countries, which are experiencing a slower growth of energy demand since a couple of years.

Let us go through some details. Considering the impact of low oil prices versus projects cancellations, it is possible to observe that companies decreased investments by 20/30% in the past year, with a peak in explorations, reduced by up to 80%. In other words, companies are focusing on cash flow rather than on bringing new resources in production.

**Lower costs will help projects economics**

**Upstream capital costs will decline globally over the next two years as demand for services falls**



- Upstream capital costs are expected to decline globally by approximately 12% on average between 2014 and 2016 offshore and 7% onshore.
- Falling demand will ease labor pressures both onshore and offshore.
- Offshore floating drilling rig rates had been dropping as new supply came into the market, and will now be hit with lower demand as well going forward.
- As oil prices increase, so do costs in 2017-20

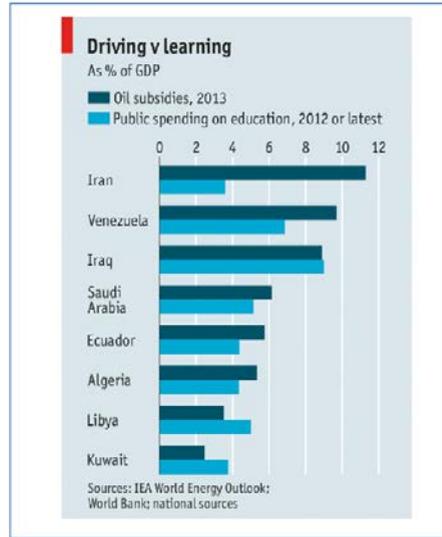
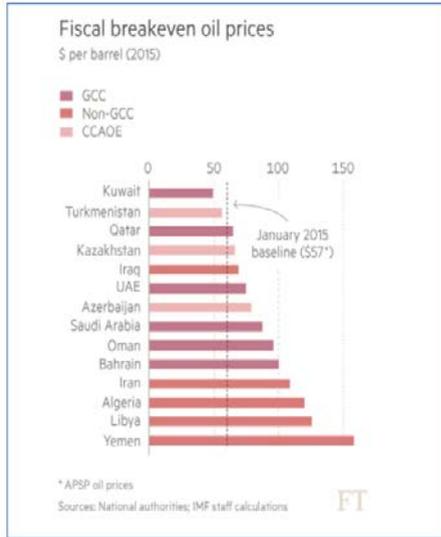
Source: HIS-ENEL presentation

On the other side, as already mentioned, cancellations may have a positive impact on costs, meaning they are reduced. In the long term, demand and supply will balance, and that is true also from the fiscal point of view.

On that regard, it is useful to get back to the fiscal break-even of oil prices. Many think oil and gas are cheap to produce. However – once considered the amount of money, which go to national oil companies and host governments, under the form

of fiscal take – a price even higher than the \$70/80/90 may be needed to balance out.

**A challenge on Governments, an opportunity to reform**



Source: FT

At the same time, data show that subsidies have grown by 60% from 2007 to 2013 exceeding even spending for schooling. What that tells is that lower oil and gas prices may be considered, in producing countries, facilitators of reforms. Egypt is a good example, followed by many other countries in the region.

However, what we really need to focus on is the long-term relationship between oil and gas and their alternatives, which are mainly renewables. As the graph shows, cheap alternatives could bring gas demand in Europe significantly down, over only a few years.

Italy registers 60 billion cubic meter of consumption per year, versus the 80 billion just before the crisis, and that is the same consumption of about 16/17 years ago. Similar trends are seen all over Europe, due to renewables and energy efficiency.

Indeed, to understand energy security, it is not possible to focus simply on gas. On the contrary, it is essential to have to look at the energy constituency all together. In the future, we will be living in a world where each community, each household, each industry will have its own solar panel, batteries, electric vehicles and the need for hydrocarbons will be less than today. Moreover, you do not

need any more long-term investments to replace gas demand, since all technology needed could be potentially deployed within twelve to eighteen months. Which means that if you have spikes in prices, you can reduce the demand – and consequently prices – very quickly.

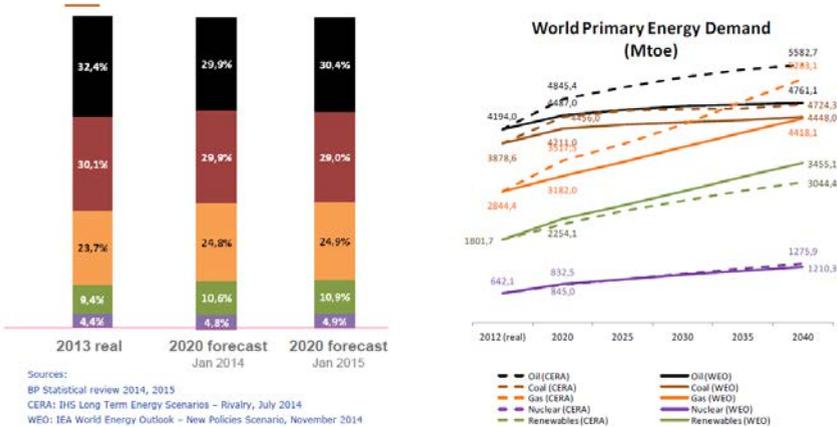
**Lower gas prices may push grid parity further out but technology is improving fast**



Source: ENEL

In this framework, a critical point worth to mention, is the increasing irrelevance of European demand, compared to the exponential growth in Asia, South-East Asia and Africa. That growing demand will be partly covered by renewables. Moreover, new technologies will completely change the way energy is distributed, produced and stored locally.

Limited impact post 2020 of oil price collapse.  
Renewables and energy efficiency are here to stay.  
Oil and gas will continue to be relevant for the next few decades



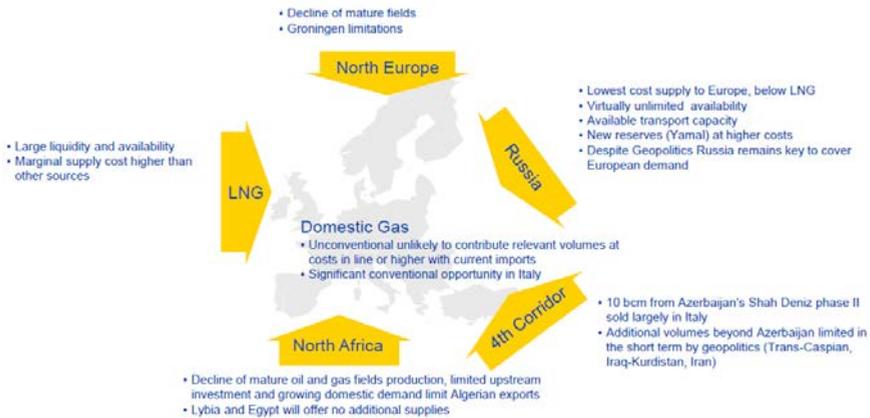
Sources: BP, CERA, WEO

However, it is difficult today to predict what the impact will be because technological break-through are not predictable. Referring to IHS and IEA reports, the

outlook to 2020 concerning oil and gas demand, as well as renewables, did not change over the past years. However, the trend towards renewables and energy efficiency is clear.

Now, having in mind that it is impossible to look at gas in isolation, I will look at gas in isolation. The outcome will again be that short-term trends are not significant in the long-term relationship.

**Add total volume from Russia as LNG  
LNG and Russian strategy to influence marginal prices**



Source: ENEL

The image shows potential gas sources for Europe: LNG from North America, North Africa, Iran if sanctions are lifted and North Europe. Now, North Europe is depleting, North Africa is struggling to keep production, we lost Egypt as an exporting country, as well as Libya, while Algeria is struggling to keep up with production. LNG is marginal: it costs much more than Russian gas. In the end, Russia produces the most available and competitive gas we can consume. At the same time, it also need prices high enough to justify new investments, in order to develop its resources. What we are experiencing right now is a race against each other to build alternatives.

In this picture, Europe's efforts go the way of renewables, energy efficiency and in the future electricity storage. Russia, on the other side, is building a stronger relationship with Asia, with some weak points. Indeed, the shipment route to China is much longer, new pipelines would have to be built, and therefore it is much more expensive than the way to Europe where infrastructures already exist. In short, Russia still makes more money selling gas to Europe.

Still, from European perspective, there is potential left unexploited, namely the

hydrocarbon production in Southern Europe. Italy, in particular, could potentially produce enough to cover 20% of domestic demand for more than 20 years at a cost that is from 20 to 30% cheaper than imports. That would also mean increasing fiscal revenues – up to 2 billion euros per year -; generating 100 000 jobs over 5 years and reducing the trade balance by 5 or 6 billion euros per year. It is a fantastic opportunity we are ignoring, whereas we have increased royalties by 50% and we have put a moratorium on offshore drilling. Not to speak about bureaucracy and the long time to obtain permits.

That's where European politicians should focus on to develop the treasure we have under our feet, because energy security is about what we must do to address domestic challenges and not about Russia.





CHRISTINA LIN

## NATO VERSUS SCO? THE CHINESE ENERGY VARIABLE

### INTRODUCTION: CHINA AND RUSSIA'S GROWING ENERGY TIES

In May 2014, during the Russia-Western standoff over Ukraine, China's National Petroleum Corp (CNPC) signed a 30-year, \$400 billion energy deal with Gazprom to supply 38 billion cubic meters (bcm) of natural gas from East Siberia beginning in 2018. In this Eastern Route, called the "Power of Siberia" (POS), Gazprom would send gas from its Kovyktin and Chayandin fields in Eastern Siberia to the Beijing-Tianjin-Hebei metropolitan area in the north of China and the Yangtze River Delta in the east. The deliveries, which may take a few years to reach full capacity, will provide China with more than one-fifth of its present day annual consumption of some 170 bcm, which is likely to rise above 200 bcm by 2018.<sup>1</sup> According to CNPC, China aims to increase its natural gas consumption to 550 bcm by 2030, from 5% of total energy mix in 2012 to 12 % by 2030.<sup>2</sup>

The POS deal is followed in November 9, 2014 by a framework agreement between CNPC and Gazprom for a "Western Route", delivering an additional 30 bcm a year from Western Siberia to northwest China through the proposed Altai pipeline. Additionally, Russia is allowing Chinese companies into its upstream energy sector, with the November 2014 agreement between CNPC and ZAO Vankorneft (Rosneft subsidiary) for a 10% stake to develop its oil field in Eastern Siberia,<sup>3</sup> following the 2013 CNPC acquisition of a 20% stake in Novatek's Yamal

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1 Richard Weitz, "The Russia-China Gas Deal: Implications and Ramifications", *World Affairs Journal*, Sep/Oct 2014.

2 Keun-Wook Paik with Glada Lahn and Jens Hein, "Through the Dragon Gate? A Window of Opportunity for Northeast Asian Gas Security", Chatham House Briefing Paper EER BP 2012/05, December 2012.

3 Nick Cunningham, "Russia and China's growing energy relationship" *Oil Price*, 28 January 2015; "Rosneft and CNPC signed a framework agreement on the purchase of 10% share stake of Vankorneft" <http://www.rosneft.com>. 9 November 2014.

LNG project in the Arctic.<sup>4</sup> In May 2015, Russian deputy Prime Minister Arkady Dvorkovich said Moscow is now willing to grant Chinese investors controlling stakes, and that its Chinese partner in the Yamal LNG project is “considering increasing the share in the project.”<sup>5</sup>

In face of China and Russia’s growing energy ties, and Moscow’s narrative about her irreplaceable role in Europe’s energy security, there are concerns that Russia may now divert gas supplies from Europe to China. This deserves closer examination.

#### IS CHINA AN ALTERNATIVE DEMAND MARKET TO EUROPE FOR RUSSIAN GAS?

In a nutshell, China is an additional demand market for Russian gas, and not a substitute market to replace Europe.

Currently, China and Russia have different preferences on the two pipelines, with various implications for Europe. The Eastern Route taps into new East Siberian fields earmarked for China, while the Western Route taps into the same West Siberian fields for Europe. As such Beijing prefers the Eastern Route while Moscow prefers the Western Route that enables its role as a swing supplier between China and Europe.

#### *China prefers Power of Siberia*

Firstly, the legal status of the two projects differs in that the Eastern route is legally binding while the Western Route is not. The Western Route is merely a framework agreement specifying the amount, time limit and routes of gas supply. In contrast, the signed protocol of the Eastern Route is a formal contract, which confirms and guarantees the future implementation of the project, and outlines both parties’ legal responsibility for its implementation.<sup>6</sup> The agreement was passed on 24 April by the lower house of the Russian parliament and approved by the upper house on 29 April, with President Putin’s ratification on 2 May.<sup>7</sup>

There are various reasons why China prefers the Eastern Route. One is, geography matters. As Michael Rühle and Julius Grubliauskas argued in a recent NATO

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4 “CNPC to buy 20% stake in Yamal LNG Arctic project”, *Want China Times*, 27 June 2013; Felix K. Chang, “Friends in Need: Geopolitics of China-Russia Energy Relations,” Foreign Policy Research Institute, May 2014.

5 Jack Farchy and Kathrin Hille, “Moscow offers bigger stakes in energy projects to lure Chinese”, *Financial Times*, 5 May 2015.

6 Li Lifan and Wang Chengzhi, “Energy Cooperation Between China and Russia: Uncertainty and Prospect of Development” in “Russia’s Diversifying Energy Relations”, *Russian Analytical Digest*, No. 163, 24 February 2015, p.11.

7 “Putin ratifies gas pipeline agreement with China”, *Xinhua*, 3 May 2015.

Defense College paper, “when it comes to energy, geography is still destiny. Pipelines still mean both economic and political power.”<sup>8</sup>

China prefers this route because the gas supply flows directly to China’s eastern seaboard where the demand is greatest. In contrast, the Western Route would have to go through the restive Muslim province of Xinjiang that is currently plagued with instability from increasing terrorist attacks, and cross the entire China before reaching the east. (See Maps 1 & 2)

China also wants to diversify its energy sources. Since it already imports gas from Central Asia, if it also imports Russian gas into western China via the Western Route, it would impact current China-Central Asia gas structure and make China more dependent on a single supplier.<sup>9</sup> This would likewise increase pressure on the transportation capacity of the “West to East” gas pipeline (WEP), which is China’s internal distribution network for delivering much needed energy to eastern China.<sup>10</sup>

Moreover, the full volume of the Eastern Route is guaranteed by gas reserves from a new gas field in Siberia earmarked for China, unlike Western Siberia that also supplies the European market. As such this forecloses the possibility of Russia diverting the gas away from China and playing Europe and Beijing against each other.

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8 Michael Rühle& Julius Grubliauskas, “Energy as a Tool of Hybrid Warfare”, NATO Defense College Research Paper No. 113, April 2015.

9 The Central Asia-China gas pipeline connecting Turkmenistan, Uzbekistan and Kazakhstan currently supplies 30 bcm to China, with expected volume increase to 65 bcm by 2020.

10 Li Lifan and Wang Chengzhi, “Energy Cooperation Between China and Russia”, p.12.

**Map 1: Eastern Route and Western Route**  
Possible routes: Altai pipeline, Power of Siberia pipeline



Source: Global Risk Insights, 24 November 2014

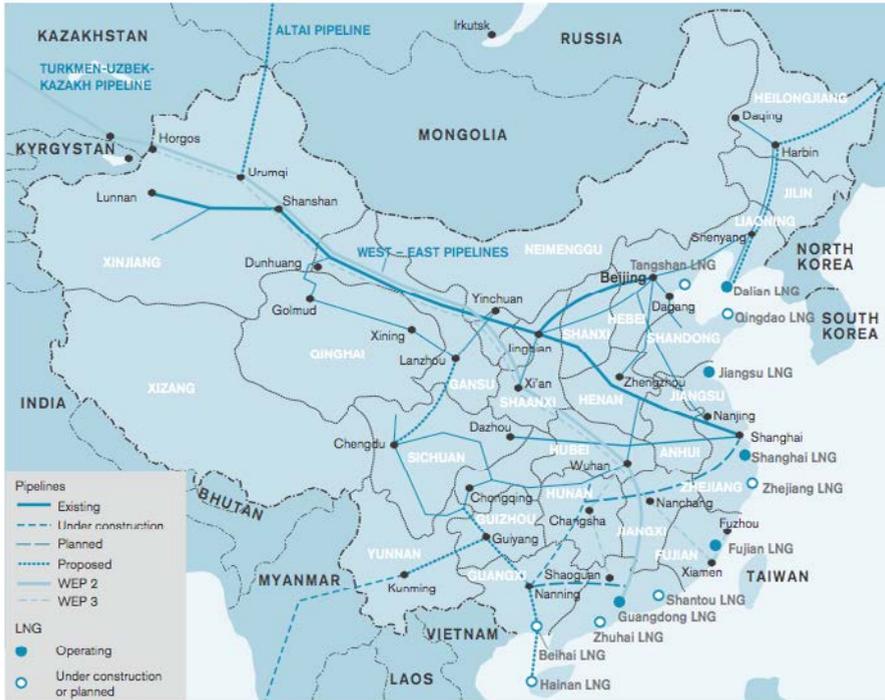
A main challenge remains the lack of access to western energy technology due to sanctions, since East Siberia is geographically more challenging than West Siberia. China has deep pockets but not advanced technology needed for geologically hazardous areas in the Arctic and East Siberia, so western sanctions may have a negative impact on exploitation of these resources.<sup>11</sup>

### *Russia prefers Altai Pipeline*

From the Russian perspective, Moscow prefers the Western Route from Altai, since as mentioned earlier it uses the same fields for Europe that allows Russia to act as a swing supplier state between China and Europe. Here, Russia does not need western energy technology so western sanctions would not have as much impact here.

<sup>11</sup> Morena Skalanva, "China can't solve Russia's Energy Technology Trap", *The Diplomat*, 13 February 2015.

Map 2: Altai Pipeline connects to China's West-East Pipeline in Xinjiang



Source: Keun -Wook Paik *et al*, "Through the Dragon's Gate?" December 2012

Moreover, Gazprom had wanted to gain access to China's West-East Pipeline (WEP), China's main distribution system, in order to secure a share of China's market and enable Russia to be a swing supplier between Europe and China. As such Chinese planners are determined to first secure Russia's eastern Siberian gas before giving the green light to the Altai route.<sup>12</sup>

For Moscow, the Western Route pipeline is also more profitable than the Eastern Route, given western Siberia is rich in matured gas fields and shelves, and construction of a single pipeline would be sufficient for supplying the agreed gas volume. It requires less investment and shorter time frame for the construction to realize a stable cash flow, something the Russian economy needs in face of western sanctions. East Siberia on the other hand involves greater investments to exploit the gas fields.<sup>13</sup>

12 Keun Wook Paik *et al*, "Through the Dragon Gate?" p. 11.

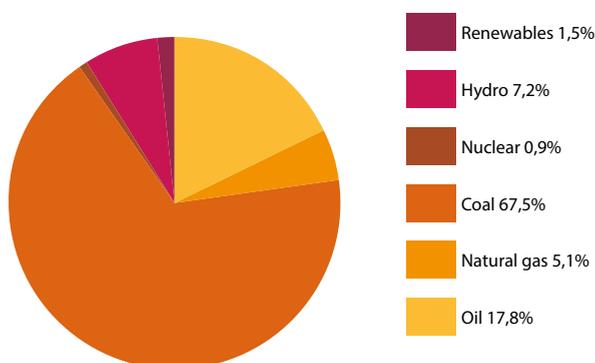
13 Li Lifan and Wang Chengzhi, "Energy Cooperation Between China and Russia", p.11

### *Russian gas meets a small portion of China's energy demand*

Despite Russian claims that it can divert European gas to China, Beijing has flexibility to meet future gas demands from sources other than Russia.

In International Energy Agency (IEA)'s 2014 Medium Term Gas Report, China's projected demand for natural gas nearly doubles by 2019 to 315 bcm.<sup>14</sup> China consumed 148 bcm of natural gas in 2012, placing it as the 4th largest global consumer of natural gas. Nonetheless, natural gas consists only 5.1 % of China's total energy mix while world average is 23.7%.<sup>15</sup> The Chinese economy continues to rely on coal for nearly 70 % of its total energy consumption (See Chart 1).

**Chart 1: China's Energy Mix<sup>16</sup>**  
**China's massive reliance on coal (energy consumption 2013)**



Source: BP Statistical Review of World Energy 2014 (ofwealth.com)

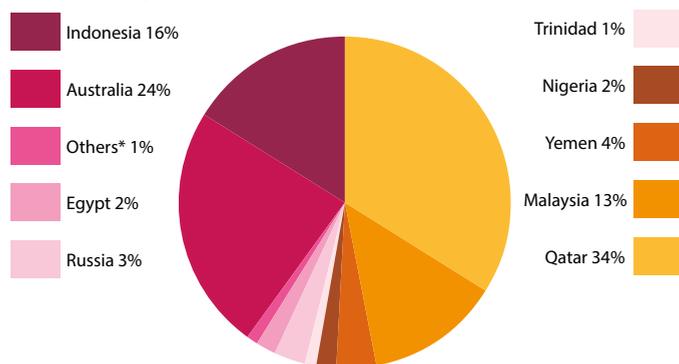
Moreover, Russia is unlikely to capture all of China's natural gas market, as it needs to compete with U.S., Canadian and Australian LNG as they come online. Both Asian energy demand growth and LNG prices are higher than in Europe, so Russia would face many competitors from North America, Qatar, Indonesia, and West Africa for the China/Asia market (See Chart 2).

<sup>14</sup> Amy Myers Jaffe, Kenneth Medlock III, Meghan O' Sullivan, "China's Energy Hedging Strategy: Less than Meets the Eye for Russian Gas Pipeline," National Bureau of Asian Research, February 2015.

<sup>15</sup> BP Statistical Review of World Energy 2014.

<sup>16</sup> Marco Polo, 'China's looming energy crisis', Of Wealth, 16 April 2015, <http://www.ofwealth.com/chinas-looming-energy-crisis/#.VUgmg86aLII>

**Chart 2: Sources of Gas imports 2012**



Source: FACTS Global Energy. Others: Oman, Algeria.

In a recent study using the Rice World Gas Trade Model (RWGTM), in no scenario does Russia capture an overwhelming proportion of China's gas demand. In fact, Russia's share of northeast Asian natural gas market never exceeds 9% by 2030 and has difficulty exceeding 3% in the next decade.<sup>17</sup> In comparison Russia supplies 27% of Europe's natural gas market with dominant positions in Eastern Europe.<sup>18</sup>

LNG is also predicted to overtake pipeline supplies as the dominant form of Chinese gas imports by the 2030s.<sup>19</sup> Currently LNG imports are slightly higher than pipeline imports (See Chart 3). With Russia's pipeline imports via the Eastern Route at 38 bcm, this would satisfy 12% of China's expected natural gas consumption by 2020. When the additional Western Route comes through at 30 bcm, then Russia's total exports of 68 bcm would supply about 20% of China's gas consumption.<sup>20</sup>

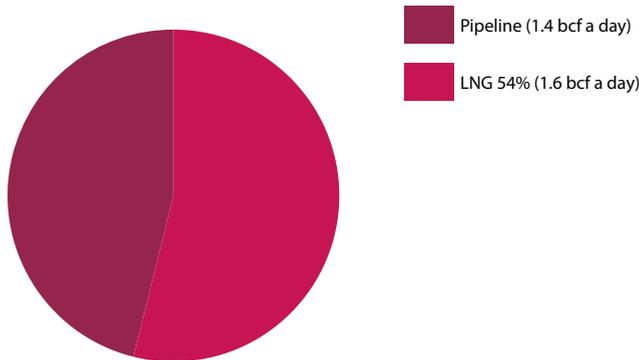
17 Amy Myers Jaffe, Kenneth Medlock III, Meghan O' Sullivan, "China's Energy Hedging Strategy: Less than Meets the Eye for Russian Gas Pipeline", National Bureau of Asian Research, February 2015, p.2. According to the report, "the Baker Institute's RWGTM was developed by Kenneth B. Medlock III and Peter Hartley at Rice University using the MarketBuilder software platform provided through a research license with Deloitte Marketpoint, LLC. The architecture of the RWGTM, the data inputs, and modeled political dimensions are distinct to Rice University and its researchers. The model is used to evaluate how different geopolitical pressures, domestic policy frameworks, and market developments can influence the long-term evolution of regional and global gas markets and how those developments in turn influence geopolitics."

18 Ibid.

19 BP Energy Outlook 2035, February 2015, p. 61.

20 Jaffe et al, "China's Energy Hedging Strategy", p.4.

**Chart 3: China's LNG and pipeline gas imports (2011)**



Source: BP Statistical Review of World Energy

### CAN RUSSIA PLAY EUROPE AND CHINA AGAINST EACH OTHER?

Russia is unlikely to play China and Europe against each other via its gas pipelines.

Firstly, East and West Siberia are different sources with different pipelines, and China is mainly interested in the Eastern Route. The Western Route will have additional competition from Turkmen sources through the existing Central-Asia-China gas pipeline with 80 bcm capacity by 2030. Currently there are three lines, with A & B supplying 30 bcm and line C for an additional 25 bcm by end of 2015. A fourth line D running through Uzbekistan, Tajikistan and Kyrgyzstan to deliver Turkmen gas to China will supplement these, bringing total volume in the network to 80 bcm. Additional routes may also be envisaged to carry future gas volumes from Turkmenistan's vast resources once they come on stream.<sup>21</sup>

Secondly, China and Russia may continue to have disagreements over pricing regarding the Western Route. The POS was 10 years in the making and the main obstacle was disagreement over price. Russia had charged European customers \$437.5 per thousand cubic meters (TCM) while China paid only \$350 per tcm for Central Asian gas. Now Gazprom's European price fell to \$380.5 per tcm. With Australian LNG about to flow and US LNG to follow, Russia had to strike a quick deal, and in the end both sides most likely agreed to a price closer to China's bid than Russia's ask.<sup>22</sup> Given that China obtains lower prices from other suppliers, it is difficult to justify only paying Russia higher prices and not other suppliers. In

<sup>21</sup> Song Yen Ling, "Third link of Central Asia-China gas pipeline to be fully operational by end-2015" *Platts*, 3 June 2014; Vladimir Socor, "China to Increase Central Asian Gas Imports Through Multiple Pipelines", *Eurasia Daily Monitor*, Vol. 9, Issue 152, 9 August 2012.

<sup>22</sup> Felix K. Chang, "Friends in Need: Geopolitics of China-Russia Energy Relations, Foreign Policy Research Institute, May 2014.

the meantime, Russia is gaining higher prices from Europe for its West Siberian sources.

Thirdly, Russia needs export earning revenues from Europe as its largest market. Edward C. Chow from Center for Strategic and International Studies (CSIS) observed that Russia-Europe energy relationship is one of co-dependency, and pipeline legacy infrastructure means Russia can't easily divert its European exports elsewhere in the short term.<sup>23</sup> Europe imports 50% of its gas consumption and over 80% of its imports are via pipelines mainly from Russia.<sup>24</sup> In turn Russia is dependent on Europe for 80% of its total oil and gas exports that contribute to more than 25% of its GDP, 50% of its federal budget revenue, and about 2/3 of Russia's export earnings.<sup>25</sup>

Thus EU will continue to be the bulk of Russia's much needed energy export earnings. In 2010 it held a 61% share in Russia's energy export revenues while China only held 2%. China's share will rise to 20% by 2035 while EU slides to 48%, but still more than double the amount of revenues from China.<sup>26</sup>

Finally, natural gas remains a small portion of China's energy mix compared to coal and oil, with various suppliers from North America, Central Asia, West Africa, that compete with Russian gas.

As such, China and Russia's increasing energy ties should not be of major concern to the West. Nonetheless, energy is only one dimension of Sino-Russian bilateral relations, and other dimensions are driving China and Russia to seek a condominium across Eurasia to hedge against the West, especially democracy-promotion and "colour revolutions" that they view as a threat to regional stability and security of energy supply.

#### SINO-RUSSIAN STRATEGIC ALIGNMENT IN THE EURASIAN SHANGHAI COOPERATION ORGANIZATION (SCO)

For the Chinese, promoting Sino-Russian energy cooperation is part and parcel

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<sup>23</sup> Natalia Ulchenko, "From South Stream to Turkish Stream: Underlying Reasons and Consequences of Transformation" in "Russia's Diversifying Energy Relations", *Russian Analytical Digest* No. 163, 24 February 2015, p.7; Edward C. Chow, "Energy Codependency" in C. Cohen & J. Gael eds, *Global Forecast 2015: Crisis and Opportunity* (Washington, D.C.: Center for Strategic and International Studies, 2014), p.44.

<sup>24</sup> BP Energy Outlook 2013, p.61.

<sup>25</sup> Edward C. Chow, "Energy Codependency", p.43.

<sup>26</sup> International Energy Agency, *World Energy Outlook 2011*, p. 335; Stylianos Sotiriou, "Russian Energy Strategy in the European Union, the Former Soviet Union Region, and China" (Lanham, MD: Lexington Books, 2015), p.129.

of its broader foreign policy launched in September 2013: the Silk Road Economic Belt and the Maritime Silk Road across Eurasia (Map 3).<sup>27</sup> Within this context Moscow and Beijing will work to further energy cooperation as well as enhance connectivity via pipelines, railways and infrastructure projects. According to Zhu Weilie, director of the Center for China-Arab States Cooperation Forum Studies and professor at Shanghai International Studies University, the Silk Road Initiatives were an upgraded version of Chinese enterprises' "going out" strategy back in 1993, when China first became an oil importer.<sup>28</sup>

**Map 3: China's Silk Road Economic Belt and Maritime Silk Road**



Source: Xinhua, May 8, 2014

Silk Road Initiatives are generally administered under the auspices of the China-led Shanghai Cooperation Organization (SCO). Established in 2001, the SCO is a Eurasian security organization that brings together almost half the world's population (including observers), with several nuclear weapons states (China, Russia, India, Pakistan and perhaps Iran), and includes key energy exporters in Central Asia as well as some of the world's fastest growing economies (See Map 4).<sup>29</sup>

<sup>27</sup> Li Lifan and Wang Chengzhi, "Energy Cooperation Between China and Russia", p.13

<sup>28</sup> Pu Zhendong and Li Xiaokun, "Silk Road Offers Sino-Arabian Blueprint," *Washington Post*, June 6, 2014

<sup>29</sup> Members are China, Russia, Kazakhstan, Uzbekistan, Tajikistan and Kyrgyzstan, while Observers are India, Pakistan, Iran, Afghanistan and Mongolia. Belarus, Sri Lanka and Turkey are Dialogue Partners.

#### Map 4: Shanghai Cooperation Organization



Source: Nikolay Kurbatov, "SCO", *Wikipedia*, updated 23 December 2014

In what began initially as a security bloc to combat the "three evils" of terrorism, separatism and extremism, the SCO has grown to be a multi-dimensional Eurasian organization with cooperation in the energy, economic/infrastructure, and military sectors. With Russia currently chairing the rotating presidency, the SCO is slated to admit India, Pakistan, and possibly Iran in the upcoming July summit-provided that Iran's UN sanctions are lifted.<sup>30</sup> Turkey is currently a Dialogue Partner, but President Erdogan has also expressed interest in joining as a full member, and eyeing military cooperation with its Eurasian neighbours including missile defence with China and perhaps procuring the S-300 from Russia.<sup>31</sup>

Moreover, the SCO is promoting an Energy Club for deeper cooperation among

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30 Christina Lin, "Iran UN Sanctions Relief-The Road Towards S-400 and Deterring US/Israeli Air-strikes?" ISPSW/ETH Zurich, February 2015; Paul Richter, "Iran seeks quick relief from U.N. sanctions in nuclear talks", *LA Times*, November 15, 2014, <http://www.latimes.com/world/middleeast/la-fg-iran-nuclear-talks-20141114-story.html>; "Iran's accession to SCO real – Russian FM", *Trend News*, January 21, 2015, <http://en.trend.az/iran/nuclearp/2355535.html>; Thomas Grove, "Russia may send S-300 missile system to Iran – media", *Reuters*, January 20, 2015, <http://www.reuters.com/article/2015/01/20/us-russia-iran-missiles-idUSKBN0KT1K420150120>. "SCO to admit new members: India, Pakistan, Iran and Mongolia", *Stratrisks*, 2 August 2014.

31 Zachary Keck, "Turkey Renews Plea to Join Shanghai Cooperation Organization", *The Diplomat*, 1 December 2013; "Erdogan to Putin: Let Us Into SCO!" EurasiaNet, 23 November 2013; Christina Lin, *The New Eurasian Embrace: Turkey Pivots East While China Marches West*, 2013-2014 Transatlantic Academy Paper Series No.3, May 2014 <http://www.gmfus.org/publications/new-eurasian-embrace>; Tulay Karadeniz, "Turkey eyes deal with China on missile defense despite NATO concern", *Reuters*, 19 February 2015 <http://www.reuters.com/article/2015/02/19/us-turkey-china-defence-idUSKBN0LN0W220150219>; Zachary Keck, "NATO Beware: Turkey May Buy Russia's S-300 Air Defense System", *The National Interests*, 6 May 2015; <http://nationalinterest.org/blog/the-buzz/nato-beware-turkey-may-buy-russias-s-300-air-defense-system-12822>.

these Eurasian energy producers, consumers, and transit states.

### *Energy Cooperation and the SCO Energy Club*

Russian President Putin first floated the idea of a SCO Energy Club in 2006. With SCO members comprising 3/5 of Eurasian territory with a population above 1.5 billion people, it hosts 25% of world oil reserves, above 50% of world gas reserves, 35% of coal reserves and nearly half of world explored uranium reserves.<sup>32</sup> As Michael Rühle and Julius Grubliauskas argued in their April NATO Defense College paper, geography matters for energy, and the geographic proximity between major energy producers (Russia, Iran, Kazakhstan), consumers (China, India) and transit countries within SCO are driving further cooperation.<sup>33</sup> Moreover, the SCO consists of states in the Caspian Sea and Persian Gulf that are located in the “strategic energy ellipse” with 70% of the world’s conventional energy sources (Map 5).

As such energy-hungry China is promoting its Silk Road strategy for Eurasian integration, and the SCO is based on British geographer Sir Halford Mackinder’s concept that the Eurasia heartland is a strategic “pivot area” for world politics. Should a single power or a coalition of land powers control this region, it would be no match for the dominant naval power, which at that time was the British Navy (Map 6).<sup>34</sup> Professor Spykman later refined Mackinder’s strategy, and argued for the US Navy to maintain a strong presence in the “rimland” (Mackinder’s inner crescent) through military outposts or pro-US allied governments (Map 7).<sup>35</sup> Mackinder and Spykman view that control of the Eurasian landmass especially through the construction of railways, such as what China is doing via its Eurasia Silk Road Economic Belt, could prevent access by a dominant maritime power.

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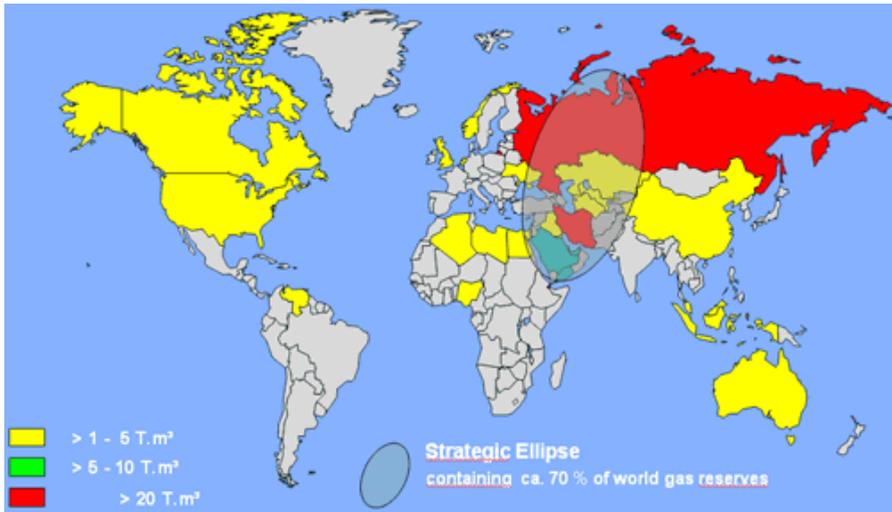
32 Vitaliy Bushuev, Valeriy Pervuhin, “SCO energy club: what it should be? InfoSCO, 13 March 2012.

33 Michael Rühle & Julius Grubliauskas, “Energy as a Tool of Hybrid Warfare,” p.1; Nivedita Das Kundu, “Russia pushes for strengthening SCO’s energy club”, *Russia & India Report*, 13 August 2013.

34 H. J. Mackinder, “The Geographical Pivot of History”, *The Geographical Journal*, vol. 24, no. 4, 1904, p.435; Francis Sempa, “IS China Bidding for the Heartland?” *The Diplomat*, 21 January 2015; Artyom Lukin, “Mackinder Revisited: Will China Establish Eurasian Empire 3.0?” *The Diplomat*, 7 February 2015; Hou Songling & Chi Diantang, “China’s Near Seas: Strategic Position and Geo-Strategic Importance”, *Contemporary Asia-Pacific Studies No. 10*, 2003; Lanxin Xiang, “China’s Eurasian Experiment”, *Survival*, Vol. 46, No. 2, Summer 2004; “China pushes for opening up to Eurasian heartland”, *Xinhua*, 1 September 2011.

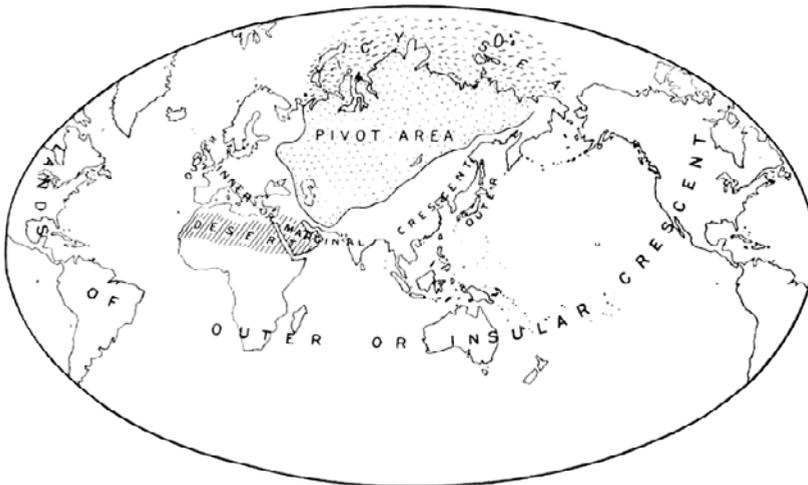
35 N.J. Spykman, *The Geography of the Peace* (New York: Harcourt, Brace and Company, 1944); <http://vijeshjain.com/2011/08/08/legacy-of-mackinders-heartland-theory-in-modern-times/>

**Map 5: Strategic Energy Ellipse**



Source: Timothy Boon von Ochssee, *Exploring Geopolitics*, July 2007

**Map 6: Sir Halford Mackinder's Heartland Theory**



Thus NATO and SCO seem to be emerging as two regional blocs—one based on the transatlantic western liberal order focused in the Greater Mediterranean and the other based on a more autocratic order in Eurasia, with mutual interests in the strategic energy ellipse of the Caspian/Persian Gulf region where most of the world's conventional energy reserves are located.

Map 7: Heartland is main area of SCO



*Energy Security Scenario of a Gas OPEC?*

Currently, energy exporter Turkmenistan is not a member of the SCO, choosing instead to pursue a multi-vector policy of exporting to China, Russia, the planned Turkmenistan-Afghanistan-Pakistan-India (TAPI)- pipeline, and possibly to Europe. However, SCO is taking steps to bring TAPI under its fold, as Turkmenistan has been a guest attendee of SCO summits. In 2011, SCO General Secretary Muratbek Imanaliev stated that "...the SCO is discussing the idea of the creation of an 'energy club' that would help strengthen energy cooperation within the SCO" and that "TAPI is an interesting project...such projects are important for all their participants, and we understand the importance of this project for the settlement of the Afghan issue."<sup>36</sup>

With establishment of the EU Energy Union, the formation of a genuine SCO energy club might not be far away, and as stated earlier would be a formidable bloc of energy producing, consuming, and transit countries that could wield influence via its energy sources.<sup>37</sup> Russia and Iran rank top two in the world's natural gas reserves, with China and India providing stable energy consuming markets. In fact, Russia and Iran also called for Gas exporting Countries Forum (GECF) to form a gas OPEC at the 2006 SCO summit.<sup>38</sup>

36 "Shanghai Cooperation Organization mulls energy club creation", *New Europe*, 20 March 2011.

37 Pepe Escobar, 'Eurasian geopolitics face Astana earthquake: Asian regional power seeks to counter US-NATO military strategy and gain control of energy flows into Europe and Beyond', *Al Jazeera*, 12 June 2011; Stephen Blank, "The Shanghai Cooperation Organization as an 'Energy Club', Portents for the Future", *Central Asia-Caucasus Institute Analyst*, 4 October 2006.

38 Sergei Blagov, "Russian moves spark 'gas OPEC' fears", *ISN ETH Zurich*, 10 July 2006; Zachary Fillingham, "SCO: Asian NATO or OPEC?", *Geopolitical Monitor*, 19 October 2009; Terry Macalister, "Russia, Iran and Qatar announce cartel that will control 60% of world's gas supplies", *Guardian*, 22

The GECF is based in Doha, Qatar, and was established in Iran in 2001. Members control over 67 % of the world's natural gas reserves, 40 % of pipeline trade and 65 % of LNG production.<sup>39</sup> Currently they seek price collusion due to ongoing gas glut and fear of shale gas.<sup>40</sup> Many members are autocratic regimes with problematic relations with the West: Algeria, Bolivia, Egypt, Equatorial Guinea, Iran, Libya, Nigeria, Qatar, Russia, Trinidad & Tobago, UAE, and Venezuela. Angola and Yemen had sought membership while Iraq, Oman, Kazakhstan, Peru, Netherlands and Norway are observers.<sup>41</sup> Russia, Iran and Qatar collectively control 60 % of the world's gas supplies, and their 2008 announcement to form a cartel had sparked EU fears.<sup>42</sup>

In many ways GECF is similar to OPEC. Founded in 1960, OPEC was disorganized and ineffective initially, but changing market structure and political determination on the part of Saudi Arabia and its allies enabled OPEC to be an effective force in the globalized oil market during the 1970s and 1980s. OPEC members leveraged its market power to extract billions of dollars of "cartel profits" from consuming countries, and OPEC was a powerful political tool in the 1973 oil embargo against the West during the Yom-Kippur War.

If TAPI falls under the SCO canopy-given Afghanistan is already an observer with India and Pakistan as potential members in July, this would facilitate SCO's interest in forming an Energy Club and potential gas OPEC. Turkmenistan ranks fourth after Russia, Iran and Qatar in natural gas reserves, and is a key supplier for TAPI as well as the planned Trans-Caspian pipeline that will feed into the Southern Gas Corridor to reduce EU gas dependency on Russia.<sup>43</sup> However, it is neither a member of GECF nor SCO. Given its importance in these two western-backed projects, China and Russia had invited Turkmenistan to be a guest attendee at SCO summits with a view toward its eventual integration. In 2009, the late Venezuelan President Hugo Chavez asked Turkmen leader Berdymukhamedov "have

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October 2008; Russia, Iran, Qatar Agree on Gas OPEC", *Kommersant*, 21 October 2008.

<sup>39</sup> <http://www.gecf.org/aboutus/faq#>; Marcel Deitsch, "The Next Global Energy Cartel", *Forbes*, 10 December 2009.

<sup>40</sup> Christian Lowe and Thomas Pfeiffer, "REFILE-World's biggest gas exporters meet to cut glut", *Reuters*, 19 April 2010; Andrew Kramer, "Russian Will Lead Gas Exporting Alliance", *New York Times*, 10 December 2009; "Russia says GECF gas forum should become effective market tool", *RIA Novosti*, 24 March 2010; Vikas Shukla, "U.S. Shale Oil Boom Worries Russia, Saudi, Iran, Qatar", *Value Walk*, 5 August 2013, <http://www.valuwalk.com/2013/08/u-s-shale-oil-boom-worries-russia-saudi-iran-and-qatar/>

<sup>41</sup> <http://www.gecf.org>

<sup>42</sup> Terry Macalister, "Russia, Iran and Qatar announce cartel that will control 60% of world's gas supplies", *Guardian*, 22 October 2008; "Russia, Iran, Qatar Agree on Gas OPEC", *Kommersant*, 21 October 2008.

<sup>43</sup> "EU: Turkmenistan could supply Europe with Natural Gas by 2019" *Voice of America*, 3 May 2015;

you joined the gas OPEC?" Turkmenistan's answer is no so far, opting to carve an independent route for itself and prevent from being squeezed by China and Russia.

Nonetheless, despite EU's recent focus on Turkmen gas to diversify away from Russian imports, serious obstacles remain. Firstly, there is no agreement on delimitation of the five riparian states' borders in the Caspian Sea-Russia, Iran, Kazakhstan, Turkmenistan and Azerbaijan. Despite Azerbaijan, Turkmenistan, and the EU's argument that since the Ashgabat-Baku pipeline only passes through their territorial sectors so there is no need for consent of other littoral states, Russia could file a legal challenge that could hold up the project for years.<sup>44</sup> As such EU is now considering piping Turkmen gas via Iran that is still under sanction s over its nuclear program.<sup>45</sup>

Secondly, past delays in building pipelines (such as the now defunct Nabucco) was what prompted Turkmenistan to turn to China in 2010 – currently exporting 35 bcm via the Central Asia-China Pipeline. With the prospect of likely delays in constructing the Trans-Caspian Pipeline, the 30 bcm earmarked for EU would likely shift east again to China, given CNPC plans to import 65 bcm annually from Ashgabat by 2020 when additional sources come online.<sup>46</sup>

Given Russia is decreasing import of Turkmen gas from 11 to 4 bcm this year, Ashgabat needs other markets for its export earnings.<sup>47</sup> While India is a potential market via the TAPI pipeline, construction faces additional delays due to the security situation in Afghanistan. Thus the current lucrative export market is the functioning Central Asia-China pipeline. As discussed earlier China has three lines A, B, and C to transport 55 bcm of Turkmen gas to China in the next couple of years, with a planned line D to increase the volume to 80 bcm by 2030. Without a viable EU export market in the near future, the 10-30 bcm earmarked for Europe would likely turn east again to China, leaving Europe without this alternative to Russian gas imports.

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44 Bruce Pannier, "Still One Big Obstacle to Turkmen Gas to Europe", *Radio Free Europe/Radio Liberty*, 5 May 2015.

45 "Turkmen gas could reach Europe through Iran: EU official", *Agence France Presse*, 1 May 2015

46 *Ibid.*

47 "Turkmenistan's Q1 gas exports up 6.5 pct yr/yr", *Reuters*, 7 May 2015.

Map 8: Turkmenistan's Export Options



Source: Eurasia Review, 27 April 2015

Finally, China and Russia, along with Iran can forge a condominium on energy cooperation within the SCO. China is diversifying its energy supply with various Central Asian/Caspian sources such as Kazakhstan, Turkmenistan, Iran and Uzbekistan. As such China can divert these sources east while Russia exports the bulk of its supply west to Europe. For example, in September 2013 China became a full shareholder in Kazakhstan's Kashagan field, initially earmarked as a resource base for the Baku-Tbilisi-Ceyhan (BTC) pipeline with the main oil supply flowing west. China's current participation is diverting some of the oil eastward via the existing China-Kazakhstan pipeline.<sup>48</sup> Likewise, with Turkmen gas currently supplying 30 bcm to China and another potential 30 bcm earmarked for the EU. However, without a Trans-Caspian Pipeline to feed into Europe's Southern Gas Corridor, Turkmen will likely flow east to China to meet its demand of 65 bcm by 2020 and 80 bcm by 2030.

Iran also wants to extend its energy delivery network to China via Pakistan. China is already funding 85% of the Iran-Pakistan "Peace-Pipeline" to bring gas from southern Iran to the Pakistani cities of Gwadar and Nawabshah that can then link with the China-Pakistan Economic Corridor (CPEC) (Maps 9 & 10).<sup>49</sup>

48 "Who needs an energy club", *Stratrisk*, 17 September 2013.

49 Teddy Ng, "Iran wants to extend its energy delivery network to China" *Business Insider*, 23 April

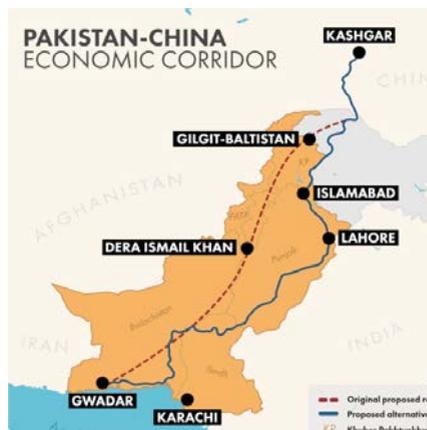
EU would thus have to compete with China for Iranian gas as an alternative to Russian imports.

**Map 9: Iran-Pakistan pipeline**



Source: *The Wall Street Journal*, 9 April 2015

**Map 10: China-Pakistan Economic Corridor<sup>50</sup>**



Source: *Gandhara RFERL*, 8 May 2015

## ECONOMIC COOPERATION AND RAILWAY DIPLOMACY

China is also actively courting Central and Eastern Europe via railway diplomacy and infrastructure projects. According to Dmitri Trenin from Carnegie Moscow Center in his recent article “From Europe to Greater Asia? The Sino-Russian Entente?” he noted how the Chinese have demonstrated tact in dealing with Russian sensibilities in its “near abroad”.

“Within the SCO, Russia enjoys an informal co-leadership role alongside China” and respects Moscow’s redline on establishing political alliances and military bases in the former Soviet space, unlike the NATO and EU.<sup>50</sup> Thomas Stephan Eder in *China-Russia Reflections in Central Asia* (2014) also observed how the SCO framework help buffer issues between China and Russia and serves as a forum for dialogue and coordination, and is actually a successful product of Sino-Russian cooperation rather than competition over former Soviet space and Eurasia.<sup>51</sup>

2015; “Pakistan gas deal: Iran backs China’s inclusion” *Pakistan Today*, 25 April 2015; Saeed Shah, Jeremy Page, “China Readies \$46 Billion for Pakistan Trade Route”, *The Wall Street Journal*, 16 April 2015. <sup>50</sup> Dmitri Trenin, “From Greater Europe to Greater Russia? The Sino-Russian Entente”, Carnegie Moscow Center, 9 April 2015, p.10.

<sup>51</sup> Thomas Stephan Eder, *China-Russia Reflections in Central Asia: Foreign Policy in Beijing’s New Assertiveness and 21<sup>st</sup> Century Geopolitics* (Wien: Austria: Springer US, 2014), p.122.

Thus China is focused on economic ties and infrastructure investments in Central and Eastern Europe. In December 2014, Chinese premier Li Keqiang joined his counterparts for the SCO annual prime minister summit in Astana, Kazakhstan, then headed to Belgrade, Serbia, for the China-Central and Eastern European (CEE) Leaders meeting.<sup>52</sup> It is no coincidence that China-CEE meetings are scheduled close to SCO meetings, because Central Asia and Central-Eastern Europe are part of China's Silk Road Economic Belt.

The China-CEE meeting was launched in 2012 consisting of China and 16 states including 11 EU members. Beijing views CEE as a beachhead unto Western Europe, taking advantage of still transitional economies of Southeast Europe to circumvent some of EU's anti-dumping regulations, and export products directly to a market of 800 million people via their Free Trade Agreements with the EU.<sup>53</sup>

In 2012 China offered a \$10 billion credit line for some of EU's newest members and others in western Balkans that are aspiring to join the bloc, as Beijing wants to accelerate a network of ports, logistics centres and railways to distribute Chinese products to bolster East-West trade.<sup>54</sup> This fits with plans for China to expand its presence in Greece's main port of Piraeus, where Chinese global shipping carrier COSCO won a 35 year concession in 2009 to upgrade and run two container cargo piers, as a gateway to the Balkans and onto Central Europe.<sup>55</sup>

As part of Xi Jinping's "one belt, one road" initiative, there will be a northern route consisting of regular trains between China and Europe via Central and Eastern Europe, and a southern route based on the Greek port of Piraeus, with the Belgrade-Budapest High Speed Railway connecting Serbia and Hungary. This southern route could be a China-Europe land-sea express line.<sup>56</sup> However, with the new left-wing government in Greece, China's privatization of Piraeus Port had run into difficulty. As such, China is eyeing Italian ports as a potential alternative to integrate with the Balkans for the land-sea express line.<sup>57</sup>

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52 Shannon Tiezzi., "Chinese Premier Links Central Asia, Europe with Silk Road Tour", *The Diplomat*, 17 December 2014.

53 Valbona Zeneli, "Why is China so interested in Central and Eastern Europe?" *The Globalist*, 11 June 2014.

54 Ioana Patran, "China seeks to boost trade with ex-communist Europe", *Reuters*, 26 November 2013.

55 Ivana Sekaulrac "China Looks to Up Investment in Central, Eastern Europe", *Reuters*, 16 December 2014.

56 Dragan Pavlicevic, "China's New Silk Road Takes Shape in Central and Eastern Europe", *China Brief*, Vol. 15, Issue 1, 9 January 2015. China also plans to connect railways from Thessaloniki with Macedonia, onto Serbia and Hungary. Dragan Pavlicevic, "China's Railway Diplomacy in the Balkans", *China Brief*, Vol. 14, Issue 20, 23 October 2014.

57 Emanuele Scimia, "Greece's Reversal Puts China's Mediterranean Plans Back on Track" *World Politics Review*, 27 February 2015; Patrick Brown, "Orient express, China's grand plan for a New Silk Road", *CBC News*, 19 January 2015; Angela Yu, "Piraeus privatization back on as COSCO China

## *Military Cooperation and CSTO-SCO Merger?*

In tandem with the energy and economic prongs of Sino-Russian cooperation, Moscow and Beijing are also upgrading their military ties. Not only have they conducted joint military exercises with other SCO members under the Peace Mission moniker, China and Russia have upgraded their naval cooperation with exercises in the Western Pacific as well as the Mediterranean.<sup>58</sup>

Currently, China is debating the direction of SCO towards a potential collective security alliance. In a 2011 op ed by Xinhua's chief researcher with the Center for Global Challenges Studies, the author Sheng Shiliang argued that SCO already has close cooperative security structures with CSTO (Collective Security Treaty Organization) spearheaded by Russia.<sup>59</sup> He posits that in the near future, SCO could draft proposals to create a security system with SCO members and observers, and begin a stage-by-stage construction of a collective security system in Asia.

This vision is not entirely far-fetched since SCO and CSTO members overlap (Map 11). CSTO members include Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Belarus and Armenia, and is a military alliance with a mutual defence clause like NATO (e.g., attack against one is attack against all). Afghanistan and Serbia are observers while Iran is a candidate. At the June 2014 SCO annual summit in Dushanbe, Tajikistan, the prospect of a SCO-CSTO merger was raised.

Russia has been pushing for militarization of the SCO via CSTO and in 2007, CSTO and SCO signed a security agreement for closer military cooperation. Moreover, despite China's initial reluctance to prevent creeping militarization of the SCO to detract from its focus on economic development, due to its voracious energy appetite and attendant military role to protect its overseas interests, Beijing's energy need and Moscow's military goals finally coalesce around militarization of energy security. As energy is increasingly employed as a tool of hybrid warfare, this may be a strong driver to merge CSTO with SCO over time.

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bids", *IHS Maritime* 360, 30 March 2015.

<sup>58</sup> "Mediterranean Naval Exercise to Strengthen Russia, China Relations", *Sputnik*, 3 May 2015; Noah Feldman, "What is China's Navy Doing in Mediterranean?" *Bloomberg Views*, 1 May 2015.

<sup>59</sup> Sheng Xhiliang, "Will the SCO become a mainstay of Asian security?" *RIA Novosti*, 7 June 2011. *Interfax*, 14 May 2007; Christina Lin, "The Prince of Rosh: Russian Energy Imperialism and the Emerging Eurasian Military Alliance of the Shanghai Cooperation Organization", Institut für Strategie- Politik- Sicherheits- und Wirtschaftsberatung (ISPSW)/ETH Zurich, 11 February 2009 <http://www.isn.ethz.ch/Digital-Library/Publications/Detail/?id=96417>

Map 11: CSTO/SCO



Source: Wikipedia

## CONCLUSION

In sum, China-Russia energy relation is unlikely to impact Europe's energy security in the near term. However, a Beijing-Moscow condominium across Eurasia and a potential SCO Energy Club may wield greater influence to constrain US/NATO freedom of action. Given China is competing with Europe for Central Asian and Middle East energy sources, in the near term Europe may need to consider alternatives that are closer in the Mediterranean. Algeria and Libya have been important sources in the past, but continued political instability may hamper future exports to Europe. Perhaps new Eastern Mediterranean source that involve gas from Israel and EU member Cyprus, transiting through EU member Greece, could supply the Southern Corridor as a near term supplement to eventual Central Asian and Middle East supplies.





ANDRIY KOBOLYEV

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## A TRUE REFORM FOR THE UKRAINIAN GAS SECTOR

The energetic question in Ukraine is deeply entangled into the political and economic situation of the country. In 2014, Ukraine, hit by war, was in a difficult economic situation, with difficulties to go through last winter and a huge financial deficit, almost impossible to cover. At the time, Gazprom was the largest supplier of gas to Ukraine.

Before going into details, let me first make one step back, and start with the broader context. It is essential to understand that oil and gas are two separated and quite different issues. When it comes to energy security in Easter Europe, especially in Ukraine, we should speak about gas and not oil. The latter, in fact, is a mere commercial vehicle in Russia, used for profit. Gas, instead, is a political tool, used to achieve political goals. That comes along with the fact that in Russia, profits are easily sacrificed for political priorities, as the very last winter clearly shows. Gazprom cut gas supplies by 50% – and sometimes even more – to all companies and countries supporting the Ukrainian cause. Russian analyst assessed \$7 billion loss for that one exercise. Gazprom’s management was aware of the impact, nevertheless they went forward with the action, given the strong political will behind it. This would never have happened with oil. Gas, on the contrary, has become a very important tool in modern hybrid warfare.

Speaking about Ukraine in the specific, it has been used in two ways. First, and most obvious, Russia exploited gas negatively affect Ukrainian economy. Until this winter, Russia supplied 92% of Ukrainian gas and cutting down this share, it managed to get the highest price Ukraine paid over the last four years. That is a huge leverage power. The second, less obvious aspect of gas is its role as a facilitator of bribery. Gas has been used to corrupt every single Ukrainian President, until the current one. I am stating that coming from eight years of experience in Ukrainian gas fields and I saw how that happened to Kuchma, to Yukhchenko, and Ilianovic.

Gas is convenient for bribery. It is sufficient to put an intermediary between Gazprom and the Ukrainian government – as for example a well-known Swiss Company – do some paper work, to extract up to \$1 billion a month.

Consequences are very damaging not only in economic terms, but also for Ukrainian politics. There is a very strong pro-Russian wing in the Parliament which is has grown with Russian money. Even if progress has been made, we are far from a solution. I received three inquiries as soon as Naftogaz shifted supplier, from Gazprom to Statoil. Three different deputies required the disclosure of all aspects of the contract and warned from corruption potential.

All that to understand the framework. Now, let's go into what happened last winter. Things were as simple and complicated as just described, and we chose a direct approach. First, we removed all existing and potential corruption between the supply companies, Naftogaz and final consumers. There are no more intermediaries with western companies and the monopolistic structure has been replaced with a competitive market where many companies compete as suppliers. Free market practices in trading gas, helped the government to save more than \$3 billion, which is a huge amount of money for a country like Ukraine.

A second main achievement is diversification. Supported by the European Union and in particular by our Slovakian friends, we managed to open new roots to source gas to Ukraine. It is not known, but this route could have been potentially launched several years ago. However, it did not happen. With a little bit of investigation, it comes up that the previous head of Ukrainian gas infrastructures was a Russian citizen. Now, opening the West flow from Europe helps us to create competition, which is critical. Indeed, we truly believe that alternatives to Russian gas helped us through the winter, leading us to achieve a new agreement with Gazprom. Even if the agreement is just temporary, and final decisions are postponed to next spring in Stockholm, that is a huge step forward for Ukraine in the gas market.

Another aspect strictly connected with energy security is the fact that Gazprom and the Russian federation had to cancel the south stream project. On the one hand, Ukraine has its own strategic interest in not creating alternatives to national roots. On the other hand, the failure of the project has positive implications also on Europe more broadly speaking, since the plan was not pivoted around Ukraine, but rather aimed at circumventing the third energy package. As a matter of fact, the European third energy package is one of the worst scenario, from the point of view of Russian interests in gas trading.

The Russian strategy is quite simple. Choose one country and make sure to be the only supplier. The absence of other suppliers is usually achieved by removing or blocking interconnections between countries. Given that, it is possible for Russia to dictate prices and specific terms for each country. That was the case for Ukraine and many other countries in Eastern Europe. As far as we understand it, it is also the reason why the European Union decided to proceed with an anti-monopoly investigation against Gazprom. That said, it is easy to put the South stream project in that framework, as part of the strategy to make sure that gas is delivered directly to the country without free flows or reverse flows between countries.

The new idea, which popped up recently, is the Turkish stream. Also that one looks a little bit like a bluff, the more so because from a mere economic point of view it makes no sense. From the political point of view, it would be necessary to blackmail European consumers to switch delivering points. A number of reasons, which have nothing to do with economic profitability, explain why Gazprom launched that project. First, once \$5 billion are wasted creating onshore pipelines, something has to be done with them. Second, selling gas through Turkey in the attempt to create specific pricing conditions paves the way for further gas submissions corridors from countries like Turkmenistan, Azerbaijan and potentially Iran, with consequences all over Europe.

Now, what is key is that the feasibility of this project is totally in European hands, first reason being the demand side. If there are no customers willing to take the gas, there is no reason to build any supply. Moreover, Gazprom and the Russian federation are not capable of building the sub water pipeline without European technology. They need European companies to help putting pipelines on the floor of the Black Sea and unless Europe is willing to do it, everything is blocked. We advocate for transparency on this project, which should be recognized as an issue within both the European Union and NATO, otherwise it will be further used as tool to push for the Russian political agenda.

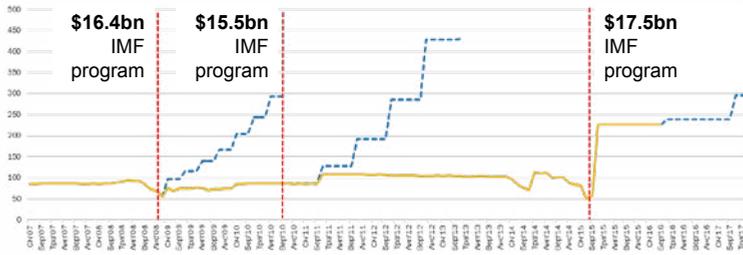
For my concluding remarks, I would like to come back to the specific situation in Ukraine. This image compares promises made by the last three governments on bringing gas prices back to market level- blue dotted line- and actual implementation, yellow line. The two first governments failed. The last one has managed so far to increase gas prices in Ukraine. That has been, and still is, one of the most difficult reforms to have passed, and those politically responsible for the changes achieved will have big issues during the next elections. The failure of the reform would mean that Ukraine is a failed state, which makes the debate highly politicized and affected by extreme positions, with fierce activism by the Russian wing. On the other hand, the success of the reform, by getting rid of energy dependency, would help the country to grow and develop along a new way.

Household tariffs increased starting form 1 April 2015

**Tymoshenko Govt.**  
Market level tariffs  
in 3 years by 2012

**Azarov Govt.**  
Market level tariffs in  
2.5 years by May 2013

**Yatsenyuk Govt.**  
Market level tariffs  
in 2 years by May 2017



- — — Tariff increase schedule the government committed to
- — — Actual tariff level (weighted average across categories of households, in US\$)



RUSSIA: OIL VALVE WITH A BEAM PUMP



# Session 3

## CO-OPERATION AMIDST CURRENT CRISES AND FROZEN CONFLICTS?





JON FREDRIKSEN

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## UKRAINE: GOING BACKWARDS IN NOT AN OPTION

The challenges posed to European security are not limited to the Ukrainian crisis, but encompass a much wider set of problems, rooted in the failure of Russian integration into the European setup. As the Norwegian Ambassador in Ukraine I will first try to shed light on facts and then move on to the efforts of integration in northern Europe, to which I dedicated previous years of my work and which I think do now provide one of the best way to move on out of the crisis. Facts are facts if known and understood and some of the facts happening in Ukraine are neither known nor understood.

First, Ukrainians are Ukrainians in the same way Norwegians are Norwegians. The picture of Ukraine being some kind of folkloristic continuation of Russia is widespread not only among Russians but also in Europe. Even among liberals, where there is a natural tendency to support the Ukrainian statehood, or at least share anti-Russian sentiments, this misunderstanding is quite common. Ukraine is a nation, a nation which has existed for centuries, even if in different countries, such as the Russian empire or the Habsburg empire. Speaking different languages and recognizing different confessions, Ukraine rests a nation with an undisputed territory for over 22 years. It is important to bear that in mind.

Second, if we recognize that there is a Ukrainian nation, we should ask ourselves why this nation should be condemned for trying to leave behind a period of oligarchy and lost opportunities and be instead sacrificed to fundamentalist positions and power games coming from the east. To that concern, an open question is also what lead Russia to neglect Europe and decline economic and political integration to both regional and international structures. More than 20 years ago, we set up the first structures designed for Russian integration on the regional level, in the Nordics. Before going into details, it is important to realize that what we are looking for, now, is a way forward in our relations with Russia, a new *modus vivendi*.

That means going backwards is not an option. In Brussels, I hear colleagues saying we should leave the Ukrainian nightmare behind us and get back to business as usual. That is not possible. The Russian annexation of Crimea, as well as the fierce rhetoric, almost propaganda, makes it impossible to turn around, as if nothing happened. More than 1,2 million people displaced, 7.000 killed in the conflict and 1 million gone to Russia. It unthinkable to put this back in the hole. Russia cannot do it, the West cannot do it and the Ukrainians will not. Indeed, it should be in the Western interest, in the NATO interest and in the interest of any single NATO member itself, to stand up against the Russian aggression to Ukraine. As the Polish President best put it: "Waiting for Ukraine to be absorbed does not promote our security".

And again, it is important to state the obvious, get things straight. In particular, it should be clear that art. 5 of the NATO charter not only applies unconditionally to all member states, but – under defined circumstances – it applies also to non-members. On that regard, hybrid warfare bring an additional challenge in play. However, this is not an argument to abandon Ukraine to its faith. On the contrary it brings us back to the red lines we would never allow to be crossed. The Ukrainian NATO partnership is on a good way, as we speak. What is needed for a comprehensive cooperation, is just to focus away from what we cannot do, to what we can do. The trust funds are a good starting point, even if, beside the NATO framework, there is also a lot of potential in multilateral cooperation on security.

Indeed, NATO is not the only actor which can enhance Ukrainian security, as well as the security of its neighbourhood. The European Union is a major provider of economic and political stability and, in the end, that is what the Ukrainian conflict is about. By the way the Union is deeply involved in security reforms under different shapes, through the Eastern Partnership, the European support to the justice sector reform and the direct support program to Ukraine. Specifically, the European Union has dedicated its efforts in the cleaning up of corrupt practices in Ukraine.

To that regard, the Ukrainian Ambassador to the EU recently stated the importance of the Union in the solution to the conflict, firmly rejecting the notion that European integration lies at the heart of the problem, as some may have suggested. The fact that the majority of Ukrainians want integration into the European Union is completely separated from the fact that there is conflict going on in the country.

Moving on to multilateral cooperation, I will refer to the direct experience we have had in northern Europe, setting up regional and sub-regional organizations, over the last twenty years. Structures like the Barents sea Council, the Baltic Sea

Council, the Arctic Council, played an important role as soft power tools, creating a platform for civic engagement with Russian regions. The Arctic council, for example, prevented conflicts over a long time. On the one hand, Nordic mediators are not needed to bring together Ukrainians and Russians. On the other hand, it makes sense to imagine these councils actively engaged in the regional development of countries like Ukraine and Belarus, with the goal of working out long term partnerships and cooperation structures, which may be critical in difficult times. The more so because those organizations already involve Russia and many Russian regions.

Another point worth to touch upon is the question of Russian propaganda, which has reached both unprecedented professionalism and menace. I have never seen this level of aggressiveness. It is depressing and it has a profound impact both in and outside Russia, leading to false information. More than many times I had to explain, for instance, that extremism in Ukraine is but a marginal phenomenon, with next to no influence at all over politics. Given the problem, I am not sure that a specular anti-Russia media effort is the way to go. Rather, protective measures should be developed. Stories about intentions and drivers of European politics should be communicated, not only to the Russian speaking audience, but also in Ukraine and in all neighbour societies. The European Union has not yet been able to efficiently address that kind of communication in the eastern neighbourhood. In fact, the overwhelming support for the European choice in Ukraine and Georgia is not rooted into any European effort.

To sum up, challenges we are facing are multifaceted and encompass a number of fields, from the military through the economic to the civic. In order to meet them we need a deep and careful understanding of the countries involved, first of all Ukraine and Russia as it is today. We also need a comprehensive approach, spanning from consolidating the alliance to rethinking regional and sub-regional instruments of engagement to the creation and deployment of credible and realistic narratives, clearly communicating our common European values.





JIRÍ SCHNEIDER

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## EU'S ESSENTIAL ROLE IN A COMMON EURO-ATLANTIC SECURITY FRAMEWORK

Russia's actions against Ukraine have challenged the fundamentals of the post-Cold War order. A revisionist claim to correct "history's mistakes" is in a sharp contradiction to principles of cooperative security in Europe and undermines the principles embedded in UN Charter, Helsinki Final Act and Paris Charter.

Russia employs both globally and regionally a spectrum of military and nonmilitary tools to assert its interests: from propaganda, psychological and information war, electronic warfare, local destabilization and subversion by unmarked armed groups, coercion through economic and financial tools, strategic brinkmanship testing military readiness by provocations in airspace or at sea to direct military intervention.

What are the implications for the EU's security and defense? Open societies governed by rule of law are strong enough to resist Russia's Information war, and propaganda. Nevertheless, it is necessary to audit the gaps in the EU's security and defense system, including its ability to withstand a limited military and/or cyber challenge.

Any markers of non-linear, hybrid warfare, unmarked armed bands, groups, irregulars or mercenaries, who may carry out acts of armed force, taking over government buildings or other strategic facilities should be met with resolute action by national law enforcement agencies. The remedy is in coordination of national contingency and crisis management plans within the EU. In area of internal security EU should be the primary security provider in strengthening its security resilience by law enforcement capabilities.

A proper enforcement of the EU anti-trust and anti-money-laundering rules should be the main tool how to prevent penetration of post-Soviet business mod-

el – as long as it is based on economic coercion, rent- and influence- seeking, doing business with Russia comprises increased economic and security risk.

The reassurance measures as agreed at Wales NATO Summit should become a backbone of conventional deterrence. Moreover, since Russia engages in subversive actions performed under nuclear umbrella, a non-conventional deterrence should not be limited as long as there is no substantial progress in nuclear arms control and reduction.

The EU should engage in active outreach policy towards its Eastern neighbours. Countries shaping their own future and transforming their governance – like Ukraine, Moldova and Georgia – should be supported in their efforts. The conflicts there are no longer frozen, could be ignited any time. A door should remain open to mechanisms of cooperative security (OSCE) to take place and to dispose their potential to destabilize European security.



ANDREI TARNEA

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## THE SERIOUS HOMEWORK TO FACE A CRISIS

Europe is entering in a new phase of its security structure, with a clear rupture to the past. We are in a transition to a post-cold war period, with wide crises to face as European Union, but also more broadly as transatlantic West.

Ukraine is one of those crises. I would like to get into the nature of the matter, which is quite complex, through two conversations I recently had, one in Berlin, the other in Kiev. The first conversation was with three Germans.

One of them was a businessman, who has been working throughout Russia for the past 15-20 years, with senior board positions both in Western companies investing in Russia and in Russian industry working nationally. The other was an artist, engaged in cultural cooperation between Russian and Western artists and audiences. The third one was an architect, still working extensively in Moscow. The three of them had strikingly different perspectives on the crisis between Russia and the West.

The businessperson recognized that the economic situation was deteriorating fast, far before Russia decided to annex Crimea. He moved all his assets back to Europe to a safer territory, cutting down his investments in Russia and refusing any executive position in Russian companies, in order to avoid legal proceedings against himself. That, he claimed, was the only reasonable thing to do. Indeed, many other German businesspersons did the same. The artist, instead, while willing to continue his cross-cultural projects, complained about the changed atmosphere, which made it concretely impossible for him to cooperate any more with Russian partners. Also in that case, the changed behavior of Russian artists preceded the Ukrainian crises. Finally, the architect simply underlined the fact that Moscow still had money. That, from his point of view, means he will continue serving Russian clients, as long as he earns good money. The three stories con-

verge, but in order to draw a clearer picture of the nature of the crisis I will now move to the second conversation, the one I had in Kiev with a number of people from Odessa.

Their identity was fluid. Some of them had Russian roots, others Ukrainian. One had an Israeli passport, the other an American one, one more was Rumanian. I asked them whether they were optimistic or pessimistic about the crisis in Ukraine. The answer was schizophrenic, to say the least. There was an irrational exuberance on how well Odessa is doing. Business was said to be ongoing, with very promising prospects in the Far East, as well as in Europe and in the Middle East. Even if they all recognized to be in a transition period, highly instable and which will not be over soon, they were also convinced that that particular situation would give the right chances to the right people, the one that are flexible, intelligent and innovative. However, most of them had their families living abroad, in Western Europe, where they were building their future. That gives a better idea of the contradictory nature of the conflict.

That being said, it essential to consider that the crisis we are in is not only about our relationship with Russia, but it is first and foremost a Western crisis, an identity crisis, a political crisis, an economic crisis. And – as all democratic crises – it is going worse, as populist politics gains ground.

The liberal model, in terms of being an effective deterrent to conflict, has failed. We managed to entangle Russia in cooperation for what concerns the financial market, investments and classic business. However, we failed to do the same on the strategic perspective. We do not share risks, or security objectives with Russia and we failed to replace the pre-89 security arrangement, based on the Cold War paradigm, with a new structure. The partnership was perceived as unequal, was not seen as bringing the same benefits to both sides.. The main failure concerned the peace dividend: we failed to renew the security institutions towards a post-Cold War phase, both within the European Union and NATO; not only in terms of looking at the benefits of the end of the confrontation, but also at the preparation for the next phase. The total number of American main battle tanks in Europe at the beginning of the Ukrainian crisis was zero, exception made for museums displaying II WW tanks. Now we have them back.

There is no doubt that we are in a post-Cold War transition, whatever that means. A NATO headquarter has recently moved from Italy to Romania [the temporary deployment of Allied Joint Force Command Naples to Romania for two weeks as part of Exercise Trident Joust 2015 – June 2015, note of the Editor]. Having American forces back in the Czech Republic, Poland and Romania is not about public relations, it is not just flying the flag. It is about a lasting security rearrange-

ment, which is going to have serious impact all over the region. Institutions did not adapt to that new context and we now need a new set of references to first understand how the crisis in Ukraine, as well as all the other crises both within and outside Europe, unfold.

Just two days ago, the Secretary General of NATO reaffirmed the willingness to cooperate with the European Union in the security field, renewing its commitment to the fight against serious trans-border crimes, as for instance people smuggling. That is a good step forward. Nevertheless, it shows how deep the strategic gap in Western cooperation is. When it comes to transformation throughout the Middle East, in the Mediterranean area at large and in the Balkans, we simply failed to address strategic shortcomings of both NATO and European institutions. The political decision not to have a commissioner for Enlargement within the European Commission, given that there is no intention to have enlargement in the coming five years, is simply striking. Moreover, it is an incentive to go back to or further in – depending on the country -corrupt governance practices, first of all in the Balkans. What is happening in Macedonia is not directly caused by the lack of a European commissioner for Enlargement, of course. However, political decision taken at the EU level do have consequences on national dynamics. The two cannot be separated.

Europe is ready, now, to take the necessary steps to address the lack strategic thinking. To that end, the Riga summit of the Eastern partnership will have to go far beyond expectations. The starting point is a common understanding of how European shortcomings in the security and strategic sector are to be interpreted. From the economic point of view, the ability of European institutions to quickly respond as one political and economic decision-making entity, is weak. The TTIP, Chinese projects like the 16+1 government meetings with central European and eastern Balkan countries, the Chinese “one road, one belt” approach to trade and investments in central Asia and again in Eastern Europe, all need a quick European strategic answer because the Chinese approach as a soft power is, until now, immensely successful. Since the Monnet method may be questioned, do we have the political instruments – in terms also of the European treaties themselves – to address this changing geopolitical geo-economic landscape, among which the crisis in the Mediterranean, the crisis in Ukraine and the crisis of relationship with Russia on the one side, within the transatlantic relation on the other, when it comes to the US shift towards the Pacific? Right now, we are not addressing all that in a coherent and structured manner.

At the same time, we do not have our own internal crisis under control. I am speaking of the so-called Grexit and the Euro crisis, the British referendum, the question of relationships between member states (opt ins and opt outs), the Med-

iterranean refugee crisis and the Balkans instability, related to Macedonia but not limited to it, the enlargement process and Moldova. Going on, we have the question of democratic legitimacy in Hungary, the way to face illiberal politics all over Europe. Orban does not have the political monopoly on that, we feel in France in Germany (Begrada) a political rhetoric that is an example of a dangerous trend. Slow politics as usual is not able any more to address current crisis. While focusing on the instruments available – as for example OESCE, which can operate on a consensus minus one base -, we do have to re-think the fundamentals. It is time for Europe to have political and strategic ambition again. How to achieve that is a billion dollar question.

A return to the table of discussion, creating a renewed strategic bargaining in Europe is not a workable solution. We have to do our homework first, within the European institutions and within NATO. Only then, we can go and tell our partners, whether in the greater Middle East, in Russia, or elsewhere, that we are ready to play our role on the international scene.



BENOÎT D'ABOVILLE

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## A NEW DETERRENCE BY THE WARSAW SUMMIT

The first point to underline is the fact that the public opinion debate in Europe, has not yet been won. On the contrary, a huge Russian propaganda campaign is underway, including in my country (France). It is playing the card of a supposed western guilt. The narrative is well-known: the West exploited the Russian weak situation in post-cold war to push for an unequal enlargement of NATO, contrary to what had been agreed at the time of the German reunification, and to entangle Moscow into unequal arm control treaties. Counter-arguments are quite obvious. Indeed, in the last fifteen years, Russia did not object to NATO and European enlargement, cooperating actively with NATO, as the overfly rights given to NATO for Afghanistan proves.

Second, we had not detected soon enough the change in Putin's politics, which is not a mere tactical move. We are now facing the breakdown of the post-Cold War security structure, and we lack now of an alternative architecture. In Helsinki we all subscribed to a very important principle, namely the fact that every nation has the right to freely choose its alliance, and that border would not be changed through force. We cannot simply abandon this principle, without an alternative security structure to mitigate the consequences. We are therefore for the longer haul, in a time that we cannot define yet as open confrontation, but that surely is of no-cooperation and no partnership.

Third, Putin has not yet been forced into a defensive position. Although economic problems start biting, sanctions were not so effective, as it has been thought. The government managed to compensate oligarchs in other ways and to put it simply, Russia is not Iran, playing a quite different role in both the world economy and global politics. As a matter of fact, it is worth noting that Russia invasion of Crimea has not been unanimously condemned within the United Nations or, more generally, on the international scene.

Considering the crisis from our own point of view, we have to define and deal with our priorities. The first one is to prevent the collapse of Ukraine, both the Ukrainian economy and its society. Estimates indicate a need for at least €50 billion in order to allow Ukraine to reimburse its debts. For now, we are only half way, having collected only €29 billion, not even considering the immense costs of reconstruction. If Ukraine is going on the brink we will have lost the game politically.

The second point to remember is that it is not possible to abandon and put aside, even for a while, the separatist region, if only for the fact that the area accounts for 20% of the Ukrainian GNP. Also, there is the necessity to consider that not all those people living in the area share the separatist aims. The idea of dealing only with the part of Ukraine which looks towards the West is contrary to our refusal to accept the result of the military intervention. It is also a negation of the growing feeling of Ukrainian national identity which has been bolstered amongst Ukrainians of all regions by Putin actions. A possible way out of this situation could be some kind of federalist arrangements similar to the one agreed upon in Kosovo and Bosnia. It is not an easy and politically pleasant idea, the more so when ones remember the Putin declaration "I will do a Kosovo to you". The fact remains that the kind of mechanism NATO and the European Union experimented in the Balkans could be a template for a political approach to be used again, with some adaptations, but it should include a definition of the red lines not to be crossed by Moscow.

In this context, the Minsk Agreement, even if it is often criticized, was a useful achievement. Not only it prevented the Ukrainian forces to collapse on the battlefield, but it is the only existing negotiation framework for the time being. The protocol is a good starting point which has brought on the table a number of very positive steps forward, such as an international control of the border through the OSCE and a federalist solution, which should be endorsed by Kiev, provided that it would not bestow undue power and political recognition on separatists.

From the point of view of NATO policies, I fully agree with the idea, already mentioned by previous speakers, of restoring the culture of deterrence. Putin is lowering the nuclear threshold, while rising the conventional one through hybrid warfare. That is a very strange combination, which, even if it were mere propaganda, puts NATO principles in a quandary, first of all art. 5 of the Treaty. The question is not about redefining art. 5 – it would be too dangerous and difficult – but rather about its interpretation in order to further discourage Russian interventions. Deterrence is a whole and cannot be just a conventional one. It is nuclear and we, in NATO, in spite of the various communiqués at each Summit, have somewhat lost this perspective during the past 15 years.

Yesterday somebody mentioned that we need a deterrence that “*does not go too far*”. I understand the fact that we have to take into account the public opinion in some western countries, but at the same time I would like to remind Putin’s warning to us about how far he is ready to go – including in the nuclear field – in case we decide to resist. We will have therefore a lot to adapt our nuclear conceptions to this new context :there are some important rendez-vous coming, including next year NATO Warsaw summit and looming decisions about missile defence and nuclear modernization that should not be postponed.

On this regard I would also add, agreeing with Jiri, that we should not enter again now in the field of arms control, with may be an exception for conventional forces.

We should accordingly forget about TNF negotiations, if only because a satisfactory result for those is quite impossible due to current the balance of those forces. Putin has said, since a long time, that he was ready to abandon the INF. Because there is now a debate about ambiguous limits on testing and accusation of violations should we also give up on this agreement? We could lose some verification possibilities linked with the treaty and in case of collapse of the agreement the question of new deployments on both sides will also rise.

However, even if the time for arm control is not auspicious, we could advocate again for a new approach on control over conventional forces in Europe. The Russians left the FCE treaty, and there were some minor disputes over troops in Moldova. However consolidating the principle of transparency is more important than ever, as we saw in the Ukraine crisis, the more so given Putin’s denial of its participation.

In short, the real battle for Ukraine rests both at the economic level and at the level of public opinion, opposing the Russian manipulations and in particular the false idea that we have somehow been responsible of the mismanagement of Western-Russian relations. We have to fight those ideas both in Europe, but also in Russia, where Putin enjoyed unimpeded support from his own public on the theme of the western duplicity at the time of Moscow weakness.



SERBIA: ROAD TUNNEL





# Session 4

## DEMOCRACY AND ECONOMY: THE INDISPENSABLE COUPLE?





ENZO QUATTROCIOCCHIE AND ALAN ROUSSO

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# THE SHAPING OF EASTERN EUROPE: DEMOCRACY AND ECONOMY

## INTRODUCTION<sup>1</sup>

Politics and economics affect each other. This much is not in dispute. Political decisions – decisions on ‘who gets what, when, where and how’ – have economic consequences. There are winners and losers. Similarly, almost all economic decisions taken by governments are political decisions. They are taken with different interests in mind. However, beyond these rather generic acknowledgements of the impact of one set of variables on another, there is little agreement amongst theorists and practitioners on how political and economic systems are related to each other, which is cause and which is effect and how to structure and sequence reforms in one to optimise results on another. The relationship between political and economic systems is undoubtedly complex.

Since the end of the Cold War, however, there has been a presumption that democracy and market-based economics go together. The American academic Francis Fukuyama famously referred to the triumph of democracy and markets over authoritarian politics and centrally planned economies in the Soviet bloc as the ‘end of history’.<sup>2</sup> Democratic politics and market economics, two systems employed in different fashions in the Western world, were deemed to be superior in terms of their ability to foster progress and overall life satisfaction for the people living under them. This informed a good deal of development thinking since the second half of the 20<sup>th</sup> century – based largely on the predominant ‘modernisation’ theory of the post-war era – and became the conventional wisdom by the start of the 1990s.

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1 This essay draws from the EBRD *Transition Report (2013), Chapter 2: Markets and Democracy*, pp. 22-37.

2 Francis Fukuyama, “The End of History?”, *The National Interest* (Summer 1989).

In that light, the European Bank for Reconstruction and Development, an institution created in 1991 to foster transition to markets and democracy in the post-communist countries in eastern Europe and the former Soviet Union, was the first (and remains the only) multilateral development bank to have this built into its charter. Article 1 of the EBRD's charter defines the purpose of the new institution as follows:

*...to foster the transition towards open market-oriented economies and to promote private and entrepreneurial initiative in the Central and Eastern European countries committed to and applying principles of multi-party democracy, pluralism and market economics.*

With more than 25 years of post-communist transition experience behind us, and with new economic and geopolitical challenges confronting the countries in Central and Eastern Europe, we can ask the question: did Fukuyama and others have it right? Are transition countries moving inexorably towards markets and democracy and does progress in one help to advance progress in the other? The answers to these questions are important for the countries still working their way through the complex process of transition, and also for the development institutions lined up to support them, especially the EBRD.

## THE THEORY

Before looking empirically at whether markets and democracy go together, it might be helpful to spell out the logic that underpins this idea. The thinking is not new. Aristotle, in his classic work on political philosophy *Politics* written in the 4th century BC, declared that "the best political community is formed by citizens of the middle class, and that those states are likely to be well-administered in which the middle class is large, and stronger if possible than both the other classes...". The insight is clear: economic development leading to the creation of a large middle class produces better political systems.

Seymour Martin Lipset took this core insight further. Writing in the 1950s, Lipset hypothesised that the rise of an economically secure and politically active middle class generated conditions that supported robust democracy.<sup>3</sup> Furthermore, higher per capita income is associated with education and secularisation, with educated citizens being more likely to demand political participation and to embrace democratic beliefs.

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<sup>3</sup> Seymour Martin Lipset, "Some Social Requisites of Democracy," *American Political Science Review*, vol. 53 (1959), pp. 69-105.

Indeed, in much of the literature on modernisation, there is a strong belief that the middle class – once it reaches a certain size – is a bulwark of both open markets and democracy. Middle class people, defined in terms of their income, education and profession, are thought more likely to support fundamental market values, such as the protection of property rights and the even-handed application of laws governing regulation of the economy. They are also assumed to derive from their income and social position a growing preference for democratic government and competitive elections, a limited and accountable state, and guarantees of universal human rights and freedoms. In addition, those with sufficient income and social status should have the resources to organise and engage in political activity to promote their collective interests.<sup>4</sup>

The same may be said for businesses. As transition countries begin the process of creating new private businesses, especially small and medium sized businesses, the demand for a level playing field, the rule of law and democratic politics is expected to grow. Indeed, there is a strong demonstrated correlation between the expansion of private property rights and democratic governance.<sup>5</sup> Private property gives owners a stake in politics and encourages their active participation in politics. Business owners are more likely to favour participatory democracy, where they can defend their political and economic rights through the ballot box.<sup>6</sup> Analysis of household surveys in the transition region has also shown that people working for private firms are more likely to support democracy than those working for state-owned enterprises.<sup>7</sup>

Of course there are caveats. First, the impact of economic development on democracy may take time to materialise. In the short term, faster economic growth may extend political survival for a non-democratic leader, while higher income levels do not usually prompt a breakthrough to more democratic politics until after an incumbent leader has left office.

Also, the persistence of inequality in the distribution of wealth can prolong authoritarian rule. If a small minority control most of the wealth, the less well-off majority would naturally seek redistribution through the ballot box and the tax system, while the wealthy will probably prefer an authoritarian political regime that acts in their interests, rather than those of the majority, and blocks any intro-

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4 See Norman Loayza, et.al., "Do Middle Classes Bring Institutional Reforms?" *Policy Research Working Paper No. 6015*, World Bank (2012).

5 Charles Lindblom, *Politics and Markets: The World's Political-Economic Systems*, New York: Basic Books (1977).

6 See Timothy Frye, "Markets, Democracy, and New Private Business in Russia," *Post-Soviet Affairs*, vol. 19 (2003), pp. 24-45.

7 See EBRD *Transition Report 2013*, Chapter 2, p. 30.

duction of high taxes.<sup>8</sup> This suggests that the middle class has to reach a certain size and durability to have the predicted effect on governance.<sup>9</sup>

Finally, regimes that draw heavily on rents from extractive industries do not rely on a fiscal system that taxes the general population and are in a better position to provide side payments and subsidies – for example, payments to less well-off regions or disadvantaged groups – financed by natural resources. They therefore face less pressure to be accountable to the taxpaying population through democratic institutions. This may explain why many relatively high income natural resource producing countries where the middle class has grown significantly over the past decade have not moved more steadily along a democratic path.

## THE PRACTICE

The transition in Central and Eastern Europe has been underway for more than two decades. Is it true in practice that democracy and markets go together in this region?

The answer is yes, but with exceptions. Transition is still very much a work in progress in Eastern Europe.

The most democratic countries in the region are the ones that have made the most progress in installing market structures and institutions. The chart below shows this relationship, using the Polity IV database as the measure for democracy and the EBRD transition indicators<sup>10</sup> as the measure for market reform, plotting 25 EBRD countries of operations for which data was available.

The chart shows that more democracy is associated with more reform. For many who have written about the political economy of transition, this is not obvious. Many scholars predicted, based on the experience in some other developing regions, that progress in economic reform would only be possible under conditions of authoritarian rule, arguing that political leaders would need to be insulated from democratic accountability in order to sustain costly economic reforms.<sup>11</sup> In the transition region, this was not the case. One of the main reasons why countries stayed the course of reform despite frequent government turnover following elections is

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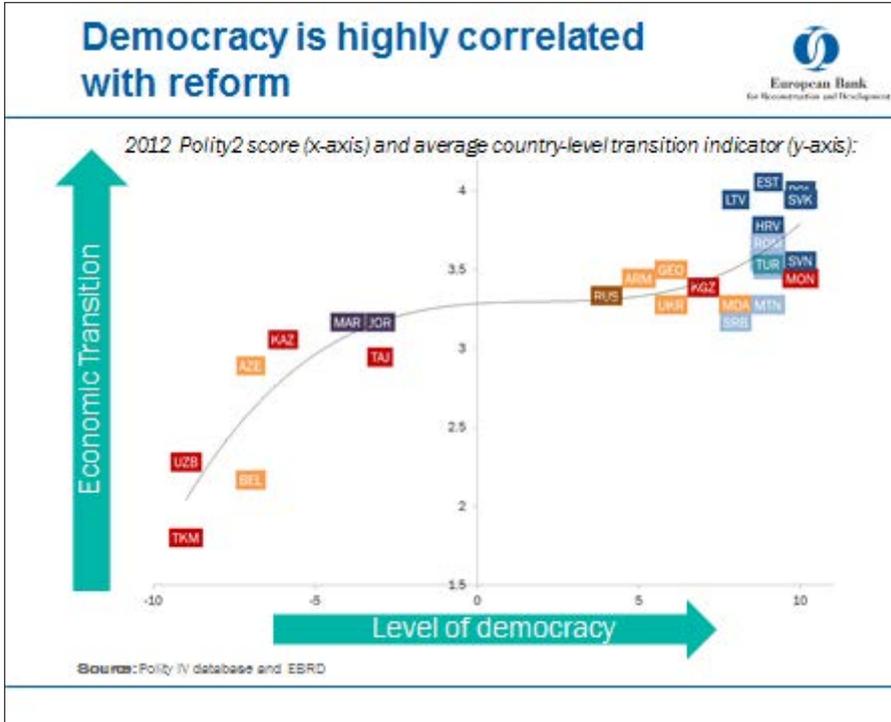
<sup>8</sup> Carles Boix, *Democracy and Redistribution*, Cambridge: Cambridge University Press (2003).

<sup>9</sup> See Nancy Birdsall, "Does the Rise of the Middle Class Lock in Good Government in the Developing World," essay posted at Center for Global Development (April 23, 2015). <http://www.cgdev.org/publication/does-rise-middle-class-lock-good-government-developing-world>

<sup>10</sup> These include: price liberalisation, large-scale privatisation, small scale privatisation, trade and forex liberalisation, competition policy, and enterprise restructuring and governance.

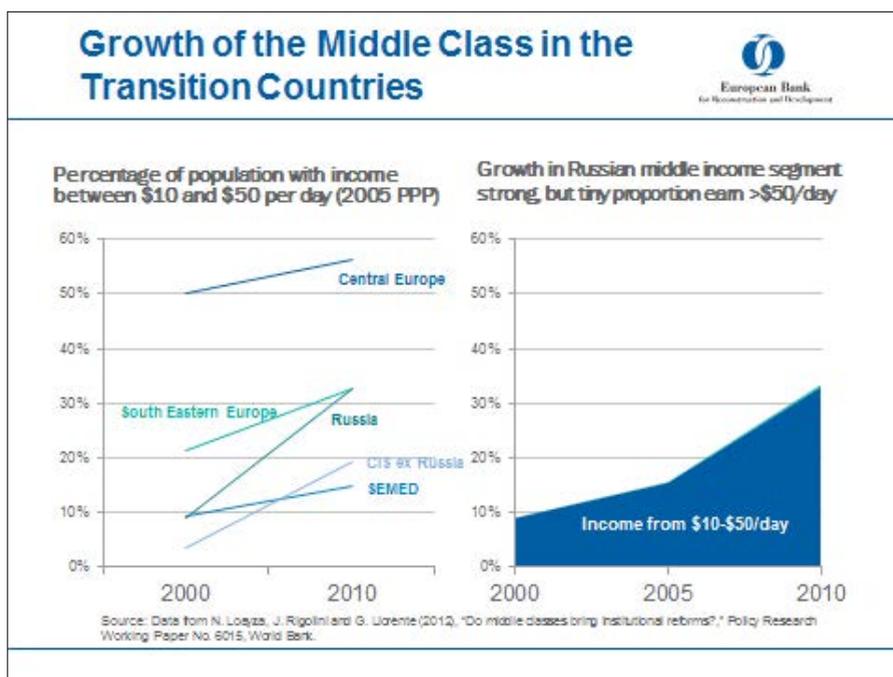
<sup>11</sup> See Stephan Haggard and Robert Kaufman, *The Political Economy of Democratic Transitions*, Princeton, NJ: Princeton University Press (1995).

the degree of national consensus they enjoyed in the first decade of transition. The aspiration to join the European Union, which eight post-communist countries did in 2004, was a strong anchor for both market and democratic reforms.



The existence of a sizeable middle class also seems to be associated with the presence of democratic institutions. The chart below shows the percentage of the population in several sub-regions where the EBRD invests that can be defined as ‘middle class’ using a commonly employed definition (over US \$10 dollars per day). The size of the middle class is far larger in the countries in Central Europe where there are consolidated democracies.

However, the correlation between democracy and economic reform is not perfect. The chart plotting democratic and economic reform progress shows that mild authoritarian regimes and imperfect democracies do about the same in terms of economic reform. The big differences occur at very low or very advanced levels of democracy. Similarly, mid-range autocracies can vary a lot in terms of economic reform success, as can advanced democracies. So democracy is not all that matters for economic reform and vice versa.



What we have come to recognise, as the EBRD approaches its 25<sup>th</sup> anniversary, is that the transition process is not linear and it is not as condensed as many initially expected (or hoped). The proposition of markets going hand in hand with political reform has worked well in some countries, but is less evident in others. We have witnessed the fragility of transition in some countries – especially in the face of domestic and international crises – while others have diverted from the reform path. Some transition countries have become ‘stuck’ with imperfect market-based economies, reasonably large middle classes and nondemocratic (or only partially democratic) political systems.

In South-eastern Europe, for example, reforms have continued unevenly; overall progress in reform has been slower due to the later start in transition (the break-up of Yugoslavia and Balkan wars contributed to this) and remaining inter-ethnic tensions in this volatile region. While the EU anchor helps to keep them on track with political and economic reforms (countries in the Western Balkans are either EU candidate or potential candidate countries) these are countries with significant remaining transition challenges.

Russia’s transition has been erratic: early ‘shock therapy’ reforms in the 1990s following the collapse of communism gave way to entrenchment of former communist era bosses (‘red directors’) and then beneficiaries of large scale privatisa-

tion ('oligarchs'), both of which blocked further reforms.<sup>12</sup> The last 15 years have seen a mix of economic reforms and the resurgence of the state, with a heavy reliance on extractive industries to generate economic growth. Russia has significant transition challenges remaining, perhaps most importantly to diversify the sources of growth and promote regional development. Although Russia has a sizeable middle class (see Chart), they do not seem to consistently champion democratic values nor do they support more liberal political parties. Since the mid-2000s the Russian middle class has increasingly comprised bureaucrats and employees of state-owned corporations (who make up over 50 per cent of all workers). For the most part, they tend to favour political stability, support the ruling United Russia party and do not challenge the status quo. Moreover, the number of entrepreneurs within the Russian middle class has been declining in recent years, as many Russian small and medium-sized enterprises face a more challenging economic environment.

Ukraine has undergone a troubled transition. Caught between the competing pulls of the EU and Russia, Ukraine has at times surged ahead on both economic and political reforms – as in the period immediately following the Orange Revolution in 2004/5 – only to see the process come to an abrupt halt or even go into reverse due to internal divisions amongst political elites and the divided aims of populations in eastern and western Ukraine. The current geopolitical tensions in the region and armed conflict in the country pose a serious challenge to the transition. Unless the Minsk II Accords are fully and faithfully implemented, large swaths of the country could become a semi-permanent 'frozen conflict'. Moreover, corruption at all levels and the concentration of economic output and wealth in the hands of a few oligarchic groups still pose major obstacles to progress.

However, there are some grounds for cautious optimism in the medium term in Ukraine if government and social cohesion can be maintained:

- 40 per cent turnover in the Rada means a new political class is taking root
- New faces in the government, some foreign, bring in new ideas and standards
- The Association Agreement and DCFTA with the EU provide a reform anchor
- An active and engaged civil society is driving change

Elsewhere in the former Soviet Union countries, the picture after more than 20 years of transition is quite mixed. Some countries have moved fairly briskly to introduce market and democratic reforms – such as Georgia and to a lesser extent

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<sup>12</sup> See Joel Hellman, "Winners Take All: The Pitfalls of Partial Reform," *World Politics*, vol. 50 (January 1998), pp. 203-234.

Moldova and the Kyrgyz Republic – while others are still at a very early stage of transition – such as Belarus and Turkmenistan.

## CONCLUSION

In the transition countries in Eastern Europe, as elsewhere around the world, democracy and economic development generally go together. Increasing wealth leads to more democracy, with the main exception of oil exporting countries, which are less democratic than their level of income would otherwise predict. The development of a broad middle class is also strongly correlated with the level of democracy, again with the proviso that in resource-rich states the middle class seems – so far – to play a less powerful role in creating demand for democracy.

But not all countries in the region have moved smoothly along the path to democracy and well-functioning markets. The transition has run into obstacles and there have been setbacks.

If these conclusions are correct, what does this mean for the EBRD and other development institutions working in the transition region?

It means that we must continue our support for market-based reform and private sector-led growth, which is likely, over time, to lead to higher levels of democracy in less democratic countries and to prevent erosion of democratic systems in established democracies.

It means we should tailor our interventions to support the growth of the middle class – through creation of sustainable jobs, establishment of new businesses and development of small and medium sized enterprises – and to support an active civil society that will reinforce demand for democratic change.

In countries that are rich in natural resources, it means promoting economic diversification and specific support for the private sector, which could foster an electorate with higher expectations in terms of public-sector accountability.

It means supporting policies that promote sustainable growth and inclusive political and economic institutions, such as an appropriate regulatory framework for private sector development; policies that ensure equality of opportunity, promote social justice and inclusion for women, minorities and other excluded groups; a modern and effective judiciary that can enforce the rule of law; a merit-based civil service, and of course the institutions of an open society and pluralistic democracy.

Of course, individual countries will themselves ultimately decide on their preferred form of political and economic governance. The international development

community will have to exercise patience and persistence in supporting long-term transition objectives and the underlying institutions that are most conducive to achieving them.





TOBY VOGEL

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## BALKANS: STUCK IN TRANSITION?

I would like to thank the Foundation for organizing what has been a very spirited discussion yesterday and today, about very important issues.

Preparing for my comments, I went to the political economy section of my library and I came across a book, published few years ago by two eminent scholars of Yugoslavia, and the title was “Embracing democracy in the western Balkans from post conflict struggles towards European integration”. The authors, Leonard Cohen and John Lampe, say essentially that democracy is the only game in town. At ideological level, there is no principled argument which would make democracy not desirable. But they also make the point that state institutions in the region showed sufficient infrastructural strength and political legitimacy to face the economic crisis, proving considerable political maturity.

The book was published in 2011 and even back then, it was overly optimistic. Looking back at it today puts into question how solid that democratic transition towards market economies has been. Western Balkans experienced a backsliding on democracy and the rule of law across many dimensions and in very different ways. It is not only about Macedonia, undergoing one of those crisis which seem to be the only way for the region to capture the attention of policy makers in the West. There are serious problems serious in almost every country in the region.

Both democracy and market economies need institutions that are legitimate and strong. Unfortunately, what we are seeing in the Western Balkans and more generally in Eastern Europe, are very weak states, overbearing in economic activities, but very weak in doing the things that bestow legitimacy on a state; in the end stuck in transition. That is the exact term, perfectly capturing the current situation.

Going through my library, I also came across an old copy of Samuel Huntington's "Political Order in Changing Societies". He made the point about states being distinguished by effective governments, rather than by the form of government. To that regard – and concerning especially the Western Balkans context – the critical issue is the rule of law. You can have rule of law without democracy. You can have rule of law without market economies. But you cannot have either of those without the rule of law. It is extremely short sighted to view transition as a matter of developing formal requirements of democratic governments, such as competitive elections. Many of the countries which we are discussing now, do have competitive elections. However, it would be very dangerous to conclude that these are mature democracies.

The other point I would like to make regards the economic dysfunctions of these states, and again I am referring especially to the Western Balkans, where problems are tangible. The external dimension and influence of the issue is often underappreciated. Macedonia, for instance, a mere product of peace agreements, is characterized by frozen conflicts which stopped any kind of development since. In Bosnia the situation is even worse, with a state captured by groups, claiming to represent oppressed minorities. The Cyprus settlement is a further concern, where even if a solution would be found, it would only be able to create a very weak and barely functional federal state. The exception being a settlement within the framework of the European Union, unlike what happened with Bosnia, Macedonia and Ukraine.

For what concerns Ukraine in the specific, it is not possible to tell where it is going. A viable option could be a territorial subdivision with extensive rights, which at the same time may well end up in a rested transition. Montenegro is in the iron grip on state and economy by one single individual and his associates. That situation has been probably enabled first, and later on strengthened by the implicit political deal with the West being "We will not bother you on your daily dealing, as long as you are in our camp against Slobodan Milosevic". Those legacies drag the entire region down, today. And they are not to be solved by NATO or EU enlargement policies. On the one hand, NATO – given its merely defensive nature – is not able to trigger transformation, when it comes to the society and economy. On the other hand, even if considerable efforts are needed to get countries to comply with the *Acquis Communautaire* – requirements often do not go deep into national structures. Moreover there is nothing irreversible about the access process.

A lot is being said on the enlargement fatigue, in particular concerning the current European Commission and the decision to renounce to a commissioner for enlargement. That is without any doubt an inward looking Commission, considering what happens outside its borders as a distraction from "business as usual". Also, the term "business as usual" is not fitting European strategies, given that the

only business consist in deepening the Eurozone, while making sure there will not be another 2008 any time soon. That has been exhausting the attention of policy makers, since several years.

Ukraine helped to focus again, while it makes me wonder whether we are able to learn from our mistakes, or not. I remember the situation in the Nineties, when the prime minister of Yugoslavia came to Brussels and talked to Jacque D elors, asking for support. He did not get anything. It is important to understand that enlargement is the main tool Europe can avail itself to stabilize neighbouring countries. However, it is not working, neither in countries like Ukraine and Moldova – which may be obvious, given that they are not part of the enlargement process – nor in the western Balkan countries, which, instead are part of EU enlargement programs.

Concluding, I would like to come back to Russia. It has sent very strong and clear signals, proving it can well cause trouble not just in Ukraine and Moldova, but also in the broader Western Balkans. That means very much closer to both the European Union and NATO. Around November 2014, the United Nations Security Council wanted to renew the peace keeping presence in Bosnia, under chapter seven of the charter. Russia, for the first time in almost 20 years, abstained from voting. That was not an emotional reaction to a perceived lack of respect by Western powers. It is part of a deliberate policy, which could become a serious problem very soon.

Maybe, policy-makers in Brussels and Washington need a crisis of that magnitude to erupt, in order to stop acting like firefighters, focus back on what are the key issues, and start thinking strategically about Europe.





SASHA BEZUHANOVA

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## BULGARIA: COUNTERING STATE CAPTURE AND RUSSIAN INFLUENCE

I come from a different background than the majority of the people here in the room. For more than 20 years I have been a business executive for HP, in my country, for the Eastern European area and worldwide. Two years ago it became evident that in Bulgaria the democratic development was very seriously threatened through the appointment by the secret service of one of the leading supporters of anti-democratic processes in the country. I decided to quit my career and founded a civic platform which aim is working for real information on Euro-Atlantic principles supporting the consolidation of democratic processes.

In that respect I talk from the perspective of a practitioner and an activist, rather than an expert. I will share with you what I see is working on the field, experiences which may be key for us to look at the process of democratic erosion from a more practical perspective. Looking at the state of things today, it is quite clear that achievements of democracy in a fragile Eastern Europe are seriously threatened. I will now go deeper into how Russian is expanding its influence in the post-Soviet context and what are the risks for both the European Union and NATO. I will then conclude by illustrating what are the possible solutions, from my perspective.

In 1989, an embryonic democratic process – which I call “democracy 1.0” – first started. It emerged thanks to the great support coming from the West, which stimulated the creation of a civil society in the new European countries. The inflow of foreign direct investments boosted the culture of market economy and a liberalization process all over the region. Unfortunately, the economic crisis slowed down the development course, impeding to drive the achieved results to a sustainable and stable democratic condition, unless provided with external assistance. The consequence has been a space left empty in many Eastern European countries, for sentiments to develop back and bad practices to re-emerge. Bulgaria is living de facto in a captured state situation and Russia is using different and very advanced mechanism to influence and position itself in the country.

# A vicious model: Captured State



## The Economic Factor

Stimulating and supporting an oligarchic economic model which creates a pyramid of interdependent political class, businesses and media



## The Political Factor

Stimulating far-left and far-right parties' agenda in order to destabilize the European integration and democratic process



## The Cultural Factor

Creating a pro-Russian "intelligentsia" activated to distort the public opinion



## The Religious Factor

"Conquering" the Orthodox Church through financial support and personal appointments

MOVEBC

Moreover, economic factors stimulate oligarchic economic models of development, corroborated by a strong support coming from almost all political parties. Pro-Russian intelligentsia is operating actively to influence the public opinion. Last but not least, also the religion channel, via the Orthodox Church, is used for political influence and purposes. Many have been talking about anti-democratic propaganda. I lived it, we are living it in Bulgaria on a daily bases. There is an integrated, multi-channel strategy to manipulate public opinion which proactively and unfortunately also very effectively denounces pro-Western organizations, NGOs, opinion leaders and policy makers. But do not think that is the specific case of Bulgaria, the final goal is Europe. The slide shows some quotations of political leaders, some of them even active in the European parliament, which are quite supportive of Putin's strategy.

The economic line of influence goes primarily through energy diplomacy. The majority of Eastern Europe countries depend on Russian energy, with figures going from 60% up to 100% of total energy. My organization made a comparison between the actual costs of North stream projects and the projected costs of the South stream pipeline project. The economic and financial analysis showed that the South stream project charges a price two and a half time bigger than same tracks in the North stream. This mark-up is used for political influence. The oligarchic economic circle works as follows. The Bulgarian bank grew in capital 44 times in 11 years only. That happened with the support of the political class, which has been financed back by the very bank. More than 90% of states payments – many of which directed to buy media and industry out of any market principle – flow through the Bulgarian bank. It is a simple model and Bulgaria is not the only case. It is a strategy aimed at undermining democratic processes and free market principles in all ex-Soviet countries and possibly in the whole European region. Quoting President Putin, Russia is spending today close to 650 million for propaganda.

Moscow has developed a structured approach to weaken the European process broadly speaking, not only so far ex-Soviet territorial countries are concerned.

## Playing the Energy Card

State	Dependency on Natural gas import (%)	Share of Russian natural gas in the total import (%)	Average price (\$/1000 m <sup>3</sup> )	State	Dependency on Natural gas import (%)	Share of Russian natural gas in the total import (%)	Average price (\$/1000 m <sup>3</sup> )
1. Slovenia	100	60.2	485	7. Poland	72	81.3	403
2. Greece	100	55.6	476	8. Romania	24.3	100	399
3. Slovakia	98.4	83.5	429	9. Turkey	99	56	406
4. CZ Rep	98	58.6	522	10. Ukraine	55	100	385
5. Bulgaria	90	100	417	11. FYROM	100	100	460
6. Hungary	78.2	100	435	12. Serbia	82	100	457

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Data for 2013 | Source: Centre for the Study of Democracy on the basis of data from BP, Eurogas and the European Geopolitical Forum

## The case of Corporate Commercial Bank

44x



In 2002: € 80 mln.  
In 2013: € 3,4 bln.  
through "gaining" public procurements, receiving state deposits and preferential political treatment

Funding:

- Media
- Enterprises
- Political parties

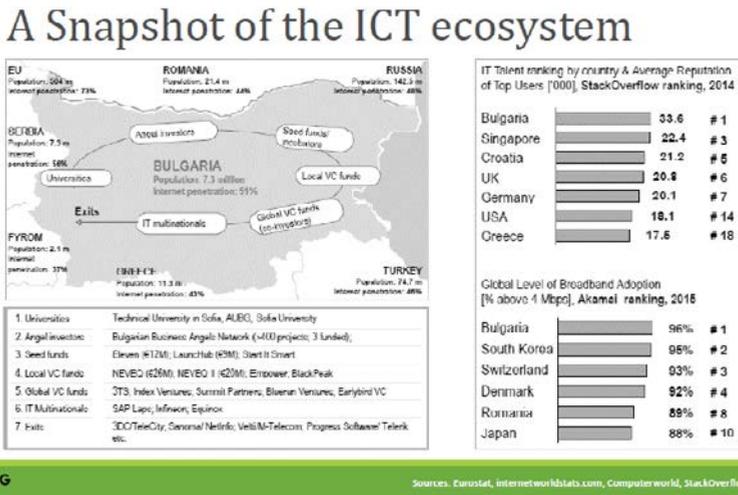
Controlling key sectors of the economy

Closed in 2014 after a media mogul settled a score with his former ally – owner of the bank.  
Bank accounts revealed subsidies of many politicians, media moguls, magistrates.

MOVEBG

Coming back to the specific case of Bulgaria, Russian propaganda is interfering with different messaging points. First, the Eurasian alternative is very strongly promoted. A pro-Russian narrative is developed from an indoctrinated view on history, repackaged to serve political and economic needs. Intervention at the local legislative level aims to undermine the application of the rule of law, creating systematic gaps. Last but not least, pro-active policy influence at the national level through sponsoring of political leaders aim at impede access to the European Union and NATO, while promoting Russian domination. But the final goal is Europe, Bulgaria is only perceived as the entry point.

In this dark scenario, there are still some good news. Bulgaria, but also other countries in the region, started an authentic bottom-up process of democracy. People understood that a double-accountable system, inevitably loyal to Russia, is not leading the country to prosperous and sustainable development and they went out on the street. It is in this environment which my organization was born, two years ago, and it is with the support of the civil society that we are working for long term development strategies, as well as for the reaffirmation of the Euro-Atlantic path.



Moving on to the conclusions, I think that the European Union is still not taking advantage of the potential that countries from new Europe have, both in terms of economic resources and ability to actively drive and co-pilot the European political agenda. New definitions of economic policies and collaborative formats are essential. Bulgaria has the potential to play an important role, for what concerns its geostrategic position but also – and even more important – as a hub for ICT development. Indeed, building defence innovation hubs will be key to effectively address new emerging and emerged challenges, such as cyber terrorism, migration, international terrorism and information war, but also for stimulating economic development in the region.



ODED ERAN

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## MEMBERSHIP MINUS AND “QUASI ARTICLE-5”: THE REAL ASSOCIATION MECHANISMS

I am not sure whether I had the pleasure to be invited here because of my Ukraine – Russian – Rumanian – Moldova roots or because of the fact that I negotiated our agreements with the European Union or, last but not least, because of our role in the dialogue between NATO and the Mediterranean countries.

I would like to start by saying that I have strong doubts about the direct link between democracy and economic performance. Just have a look at India, a democracy with incredible economic growth. However, it is very likely that those who earn their \$400 per day would never see a ballot box in their lives. China, with four times the pro-capita income of India, is not a democracy – they would never even accuse themselves to be a democracy. So I am not sure what the link between economic growth and democratic systems is.

The rise of unemployment both within and outside Europe is a worrying phenomenon and may well go together with political developments endangering democracy. However, mapping upcoming risks in the region, I would not be sure that Eastern Europe is the storm centre. Separatists and isolationists movements grow also in countries with far better economic performance, as for example in Great Britain, France and Germany. Those movements are abusing democracy and it is not easy to say what is the danger, whether Eastern Europe or – in the longer run – more entrenched members of Centre-Europe.

I would like to submit to you a short list of things that could be done. The European Union suffers from a serious deficit in public relations, both internally and externally. Explanations and narratives are lacking, with concrete repercussions in the single member states. If British citizens are not aware of the fact that they are better off being inside the Union – and I hope this is not the case, but it could be the case, given missing information- then, they will vote accordingly, i.e. for get-

ting out. Indeed, parliamentary elections a couple of weeks ago, gave space to Euro-sceptic parties. In the end it got just one seat, but that results out of the British majoritarian system and should not be misleading. The party got much more votes than expected and the anti-Europe movement is growing fast.

Another big issue, often underestimated, is anti-Semitism and racism, more generally. Despite a monitoring body, the European Union does not concretely address the problem, nor does it treat it as a major threat. To that end, the appointment of a dedicated commissioner is essential, as it already exists for almost every aspect of European politics.

Moving on with longstanding critical aspects of the European Union, the democratic deficit is still an open issue. The strengthening of the European Parliament is an ongoing process, which, however develops at the expenses of other institutions, especially the Commission and maybe in the coming future at the expenses of national parliaments. Although essential to strengthen the democratic aspect of the Union, a long, difficult and complicated process is therefore to be expected.

As an external observer, I would also come to the issue on enlargement. It makes sense to me that Europe looks at the Mediterranean and central Asia as its strategic environment. However, I do not think Europe disposes of the adequate set of tools, or a toolbox – as it may be called. You are caught into the dilemma of having a natural strategic environment around you, to which you are looking with interest, while you are or were developing your institutional policies to distance this very environment from the European region, like the EMP or the Union for the Mediterranean. The association agreements, for instance, are all but bringing countries closer. Both the European Union and NATO have to rethink their approach.

The case of Turkey, for example, is enlightening. The country went through the whole process you asked them to do, army included. However, you are not going to accept it as a member now, and not in the foreseeable future. Tunisia, on the other hand, is a perfect example of a country which successfully overcame riots and protests with a democratic approach. The financial support which has been provided helped, but it is not sufficient to guarantee that the Tunisian people will stick to the European system of values.

What I call a “membership minus” solution would be an accessible, concrete approach to solve at least part of the problems listed so far. A similar process already exists, to some extent, but it needs to be further institutionalized under the framework of a wider policy. Concretely, it would mean that countries who have adopted the *Acquis Communautaire* in specific fields, would be allowed to participate to

the policy shaping process in that field. Tunisia, for instance, could participate to the meetings of the agricultural council. This way it would feel as owner of the process which influences and impacts its interests, without the need to formally vote. We are not seeking membership at all costs. And not in all institutions. However, we do want to be part and parcel of the European process and the influence zone of the European Union.

As far as NATO is concerned, I believe an alternative to art. 5 of the Charter has to be found, since it does not cover legally the Ukrainian case, while it should not become an excuse to exempt NATO from defending this country. This weekend, in Camp David, the Gulf Countries discussed some sort of art. 5, yet without any formal legal basis, just framed under multilateral relationships. Those countries, my country, can contribute to security in the region, without expecting NATO to rescue them from any danger. In other words, we do not need an art.5 in our bilateral relations with NATO. But, we would like to participate in almost all the activities that the alliance is running right now or is willing to open in the foreseeable future.



MINSK: OPERA HOUSE





# Session 5

## CAUCASUS: THE INTERPLAY OF OPPORTUNITIES AND CHALLENGES





CLAUDE SALHANI

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## CAUCASUS: TIME IS NOT ON OUR SIDE

As I speak to you today, the Middle East has never been in such a disarray. Egypt is bombing Libya, Saudi Arabia is bombing Yemen, the United States, Britain, Canada Australia, the Netherlands, Jordan, Denmark, Bahrain and Qatar are bombing Syria and Iraq. Syrians and Iraqis are bombing themselves and terrorism – never a pleasant topic to begin with – has become the worst of nightmares.

In this context, just one and a half year ago, I arrived in Baku. Since then, I tried to understand where Azerbaijan belongs to, geographically, geopolitically and strategically. I thought it was simple, Azerbaijan should be in Asia. However, when I got there I was told by Azerbaijanis that they believe their country is in Europe.

I suddenly realized I was navigating in uncharted waters, and began putting the question to a lot of my colleagues and friends all over the country. They perceived it as a very strange questions, all answering they feel part of Europe. In the end, they said, Azerbaijan is hosting the European games. That may well say something. In short, Azerbaijanis believe their country to be in Europe.

Being a journalist, I thought I needed a second source and I went to the one place that has all the questions and all the answers, the place giving the American President the daily briefing: the US Central Intelligence Agency. I did not actually go there, because it is quite hard to get into the offices and once you do, it is even harder to get out. But they published something called the “The World Factbook”. When you put the word CIA and Factbook in one sentence that is going to be powerful, so I went to the website and I looked up Azerbaijan. Where do they situate Azerbaijan? In the Middle East, where it does not want to be. It should not be the first time that the CIA does things differently. However, it provides some food for thought.

I arrived in Azerbaijan thinking it will be more or less like all the Middle East, where I spent most of my career getting away from conflicts. I thought the Caucasus was a safer place than the average Middle East, I thought it lacked fervour and hate. I was naïve. I soon discovered there cannot be such a thing as a safer conflict. After arriving in Baku I did a tour of the embassies trying to get ambassadors of western countries to give me a briefing. One diplomat said to me that if I thought the Middle East was a mess, I should only wait for a good briefing on the Caucasus. Like many people outside the region I had no particular interest in the conflicts between Armenia and Azerbaijan, even if I had an idea of the conflict, which goes back 23 years, since I covered the breakup of the Soviet Union and its consequences on the region. However, I had no idea how serious and precarious the situation on the ground was.

Last week Russia said that the Islamic state is the biggest threat to Russia, with hundreds of Russians joining jihadists in the Middle East. In particular, Russia is very nervous about a front opening up in the northern Caucasus and the re-ignition of a new Georgian war. Meanwhile, the south Caucasus experiences ongoing conflicts, completely ignored by the West. Azerbaijan and Armenia are separated by the so called "line of contact". The situation is the following: you have a powder keg and on the one side, you have an Azerbaijani soldier standing, with a cigarette lighter in his hand, on the other side an Armenian soldier doing the same. From time to time, both flick the lighters and get them closer and closer to the explosive, which will set off. The situation – apparently contained – is precarious and dangerous, with hate and violence rising day by day. Despite de ceasefire, hostilities go on. A daily communiqué from the Azerbaijani Ministry of Defence speak of 60 to 80 ceasefire violations per day by the Armenian forces. There are only 24 hours in every given day, which makes one violation every 15 minutes. Presumably, then, Azerbaijanis are firing back. Without pretending to be a military expert, having somebody shooting over borders every 15 minutes, is without any doubt an ongoing conflict.

Moreover, there is the concrete danger that conflicts will spread from the line of contact into a larger war involving the whole region, something that is not in Western interests in this juncture and that must be avoided at all costs. Just think about consequences, so far. Armenian economy has been devastated by the continued occupation of Nagorno Karabakh and the population remains dependent on Russia for everything, except the air it breathes. Indeed, the country cannot anymore make any independent political call without Moscow, being totally dependent for its security and its existence. If Armenia's enemies will have a Schadenfreude for its economic limbo and political inferno, the sheer reality is bad: the worse the Armenian domestic situation, the harder it will be to find a settlement which will be acceptable to Azerbaijan as well.

As time goes by, the conflict gains momentum on two fronts: the exchange of fire across the line of contact and the exchange of words across the newspapers and the internet. Both are about to reach a point of explosion.

The danger here is not just about the two countries concerned. If left unresolved, this conflict could transform into a major regional conflagration, dragging other countries into the vortex. For instance, Turkey is very much involved in the events in the region, given it has a mutual defence agreement with Azerbaijan. In other words, if Azerbaijan engages in major military operations, there will be a Turkish action, triggering a reaction by Russia. How would that affect other NATO countries?

Azerbaijan is an important supplier of oil and gas for Europe and a generalized conflict would certainly target its energy industry. To weaken the country economically and financially, pipelines which carry Azerbaijani gas through Azerbaijan and Turkey will become easy targets in conflict. Russia, already looking for a competing pipeline route through Turkey, would find quite irresistible not to damage the Azerbaijani pipelines while Europe would risk to freeze. Economic difficulties would, then, lead to generalized internal social unrest.

Today, Azerbaijan is a strong and stable nation. However, the fragile balance with Armenia, brings violence in the whole region. Azerbaijan is a friend of the West, and has adopted a Western approach to life, while maintaining its rich culture. It is a perfect example of how two different cultures can coexist in peace and harmony. A conflict would prove the contrary.

If Azerbaijan wants to be part of Europe, we should help to achieve it. However, to be successful in geopolitics good luck is not enough, a coherent forward looking strategy is essential. It is simply not possible, to categorize Azerbaijan as one of many the Middle East countries with a problem of instability. We should make sure it remains in Europe where it wants to be, where it should be and where it would be advantageous for the NATO to have it.

The clock is ticking fast and time is not eternal. There is no easy answer but my guess is that the solution will not come without participation of Russia and incentives for Armenia to return the occupied territories. The first step in this direction – if any concrete solution is to be achieved – would be to expand the current composition of the Minsk group. As for now, the task force includes United States, Russia and Russian friends, with Russia having a great interest in maintaining the status quo, while its friends being influenced by extremely powerful pro-Armenian lobbies.

To conclude, I would like to stress again the fact that we are running out of time. This conflict cannot last for another 20 years. It should not even be allowed to go on for other 20 months. The Middle East is in turmoil today and we failed stopping the turmoil from spreading through the Caucasus. Consequences are at hand, considering that the Caucasus has always been, and remains the traditional gateway between Europe and Central Asia.



JANOS HERMAN

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## CAUCASUS NEEDS A RESPECTFUL CO-OPERATION

I am a European civil servant, but since there is no real EU position on what I am going to speak about, I will just provide my personal opinion – which, by the way, gives me a much ampler space when it comes to discuss the South Caucasus.

I would like to start by drawing the attention on the historical legacy of the region. The South Caucasus shares a complex history, with a lot of different nationalities and religions living together in a relatively small geographical space. Its history is about conflicts not only between those different religious and ethnic groups, but also against neighbouring foreign powers. From this point of view, it could be compared to the Balkan region, exception made for two differences. First, the South Caucasus is an unfinished business in terms of security arrangements. Second, it is in the immediate vicinity of one of the biggest players in history, as well as major colonial power: Russia.

As you may know, three conflicts concern the South Caucasus, rooted in the complex heritage of the region. Often they are referred to as “frozen conflicts”, I would rather call them “hibernated conflicts”, since they easily can be put back to life. There is a forum dedicated to deal, and possibly solve, those conflicts, the Geneva International Discussions. However, so far, there has been little activities, although we are now in the 48<sup>th</sup> round of discussion.

Lately, the fact that Russia has concluded treaties of cooperation in south Ossetia added complexity. Meanwhile, administrative bodies dividing these territories are becoming institutionalized in the so called “borderization” process. Those are steps backwards, not helping to the peaceful solution of conflicts.

Beyond tensions in the South Caucasus, there is the growing importance of the region as a strategic corridor. I would venture to say that the South Caucasus is

probably one of the most important transit area in Eurasia. From East to West, along the Silk Road economic belt, and between Turkey and the Turkic countries of central Asia. But also, and this is often forgotten, there is a North-South corridor connecting Russia to Turkey and Iran. Armenia, instead, is separated from Russia by Georgia. In short, the region is a strategic corridor, going from East to West and from North to South. The strategic importance of the South Caucasus implies a growing concern by all surrounding countries and a concrete interest in avoiding the explosion of those hibernated conflicts, which would block all transit routes.

After the fall of the Soviet Union, the Caucasus countries had to decide in which direction to go. Georgia has decided for integration within the Euro-Atlantic structures. It signed an Association Agreement with the European Union and has intense negotiations going on with NATO. Armenia made a half turn around, became member of the Eurasian Economic Union, while engaging in close military cooperation with Russia. Azerbaijan did not go for the western integration area nor the Russian one. It goes without saying that Russia, together with the Turkic states, tries to develop her own line of cooperation and influence on the region – playing with economic dependency, mainly in terms of energy. Summing up, three countries, with three very divergent strategic choices, live together in a very small region, where stability is key.

To that regard, it is necessary to spend a few words on the role of Europe. Neighbourhood policy, promoting democracy, prosperity and stability has been the main objective of the European Union for several years. What has been achieved after 10 years? In the South Caucasus context, we are faced with the Russian dilemma. It is very important to analyse whether changes in Russia's policy are temporary and things will gradually return to normality, or whether they denote a much deeper strategic modification. We have not made our mind yet. The other dilemma Europe has to deal with, is Georgia – which, by the way, is in a situation quite similar to the one of Ukraine. The question is to what extent are we ready to provide a long term, respective and deep cooperation.

The framework within which we try to give a response to these questions is, first of all, the review of the European Neighbourhood Policy. Discussion are taking place and we hope very much that we will soon have a response to the strategic changes that have been taking place in the last period in the region. Secondly, the response effort takes place within the forthcoming Summit of the Eastern Partnership. The focus will be set on both differences and interconnections between the three South-Caucasus countries. The aim is to connect the region with European networks, especially for what concerns the energy and transport sector. Last but not least, the whole reflection focuses also on the security component. Europe claims that its neighbourhood policy has nothing to do with security and there-

fore to be by no means involved in the security crises in the region. I do not know whether this position is sustainable any more, after Ukraine. It will be inevitable to strengthen the security component in the overall European strategic approach towards its neighbours.

My last point will be about what can be done, as we look forward, to diminish risks and growing tensions. Whatever we do in the South Caucasus, should be based on an arrangement with Russia and with all other important players in the region. That arrangement should not come at all costs. On the contrary, it should respect – and that is our firm position – the freely expressed will of the countries of the region, as well as the territorial integrity and sovereignty of their territories. As we accept Armenia to be part of the Customs Union and the Eurasian Economic Union, cooperating with the country also in this specific contexts, Georgia's decision to get closer to the Euro-Atlantic structure has to be accepted as well.

That is the strategic goal we have to pursue to diminish tensions in the region. Because of the different strategic choices of the three countries, it will be important to do everything which is needed to strengthen cooperation between them in a regional framework.

That may be a quite an optimistic set up. However, the point is not about a mere observation of the reality. The point is about the goals we need and are willing to pursue in the years to come. The South Caucasus will remain very high on the agenda for a lot of players, among which Russia, the European Union, NATO, Turkey, Iran and China. It is important for all of us to get this crucial point in the Eurasian landmass right. And the key word to get it right is a respectful cooperation among all players involved.





FIRUZ DEMİR YAŞAMIŞ

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## THE FAULT LINE BETWEEN NORTH AND SOUTH CAUCASUS

I will start from the end, from the conclusions and recommendations. First, NATO and the European Union should revise their policies towards the region, in particular when it comes to Turkey, bridge to the Caucasus and whole central Asia.

Second, frozen conflicts need to be solved and the solution is to be found within the NATO and European framework. However, also the United States should be more proactive in the region, always maintaining friendly relations with Russia. In particular the American policy towards Iran should be more defined.

Third, the European Union should develop economic packages for the north Caucasus, in order to revitalize self-efficient regional economies. NATO and the West as a whole should adopt new economic policies to counter-balance the interest of the East, accepting bare fact that the economic centre of gravity is shifting away from the Atlantic.

Last but not least, South Caucasian countries, for example Georgia and Azerbaijan, consider NATO a kind of proactive shield. However, NATO is not willing to provide such protection. It prefers rather to act as a mediator and this misunderstanding is creating problems.

To get into the discussion it is now necessary to take a step back, also in history. The Caucasus has experienced many empires, the last one being the Russian empire and that has of course created a number of internal divisions. At the same time, the Caucasus is the heir of the Silk Road, now gradually developed into the new economic Silk Road. Moreover, it is interesting to note that, from a geographical point of view, the Caucasus can be considered an extension of Europe towards central Asia. It is a liquid bridge to the East. Going down to the specifics, there is a line dividing the Caucasus between North and South. The southern part of

the region is stuck in the so called frozen conflicts, while it is divided by religious cleavages, often manipulated for political aims.

### The New Silk Road



### TRACECA: New Silk Road



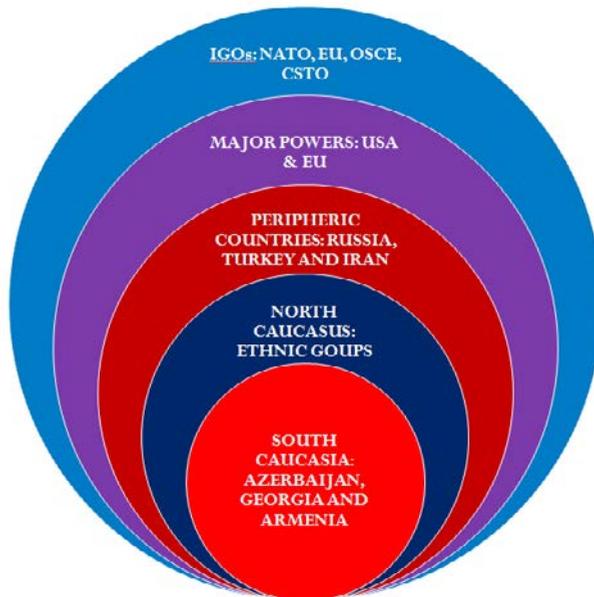
The question is now “why the Caucasus and Turkey are so important for NATO

and the European Union”? The picture is complex: tensions arising from the so called Arab Springs, many different security issues together with important commodity links, generally regarding energy but also other goods, especially towards central Asia, infrastructures, both for energy and communication. And in this picture, negotiations with the greater Satan are going on, while they are stalling with NATO.

A key point is also related to Caucasian natural gas, which is quite interesting for a number western states. Italy, for instance, is keen to get the so called TAP from Azerbaijan – even if we still have to see whether those projects are financeable or not, now that oil prices fell down. However, given the lack of economic resources in Europe, there is a lowering demand for natural gas and LNG.

To understand why the Caucasus is such an intractable problem, we need to go further into details. The social structure is a simple bottom-up structure starting from families, moving up with clans and ending with religious leaders. The law system is stratified, combining very different perspectives. It starts with customary law and passing through the Sharia it ends with positive national law.

**The concentric interplay in the region**



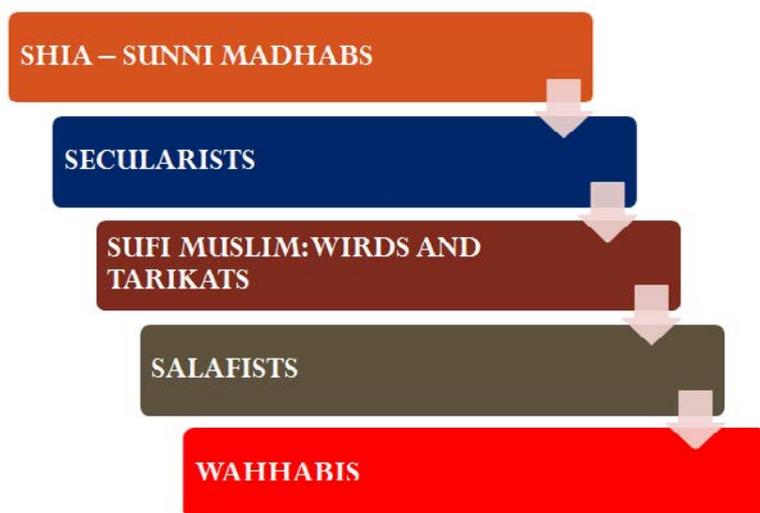
That gives an idea of the players in the region, with different ethnic and religious groups inevitably engaging in contrasting relations, creating diverging concentric circles. The South Caucasus is at the Centre, then you have the North, the periph-

eral countries – with still a great deal of influence -, going further you can see Iran, Russia and finally, somewhere out in the galaxy, big international organizations. In short, it is not possible to talk just about North and South Caucasus. It is essential to dig into the sub-regional dimension, where hidden pivots are to be found.

Media give us an irredentist religious interpretation of the conflicts in the region. However, looking beyond the façade, the issue of land pops out: land independence, autonomy, struggle for land, historical justice, exodus of populations, and so on and so forth. Going deeper, the same questions arise also within single nation states, this time with a clear difference between North and South. In the North the question is about identity and struggle for power. In the South, instead, the identity step seems to have been overcome, while the challenge is now state-building and economic survival. Corruption is the biggest problem, immediately followed by organized crime, which sometimes is simply forgotten in the discussion.

Moving on to the role of religion, it is important to understand that when two regimes, one secular and the other Islamic, have to coexist in a given region, middle ways multiply exponentially. And religions are made of shades, with different levels of purity and extremism.

#### Different levels of religious extremism



Considering all what has been said, it is now time to draw some concluding estimates. Production will increase exports in gas and oil, if we overcome the slump in oil prices – which, by the way, is estimated to last from one to five years, with a

series of collateral damages in many countries. The risk of new hostilities breaking out, is high, with Azerbaijan being the centre of turmoil. Europe will pay the consequences of it, while China is completely out of the picture and Turkey is becoming the more and more competitive. Indeed, the new corridor connecting the West to China will soon be completed and Turkey will take the role of hub for both the communication and energy fields.

Central Asia countries will escape from Russian influence, even if Russia will continue to pursue national security beyond its borders, for example with Poland, Latvia and Lithuania and more broadly, in the Baltic and wider Black Sea dimension. Georgia will become a full member of NATO, while relationships with Turkey and Russia will improve. However, US-Russia-EU relations may worsen, due to repercussions originating from the Caucasus.

The situation in the northern Caucasus will be even more complicated, given growing religious influences and extremism. A more positive note is brought by Chechnya, which is likely to become an independent state. More generally speaking, ethnic groups could become integrated in the Russian minority and autonomy policies. However, for next quarter of century Chechnya will not be economically self-sufficient, which means that autonomy will take some time. In conclusion, the North Caucasus Republics are dependent on social, economic and political stability from the Russian Government, which, by the way could become a problem if the slump in oil prices keeps on for a longer time.

Last but not least, the centre of gravity is moving east and this has a number of repercussions on local balances, which will force to review the whole spectrum of existing political alliances.





IRINA BUSYGINA

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## RUSSIA'S URGENT NEED FOR A COALITION

I am the last person to talk in this session and in the entire conference, and this is quite dangerous. I will focus my reflection around one big question: is Russia's foreign policy agenda attractive for other state? The importance of this question stems from ambitions of the Russian leadership to present Russia as global power at the international arena.

All great powers worldwide need coalitions to be recognized as those. This is conventional wisdom for the students of international relations and political science. The essentiality of being part of a coalition comes along with the necessity for being a leader, of others recognizing you as a leader. Bringing the question to Russian politics, the logical question then is: is Russia backed by outside recognition in its claims as a worldwide superpower?

Russia needs a coalition and is looking for coalition partners, starting from the most available potential allies: the former Soviet republics (with the exception of Baltic states). Indeed, the latter immediately after independence, took a clear strategic orientation towards Europe and the EU accession (2004). In dealing with the other post-Soviet republics for Russia there are three different options regarding potential partners. First, allies are likely to be found among the countries whose economies closely tied to Russia. Second, similar political regimes may be keen to share the same coalition. Third, countries with no other choice available – as for example Armenia – may be forced to take part to this partnership. To be on the safe side, Russia needs to possibly combine option one, two and three together. (In this context, Georgia is a deviating case. In fact, even if there is a kind of normalization process going on, the issue of South Ossetia and Abkhazia is still open).

But world map is large and partners could be also found outside post-Soviet space. Today Russia is looking for coalition partners almost everywhere. That was

the case with Venezuela under Chavez, Iran and also China. Even if these links are characterized by a different set of relations, they can be without any doubt included in a quest for allies. However, any close cooperation would probably end up in causing much more problems than solutions, given we are speaking about political regimes, which often have different strategic orientations, conflicts of interests and additionally may have identity problems. Moreover, Russia's influence is dubious which entails that the loyalty of these partners to the leader may be limited or uncertain.

In the post-Soviet area, Russia was progressively attempting to build coalitions. First, came the CIS (Commonwealth of Independent States), conceived as a shock absorber of post-Soviet dynamics, the structure that quite soon has degenerated into a framework with too many members, too little trust and too unclear commitments.

Second, there is the integration "core" between Russia and Belarus. Despite being since 1999 in a union of states with Belarus, cooperation within the union has quite limited effects.

Third, there is the important role played by the Eurasian Economic Community (EurAsEC) and the Collective Security Treaty Organization (CSTO), both set up Russia, Belarus, Kazakhstan, Uzbekistan, Turkmenistan and Tajikistan. Russian influence in the post-Soviet region is also organized around the Custom Union of Russia, Belarus and Kazakhstan. As we see, there is no deficit in Russia's initiatives trying to increase and structure Russia's influence in the region.

The most ambitious endeavour is obviously the Eurasian Union (Russia, Belorussia, Kazakhstan, Armenia, Kyrgyzstan), binding five countries together. "We propose the model of a powerful supranational community, capable to become one of the poles in the contemporary world, wherein playing the role of effective 'link' between Europe and a dynamic Asian Pacific region" (Putin). Yet so far it has been more intergovernmental, than supranational organization, since the decisions of Eurasian Economic Court on conflict issues have only recommendatory character, while final decisions are taken by the Council of the Heads of States.

The Russian strategy is to increase its influence in different dimensions: through economic presence, investments, common infrastructures projects, common humanitarian space and as well as building (or restoration) shared identity.

To that regard, it is also important to consider that before the Ukrainian crisis, the Eurasian Union was at the top of Putin's agenda as a post-Soviet re-integration project, now priorities look different.

In this framework, Ukraine is the country that Russia wanted necessarily to include in its coalition. However, Ukraine is different from other post-Soviet states, first and foremost in terms of strategic value. Tajikistan, Kyrgyzstan and Armenia are structurally weak economies and strategically not so interesting to Russia. Ukraine, on the contrary, was critical for the building of a new Eurasian empire (Brzezinski, “Ukraine would be the main “prize” of Russia in the building of her new Eurasian empire”) – or coalition, as we prefer to call it. Russia made progressive and repeated offers asking Ukraine to join the Custom Union or to come closer under other aspects – but without getting any reaction.

Ukraine is unique for its geographical location between Russia and Europe. That location is, at the same time, the main cause of the main cleavage the country is experiencing: East versus West, freedom versus authoritarianism, Russian language versus Ukrainian language. However, it is not all about geography. The most interesting thing is that Ukrainian developmental dynamics was very differently not only from Russia, but also from the other post-Soviet countries. Indeed, Ukraine is characterized by:

- a split in élites and competition among elite groups,
- a developed and passionate civil society,
- but at the same time – very poor economic policies, corruption and high inequalities.

All these features, in particular inequalities and corruption together with the asymmetry between well developed civil society and poor economy triggered the protests, while the geography and structure of the main cleavages explain the “ideology” of the uprising. So far Ukraine failed to build an effective state and this is the most severe challenge that the country is facing now.

Political conflict within Ukraine had negative effects also outside the country. The conflict destroyed the status quo in Europe-Russia relations, previously based on shared rationale of economic interdependence. It shed the light on the fact that a close economic cooperation is not enough to guarantee stable political relations. Thus, Russia and the EU proved to be not secured by economic interdependence.

Concluding, Russia needs a coalition to be recognized as world power and even as a regional one. For Russia, coalition is not a voluntary choice, but an imperative. This explains Russia’s at times desperate attempts to build coalition. The constraint is that the number of potential coalition partners for Russia is objectively quite limited. This limited pool for fishing gives an extreme importance to every single potential ally (although some are more important than the others). At the same time all of potential partners create problems. Even the states that were considered to be the most reliable partners, create loyalty problems. This happens

because a common denominator is lacking when it comes to reach a minimum common approach.

Now, no common approach of Russia towards post-Soviet states would work, even the one built at the lowest common denominator. Thus, Russian foreign policies towards the countries of the Eurasian Union and Ukraine are doomed to be radically different. Even if Eurasian Union would develop as successful project, this would not contribute to the improvement of the relations with Ukraine. At the same time, the escalation of the crisis, instead, would reduce incentives to voluntarily join the coalition with Russia, thus affecting Russian strategies in a very negative way.



RUSSIA: BAIKAL LAKE



# Final session





IVAN VEJVODA

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## CONCLUDING REMARKS

After two exciting days, mine will be much more humble thoughts. I would like to thank Ambassador Minuto-Rizzo and the Foundation, for having put together a substantial conference, not the usual one. Both the choice of topics and speakers is recommendable, caring for diversity and inclusiveness, not to be found in any other place.

I come from former Yugoslavia, a country which used to exist from 1918 to 1991. As a political and social scientist, I fully realized what the boomerang of history means. I lived the return of the evil past on my territory, after the legacy of the Second World War, which was supposed not to let that happen again, at least not in Europe. My generation visited concentration camps on our territories, read books, saw movies and was told “never again”. And yet, it happened. It happened and my country, which no longer exists, is, today, seven countries. It is quite a strange experience. All of the countries we have been discussing today, come from deep trauma. We have all lived separation, the Communist federation, the Soviet Union and its break down. And all Communist regimes broke down simply because they were not democracies.

The Yugoslav case is special, insofar it over-experimented the devolution of the federation into six republics, while the elite was convinced that the Communist party would be always there to hold the country together. History always moves ahead and suddenly you find yourself in the wrong place, at the wrong time. We went down into a bloody war, first by ourselves and then peppered and salted by external intervention. I am optimistic by nature, but looking at history with great caution.

These remarks are to catch a broader framework. We have lived through tectonic shifts. This is the year in which we celebrate the Helsinki accords, last year

we remembered the end of Communism and my region now the 20 years after the Dayton accords, which brought to an end the bloody war in Bosnia, where my country, Serbia, bore special responsibility. And not only Serbia was responsible, everyone else took part with its own share, and it would be foolish from both an analytic and intellectual point of view to say the contrary. We have to be clear about responsibility, if we want to move on.

I was bombed by NATO for 11 weeks, with my child and wife and it was not a pleasant experience. Yet I am not against NATO. In fact, I am an advocate of my country joining NATO. We will never forget, not even justify what was done to us. However, the national interest of the country comes first and we do have to move forward. The famous Franco-German reconciliation is a model for all of us and Europe is the union we want to join.

At the same time, we are not naïve and follow every day, with great attention, the Eurozone crisis, the danger of a Grexit, or a Brexit. We are well aware of the unemployment level in southern Europe, which – by the way – is part of a larger dynamic. The head of the International Labour Organization (ILO) recently published a statistic showing that in the world only 25% of the people have full time employment jobs. European figures tell that 55% of jobs in the Union could potentially be digitized and robotized. In Holland half of the jobs are part time today. Again, we are living tectonic shifts and nobody knows, where this world is going. Economic forecasts are complex, and many questions have to be discussed, in particular in the Western world. Will we have the growth we had, if China rises? If India and other emergent markets lead the world in growth patterns, the question is “where will we be”?

Europe is an economy of 17 trillion dollars, the United States also, Russia is an economy of 3 trillion dollars. These are facts that speak to some of the issues that we are addressing. Size matters, and so do numbers in economy.

This is the framework in which all this things are happening and the fact that we are all living a global economic crisis does not help any of the issues that we addressed here today. If there were growth rates in our countries, back to 5 or 6 %, the picture would be different. Trying to pass the needed structural reforms, close down loss-making public enterprises, when the job market is already saturated, is absorbing all the left energies, diverting political attention from the serious changes needed to adapt to new external conditions.

Whether we look at the Balkans, or the Caucasus, or at Ukraine, Moldova and Georgia, these are all countries on the move. Weak economies and fragile states, but all of them said no to the Eurasian Union. No one of the immigrants is flocking

to Russia, all are going to the West. People seek normality and peace, and it is up to their leaders to provide it.

People of former Yugoslavia wanted exactly the same, but their leaders were irresponsible and took them into a bloody solution against what could have been solved at a table of negotiation. In 1990, we tried to stop the degeneration, but we were feeble voices in a Communist country and we could not get our peoples together. Politicians, instead used strong national sentiments for power retention; with quite a big success.

The opposite example is Spain, where all the parties after Franco's death, from the Communist to the monarchist, firmly rejected to "touch" again the civil war. They were aware it could explode in their faces without notice. That is exactly what happened in Yugoslavia. Politicians dug up the past, although everybody knew about the risks. People flocked to nationalism, as often happens in times of economic crisis and nationalist leaders took the people to a bloody conflict.

A famous Cambridge philosopher who was born in Riga, Latvia, before the First World War, in a Jewish family, gave one of the simplest and deepest definition of responsible government: "The first public obligation is to avoid the extremes of suffering" [Sir Isaiah Berlin, note of the Editor]. Unfortunately, we have seen, and still see, many leaders leading their countries into the extremes of suffering. Leadership is an extremely important element. It is not all about the forces of production. It is about the role of individuals in history.

Although very well aware of the ebb and flow of history, living it, experiencing it is another thing. We had more than 60 years of peace in Europe, which should give us food for thought. What does such a long period of peace mean for those generations who have not experienced war?

Big nations turn their attention to the Middle East now, because of the dramatic events happening there. In Syria thousands and hundreds of thousands of people have been displaced. Compared to that, the Balkans are in peace. However, it is an apparent peace and Macedonia is the proof of it.

Macedonia is at peace since ten years, it became a candidate to access the European Union and it fulfilled all required conditions to get into the NATO alliance. However, it was not accepted as a member, it seems because of disputes over the name. Apparently stable conditions are not a valid excuse for not sitting down at the negotiating table and try to find a solution to identity, historical, cultural and geographical issues. It will be a compromise, where none of the parties will be satisfied and yet we see what this stagnation means. Indeed, it is the stagnation of

the last 10 years which led to the dramatic events of the past 10 days. Unfinished business needs to be addressed, as we try to put out of the fire the rest of the world.

In conclusion what we need, what all peoples around the world need is security, normality and jobs. All this can only be achieved within a democratic framework, the least bad system we know.

# SPEAKERS' BIOGRAPHIES

## **Ambassador Alessandro Minuto-Rizzo**

*President, NATO Defense College Foundation, Rome*

He has considerable experience in a number of areas, not just international relations. Including industry, energy, aerospace. A specialist on security affairs worldwide. He is a frequent public speaker. Senior Advisor of several Ministers of Defence, with a strong focus on the various Balkan crisis. In 2000 he has been a founding member of the Political and Security Committee of the European Union with Javier Solana. Deputy Secretary General of the Atlantic Alliance from 2001 to 2007. His mandate was mostly carried out in relations with sensitive countries, such as those in the Gulf, in the Southern Mediterranean, Afghanistan and Pakistan. Chairing the Atlantic Council on several missions. Senior Strategic Advisor of ENEL from 2008 to 2012. A member of the Board of the Italian Space Agency and later of Finmeccanica in 2013-2014. A teacher of European Security and Defence Policy at the LUISS University, School of Government, Rome. Columnist for "Europa", daily of the Democratic Party of Italy. He is the President and founder of the NATO Defense College Foundation. Author of the books: "The road to Kabul", Il Mulino 2009 and "A political journey without maps. Diversity and future in the greater Middle East", Rubbettino 2013.

## **Alessandro Politi**

*Director, NATO Defense College Foundation, Rome*

Alessandro Politi is a global political and strategic analyst with 30 years of experience. Director of the NATO Defense College Foundation, the only NATO-affiliated NGO think tank. He is senior researcher for the Italian MoD (CeMiSS-Centre for Military and Strategic Studies) regarding the strategic monitoring of Latin America. He also created and leads the Global Outlook project within CeMiSS, recently published in Italian and English (third edition, 2015).

WEF Global Shapers facilitator and TEDxLUISS speaker. He has directed the CE-

MRES research on CBMs in the framework of the 5+5 Defence Initiative, presenting the conclusions to the Ministers in Granada. He was member of advisory panels for the Italian Defence Ministry. He is member of an advisory panel for the Italian MFA.

He teaches geopolitics and intelligence at the SIOI. He teaches conflict management, crisis, peace-making and analysis at different governmental centres.

His most recent hearings at the House Foreign and the House Defence Committee were on future orientations of the Italian foreign policy and European armaments co-operation. He has been acting director of the School of Intelligence Analysis at the Link Campus University in Rome. He has been advisor in Italy and abroad to four Defence ministers, one National Armaments Director, one Intelligence Co-ordinator, one Chairman of the Oversight Intelligence Committee, one Head of the Italian delegation to the NATO Parliamentary Assembly. Born in Germany, lives in Rome. He has published as author or co-author 25 books on strategic and security matters. His most recent book in Italian is about the next possible Israel-Iran war. It is being published also in English.

### **Angelantonio Rosato**

*Scientific Advisor, NATO Defense College Foundation, Rome*

Professional profile

- Analyst, Eastern Europe & Russia, NATO Defense College Foundation (NDCF), Rome, Italy
- Professional Journalist, "Consigliere Redazionale", Limes – Rivista Italiana di Geopolitica
- Energy Researcher, Centro Militare Studi Strategici (CeMiSS), Italian Ministry of Defence
- Italian Army's Officer (Reserve), PSYOPS Specialist (Psychological Operations).
- Psyops Analyst, ISAF-NATO, Regional Psyops Support Element (RPSE), deployed at Regional Command-West (RC-West), Herat, Afghanistan.

Expertise

- Energy security & relations: EU – Russia, Ukraine, Caspian and Caucasus region, Shale Gas American Revolution, Arctic Region and Climate Change.
- Several Missions in Russia, Central Asia, Azerbaijan, Caspian Region and Kazakhstan (Kashagan).
- Psychological Operations, Propaganda, Media/Politics, Public Affairs, Public Diplomacy.

### **Marco Arcelli**

*Director Upstream Gas Division, ENEL, Rome*

Marco Arcelli is Executive Vice President Upstream Gas at ENEL and sits on numerous Boards and Committees within the Group. At ENEL, he was previously

Head of International Business development and Operations Support, General Director of Slovénske Elekárne, President and CEO of ENEL North America, and Executive Assistant of the CEO. His experience was the subject of a Harvard Case Study in 2009 and a IESE case study in 2010. Before ENEL he was with General Electric, and a project manager in London, San Francisco and Copenhagen. Marco graduated from the University of Genoa in Mechanical Engineering and from Harvard (AMP167), and is the author of the novel "The island that was not".

### **Sasha Bezuhanova**

*Founder, MoveBG, Sofia*

Sasha Bezuhanova is an initiator and founder of MoveBG – a civil society organization for affirming the democratic values and defining long term strategies and innovative policies for development of modern Bulgaria. She is the Chairman of the Boards of Junior Achievement Bulgaria, Bulgarian School of Politics, Technical University Sofia, Bulgarian Centre for Women in Technology, the Chairman of Advisory Board of European Centre for Women and Technology (ECWT). Before dedicating herself to the MoveBG cause, Mgrs. Bezuhanova has had more than 20 years of successful management career at Hewlett-Packard (HP). She led and managed the operations of Hewlett-Packard Company in Bulgaria since its opening in 1998, taking it to the position of the most successful ICT company in the country. She was instrumental to the creation of the Global Delivery Centre, a significant HP investment, which today employs 5.000 highly qualified professionals and puts Bulgaria on the global IT investment map. During the last 5 years of her brilliant career at HP, Sasha consequently held the positions of Director for Central Eastern Europe and Director Growth Markets in the HP Public Sector, Health and Life Science division.

Sasha Bezuhanova holds an MSc in Electronics, obtained from the Technical University in Sofia, and has graduated the Advanced Management Programme at INSEAD. She is an Honorary Consul of the Grand Duchy of Luxembourg to Bulgaria.

### **Janusz Bojarski**

*Commandant, NATO Defense College, Rome*

Janusz Bojarski was born in Krasnosielc (Poland) on 24 June 1956. He joined the Polish Armed Forces in 1975. After graduating from the Signal Officers' College in 1979, he served in a variety of posts in the Polish Air Force. In 1991 he was appointed as the senior officer in the Defence Attachés' Bureau of the Polish MoD and in 1993 he began his diplomatic career as the Assistant Defence, Military, Naval and Air Attaché to the Polish Embassy in Paris. After his tour of duty in France, in 1998 he became Chief of the Foreign Relations Office in the Military Intelligence Service. Promoted to Colonel in 1999, he was appointed as Director of the Defence Attachés' Bureau. From 2000 to 2004, Major General Bojarski held the position of Defence and Air Attaché to the Polish Embassy in Washington D.C. During

his mission he was instrumental in managing the F-16 programme between the Polish Ministry of National Defence and the US Government. In 2004 he was promoted to the rank of Brigadier General and he served as the Deputy Director of the Military Intelligence Service for intelligence production. In December 2007 he took office as Director of the Personnel Department in the Polish MoD. From September 2010 to May 2014 he served as the Military Representative of Poland to NATO and the European Union (POL MilRep). On 25 July 2014 he became Commandant of the NATO Defense College in Rome, Italy. Major General Bojarski holds a Master of Science degree in National Resource Strategy from the National Defense University in Washington D.C. (2007). He also holds a degree in Pedagogy from Warsaw Military Academy (1984). He has completed Journalism and National Security postgraduate studies at the University of Warsaw. His education also includes the NATO International Intelligence Directors Course at the Defence Intelligence and Security Centre in the UK, the Generals, Flag Officers and Ambassadors' Course at the NDC and the Security Assistance Management Foreign Purchasers Course at the Defence Institute of Security Assistance Management in Ohio, USA. He also received the French Business Language Certificate of the Chambre de Commerce et d'Industrie de Paris. He is the recipient of numerous awards for his professional work: International Award for Security Cooperation and Understanding from the National Defense University Foundation, Legion of Merit from the United States Secretary of Defense and l'Ordre National du Mérite from the President of France. Major General Bojarski is fluent in English, French and conversational Italian and Russian. He is married to Katarzyna, and has two grown up daughters: Aleksandra and Karolina.

### **Irina Busygina**

*Professor, Moscow State Institute for International Relations, Moscow*

Irina Busygina is Professor of Comparative Politics at Moscow State Institute of International Relations (MGIMO University). She also heads the Center for Regional Political Studies. She works and publishes on Russia-EU relations, European integration, comparative federalism, regional development in Russia and Europe. She is also engaged in expert work at the Russian International Affairs Council and at the Committee of Civil Initiatives. Her most recent book is "Political Modernization of the State in Russia", published in 2012 by Liberal Mission Foundation, the most recent academic publication: Irina Busygina & Mikhail Filippov (2015) *The Calculus of Non-Protest in Russia: Redistributive Expectations from Political Reforms*, *Europe-Asia Studies*, 67:2, 209–223.

### **Roger Cohen**

*Journalist, New York Times*

Award-winning journalist and author Roger Cohen is one of the most talented, hard-hitting international reporters today. Cohen's illustrious career has spanned

some of the most prestigious news outlets in the nation and abroad, from his positions at The New York Times to his time working for The Wall Street Journal. In addition to his numerous contributions to news, is also the author of two books. Currently he is The International Herald Tribune's first Editor-at-Large and an Op-Ed columnist, as well as a foreign affairs columnist for The New York Times. During his expansive career at The Times, Cohen has reported from all over the globe. Beginning as a media reporter in 1990, he continued on to become bureau chief of the newspaper's Berlin office, a correspondent in its Paris bureau, and the Balkan bureau chief based in Zagreb. Most recently, Cohen acted as the foreign editor for The New York Times before taking his current position at the International Herald Tribune.

Prior to joining The New York Times, Cohen was a foreign correspondent for The Wall Street Journal. In 1983, he opened The Wall Street Journal Europe office in Rome as chief correspondent, covering Italy and the East Mediterranean, and reporting from Cyprus, Greece, Turkey and Lebanon. He also opened The Journal's office in Rio de Janeiro as chief correspondent for South America.

Early in his career, Cohen served as foreign correspondent for Reuters, spending his time based in London, Brussels and then Rome, reporting on the European Community, NATO, Belgium, Italy and the Vatican. His stint at Reuters brought him back to the beginning of his career, which began as a freelance reporter in Paris.

He has also authored several works, including "Hearts Grown Brutal: Sagas of Sarajevo", an account of the wars of Yugoslavia's destruction, and "Soldiers and Slaves: American POWs Trapped by the Nazis"; "Final Gamble", the story of some 550 American prisoners of war forced into the horrifying conditions of German labour camps at the end of WWII. Cohen also co-wrote a biography of General Norman Schwarzkopf "In the Eye of the Storm" with Claudio Gatti.

The Oxford graduate and London native was awarded the Joe Alex Morris lectureship for distinguished foreign correspondence by the Nieman Foundation for Journalism at Harvard University, and served as Ferris Professor of Journalism at Princeton University, as well as numerous other awards.

### **Benoît d'Aboville**

*Vice President of the Fondation de la Recherche Stratégique, Paris*

Former French Permanent Representative and Ambassador to NATO. Previous assignments in Washington, New York, Prague, Warsaw and at the Cour des Comptes in Paris (conseiller maître en service extraordinaire). Member of Commission du Livre Blanc sur la Défense et la Sécurité, 2007-2008.

Member of the Board of the Institute of International Humanitarian Law and of the Revue Défense Nationale.

## **Benedetto Della Vedova**

*Under-secretary for Foreign Affairs and International Cooperation of Italy, Rome*

Born in Sondrio (April 3rd, 1962). High School Diploma (1981). Degree in Economics at "Università Commerciale Luigi Bocconi" (Milan, 1988). Researcher at IEFÉ Bocconi (Institute for economics of energy sources, 1987-1990). Researcher at IRER (Lombardy's Research Institute, 1990-1996). Assistant professor for Economics and Agricultural Policies at Università Cattolica (Milan, 1990-1995). Counsellor at CNEL (Economy and Labour National Council, 2005-2006), as expert appointed by the Government. Contributor at "Il Sole 24 Ore" (a major economic national newspaper, 2001-2004) and "Corriere della Sera" (2005-2006). Host of "Catallassi", a programme on economic issues on Radio Radicale, and other radio programmes. National Secretary (1994-1997) and Treasurer (1994-1996) of the movement "Club Pannella – Reformers". Member of the Directorate of the Lista Pannella (1997-1999). Since 1992 he has been member of the Transnational Radical Party. Member of European Parliament (1999-2004). Member of the Economic and Monetary Affairs Committee (ECON) and the Industry, Research and Energy Committee. Member of the Delegation for relations with countries of South Asia and SAARC. Member of Italian Chamber of Deputies (2006 to 2013, for PDL and then FLI) and then member of Italian Senate. Since 2013 he is the National Spokesperson of Scelta Civica (party founded by Mario Monti). Since February 2014 he is Undersecretary of State at the Ministry of Foreign Affairs and International Cooperation (Renzi Government).

## **Alexander Duleba**

*Director, Foreign Policy Association, Bratislava*

Date of Birth October 5, 1966, Svidník

Jan 2004 - Research Centre of the Slovak Foreign Policy Association: Director

2000 - 2004 Research Centre of the Slovak Foreign Policy Association: Director

1995 - 2000 Research Centre of the Slovak Foreign Policy Association: researcher

Research areas

International relations, foreign policy of the Slovak Republic, East European Studies, Russia, Ukraine and former USSR countries: domestic and foreign policy, foreign and security policy.

Other activities

2006 - present Member of the Advisory Board of the Institute of EU-Russia Centre, Brussels

2005 - present Member of the Scientific Council of the Faculty of Political Sciences and International Relations, Matej Bel University

2003 - present Member of the International Advisory Board of the Journal of International Relations and Development (Publisher: Central and East European International Studies Association, Palgrave Macmillan Ltd)

2003 - May 2006 Honorary Advisor to the President of the Slovak Republic for the

area of foreign policy

2001 Literary Fund of the Slovak Republic for the book *Ukraine and Slovakia in the field of social-production* (Bratislava: SAV, 2000)

2001 - June 2006 a working group member of the Accreditation Committee of the Slovak Republic for the discipline Theory of Politics

1999 - present Member of doctoral committee of the 3.1.8. subject "Theory Policy Study programme", Political Science at Comenius University in Bratislava

1999 - present Member of the Editorial board of the quarterly *International Issues* (publisher: until 2004 - Slovak Institute for International Studies, since 2004 - Research Centre of the Slovak Foreign Policy Association).

### **Oded Eran**

*Senior Researcher, Institute for National Security Studies, Tel Aviv*

Oded Eran, a senior research fellow at the Institute for National Security Studies, served as director of INSS from July 2008 to November 2011, following a long career in Israel's Ministry of Foreign Affairs and other government positions.

In his most recent post before joining INSS, Rd. Eran served as the World Jewish Congress Representative in Israel and the Secretary General of the WJC Israel Branch. From 2002-2007, he served as Israel's ambassador to the European Union (covering NATO as well). Prior to that (1997-2000) he was Israel's ambassador to Jordan, and head of Israel's negotiations team with the Palestinians (1999-2000). Other previous positions include deputy director general of the Ministry of Foreign Affairs, and the deputy chief of the Israeli embassy in Washington.

Dr Eran serves as an advisor to the Knesset Subcommittee on Foreign Affairs. He holds a Ph.D. from the London School of Economics.

### **Jon Elvedal Fredriksen**

*Ambassador, Embassy of Norway to Ukraine, Kiev*

Norwegian diplomat (cand. philol.). Entered the Foreign Service in 1997. Assistant Director of the Foreign Ministry 2006-08. Consul General in Murmansk 2008-11. From 2011 onwards, ambassador in Kiev.

### **Istvan Gyarmati**

*President, International Centre for Democratic Transition, Budapest*

After earning his Ph.D. in Military Science, Rd. Gyarmati worked at the Zrinyi Miklos National Defence University, the Association of Hungarian Journalists, and the Hungarian Ministry of Foreign Affairs. He served as the Alternate Permanent Representative of Hungary to the IAEA from 1981 to 1986. He participated in the Conference on Security and Co-operation in Europe, he was the deputy head of the Hungarian delegation at the negotiations on conventional armed forces in Vienna in 1989, and he participated in the negotiations surrounding the withdrawal of Soviet troops from Hungary. From 1992 to 1994 he led the Hungarian delega-

tion to the expert meetings of the Helsinki Summit, the Hungarian expert delegation to the London Conference on Yugoslavia, and the Department for Security Policy and Cooperation at the Ministry of Foreign Affairs. After serving in various positions in Eastern Europe and the Balkans, he became Deputy Secretary of State for Integration at the Ministry of Defence in 1996 then Undersecretary for Policy in 1998. He held top leadership positions at the Organization for the Prohibition of Chemical Weapon, the EastWest Institute, and the OSCE/ODIHR Election Monitoring Mission in Moldova. He was President and CEO of the ICDT since 2005 and became President of the Centre for Democracy Public Foundation in 2011. He is again President of ICDT since 2013.

### **Janos Herman**

*Ambassador, European External Action Service, Tbilisi*

Janos Herman was born 11th March 1952 in Budapest, Hungary.

2014- Head of the Delegation of the European Union to Georgia

2014-2015 - European Union Special Envoy to Central Asia

2010-2013 - Head of the Delegation of the European Union in Oslo, Norway

2009-2010 - Head of the Delegation of the European Commission to Norway and Iceland, resident in Oslo, Norway

2007-2009 - Deputy Political Director, DG RELEX, European Commission, Brussels

2005-2009 - Principal Advisor for Regional Cooperation, DG RELEX, European Commission, Brussels

2001-2005 - Permanent Representative of Hungary to NATO (2004/2005 Dean of the North Atlantic Council), Brussels

1998-2001 - Permanent State Secretary of the Ministry for Foreign Affairs of Hungary, Budapest

1994-1998 - Ambassador of Hungary to Greece and Cyprus, resident in Athens

1992-1994 - Ambassador, Spokesman of the Hungarian Government for Foreign Affairs, Deputy State Secretary, Ministry for Foreign Affairs of Hungary, Budapest

1990-1992 - Spokesman of the Ministry for Foreign Affairs of Hungary, Budapest.

### **Ojārs Ēriks Kalniņš**

*Chairman of the Committee on Foreign Affairs of the Parliament, Riga*

Born, Munich, Germany

Birthdate 22.10.1949.

Work experience

1987-1991 Consultant, Helsinki 86, Latvian Popular Front, Latvian Independence Movement

Jan-Sept 1991 Public Affairs Liaison, Legation of Latvia, Washington, D.C.

1991-1993 Deputy Chief of Mission, Latvian Embassy in the U.S.

1993-2000 Latvian Ambassador to the United States and Mexico

2000-2010 Nov 2010-Sept 2011 Director, Latvian Institute, Riga, Latvia  
Member, Latvian State President's Chapter of Orders, 2008 – 2010  
Member of Parliament 10th Saeima, Chairman, Committee on Foreign Affairs  
October 2011 – present Member of Parliament, 11th Saeima, Chairman, Committee on Foreign Affairs  
Head of Latvian Delegation to NATO Parliamentary Assembly  
Vice Chairman, Political Committee, NATO Parliamentary Assembly  
Member, Latvian Foreign Ministry's Qualification Committee (evaluates Foreign Ministry's career diplomats) (Chairman, Government Review Committee Oct-Dec 2011).

### **Andriy Kobolyev**

*Chief Executive Officer, Naftogaz, Kiev*

Andriy Kobolyev has over eight years of experience in the oil and gas sector in Ukraine.

Prior to his appointment as CEO of Naftogaz of Ukraine, Andriy was an adviser at the AYA Capital private investment and banking group. There he was involved with raising debt and equity capital, loan restructuring, and reorganization of corporate structures of large enterprises.

Andriy worked for Naftogaz of Ukraine between 2002 and 2010, where he started his career as a specialist in the Economy and Price Policy Department.

In 2006-2007, he occupied the position of director of the Department for Corporate Finance and Price Policy and in 2008-2010 he was an adviser to the chairman. In these roles he took part in numerous negotiations with Russia's gas monopoly Gazprom.

In 2004-2010, he coordinated the process of raising borrowings from international banks of USD 2 billion and was responsible for restructuring external debt in 2009.

Andriy Kobolyev started his career in PricewaterhouseCoopers (1999-2002).

There he worked as a management consultant and was responsible for strategic management and corporate reorganization projects.

In 2000, he graduated from the International Relations Institute at Kyiv National Shevchenko University with a Masters in International Economic Relations.

### **Rüdiger Lentz**

*Director, Aspen Institute Deutschland, Berlin*

Rüdiger Lentz is the Executive Director of the Aspen Institute Germany. Between 2009 and September 2013, he served as the Executive Director of the German-American Heritage Foundation and Museum in Washington. From November 1998 until December 2009, he was the Washington Bureau Chief and Senior Diplomatic Correspondent for Deutsche Welle. Prior to his assignment in Washington, he served as Deutsche Welle's Brussels Bureau Chief. Before joining Deutsche Welle, Lentz worked as a correspondent for the German news magazine Der

Spiegel, after having served in the German Armed Forces for eight years and as a TV commentator and reporter at ARD/WDR, Germany's largest public TV and radio station. Lentz has also held various positions including that of Editor in Chief at RIAS-TV Berlin from 1990-1992. As the Executive Director of German TV from 2002-2005 he was responsible for the branding and market entrance plan of German TV in the US. He has been a Visiting Lecturer at Harvard University, the School of Foreign Service in Washington and a regular guest on CNN and C-Span. Lentz was born 1947 and studied international relations, history and economics at the University of Hamburg. He is a long-time member of the Atlantik-Bruecke and a founding member of the German American Business Council (GABC) in Washington.

### **Ian Lesser**

*Senior Director for Foreign and Security Policy, German Marshall Fund, Brussels*

Rd. Ian O. Lesser is senior director for foreign and security policy at GMF, managing activity in these areas across the organization. He also serves as executive director of the Transatlantic Center, GMF's Brussels Office, and leads GMF's work on the Mediterranean, Turkey, and the wider Atlantic.

Prior to joining GMF, Lesser was vice president and director of studies at the Pacific Council on International Policy (the western partner of the Council on Foreign Relations). He came to the Pacific Council from RAND, where he spent over a decade as a senior analyst and research manager specializing in strategic studies. From 1994-95, he was a member of the secretary's Policy Planning Staff at the U.S. Department of State, responsible for Turkey, Southern Europe, North Africa, and the multilateral track of the Middle East peace process.

A frequent commentator for international media, he has written extensively on international policy issues. His books and reports include "Morocco's New Geopolitics: A Wider Atlantic Perspective" (2012); "Beyond Suspicion: Rethinking US-Turkish Relations" (2007); "Security and Strategy in the Eastern Mediterranean" (2006); "Turkish Foreign Policy in an Age of Uncertainty" (2003); "Greece's New Geopolitics" (2001); and "Countering the New Terrorism" (1999).

He is a member of the Council on Foreign Relations, the International Institute for Strategic Studies, and the Pacific Council on International Policy. He serves on the advisory boards of the NATO Defense College Foundation, the International Spectator, Turkish Policy Quarterly, and Insight Turkey, has been a senior fellow of the Onassis Foundation and the Luso-American Foundation, and a public policy scholar at the Woodrow Wilson Center in Washington. Lesser also serves as a senior adviser to the Commander, United States European Command.

Lesser was educated at the University of Pennsylvania, the London School of Economics, and the Fletcher School of Law and Diplomacy, and received his D. Phil from Oxford University.

### **Christina Lin**

*Center for Transatlantic Relations, Johns Hopkins University, Washington DC*

Christina Lin is a Fellow at the Center for Transatlantic Relations at SAIS-Johns Hopkins University, where she specializes in China-Middle East and NATO relations. She was a 2013-2014 Transatlantic Academy Fellow at the German Marshall Fund and a former visiting fellow at the Washington Institute for Near East Policy. Dr Lin has extensive US government experience working on China security issues, including policy planning at the US Department of Defense, the National Security Council, and US Department of State. She is the author of "The New Silk Road: China's Energy Strategy in the Greater Middle East". Dr Lin has also been a key author of the annual China file for Jane's Chemical, Biological, Radiological, and Nuclear Intelligence Centre at IHS Jane's.

### **Alexander Nikitin**

*Director, Centre for Euro-Atlantic Security, Moscow State Institute for International Relations, Moscow*

Rd. Alexander I. Nikitin Professor, Moscow State Institute of International Relations, Russia. Born in 1958, graduated from the Department of Philosophy of Moscow State University in 1979. Postgraduate studies and Ph.D. (History of International Relations) in 1983 from the USA and Canada Studies Institute of the Academy of Sciences. Second dissertation (Doctor of Political Sciences) in 2000 in MGIMO. Research work for 10 years (1979-1989) in the USA and Canada Studies Institute (Senior Research Fellow, Sector Head). Diplomatic practice in the Soviet Permanent Mission to the United Nations (New York, USA, 1985). Since 1989 till now Rd. Nikitin teaches in the Moscow State Institute of International Relations (since 1998 – Professor of the Department of Political Sciences). Since 1989 till present time – Director of the Center for Political and International Studies – independent non-governmental research institution involved in analytical work, consulting, publishing, organization of conferences in the spheres of international security and international relations. Since 2004 – Director of the Center for Euro-Atlantic Security at MGIMO. International Research Fellowship in the NATO Defense College (NDC) in Rome (Italy) in 1996 and at IFRI Institute in Paris (2003). Guest lecture courses in the University of Iowa (USA), NDC (Rome), Geneva Center for Security Policy (GCSP). President of the Russian Political Science Association and Executive Board member of the Russian Academy of Political Sciences. Elected Academy member of the Russian Academy of Military Sciences. Vice-Chairman of the Russian Pugwash Committee of Scientists for International Security and Disarmament, elected member of the International Pugwash Council. Rd. Nikitin is the author of 3 monographs and more than 100 articles and chapters in academic periodicals, journals and books published in Russian and English.

### **Enzo Quattrocioche**

*Secretary General, European Bank for Reconstruction and Development, London*

Enzo Quattrocioche worked for 12 years as Director for Italy on the Bank's Board of Directors before resigning from the Board in August 2008 and taking up his role as Secretary General in February 2009. During his period as Director, Mr Quattrocioche served as Chairman of two important Board committees which deal with Bank policies and operations. Beyond his years as a Board Director at the Bank, he has held management positions at the Italian Ministry of Economy and Finance – as Division Chief for IFIs and as Director General – and has worked as an official in the Executive Board of the IMF and in Italy's Ministry of the Treasury. The Bank's Secretary General is a member of the Executive Committee and works with the President, the Board of Governors and the Board of Directors. As well as assuming responsibility for the EBRD Annual Meeting, the Secretary General promotes the mission of the Bank to other international institutions while engaging in vital policy dialogue with the countries of operations.

### **Claude Salhani**

*Senior Editor, Trend News Agency, Baku*

Claude Salhani is a journalist, author, political analyst and TV and radio commentator is one of the most knowledgeable voices on the Arab-Israeli issues, the Greater Middle East, Central Asia, terrorism, and political Islam.

He has appeared on more than 40 networks including CNN, Fox, BBC, VOA, Al-Hurra (in Arabic), France 24 and Russia Today. His articles have been published in The New York Times, the Middle East Times, The Washington Post and the Washington Times, The International Herald Tribune, The Times (London), The San Diego Union Tribune, Foreign Service Journal, Middle East Policy Journal, Salon.com, The American Conservative, The National, Khaleej Times and many others.

He is the author of: "Black September to Desert Storm", (1997). "While the Arab World Slept: the impact of the Bush years on the Middle East", (2009). "Islam Without a Veil", (2011), contributing author of "The Iraq War", (2002), and "Inauguration Day" (Oct. 2015).

Mar. Salhani is currently Senior Editor with Trend News Agency, in Baku: opinion editor of the Arab Weekly, contributor to Huffington Post and a columnist with United Press International. he has worked with United Press International The Washington Times as well as with radio and TV.

Over the course of a 35-plus-year career he travelled to 87 countries reporting on major events. Previous posts included Beirut, Cairo, Brussels, Paris, London, Baghdad, Kuwait, New York, Washington, DC and Astana.

He has covered a dozen conflicts in the Middle East and Europe, including Arab-Israeli wars, Lebanese civil war, the Iranian revolution, the Iraq-Iran war, the deployment of the multinational force in Lebanon and the bombing of the US

Marines barracks, the Velvet Revolution in Prague, the downfall of communism in Eastern Europe, the Iraqi invasion of Kuwait and the first Gulf War. Travelled with US presidents, secretaries of State and multiple foreign dignitaries. As an analyst wrote extensively on the events since the terrorist attacks of September 11, 2001 and the ensuing wars in the Middle East and for about 12 years was published in the commentary pages of The Washington Times.

Was wounded three times and was nominated for a Pulitzer Prize.

Prior to that worked as a freelance journalist covering the Middle East & North Africa. Working on special assignment for the Organization for Security and Co-operation in Europe, (OSCE) conducting numerous training seminars for Kosovar journalists and policemen on how to avoid escalating crises into conflicts. And on special assignment for Search for Common Ground trained Palestinian journalists in the West Bank and Gaza on journalistic ethics.

Helped draft a white paper for the Obama administration on how to proceed in the Middle East and wrote a policy paper for the Cato Institution on the Syria Accountability Act. developed and taught a course in public diplomacy at Royal Roads University. Has carried out work for the following NGOs: Organization Search for Common Ground and Iraqi Institute for Strategic Studies.

### **Leigh Sarty**

*Deputy Head of Mission, Embassy of Canada to Russia, Moscow*

Leigh Sarty is Director of the Europe and Central Asia Relations Division at the Canadian Department of Foreign Affairs and International Trade. He was previously Counsellor and Head of the Political Section at the Canadian Embassy in Beijing (2003-2007), and served as Second Secretary at the Canadian Embassy in Moscow from 1996 to 1999. In Ottawa he has worked in the Non-proliferation, Arms Control and Disarmament Division (1999-2001) and as Desk Officer for Russia (1994-1996) and for the Caucasus and Central Asia (1993-94). Rd. Sarty received his education at the University of Toronto (B.A. 1983), Carleton (M.A. 1985), and Columbia University (PhD 1991).

### **Jiří Schneider**

*Director of Special Projects, Prague Security Studies Institute (PSSI), Prague*

Amb. Jiří Schneider is currently Senior Fellow at the Prague Security Studies Institute, where he was a Programme Director from 2005-2010. Recently he served as the First Deputy Minister of Foreign Affairs of the Czech Republic (2010-2014). He was formerly Head of the Policy Planning Department of the Czech Ministry of Foreign Affairs (1993-1994, 1999-2001, 2003) and Ambassador of the Czech Republic to Israel (1995- 1998). Mar. Schneider was an International Policy Fellow at the Open Society Institute in Budapest (2002) and an MP of the Czechoslovak Federal Assembly (1990-1992). He is a graduate of Czech Technical University and holds Diploma from University of Cambridge.

### **Jamie Shea**

*Deputy Assistant Secretary General for Emerging Security Challenges, NATO, Brussels*

Jamie Shea is NATO Deputy Assistant Secretary General for Emerging Security Challenges. He has been working with NATO since 1980. His former positions included Director of Policy Planning in the Private Office of the Secretary General, Deputy Assistant Secretary General for External Relations, Public Diplomacy Division, Director of Information and Press, Spokesman of NATO and Deputy Director of Information and Press, Deputy Head and Senior Planning Officer at the Policy Planning and Multilateral Affairs Section of the Political Directorate as well as Assistant to the Secretary General of NATO for Special Projects. Dr Shea is involved with several prominent academic institutions and acts amongst others as professor of the Collège d'Europe, Bruges, Visiting Lecturer in the Practice of Diplomacy, University of Sussex, Associate Professor of International Relations at the American University, Washington DC, where he also holds the position of Director of the Brussels Overseas Study Programme, and lectures at the Brussels School of International Studies at the University of Kent. He also is a regular lecturer and conference speaker on NATO and European security affairs and on public diplomacy and political communication and lobbying. He holds a DPhil in Modern History from Oxford University (Lincoln College), 1981. Amongst his many associations and memberships, Dr Shea is Member of the Advisory Board, Security and Defence Programmes at Chatham House, Member of the Policy Council at the World Economic Forum in Geneva and Founder and Member of the Board, Security and Defence Agenda Brussels.

### **Andrei Tarnea**

*Executive Director, Aspen Institute Romania, Bucharest*

He is a member of the Aspen Institute Romania and currently serves as the executive director of the Institute. He is a career diplomat having joined the Romanian Ministry of Foreign Affairs in 1998. His diplomatic career includes working in bilateral affairs, serving with the ministry's spokesperson, and as head of the early warning unit in the policy-planning department. He was advisor to the foreign minister between 2002 and 2004. Previously he worked for the Centre for Policy Studies and Comparative Analysis, and co-led a political and social affairs think tank. He also worked in the private sector and the Romanian Senate where he served as an advisor and researcher with the legal affairs committee. During 1996 he was the executive director for a mayoral electoral campaign in Bucharest. He was on foreign posting in Brussels between 2004 and 2010 as director of the Romanian Information Centre in Brussels, and Councillor to Romanian Embassy. In 2007 he took on the role of director of the Romanian Cultural Institute in Brussels and he served as vice president and then president of EUNIC Brussels between 2008 and 2010.

## **Ivan Vejvoda**

*Vice-President, German Marshall Fund, Washington DC*

Ivan Vejvoda is senior vice president for programmes. From 2003-10, he served as executive director of GMF's Balkan Trust for Democracy, a project dedicated to strengthening democratic institutions in Southeastern Europe. Vejvoda came to GMF in 2003 from distinguished service in the Serbian government as senior advisor on foreign policy and European integration to Prime Ministers Zoran Djindjic and Zoran Zivkovic. Prior to that, he served as executive director of the Belgrade-based Fund for an Open Society from 1998 to 2002.

During the mid-1990s, Vejvoda held various academic posts in the United States and the U.K., including one-year appointments at Smith College in Massachusetts and Macalester College in Minnesota, and a three-year research fellowship at the University of Sussex in England.

Vejvoda was a key figure in the democratic opposition movement in Yugoslavia through the 1990s, and is widely published on the subjects of democratic transition, totalitarianism, and post-war reconstruction in the Balkans. He is a member of the Serbian Pen Club and is a board member of U.S. social science journals "Constellations" and "Philosophy and Social Criticism".

Vejvoda has been awarded the French National Order of Merit in the rank of Officer and the Order of the Italian Star of Solidarity, second rank (Commendatore). He holds a diploma from Institut d'Etudes Politiques de Paris and completed post-graduate studies in philosophy at Belgrade University. He speaks fluent English, French, and Italian in addition to his native Serbian.

## **Toby Vogel**

*Senior Associate, Democratization Policy Council, Brussels*

Toby Vogel is a writer on foreign affairs based in Brussels. In 2007-14, he was a staff writer with European Voice, an independent newsweekly on EU affairs, where he covered political and institutional issues, foreign policy, trade and development. He was previously an editor with Transitions Online ([www.tol.org](http://www.tol.org)), a news magazine on the former Communist world, and a regular contributor to RFE/RL's "Newswire". Before becoming a journalist, Vogel worked in management and advisory roles with the International Rescue Committee and the UN Development Programme, primarily in New York and Sarajevo. Vogel is a co-founder and senior associate of the Democratization Policy Council in Washington DC, and Berlin; an associate of the Council for a Community of Democracies; and a fellow of the 21st Century Trust. He was educated at the University of Zurich (MA, philosophy, 1995) and completed his PhD coursework in politics at the New School for Social Research (MA, 1998). In 2003, Vogel was an Andrew W. Mellon Foundation research fellow on security and humanitarian action at City University of New York.

### **Firuz Demir Yaşamış**

*Professor, American University of the Emirates, Dubai*

Born in 1948 in Ankara. Joined the corps of Turkish National Public Administrators at the Ministry of Interior in 1968 and worked at the field as sub governor and at the Headquarters. Participated in the establishment activities of the National Environmental Undersecretariat as the acting undersecretary between 1978-80. Employed by the UNICEF as the resident programme officer with the capacity of heading the Ankara Office and representing UNICEF in Turkey between 1983-5. Assumed the task of municipal institutional development components at the Cukurova Urban Development Project of the World Bank between 1985-7. Provided consultancy services to several international organizations such as the Council of Europe, the OECD and the WHO and to several domestic institutions including industrial companies, municipalities and union of municipalities on environmental management, urban planning, urban management and institutional development in municipalities. Chairperson of the Committee on Environmental for the 7th National Development Plan. Chairperson of the National Structural Reform Committee on Environmental Management in Turkey. Consultant to and the Reporter of the President's State Inspectorates Council on the State Reform Project. Taught at the universities of Ankara, Hacettepe, Middle East Technical, Sabanci, Maltepe, Yeditepe, Abant Izzet Baysal and Istanbul Aydin in Turkey. Undersecretary of the Ministry of Environment between February 1998 and August 1999. Rd. Yasamis is a full-time member of the faculty at the American University in the Emirates since August 2012 and, worked as the "Director of Research and Advancement" and the "Programme Director of Security and Strategic Studies" and the "Programme Director of Master of Arts in Diplomacy". Member of editorial boards of several international peer reviewed journals. Author of 11 books and more than hundred articles published in national and international peer reviewed journals.

### **Marcin Zaborowski**

*Director, Polish Institute for International Affairs, Warsaw*

Marcin Zaborowski has been the Director of the Polish Institute of International Affairs (PISM) since July 2010. Prior to that, Mar. Zaborowski directed the transatlantic programme at the European Union Institute for Security Studies (EUISS) in Paris, where he dealt with transatlantic relations, U.S. foreign policy, EU Common Security and Defence Policy and EU enlargement. He was a lecturer in International Relations at the University of Birmingham and Aston University in the UK from 2001 to 2005 and Coordinator and Director of the Transatlantic Programme at the Centre for International Relations in Warsaw from 2002 to 2004. Mar. Zaborowski holds a doctorate in European Politics and an MA in International Studies from the University of Birmingham. He is also a graduate of the Adam Mickiewicz University in Poznan, Poland. Mar. Zaborowski is a Member of Council of the Slovak

Atlantic Commission (SAC), Adjunct Fellow at the Center for European Policy Analysis (CEPA) in Washington DC and Consultant for Strategic Security Review of Poland. He has been lately nominated as a member of the prestigious international expert policy group by the NATO Secretary General which is to formulate report on the most important challenges facing NATO before the Wales Summit.

### **Yannis - Alexis Zepos**

*Former Secretary General, Ministry of Foreign Affairs of Greece, Athens*

1990 Deputy Director at the Balkan, Central-Eastern European and USSR Political Affairs Directorate, Ministry of Foreign Affairs

Dec. 1991-Jul. 1992 Counsellor and Chargé d' Affaires, Lisbon (on special mission)

1992 Consul General in Chicago

1995 Minister Plenipotentiary, Deputy Permanent Representative to NATO

1997 Ambassador of Greece to the Republic of India; also, as non-resident, to Nepal, Bangladesh, Sri Lanka & Maldives

2002 Director of the Diplomatic Cabinet of the Minister for Foreign Affairs

2004 Ambassador, Permanent Representative to the North Atlantic Treaty Organization

2007 Ambassador to the Arab Republic of Egypt

2009 Member of the "Group of Experts" on the New Strategic Concept of NATO

2009-2012 Secretary General of the Ministry of Foreign Affairs.



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The NDCF is a unique think-tank: international by design and based in Rome, due to its association with the NATO Defense College. Its added value lies in the objectives stated by its charter and in its international network.

The charter specifies that the NDCF works with the Member States of the Atlantic Alliance, its partners and the countries that have some form of co-operation with NATO. Through the Foundation the involvement of USA and Canada is more fluid than in other settings.

The Foundation was born four years ago and is rapidly expanding its highly specific and customer-tailored activities, achieving an increasingly higher profile, also through activities dedicated to decision makers and their staffs. It is the now the second time that the NDCF contributes to a EU Presidency.

Since it is a body with considerable freedom of action, transnational reach and cultural openness, the Foundation is developing an increasingly wider scientific and events programme.



The Ukrainian crisis and the annexation of Crimea have quickly changed political perceptions and calculations in the Euro-Atlantic and Eurasian strategic spaces. We cannot consider NATO's role to be achieved when we see military options still being considered in our continent, when we have uncertainty at the borders of NATO member nations. This broad area is of paramount strategic relevance for the European continent and it is also significant for the entire world because it raises the issue about how spheres of influence and cooperation are created and upheld.

In this context the NATO Defense College Foundation, the only existing think-tank bearing the name of the Alliance, convened this conference in order to better understand the roots of this long crisis, to put together very different views on different priorities and to explore possible future outcomes. The time has come to tackle the right fundamental issues, because NATO is naturally part of an open strategic discussion about the present situation in Eastern Europe and on its future. The Foundation collected the best existing expertise from about twenty different countries including, among others, the Latvian Presidency of the European Union, believing that it is important to circulate the analysis of major strategic issues to a larger public for the common good of the Euro-Atlantic community at large.

ISBN 978-88-6140-194-5



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