



Ambassador P. S Raghavan

Convenor, National Security Advisory Board
Former Indian Ambassador to Russia (2014-16)

Overview

- From consultations on Qatar and Syria to new US sanctions, Russia-US relations continued their unpredictable course.
- Europe renewed sanctions on Russia, but also resumed negotiations on a major gas pipeline project.
- Russia and USA spar in the Syrian theatre.
- India-Russia defence & economic cooperation furthered in high-level meetings.

Russia & USA

US Secretary of State Tillerson called his Russian counterpart on June 10 to discuss how the Saudi-Qatar standoff could be defused. They also agreed that the meeting of Foreign Ministry officials to discuss irritants in bilateral relations – agreed on at Secretary Tillerson's meeting with President Putin in April – would be held on June 23.

This progress was stalled by the US Treasury announcement on June 20 of new, expanded sanctions against Russia. Reacting angrily, the Russian Ministry of Foreign Affairs (MFA) (and, separately, FM Lavrov) pointed out that there had been no new development to provoke this action, and called off the June 23 meeting. The Russian MFA reported that Secretary Tillerson telephoned FM Lavrov on June 22 and was apprised of Russian feelings on the sanctions. Russia also threatened retaliatory actions at a time of its choosing.

The sanctions themselves were more symbolic than substantial: they added 38 individuals and companies to an existing list of over 100, who are subject to visa bans, asset freeze and financing restrictions. Their significance was in their timing, coinciding with Ukrainian President Poroshenko's visit to Washington for US support. There were, however, nuances in the messages he received. The meeting with President Trump was a brief "drop-in" after his call on Vice President Pence. The White House read-out of both these meetings said they supported "peaceful resolution of the conflict in eastern Ukraine" and talked about Ukraine's economic reform and anti-corruption efforts. The Vice President also mentioned the Minsk Agreements. There was no reference, explicitly or implicitly, to Russia. It was left to Defence Secretary Mattis to explicitly express US support to Ukraine "in the face of threats to sovereignty, to international law or to the international order". A Department of Defence spokesperson went much further, criticizing "aggressive Russian actions". A bipartisan House of Representatives delegation headed by Speaker Ryan met President Poroshenko and echoed the Defence Secretary's line.

A more draconian sanctions bill is now progressing through the US Congress, seeking to significantly widen the scope of US sanctions, restrict executive freedom to revoke them and require the President to submit annual reports on their implementation. The US Senate voted overwhelmingly (98-2) on June 14 for the bill, which envisages restrictions on collaboration and investment in (among others) the transport, metallurgy and energy sectors of Russia and, far more importantly, sanctions on entities anywhere, which are involved in such collaboration and investment. This last provision would have an impact not only on Russia, but also on Europe's energy collaboration with Russia (see next section). If the House of Representatives passes the bill with a similarly large majority, it would have enough support to override a Presidential veto.

Russia & Europe

The European Union announced on June 22 the extension of its financing and sectoral sanctions against Russia by six months, upto 31 January, 2018. These sanctions are directly linked to implementation of the Minsk agreements of 2015. Unlike the US sanctions, this did not arouse much reaction in Russia. As this Review has noted in earlier issues, the economic engagement between Europe and Russia has been deepening in recent months, with increase in trade and investment.

Major European countries were, however, incensed by the US Congress legislation proposing extra-territorial application of the Russia sanctions. Their application to the gas industry would directly hit European economic interests. Europe still sources about 35% of its natural gas from Russia. Imports increased in 2016 and a number of additional gas pipelines are under discussion. This is the reason why European sanctions against Russia have not included the gas sector (American sanctions include the gas sector, but exclude the space sector because of NASA's ongoing cooperation with Russia). The new US Act (if passed) would shackle European companies' investments in Russia. The explicit motivation, spelt out in the Bill, is to promote American LNG exports to Europe, in replacement of Russian gas.

In an unprecedented move, the Foreign Minister of Germany and Chancellor of Austria issued a joint statement, declaring that Europe's energy supply is Europe's affair, not America's and that the "threat of illegal extraterritorial sanctions" is not acceptable. German Chancellor Merkel's spokesman confirmed that she shared the concern of her Foreign Minister, "with the same vehemence".

The immediate context of this outburst is the ongoing negotiations with the Russians on the proposed Nord Stream 2 pipeline across the Baltic Sea to Germany. French, German, Austrian and Dutch companies are investors in this project, along with Russia's Gazprom. This mothballed project is now being revived; the CEO of Royal Dutch Shell visited Russia for discussions and was received by President Putin.

There has been a divide within EU on such gas pipeline projects from Russia, bypassing Ukraine. Countries which would lose transit fees on existing routes are joined by others seeking to restrict Russia's dominance in the European energy market. Others (like Germany) have generally been in favour of the most economical and reliable gas supply route. The former group have prevailed in the debate over the past decade or so, with more than a bit of encouragement from the US Administration. The South Stream project for a pipeline across the Black Sea to Bulgaria was a victim of this.

With recent developments in Europe and the perceived loosening of the trans-Atlantic hold, Nord stream 2 proponents seem to feel the tide has turned in their favour. Chancellor Merkel confirmed Germany would be going ahead with the project, dismissing suggestions that it needed EU approval, since it was "a purely economic project". European energy analysts estimate that the price of Russian gas, whether supplied through the Baltic or the Black Sea, is likely to be more competitive than LNG from USA.

The course of this project would be a pointer to the evolving balance of forces within post-Brexit Europe and the influence of the Trump Administration on it.

Meanwhile, Russia and Turkey have commenced construction of the Turkish Stream, which would pipe gas from Russia, via the Black Sea. The planned capacity of this pipeline is 31.5 billion cubic meters

(bcm), of which Turkey will consume about 15.5 bcm. If this project fructifies, it may raise a clamour from Southern Europe for its extension to EU.

Russia & Syria

Through the month, Russian MFA has been claiming “positive momentum” in the military and political situation in Syria, including successes in key battles in Aleppo, Homs, Hama, Raqqa and Deir ez-Zor. The main thrust of the Syrian Army, with Russian cover, is to link up with its besieged garrison of about 10,000 troops in Deir ez-Zor. Besides liberating this town, it would prevent the ISIS fleeing from Raqqa and Mosul from establishing a new base in Deir ez-Zor.

The veteran journalist Robert Fisk has written that the Russians and Americans may have quietly agreed that the Syrian Democratic Force – a US-backed collection of Kurds and Arab fighters – would take Raqqa, while the Syrian Army focussed on Deir ez-Zor. This is consistent with Russian MFA’s briefings, which describe the successes of the SDF in advancing towards Raqqa and confirm that a 4,000-strong Tribal Army formation, fighting alongside the SDF in Raqqa, has been actively supporting Syrian army operations at the junction of Raqqa and Aleppo provinces.

At the same time, Russia expressed “outrage” at the US shooting down of a Syrian Air Force jet over western Syria. Its Ministry of Defence called off (yet again) the deconfliction arrangement with the Americans and declared that it would target all air activity over Western Syria. Some back channels may be moderating these public postures.

Russia has announced that the next meeting of the Russia-Turkey-Iran Astana process will be held on July 4-5. It was reported by Russian MFA that Secretary Tillerson telephoned FM Lavrov on June 26 to discuss the Syria political process, including the forthcoming Astana meeting.

Russia & India

Prime Minister Modi’s visit to St Petersburg for the annual India-Russia Summit was in the backdrop of a pervasive impression in India that the bilateral relationship was on a downward curve.

Both leaders seemed to be consciously addressing this narrative. There was effusive cordiality –the Modi-trademark hug (though it was probably a first with President Putin), a hand-in-hand walk in a St Petersburg park and President Putin’s fulsome compliments to Mr Modi, at a public discussion, on his sagacity and strong leadership in defence of India’s sovereignty. There was a leisurely private dinner, followed by a tete a tete for over two hours.

The Joint Statement ticked all the boxes of the India-Russia engagement, with satisfactory formulations on terrorism, Afghanistan, our permanent membership of the UN Security Council and of export control regimes. There was a special focus on economic cooperation, with an interaction of Indian and Russian CEOs, as well as an interaction of PM Modi with 16 Governors (executive heads of regions) from across Russia to highlight economic opportunities in their regions. Agreements were signed for two additional units of the Kudankulam Nuclear Power Plant (to add to the two operating units and the two under construction).

More significant were the indications, from public statements and private briefings, that understandings had been reached on issues like Russian motivations in Afghanistan and its relations with Pakistan and China. These matters had been discussed in detail during two visits to Russia of NSA Ajit Doval. PM Modi specifically said in his press statement that he has had detailed discussions with President Putin and they share the same perspectives on Afghanistan, Middle East and the Asia Pacific.

In recent months, Russia (and President Putin himself) has been at pains to make the right public noises on Afghanistan, particularly stressing the importance of all stakeholders (specifically mentioning USA also in this category) to support the Afghan government in its efforts for security and national reconciliation.

On Pakistan, the Russians are believed to have reconfirmed that no military supplies are contemplated. The Russian Foreign Ministry also responded swiftly to a remark by the Pakistan Foreign Office spokesperson welcoming President Putin's reported offer (to Pakistan PM Sharif at the SCO Summit in Astana on June 8-9) to mediate between India and Pakistan. Denying the mediation effort, it asserted, "the differences between Islamabad and New Delhi must be settled through bilateral talks based on the 1972 Shimla Agreement and the 1999 Lahore Declaration".

The India-Russia Inter-Governmental Commission on Military Technical Cooperation meeting, at the level of Defence Ministers (June 22-23), agreed on a roadmap for bilateral defence cooperation, identifying specific activities and cooperation in political and military dialogue, joint exercises, exchange of visits, military cooperation and training of military personnel.

Review of ongoing projects included the joint manufacture of the Russian Ka226 helicopters, manufacture of naval frigates and major refits of submarines with progressive technology transfer to India, and acquisition of the S-400 air defence system. The perennial issues of spares and engineering support for Russian defence platforms are being addressed by transfer of technology (ToT) for component manufacture and maintenance workshops in India. It was reported that 485 lines have been identified for ToT to support the Su-30MKI aircraft fleet. A high-level Science and Technology Commission met in Novosibirsk (with Indian Defence Minister and Russian Dy PM Rogozin as co-chairs) to discuss new projects of cooperation in cutting-edge technologies.

(The views expressed are personal)

The Author can be reached at raghavan.ps@gmail.com
