"All-in" for Status: Russia's Risky Wargame with (in) Europe

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$630bn—17 months of import cover, although three is generally considered sufficient. It has paid down its debt and has the lowest debt in the world among major economies. And the government has been in effect running austerity budgets since 2012.

The resulting Fiscal Fortress makes Russia largely impervious to sanctions, but it has also held the economy's potential growth to 2%, far below its potential say economists. If the tensions with the West disappeared and the cash pile was spent or if the government and businesses were allowed to leverage up, then the econ-omy would boom. But that won't happen unless Putin can win a new security deal that he is confident will fulfil Russia's security needs.

If not, then Putin's annexation of Crimea shows that he is willing to make considerable sacrifices for the sake of Russian security, which he clearly puts at the top of his list of priorities, ahead of peace and prosperity, and is probably willing to start a new Cold War if he is not reassured by a new framework and turn to China as its long-term partner, despite Moscow's preference for a partnership with Europe.

About the Author
Ben Aris is the founder and editor-in-chief of business new europe (bne), the leading English-language publication covering business, economics, finance and politics of the 30 countries of the former Soviet Union, Central and South-eastern Europe and Eurasia.

COMMENTARY

"All-in" for Status. Russia's Risky Wargame with (in) Europe

By Maria Raquel Freire (Centre for Social Studies University of Coimbra) and Regina Heller (Institute for Peace Research and Security Policy, Hamburg)

Via Ukraine, Moscow prepares the ground both rhetorically and practically for making clear that Russia has legitimate security interests and that the West has no business being in Russia's neighborhood. Pushing for major power status by threatening war is a risky game.

Russia's Status Problems
The Ukraine conflict has intensified in recent weeks. Europe faces a serious security crisis. Russia ramped up its military forces along Ukraine's border. The West signals rigor, support for Ukraine, and adherence to its principles. At the same time, diplomatic activity is skyrocketing to ease tensions, as fears of war also increase in both Russia and the West. The goal of Russia's massive show of force is no longer only compelling rebellious Ukraine back to the negotiation table. Rather, the purpose is to lend weight to Moscow's demands issued in its proposal to NATO to stop further expanding to the East and to ultimately settle open questions of European security in a way that is acceptable to Russia.

From the Kremlin's perspective, the stakes are high. Russia is in danger of irreversibly losing its status as a regional power and of sinking into irrelevance in matters of European security. This outlook weighs heavily, increasing the Kremlin's willingness to create facts on the ground. Ukraine is the linchpin, where Russia's status problems come together and, according to Moscow's will, should be resolved. The threat of war seems the best way to achieve these goals.

Identity: Russia as a Major Power
Influence in Ukraine's domestic affairs as well as control over its external policy secures the material foundations of the collective identity, which the Putin regime has promoted over many years and to which it has tied its political fate—i.e., its identity as a major power. Along with the claim of being a nuclear superpower on par with the US, this narrative has a regional dimension, claiming "exclusive" rights in Russia's neighborhood, as well as a European dimension, demanding an equal say in matters of European security. From the Kremlin's position, since the breakup of the Soviet Union and especially in the context of NATO enlargement, the West has ignored its claim of "indivisible" security in Europe. With Ukraine choosing its own path, turning westwards and dismissing Russian hegemony, Russia's status as a regional power is also under threat.

Opportunity: the Time is Now

Developments in Ukraine as well as in the international realm are leading Moscow to push more forcefully for major power status right now. From Russia's viewpoint, the window for maintaining a foothold in Donbas is gradually closing. Last year, a negotiated solution over Donbas with Kiev seemed tangible for the Kremlin, after Moscow had deployed forces at the Russian–Ukrainian border and a US–Russia summit took place thereafter. However, US approval of the Nord Stream 2 completion and the West's overhasty withdrawal from Afghanistan spurred fears in Kiev that the West could withdraw its support for Ukraine. These events triggered renewed resistance to further complying with the Minsk accords as well as more efforts to intensify defense cooperation with NATO. Drones delivered by Turkey to Ukraine and further military support might not be enough to change the military balance of power, but may provide grounds for a bloody war that no one wants.

An open window seems the West's current weakness. The Biden administration is still dealing with fallout from its Afghanistan withdrawal and faces difficult circumstances at home. In the EU, divisions remain an easy target for Russia. Presidential elections in France, a new government in Germany, and the effects of the pandemic have hampered Western alignment. Hybrid warfare, both toward Ukraine and Europe and the US, has been creating and will continue to create confusion and dissent. In the face of conflict escalation, the West has only slowly gotten off the ground and has stayed busy unscrambling Putin's conundrums.

Managing Loss: Can the Kremlin Handle the Costs of Confrontation?

Russia's economy is better prepared for confrontation with the West than it was in 2014. Despite two years of pandemic hardship, the government has secured macroeconomic stability. It stocked up Russia's foreign currency reserves and furthered the nationalizing and dedollarizing of the economy. Moreover, the Kremlin can take advantage of revenues from the relatively high price of energy and threatens Europe with supply cuts amid the latter's continuing dependence on gas.

While all these facts can cushion immediate economic damage, they most likely cannot prevent more structural economic problems emanating from a war. Severe Western sanctions, such as against large-scale Russian banks, combined with geopolitical instability, would discourage investments, raise the costs of attracting capital and further retard growth.

However, the Kremlin has ensured that such a scenario will not negatively impact its domestic power. The strengthened repression apparatus can intimidate and crush societal protest effectively in case dissatisfaction over declining living standards grows. Although the majority of the Russian population believes that the West is the aggressor in the current conflict, the Kremlin is well aware that the 2014 Crimea consensus is no longer mobilizing.

Conclusion

Further developments in the current crisis will depend on how Moscow navigates the three vectors of identity, opportunity and costs. The regime's concept of Russian major power status is based on a backward-looking imperial identity. The Kremlin seems to prefer hedging for economic costs and losses to giving up on Ukraine. Moscow overvalues short-term successes, enforcing negotiations with the West and Ukraine, but ignores long-term consequences: Ukraine will distance further from Russia, and Western countries will reassemble and reach a new consensus on Moscow. Nevertheless, talks about the foundations of European security would be difficult, lengthy and require concessions from all sides. Will Putin truly buy into this strategy?

About the Authors

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COMMENTARY

The Russia–Ukraine Crisis: Where Does Germany Stand?

By Stefan Meister (German Council on Foreign Relations, Berlin)

The massive Russian troop buildup on the border with Ukraine since December 2021 has served to exert massive pressure on the U.S., NATO, and the EU member states to negotiate a new European security order. For the Russian leadership, the timing seems favorable for delivering an ultimatum to negotiate spheres of influence, guarantees for an end of NATO expansion in Europe, and a withdrawal by the U.S from eastern NATO member states, because they view the U.S. and key European states as weakened. U.S. President Joe Biden had wanted to withdraw from European security policy and give Europeans more responsibility for their own security, in order to focus on the global conflict with China. In France, there will be presidential elections in April, and the right-wing candidates, which are mostly Putin friendly, represent the most dangerous opponents for Emmanuel Macron. Since the German federal election in fall 2021, a traffic light coalition of Social Democrats (SPD) under Chancellor Olaf Scholz, the Greens and Liberals has been governing in Berlin, which has not yet established a consolidated position in dealing with Russia.

The coalition agreement already made it clear that the new German government is committed to greater involvement in the countries of the EU's Eastern Partnership and to the territorial integrity of Ukraine. However, the chapter on relations with Russia is vaguely framed and appears to be a difficult compromise between the parties. The controversial Nord Stream 2 pipeline is not mentioned directly, and only indirectly addressed in a statement that large energy projects are to be regulated by the EU. The polyphony from the Bundestag, the German parliament, on issues such as arms deliveries to Ukraine, the possibility of sanctioning Nord Stream 2 or Russia's disconnection from the international payment system SWIFT in response to any attack on Ukraine has caused irritation among allies in Europe and the U.S. Left-wing SPD politicians, such as Rolf Mützenich, have already questioned "nuclear sharing" during the election campaign. Just a year ago, German President Frank-Walter Steinmeier (also SPD) had called Nord Stream 2 and energy relations "almost the last bridge" to Russia.

Chancellor Scholz has failed to provide clarity through a lack of communication and ambivalent statements on sanctions and Nord Stream 2. Only on the subject of arms deliveries to Ukraine does there seem to be a consensus in the federal government, namely that there definitely will not be any. The closeness of some SPD politicians to former Chancellor and Chairman of the Board of Directors of Nord Stream 2 Gerhard Schröder, as well as his statements on saber rattling by Ukraine in the current conflict, have further irritated and raised the question of whether Germany is still a reliable ally.

There is no doubt that Germany will fulfill its obligations with regard to NATO's Article 5 and is cur-