



المركز العربي للأبحاث ودراسة السياسات
Arab Center for Research & Policy Studies

ASSESSMENT REPORT

The G7 and the Russian Conundrum

Policy Analysis Unit - ACRPS | June 2015

The G7 and the Russian Conundrum Series: Assessment Report

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Introduction

The G7 group of leading industrial economies concluded their forty-first summit in the town of Schloss Elmau in the Bavarian Alps. Items for discussion on the group's agenda included anthropogenic climate change and the rise in average global temperatures, the Greek debt crisis, the battle against ISIL, and global pandemics such as Ebola. The most prominent matter at hand, however, was Ukraine and the future of the troubled relationship with Russia. This was the second meeting of the G7 since Russia was expelled in 2014 as a result of the Crimea crisis, leading to the cancellation of a summit planned in the Russian resort town of Sochi (the remaining members are the US, UK, Canada, Italy, Japan, France and Germany). This followed a period stretching back to 1998 when the group was known as the G8 and counted Russia as a full member, thereby restoring the state of affairs which had existed between 1976 and 1998. Extending the Western sanctions regime on Moscow was the US's main objective during the German-hosted meeting, but the complexity of Western-Russian relations cannot be confined to the sanctions regime.

Extending the Sanctions

President Obama announced on arrival in Schloss Elmau that the gathered heads of states would find ways to “stand up to Russian aggression”¹ in the Ukraine, thereby pulling the rug from under the feet of a number of European figures who questioned the effectiveness of the sanctions regime placed on Russia. Prominent critics of sanctions include Italian Prime Minister Matteo Renzi and a number of German left-wing politicians². The Obama position carried the day, with the closing communique of the summit calling not only for an extension of the sanctions placed on Russia but also their tightening in the event that Russia expanded its intervention in the Ukraine. The closing statement also called on Russia to abide by the Minsk Agreement which it signed in February of 2015 and which was sponsored by Germany and France³. The deal, which

¹ “G7 summit: Obama and Merkel firm on Russia sanctions”, June 7, 2015:

<http://www.bbc.com/news/world-33038788>

² Jeff Mason and Noah Barkin, “G7 leaders urge tough line on Russia at Alpine summit”, *Reuters*, June 7, 2015: <http://www.reuters.com/article/2015/06/07/us-g7-summit-idUSKBN00M01320150607>

³ Arlette Saenz, “5 Takeaways from President Obama’s Trip to the G7 Summit”, *ABC News*, June 9, 2015: <http://abcnews.go.com/Politics/takeaways-president-obamas-trip-g7-summit/story?id=31624117>

the West accuses Russia and her secessionist allies of violating, calls on both parties to the conflict to accept a ceasefire and to withdraw heavy weapons from the front lines.

Western sanctions have already had a negative impact on the Russian economy, with inflation at 15.8 percent, and the ruble having lost 11 percent of its value against the US dollar in April alone. Compounding that sharp increase in prices, annual Gross Domestic Product fell by 4.2 percent as announced that same month⁴. President Obama cited these figures as evidence of the success of Western governments' sanctions approach, and the need to continue following that path. In his official statement on the occasion of the summit, Obama explained how "it's important to recognize the Russian economy has been seriously weakened. The ruble and foreign investment are down; Inflation is up. The Russian central bank has lost more than \$150 billion in reserves. Russian banks and firms are virtually locked out of the international markets. Russian energy companies are struggling to import the services and technologies they need for complex energy projects. Russian defense firms have been cut off from key technologies. Russia is in deep recession. So Russia's actions in Ukraine are hurting Russia and hurting the Russian people." Obama went on to set a challenge before Russian President Vladimir Putin: "He's got to make a decision: Does he continue to wreck his country's economy and continue Russia's isolation in pursuit of a wrong-headed desire to re-create the glories of the Soviet empire? Or does he recognize that Russia's greatness does not depend on violating the territorial integrity and sovereignty of other countries?"⁵

The Convolutions of the Relationship with Russia

Nonetheless, while Western sanctions have indeed had an impact on Russia, they have failed to produce the desired effect on the ground in the Ukraine. Russia continues to support secessionist forces in the Ukrainian region of Crimea. Since signing the Minsk Agreement, Moscow has even expanded the areas of the contested region which it controls, without giving any sign that it would step back from its annexation of the

⁴ Fiona Clark, "Sanctions: Who's really hurting in Russia?", *Deutsche Welle*, May 31, 2015: <http://www.dw.de/sanctions-whos-really-hurting-in-russia/a-18480370>; Alexander Winning and Elena Fabrichnaya, "Russia may cut rates by 100 bps as ruble falls central bank in", *Reuters*, June 9, 2015: <http://www.reuters.com/article/2015/06/09/us-russia-cenbank-rates-idUSKBN0OP1FF20150609>

⁵ Remarks by President Obama in Press Conference after G7 Summit", White House Press Office, June 8, 2015: <https://www.whitehouse.gov/the-press-office/2015/06/08/remarks-president-obama-press-conference-after-g7-summit>

Crimean Peninsula. It appears, then, that Putin's brinkmanship has borne some fruit. If the Western sanctions fail to achieve their intended aims, then Western countries will have to find other avenues to realize their goals, including a possible bolstering of NATO forces stationed in Eastern Europe, or providing defensive weapons to the Ukrainian military. The US and the EU, however, have hesitated from making such a move, out of a fear that a miscalculation by one of the two sides could precipitate a regional or even global conflagration⁶.

During the closing press conference, Obama eluded a question about the possibility of repelling a Russian ground offensive in the Ukraine without relying on American ground forces, limiting himself to commenting that: "There was discussion about additional steps that we might need to take if Russia, working through separatists, doubled down on aggression inside of Ukraine. Those discussions are taking place at a technical level, not yet at a political level -- because I think the first goal here going into a European Council meeting that's coming up is just rolling over the existing sanctions. But I think at a technical level, we want to be prepared."⁷

While both Obama and Merkel continued to insist on the necessity of a diplomatic resolution to the crisis with Russia over Crimea, British Foreign Secretary Phillip Hammond weighed in with a warning over pushing Russia up against a wall. When asked if the US should consider a re-deployment of medium-range nuclear missiles in Europe, Hammond responded only obliquely, pointing out the difficulties which both sides faced. Hammond expressed the view that "[the West] have got to send very clear signals to the Russians that we will not tolerate any breach of their obligations under Minsk" but also added that "we have to recognize that the Russians do have a sense of being surrounded and under attack and we don't want to make unnecessary provocations"⁸. For his part, President Putin has consistently offered conciliatory gestures to the West, in a bid to avoid any military escalations that could get out of hand. One example was given in an interview with the Italian newspaper *Il Corriere*

⁶ Remarks by President Obama and Chancellor Merkel in Joint Press Conference, White House Press Office, February 9, 2015: <https://www.whitehouse.gov/the-press-office/2015/02/09/remarks-president-obama-and-chancellor-merkel-joint-press-conference>

⁷ Remarks by President Obama in Press Conference after G7 Summit", White House Press Office, June 8, 2015: <https://www.whitehouse.gov/the-press-office/2015/06/08/remarks-president-obama-press-conference-after-g7-summit>

⁸ "G7 Summit: Obama and Merkel firm on Russia sanctions"

della Serra, when the Russian president emphasized that “only an insane person and only in a dream can imagine that Russia would suddenly attack NATO”⁹.

Russia: a Western Conundrum

Added to the impossibility of a military resolution to NATO’s Russia crisis, the United States and its Western allies are also in need of Russian assistance in a number of global conflicts. As a member of the P5+1 group, Russia (alongside the US, the United Kingdom, France, China and Germany) is part of a global effort to negotiate a settlement to Iran’s nuclear program. Without Russian cooperation, the long-anticipated conclusion of those talks, scheduled for the end of June, 2015, will simply be impossible.

The West is also reliant on Russian support in the Syrian crisis, given Russia’s extensive leverage with the Syrian president, something which was evidenced in August 2013, when Moscow convinced Damascus to abandon its chemical weapons so as to avoid an American military strike. Remarkably, the tensions over the Crimea crisis and the extension of Western sanctions did not prevent the G7 leaders from discussing the possibility of offering political asylum to Bashar Al Assad as part of a wider deal with Russia to bring the bloody conflict to an end¹⁰. In the war against “extremism” more broadly, and specifically in the fight against ISIL in Syria and Iraq, the US and its allies will need Russian support, as they will similarly need Moscow’s help in dealing with North Korea¹¹. Taken together, these situations point to the fact that the West needs Russia, just as Russia needs the West. In the words of German Chancellor Merkel, the

⁹ Interview to the Italian newspaper *Il Corriere della Sera*, June 6, 2015: <http://en.kremlin.ru/events/president/news/49629>

¹⁰ Oliver Wright, “G7 Summit: President Assad could face exile in Russia and the West’s plan to tackle Isis in Syria”, *The Independent*, June 8, 2015: <http://www.independent.co.uk/news/world/middle-east/g7-summit-president-assad-could-face-exile-in-russia-and-the-wests-plan-to-tackle-isis-in-syria-10305824.html>

¹¹ Steven Mufson, “At G-7 meeting, Obama’s primary task is confronting his Putin problem”, *The Washington Post*, June 6, 2015: http://www.washingtonpost.com/business/economy/at-g-7-meeting-obamas-primary-task-is-confronting-his-putin-problem/2015/06/06/894ac148-0aea-11e5-9e39-0db921c47b93_story.html

G7 members want to work “side by side” with Russia, which they see as a country that continues to be important in spite of the tensions caused by the conflict in Ukraine¹².

Conclusion

Despite all attempts to isolate Russia and punish Moscow for the Crimea crisis, the US and its allies have no choice but to try and distinguish the various paths along which they may come into conflict with the country. Even while the Russians are being punished for their intervention in Ukraine, the West extends its hand to Moscow in a number of other spheres, including the Syrian crisis and the Iranian nuclear program. President Obama may have been able to say, at a joint press conference with the Dutch Prime Minister, that “Russia is a regional power that is threatening some of its immediate neighbors not out of strength, but out of weakness”, but global complexities have forced Obama to seek the Russian presidency’s help on a number of occasions¹³. As a result of this paradox, where Russia is simultaneously an errant international actor that requires discipline, and an asset whose help is required, Russia will continue to be a true conundrum for the Western powers in the short term. The US and its allies may find themselves having to accept the reality of Russian interests in Ukraine, and particularly in the Crimean peninsula, which are now a *fait accompli*. This could be a way for the G7 states to look towards a new future, and avoid another Cold War in Europe.

¹² Oliver Wright, “G7 Summit: President Assad could face exile in Russia and the West’s plan to tackle Isis in Syria”

¹³ “Press Conference with President Obama and Prime Minister Rutte of the Netherlands, White House Press Office, March 25, 2014: <https://www.whitehouse.gov/the-press-office/2014/03/25/press-conference-president-obama-and-prime-minister-rutte-netherlands>