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Geopolitical Trends

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Joining the dots and making sense of the key Geopolitical developments in wider Europe, Eurasia and MENA

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Key points:

1. *The likeliest scenario for Ukraine: a "frozen conflict" in the Donbass with periodical outbursts of violence and European fireman-type interventions.*

2. *Brussels think tank kicks off public debate on a new Western strategy against Russia, but leaves questions to be answered*

3. *A common economic space (CES) from Lisbon to Vladivostok: Does it make sense, or is it just a piece of information warfare?*

4. *Russian plans for Turkish Stream: the geopolitics of South Stream intertwined with Turkish ambitions to become a regional energy hub.*

5. *Towards a final agreement on the Iranian nuclear file – a genuine cornerstone for geopolitical reshuffling in the Middle-East and beyond?*

1. The war in Ukraine: the likeliest scenario going forward

Undoubtedly, the ongoing conflict in Ukraine has topped the European and Eurasian geopolitical agendas over the last months. As a recent issue of the Economist issue put it:

> A relative hiatus in the fighting in eastern Ukraine and a relative stabilization in the Russian economy are prompting two questions. Is the worst of the war over and might better economic news calm the Kremlin – or is this a lull before a new storm? (*Economist.com, "How Vladimir Putin tries to stay strong", April 18th-24th*).

Western experts and media outlets are scrambling to find out what would be the most likely scenario outlining the future of Ukraine. In general, four scenarios are usually considered:

1) Russia launches a "full scale war" to take over the entire Ukraine;
2) Russia formally sends in its military to take over the Donbass region in Eastern Ukraine, where the fighting is concentrated;
3) Russia keeps supporting rebels and fighting continues for the foreseeable future without any clear resolution;
4) The ceasefire holds, fighting ceases, and the Eastern regions remain in Ukraine (with increased autonomy).

Which of these scenarios, if any, might lead the Ukrainian war to the likeliest outcome?

As long as Moscow played the cards that aimed at maintaining a fair chance for a peaceful reshaping of the European security system, it will most likely prefer the "status quo". That is, a concealed involvement in supporting the pro-Russian rebels (scenario 3). Russia is most interested to have the Minsk 2 Protocols successfully implemented, since they actually met its current geopolitical objectives in Ukraine. President Putin confirmed his commitment to the full implementation of the Minsk agreements during a telephone conference with German Chancellor Angela Merkel, French President Francois Hollande and Ukrainian President Petro Poroshenko on April 30 according to Russian sources (*Kommersant, April 30*).

In the Kremlin's view, an autonomous Donbass within Ukraine should become a guarantee that Kiev will never join NATO or the EU. From this perspective, the Donbass would actually play in Ukraine the same geopolitical role that Abkhazia, South Ossetia, Transnistria and Nagorno-Karabakh play in keeping Georgia, Moldova, Armenia and Azerbaijan respectively away from membership in Western organizations.

Ukrainian interest to "freeze" rather than solve the Donbass conflict makes scenario 4), where increased autonomy was granted to Donbass within a federal Ukraine, highly unlikely. One can hardly expect from any government in Kiev dominated by pro-Western and nationalist politicians to either give up on European integration, or give in on federalization.

The current Russian strategy doesn't aim at militarily taking over the entire Ukraine since maintaining control over it might be very costly both in terms of resources and lost soft power in the former Soviet space. Consequently, scenario 1), "full scale war", is also highly unlikely for the moment. Formal Russian military engagement in the Donbass (scenario 2) could only be likely if the current Russian strategy of supporting the pro-Russian rebels failed, or the Kremlin wouldn't care anymore for a peaceful reshaping of the European security system.

The war in Ukraine is a geopolitical conflict with implications that could potentially lead to the reshaping of the European security framework (currently imbedded in the OSCE). It will not end/ be resolved unless either a pro-Russian government emerges in Kiev, or Russia and the West find an agreed compromise on new European security arrangements. However the latter is highly unlikely in the short term. Furthermore, the disintegration of Ukraine due to serious socio-economic or political state failures cannot be completely discarded, although this scenario is unlikely as long the West continues to support the government in Kiev.

Summing up, unless Russia's Vladimir Putin was provoked upfront, he might not be willing to engage in a large scale invasion, or even in a more limited overt military operation against Ukraine. On the other hand, the current Ukrainian government is not prepared to give in on a federal Ukraine. Therefore, the likeliest scenario ahead seems to forecast more of the same: a "frozen conflict" in the Donbass with periodical outbursts of violence and fireman interventions by European actors keener to negotiate a cold peace rather than engage in hot war against Russia.

2. Russia and the West: what strategy for the future?

The Ukrainian crisis exposed a widening geopolitical gap between Russia and the West. No wonder that so many observers of European affairs have recently highlighted the dangers of a renewed confrontation between Russia and the West resembling the Cold War. Notably, on 17 March 2015, the Wilfried Martens Centre for European Studies launched a research paper on "*The Renaissance of the West: How Europe and America Can Shape Up in Confronting Putin's Russia*" (*http://martenscentre.eu*) aiming to generate a public debate on a new Western strategy against Russia.

The authors, Roland Freudenstein and Ulrich Speck, made the point that the West should prepare for an antagonistic relationship with Russia and suggested several ways of action, including, inter alia:

- the EU should get its house in order, support reform in the Eastern neighbourhood, build closer relations with like-minded democracies, and reduce its current levels of energy dependence on Russia;
- the EU and member states should strengthen their foreign and security policies;
- NATO should prepare for territorial defence and hybrid warfare;
- TTIP should generate more growth;
- the EU and the US need a forum for strategic dialogue;
- the renaissance of the West depends on its citizens

This paper launched a substantive public debate that needs to further develop, not only in Brussels, but in Europe more broadly. Ideally, such a debate would consider various scenarios for Western relations with Russia: cooperation, confrontation or a mixture thereof. For example, the Martens Centre experts suggested a mixture with stronger confrontational tones. Their main point was: the West failed to turn Russia into a liberal democracy, now it must either confront it, or sound defeat against it. They assumed that the West was not ready to confront Russia militarily, but suggested the use of the same "soft power" tools (i.e. reform promotion and focus on the civil society) it had unsuccessfully used in Russia before.

However, it was not clear why the West could be more successful in countries like Ukraine, Georgia and Moldova than it had been in Russia. Allusions to the Euromaidan, and the Georgian and Moldovan drives for democracy did not satisfactorily explain how the West could stop Russian geopolitical advances in those countries (especially when Russia employed the means exposed in Crimea and in Donbass). The authors have eventually conceded that Ukraine should be helped to balance the current military superiority of Russia, but how to do it without bringing Western boots on the ground (which would obviously escalate the military conflict) was less clear. In their view, Armenia, Azerbaijan, and Belarus were already lost to the Russian orbit, as no allusions to how to reach out to these countries were made.

Although some arguments and proposals made in this paper appear questionable, while others were simply older suggestions revisited, one suggestion deserves deeper reflection: "The Renaissance of the West depends on its citizens". This speaks mainly about changing the current Western mood from destructive self-criticism to a more constructive approach aiming to build new strategies for coping with the newer and older security challenges in Europe.

There is a degree of merit to be found in this section of the work of the "Martens Centre" researchers, despite the fact that the overall substance of the paper falls short of responding to the expectations of geopolitical analysts.

3. European vs Eurasian integration

On 1 January 2015, a new international organization was born: the Eurasian Economic Union (EEU). The Eurasian Customs Union (ECU), the EEU's precursor, was formed in 2010 and designed to remove trade barriers and harmonize tariffs between prospective members, which included Armenia, Belarus, Kazakhstan and Russia, with Kyrgyzstan awaited to join in 2015.

As one of president Putin's "pet projects" emerging within the context of the Ukrainian mayhem, the EEU was largely received in the West (particularly in the US) with a cold shoulder:

> The Eurasian Economic Union is dead in all but name. It will survive as another hollow post-Soviet multilateral institution celebrated with presidential summits but producing no progress toward its stated goals. (*Nate Schenkkan, "Eurasian Disunion", Foreign Affairs, December 2014*).

Nevertheless, the Russian ambassador to the EU, Vladimir Chizhov, urged Brussels to launch talks with the newly born EEU, despite the Ukraine crisis. He told the *EU-observer (January 2015)* that:

> Our idea is to start official contacts between the EU and the EEU as soon as possible. [...] Common sense advises us to explore the possibility of establishing a common economic space in the Eurasian region, including the focus countries of the Eastern Partnership.

How to make sense of such conflicting statements? Are they just pieces of the information warfare between Russia and the West? Does a common economic space (CES) make any geopolitical (or geo-economic) sense? The answer is really dependent on the future of EU-Russia relations, and on whether they will be mostly competitive, or enshrine grains of cooperation as well.

It seems that Russia is more enthusiastic than the EU to establish a CES stretching from Lisbon to Vladivostok. However, according to sources from the European Commission, establishing such a CES is hardly feasible. They claim that Russian trade policy would be inconsistent with the free trade norms of the World Trade Organization (WTO), and there would be blatant incompatibility between EU's free trade agreements, and the commitments undertaken by members of the EEU. This incompatibility creates inherent competition between the European and Eurasian integration processes by placing third parties in the uncomfortable position of having to choose between joining the EEU and setting up free trade with the EU.

From a geopolitical perspective, encompassing the EU and the EEU in a CES would challenge the current mainstream perception that regional integration in Eurasia would be a "zero sum game". The main advantage of such an approach would consist in removing the current ‘hardnosed’ competition between European and Eurasian integration norms. It should not exclude the possibility that some Eurasian countries may one day become a member of the EU, of the EEU, or of both (if the latter possibility will one day be feasible, of course). That would be a real win-win solution for the EU, Russia and the post-Soviet states as whole.

Could such a scenario be better envisaged if considering the analogy of two overlapping circles, where a ‘pseudo-membership’ to the EU and the EEU would be respectively represented by inclusion in each circle? Being part of each circle would allow countries to find the right foreign policy solutions with respect to both EU and EEU membership by ‘sitting on the fence’ for a certain period of time. This applies, in particular, to countries such as Ukraine, Georgia, Moldova, Azerbaijan, Turkmenistan, or Uzbekistan, who don’t necessarily want to make a tough – and even unrealistic – geopolitical choice between east and west. It also takes into account the respective political, institutional and treaty arrangements that these countries have with both the EU and EEU. At such a point, the overlapping nature of the circles would come into play, where those countries which are not members of either the EU or the EEU should be able to interact with both regional economic integration processes without generating the kind of external pressure which is currently plaguing those countries by being forced to make tough geopolitical choices.

Furthermore, interactions between members of the EU and the EEU willing to interact with each other should be encouraged. To that end, European and Eurasian standards have to be made compatible with each other wherever possible. This would imply a major effort looking ahead, given many of the structural imbalances between the EU and EEU – but such an approach could be the only way to avoid major conflict in Eastern Europe in the foreseeable future.

For its part, the US might eventually stop short of opposing a pan-European CES, provided it would not be pursued at the expense of American interests in Europe. That might likely require a permissive Transatlantic Trade and Investment Partnership (TTIP) with the EU. In addition, Washington might drop regime change from any Russia-related agenda it may be contemplating, if Moscow ceased to push for exclusion of the US (and NATO) from future European security deals.

The stakes are high, but so too are the prospective outcomes. Ultimately, this might be just another facet of the ongoing competition between globalization and geopolitical parochialism which should stand in the focus of further research.

4. The bare geopolitics of Turkish Stream

During his trip to Ankara on 1 December 2014, Russian President Vladimir Putin stunned the international media with his announcement that Russia-led South Stream gas pipeline project, as such, was being cancelled. He further surprised geopolitical pundits by proposing, in its place, a new type of energy alliance to his Turkish counterpart:

> We are ready to not only expand (the) Blue Stream (gas pipeline), but to build another pipeline system to supply the growing demand of the Turkish economy, and if it is deemed justified, to set up an additional gas hub for the South European consumers on Turkish territory, near the border with Greece. (*www.todayszaman.com*).

Following Putin's bombshell, Gazprom CEO, Alexei Miller, said that his company signed a memorandum on building a new Turkey-bound gas pipeline under the Black Sea (generically called Turkish Stream). This new pipeline would be capable of pumping about 63 billion cubic meters of gas to the international markets, the same capacity as was envisaged for South Stream.

Many observers might have initially thought this apparent shift in Gazprom's supply strategy to Europe would reflect Moscow's precarious position regarding South Stream. Others claimed that Gazprom abandoned South Stream partially due to the cost of the project, but mainly due to pressure heaped on the project by EU internal market energy regulations and the rather uncompromising position that the European Commission has been applying to Gazprom's operations inside the EU (*EGF "Gazprom Monitor", January 2015*).

However, Turkish Stream may actually reflect a readjustment of the geopolitical strategy underlying South Stream, to possibly include Turkish ambitions of becoming a regional energy, transport and investment hub in the Wider Black Sea. The goals of this readjusted strategy are likely twofold:

1) Build a regional gas supply condominium / monopoly in the Wider Black Sea.

Such an arrangement could drastically undermine the EU's efforts to diversify its gas supply away from Russia by injecting Russian gas into pipelines initially planned for transporting Caspian gas to Europe (particularly in the Trans-Adriatic Pipeline-TAP). It would also make Azerbaijan, Georgia and Ukraine aware of who are the patrons of the regional energy deals by providing opportunities to simulate, or even perform, what we could refer to as *geopolitical gas market dumping.* That is, short-cutting Ukraine and the South Caucasus from the Russian, and potentially, Central Asian gas flow to Europe, while flooding the South East European market with cheaper (Russian) gas for geopolitical purposes.

2) Break European unity on external energy policy by selectively selling gas to those who would like to buy it.

This goal would be dependent on the assumption that some European states (unhappy with the Shah Deniz 2 stakeholders' decision to select the TAP instead of Nabucco) might be interested in a revived Nabucco West pipeline extending from the Greek-Turkish border to Central Europe through the Balkans, that would operate with Russian gas.

Turkish Stream has already gained a strong (although somewhat unexpected) supporter in Greece. During his visit to Moscow, on 8 April 2015, Prime-Minister Alexis Tsipras said: "*Greece would gladly build a Greek pipeline for natural gas from the Turkish-Greek border*." (*www.turkishweekly.net*). At the same time, Vladimir Putin replied that Greece's participation in the Turkish Stream gas pipeline project was possible.

Consequently, a Greek leg of Turkish Stream might open an alternative door for Russian gas into the Balkans and Central Europe. It remains to be seen, however, as to how the Greek leg of Turkish Stream could be integrated into the EU's plans for developing its Energy Union initiative, bearing in mind the rather rough ride that Gazprom's pipelines have been having inside the EU. That said, implementation of Turkish stream has the potential to ruffle some (already frail) geopolitical feathers in the Balkans, given that the West has generally struggled to adequately integrate Europe's South East into the Union.

Although South Stream may have temporarily fallen off the drawing board, other challenges remain for the EU's Southern Gas Corridor (SGC). Given Russian plans to build an energy alliance with Turkey and the complex geopolitical game played by Moscow in the South Caucasus, the SGC may end up having a very limited impact in diversifying the sources of Central and Eastern Europe's gas supplies. Furthermore, that limited impact might yet become hostage to Turkey's wider energy deals with Russia. That said, how far Erdogan will want to tread along the path set up by Moscow remains to be seen. The best guess is that he will try to get as much as he can from the position of being able to play off Russia against the West, while the EU should yet again move out from its regional lethargy and become more active in the Wider Black Sea.

5. Towards an Iranian nuclear deal and regional reshuffling

The interim agreement concluded in early April by Iran and six world powers (US, France, UK, Russia, China and Germany) was probably the longest awaited, albeit controversial, triumph of diplomacy over warmongering that we have seen in the Middle East for as long as many of us care to remember. It marked a significant breakthrough in the 12-year history of negotiations with Iran over its nuclear program. This interim agreement was meant to:

- dismantle much of Iran's nuclear program;
- dispose of most of the nuclear material that could be used to make an atomic weapon;
- strictly limit Iran's enrichment of uranium;
- and set up an international inspection regime in exchange for lifting economic sanctions.

However, it was intended that the deal would provide a provisional framework for a comprehensive agreement that would be due for signing by the end of June.

The final agreement between Iran and the "P5+1", which was not yet in place at the time of writing, has the potential of becoming a real game-changer for Middle Eastern geopolitics. Given Iran's powerful regional role, Washington's key regional allies (i.e. Israel, Turkey, and the Persian Gulf monarchies, first and foremost Saudi Arabia) have expressed much concern about the destabilizing effects the agreement could have on the regional balance of power. This view takes into account both the fact that Iran may not be kept to its word (i.e., would not fulfil its international commitments under the nuclear agreement), and the fact that the lifting of the international economic sanctions could dramatically and adversely affect regional security by strengthening Teheran's hand.

Therefore, the Obama Administration had to work hard to persuade both its regional allies and the US Congress of its focus on the finalization, careful implementation, and enforcement of the final agreement. The continued importance of counterbalancing Iran in the region through collaboration with key allies might have been a key argument in that sense. However, this is likely to prove a walk on a tight rope for president Obama and his team, since any reassurance to US regional allies is likely to be interpreted in a tendentious way by the Iranian hardliners.

If all goes according to plan and we have an agreement come the summer, the US might be wise to share the task of counterbalancing the growing Iranian influence with its key regional allies: Saudi Arabia, Turkey and Israel. That could be seen as an enactment of what Stratfor's George Friedman calls *indirect warfare,* which is shifting the burden of war to those who want to bear it or cannot avoid doing so:

> There are two varieties of indirect warfare. […]The second is maintaining the balance of power among nations. We are seeing this form in the Middle East as the United States moves between the four major regional powers — Iran, Saudi Arabia, Israel and Turkey — supporting one then another in a perpetual balancing act. (*Stratfor.com- "Coming to terms with the American Empire"*).

A changing strategy by the US in the Middle East could result in shifting regional policies by the other major external powers, including Russia and China. Given that the US would practically step back from being the regional hegemonic power, the other major external powers would have to re-consider their own geopolitical calculations.

In this context, they may be compelled to increase their own involvement in helping to ensure regional stability in an energy-rich area, marred by deepening sectarian (Shia-Sunni) conflict on the one hand, and the unresolved Palestinian-Israeli conflict on the other. This might further result in a re-alignment from a fundamentally bi-polar (US and regional allies vs. Russia-China-Iran) to a multipolar regional system seeking to avoid a scenario where the Middle East slips into widespread mayhem.

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