Advanced Research and Assessment Group

Defence Academy of the United Kingdom

Russia – Future Directions

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Key Findings:

Immediate Concerns

1. In international cooperation, Russia is not playing the same game as the West, let alone by the same rules, and so does not judge successes or failures by the same criteria.
    a. Russia values membership of some (not all) international organisations: but for very different reasons to ours.
    b. Avoidance of projecting our own concerns and assumptions when considering Russian aims and objectives is as vital now for avoiding unnecessary misunderstandings as it was during the Soviet Union.
    c. We must seriously consider the long-term implications of UK and European institutes, organisations, businesses and people being bought up by Russia and/or Russians; and the opportunities for corruption, subversion and infiltration which this provides Russia.
2. If Russia senses a strategic problem, it is liable to resolve it in ways which Western liberal thought finds unimaginable in advance and unpalatable after the fact.
    a. Russia saw from the terms of the Georgian ceasefire that in certain circumstances, unilateral use of military force for foreign policy aims will be rewarded.
    b. This only adds to the range of tools recently tested against Russia's near neighbours. Recent patterns of behaviour are consistent with Soviet history.
    c. In military and other terms, we should not only be preoccupied with Russian capability, but also clearer on how Russia will seize opportunities.
3. The economy is faltering, and failure to diversify leaves Russia vulnerable to energy prices. Economic shocks are likely.
4. Reliable indicators should be available well in advance of any serious shift in domestic politics. But these indicators will have to be watched for carefully and acted on when they appear.

Enduring Concerns

5. Russia is undergoing profound demographic change, and the implications of this are now becoming clear domestically. We need to be alert for potentially damaging Russian responses to the perceived dangers this situation will create.
6. Russia is at present extremely reluctant to antagonise China: but resource and demographic pressures mean a longer-term contest in some form is inevitable.

Immediate Concerns

Foreign Relations

1. By conventional Western standards of international cooperation, Russia's international relations policy has been a disaster. By our standards, Russia has lost a great deal of authority throughout the world, and many of the actions taken have only proved to have been counter-productive to the intended outcomes. There is lack of recognition at home of the way in which Russia's role, position and power within the world has changed over time. Russia seems also fundamentally to misunderstand the workings of the new world order, and for this reason remains a friendless outsider looking in. A failure to maintain any influential allies in the world has left Russia with the sole role of irritant within the UN. It follows that Russia will become increasingly marginalised as it lurches from one internal or external crisis to another.

2. But while Russia has failed utterly if judged by Western post-nationalist standards of international cooperation, the picture is very different if viewed from Moscow. In international cooperation, Russia is not playing the same game as the West, let alone by the same rules, and so successes or failures will not be judged by the same criteria.

3. Russia sees international organisations such as the UN or G8 not as vehicles to foster cooperation, but as institutions to be exploited to further its own aims. This mismatch of expectations gives Russia additional leverage.

4. In the late 1980s and 1990s, Soviet and Russian power was unwinding. This process has now conclusively reversed, and Russia feels empowered to act to achieve its aims.[1]

5. If we are to assume that Russian actions are not entirely accidental, then this follows a methodical process of escalating probing of Western reactions to antagonism of Westward-looking neighbours. A succession of actions can be traced, including the pipeline shutdown in Lithuania, intensifying through cyber attack and domestic disruption in Estonia, and hazarding of Norwegian oil production using Russian naval forces,[2] and finding its most recent iteration in military intervention in Georgia.[3]

6. At each stage Russia has found that it can act with no significant adverse consequences – the West may complain, but words of outrage have never been considered a meaningful response by the Soviet Union or by Russia. They have therefore been encouraged to ever more direct unilateral action in pursuing their interests.

[1] A case in point is opposition to NATO expansion. In the early 2000s, Russia protested loudly against the membership of the Baltic States, but did not feel strong enough to intervene to prevent accession. In 2008, Russia felt confident that it could take action in Georgia to, among other aims, attempt to hinder Georgian accession.
[2] In December 2007, flight operations by the carrier Admiral Kuznetsov in the direct vicinity of Norwegian oil platforms temporarily prevented access to the platforms for the Norwegian operators. At the same time a major oil spill took place in the same area following unexplained damage to a pipeline. Russia has demonstrated that even in areas where its combat capability is considered antiquated or inadequate, as with the Kuznetsov, simple assertive presence can cause significant difficulties for the West while stopping well short of actual operational use of forces where their deficiencies would immediately become clear.
[3] There may well be no single reason for specific Russian actions: the tradition of planning the "*kombinatsiya*", or cascade effect with multiple possible objectives, is also strong. This contributes to the problem of dealing with Russia that no single relationship can be isolated from political or other considerations.

7. Russia drew the lesson from Kosovo that "international law" and sovereignty are irrelevances, and that military force is a valid foreign policy tool.[4] We find this difficult to understand because we are unable to conceive of the option of military force being employed in Europe by anyone except us. A similar failure of imagination has led us to misunderstand Russian means of manipulating the West in both bilateral and multilateral relations.

8. Russia subsequently saw from the terms of the Georgian ceasefire that in certain circumstances, use of military force for foreign policy aims will be rewarded. This does not mean that similar circumstances are likely to pertain for Russia's other neighbours in the near future, especially if they behave responsibly: but a precedent has been set.

9. At the same time Russia will have noted with interest renewed concern in the Baltic States over the lack of any concrete NATO plans for implementing what these states see as an appopriate response under Article 5, and Russia will not hesitate to capitalise on this concern in influencing both current and prospective members.[5]

10. Russia's only role in international organisations may well be that of spoiler, but this is a role Russia plays very effectively and with clearly defined aims. Western nations use the G8 and UN as vehicles for seeking common solutions to common problems, which enhances the impact of the Russian zero-sum approach. Russia is also highly effective at influencing international organisations of which it is not a member, again by means of playing by different rules: witness the failure by NATO and the EU to find a common position on successive Russian provocative actions.[6]

11. At the same time, to an important degree Russia is reacting to external influences and developments which it views with genuine apprehension, such as NATO expansion or the US's global ballistic missile defence system. The potential for short-termist responses needs to be factored into the long-term picture.

12. There is a paradox which is central to Russia's view of itself in the world. On the one hand Russia wants acceptance of what it sees as its legitimate interests in its "sphere of influence", and therefore engenders enmity in its neighbours and their friends. But on the other, Russia seeks to be an alternative value centre to the USA, and to enter the business of soft power. This tension of interests cannot be resolved without significant change within the ruling structure, and of widespread attitudes within the Russian elites.

13. Put another way: one of Russia's fundamental demands from the rest of the world is respect. But so little of what Russia does, both internationally and at home, earns it respect

[4] Russia is only encouraged in this view by success against what it sees as a Western-trained and backed armed force in Georgia. The Russian armed forces learned hard lessons during the conflict, but overall the Russian belief will have been confirmed that no matter how efficient and well-trained a small army may be, it cannot stand up to Russian mass.

[5] It will also have been noted that the text of the North Atlantic Treaty does not oblige NATO to defend or re-conquer member states, merely "to restore and maintain international peace and security" after an armed attack. Thus more specific security guarantees for new members are essential.

[6] The "Schröder Syndrome" is named after only the first high-profile example of this phenomenon. The "wall of money" problem expresses itself in both economic and political spheres, in both New and Old Europe. Russia need not painstakingly accrue influence by diplomacy and good deeds when it can simply purchase the appropriate political or business leader. In smaller nations even the purely legitimate Russian inward investment can significantly affect the host nation's foreign policy.

anywhere except domestically. This too cannot be resolved without a breaking of the traditional Russian equation of fear with respect.[7]

14. Most countries understand that there is little to be gained from a political association with Russia. Russian actions have even succeeded in partially alienating the former devoted acolyte Aleksandr Lukashenko. Even in Central Asia, Russia is only accepted as a partner where no-one else can be found.

15. Within these parameters, in common with China, Russia will continue to find friends and exert influence through being an alternative to the USA. Russia has made inroads in the Middle East as a result of elites there being fearful of association with the USA because of the resultant backlash from their neighbours and their own populations.

16. Some observers see Russian objectives reflecting the perception that the Cold War was lost through lack of money. International activities are guided by two perceptible precepts: securing Russia's borders (with the traditional Russian then Soviet assumption that this predicates hundreds of miles of subservient buffer zone); and making money.[8]

17. There has been a preoccupation over time with securing Russian border areas and neutralising threats to stability. In this regard the perception of success in Chechnya has been followed by real success in Georgia. Confrontation with Ukraine over the Tuzla Strait, constructive negotiations with Norway over the maritime border, and concerted efforts to establish an agreed border with China, can also be seen as examples of this process.

18. We should therefore look closely at what threats Russia perceives close to its borders, and possible methods of neutralising these threats.[9] We must remember that these methods might appear from our perspective crude and uncivilised with little place in modern international relations: on past performance, they will not be efficient, or elegant, but effective.

19. Avoidance of mirror-imaging when considering Russian aims and objectives is as vital now as it was during the Soviet Union. Russia may not act in a constructive, "rational" manner according to the Western dogma of international cooperation (which would hold that short term military gains in Georgia have been made by sacrificing long term economic stability and international influence) – but this cannot be allowed to blind us to the fact that Russia will continue to play its own game, by its own rules.

20. We may see Russia as a regional power at best, and therefore assume that Russia cannot have influence on global strategy. But this helps us not at all if nobody has explained this to the Russians, and they therefore continue to act in a manner to force the agenda of the West.

[7] It is a commonplace among senior Russian military figures that the Soviet Union had "respect" because it was feared: so the key reason for the perceived lack of respect shown to Russia is the absence of the USSR's 4.5m-strong army.

[8] A perception of a transition of power, with Western influence fading, merges into a sense of opportunity to gather "empire income" through overseas activities.

[9] A good outcome for Russia, and one that is a possibility in Georgia, is "semi-Finlandisation" – a clear recognition that a state belongs within Russia's sphere of influence, and a guarantee of subservience and close economic ties.

21. Russia holds the view, and has seen very little so far to counter it, that in the new world environment the sovereignty of small nations is held cheap. This neatly reinforces some of the tenets of "sovereign democracy", where some states are more sovereign than others.[10]

22. In addition to the fundamentally different approach, Russia has always traditionally worked to a different timescale of planning than the West, and with a much longer attention span encompassing flexible objectives and multiple possible outcomes. Our own thinking about Russia and its long-term aims needs to expand its horizon beyond electoral cycles to decade-plus timescales.

23. These timescales, attention spans, and expectations also need to be applied to attempts to engage with Russia at all levels. We have already seen that any fundamental change in Russia will be generational, rather than a matter of years or even decades.

24. Adopting this long-term approach, rather than responding to Russian initiative in a hand-to-mouth manner, would allow us to work with Russia's weaknesses as a field to engage in, rather than playing to her strengths.

25. Regardless, engagement with Russia in those few areas where common interest can be found could reap benefits in the short to medium term. Russia could, if it wished, provide real assistance in the Balkans, in stabilising Serbia, in finding a satisfactory resolution to the issue of Ukraine, in the Caucasus, Iran and Afghanistan. Opportunities for partnership at a strategic level can still be exploited.

26. Russia will continue to be a factor to be reckoned with because of their strategic position, and because of their attitude. This will be the case regardless of whether policy-makers in the West consider them to be a superpower or at best a regional power: it is their attitude, not our planning assumptions, which will determine where they can create difficulty.[11]

The Economy

1. There are signs that the Russian economy's strong development in recent years may be beginning to falter in common with the West.[12] Most commentators are agreed that Russia has failed to diversify away from commodity and energy exports: despite limited linkage between the financial sector and the broader economy, and the massive reserves of the Stabilisation Fund, it is likely that reduced oil revenues will provide a significant shock.

2. Despite the lack of economic reform since 2003, growth within Russia has been strong (although not as strong as in the rest of the CIS and China), and almost on target for Putin's stated aim of doubling within a decade. But there is a greatly expanded public sector and the real basis of the apparent growth is open to doubt. Other exports have largely failed to

[10] The best possible interpretation that can be placed on the cease-fire agreement between Georgia and Russia is that it failed to anticipate the likely Russian interpretation of the "buffer zone" clause in the version agreed in Moscow. Yet the Russian exploitation of this loophole was entirely predictable.

[11] It could be argued that describing Russia as a regional power is meaningless: the country is so large that it is present in several different regions of the globe simultaneously, even discounting symbolic actions like naval expeditions to Venezuela.

[12] The Russian RTS and MICEX stock exchange indices fell by 25% over August, and trading was regularly suspended during further falls in September. Foreign currency reserves have recently started to fall after years of steady growth. Food price controls were introduced in late 2007 in an attempt to reduce the impact of inflation, which has now returned to double digits annually.

materialise; even in Russia's traditional preserve of arms, the incentives to buy Russian are not straightforward.[13]

3. Russia is no longer as insulated from the world economy as previously. Westernised banks are now less able to offer credit for further development: the regressive effect of this is a return to "unofficial" credit and even more opaque control.

4. The underlying long-term threat to the Russia economy is demography: the unborn children of the beginning of the 1990s should now be entering the workforce, but are not.[14] Labour shortages are becoming apparent, with indications that workers are becoming more aware of their value in a seller's market.[15]

5. Industrial disputes are not yet a major factor. Strikes are managed and controlled, and there is a tradition of inertia within the workforce (witness the years without pay in the 1990s). But this cannot be relied on indefinitely. Reliance on migrant workers and foreign technical expertise is already prominent in some sectors, and the defence industry in particular is suffering severe skills shortages after over a decade of under-investment.[16] At the other end of the scale, appointed or installed senior figures in key industries do not always have the necessary knowledge of their fiefdoms to run them effectively.

6. The Russian economy does not work on a global scale but rather a national one: relatively speaking, it remains isolated due to its over-reliance on raw materials exports and relative failure to develop domestic processing industries.

7. Despite a change of attitude in some areas, the approach to efficiency and sustainability in Russian engineering and business remains fundamentally different to the Western orthodox view.[17] One result of this is that severe deficiencies of infrastructure will play a key role in retarding the Russian economy and preventing diversification or growth long-term.

8. All of these problems are compounded by the structure of the regime-supporting economy. By virtue of being a rentier-based economy structured to enrich elite interest groups rather than shareholders or broader society, it is innately corrupt at the highest levels. This corruption cascades downwards through all areas of life, and makes mock of much-publicised anti-corruption campaigns. It also stifles the initiative and adaptability which in a Western setting would improve chances of survival and continuity in a changing economic environment.

9. While infrastructure and business deficiencies can, in theory, be rectified in time and with a change of attitude, the same cannot be said for Russia's other significant threat: demography. Current measures to address the demographic crisis will have little effect

[13] Recent setbacks in top-end arms deals, such as the Admiral Gorshkov refit for India or the supply of MiG-29s to Algeria, have underlined that reliance on Russia for the higher end of weapons technology is a risky strategy.
[14] Other possible threats are the mooted peak in oil production, and probable insufficient gas to supply both domestic and export requirements at some point in the next decade: but the demographic factor is unarguable and inescapable.
[15] It is impossible to overstate the long-term impact of the demographic collapse (decline is far too mild a word) of the 1990s. Put simply, the number of Russians being born halved in just over a decade.
[16] In some cases, this leads to extreme and startling results: one reason for the delayed entry into service of the T-90 tank was the "lost capability" of producing the gun barrel for it.
[17] This expresses itself not only in the engineering philosophy of "build it tough so you don't need to maintain it", but also in business approaches favouring immediate enrichment over long-term sustainability. It follows that in both areas, failures are likely to be sudden, severe, and multiple.

because it is already an irreversible fact. This will be discussed under "Enduring Concerns" below.

Domestic Politics

1. Little change is expected in the Russian domestic political scene in the short to medium term. In spite of their very different generations, backgrounds, early professional life, sources of information and coteries, Vladimir Putin and Dmitriy Medvedev share a common outlook and aims.[18] The common emphasis in their speeches about each other is continuity, and there are few indicators of any significant departures from the pattern established so far.

2. Putin continues to be the guiding partner in the relationship: if we extend Medvedev's "tandem" analogy, he is the one steering. But unlike a tandem, this is the most stable dual relationship we are likely to see in Russian leadership.

3. One area of divergence in their approaches is on the amount of freedom to operate that smaller businesses should be allowed. Medvedev speaks in favour of the rule of law domestically and making business easier; Putin also favours "dictatorship of the law" but this is more in terms of dictatorship than law.

4. This may be a symptom of Medvedev's having been chosen as the presentable face of the duumvirate, in order to reassure foreign investors. His statements over the South Ossetian conflict are therefore a departure from his assumed role, but one which confirms his position on the tandem.[19]

5. With all the unreliability of Russian opinion polls and the reliable message of the Russian media, Putin's popularity remains high despite occasional fluctuations. There is no significant domestic opposition to the Putin-Medvedev leadership, nor is there much visible reason for any to emerge.[20]

6. The relationship between the interest groups which keep Medvedev and Putin in place is stable. Nonetheless, the settlement of the succession issue means that the Russian elite's time horizon has suddenly expanded beyond 2008, and so there is now active thinking about the looming problems ahead. But there is no evidence yet of significant dissent with the Putin-Medvedev line.

7. Russia no longer has an explicit guiding ideology, but the One Russia "party of power" is important. It is supposed that a party-based system will survive longer than a personalist

[18] Putin's early career was influenced by the state under Brezhnev; Medvedev's by the Gorbachev years. Putin emerged from humble origins and difficult circumstances to build his own career in the security apparatus through his talents and the sponsorship of Anatoliy Sobchak in Leningrad; Medvedev had a relatively privileged upbringing in an intelligentsia family and emerged as a lawyer into a commercial environment. Putin is reputed to be a technophobe; Medvedev is fully IT-literate.

[19] One view is that the option of authoritarian personalism à la Belarus has been deliberately rejected: this choice of strategy was not consistent with objectives of international legitimacy, whereas transition of some but not all power to Dmitriy Medvedev is.

[20] Russia does indeed have a small emerging middle class, but it is not the engine for opposition that was previously assumed by some Western commentators; nor is generational change bringing about a change in attitude, as the young are no more inclined to share Western post-nationalist views. The advocates of liberal democracy will become even more marginalised, and the only vocal opposition comes from liberal intellectuals who are easily ignored.

one, and the move to create a party system led by One Russia is therefore a deliberate effort to ensure stability, continuity, and survival regardless of regime performance.[21]

8. The aim is to prevent opportunities for alternative coordination among elites, along the lines of that preceding the Orange Revolution in Ukraine. Conversely soft party-based authoritarianism enhances the legitimacy of the regime in power, provides an effective mechanism to enforce policy with or without ideology, and provides a structure for consolidation and recruitment into the elite – just as in the Soviet Union, party membership facilitates the path to power and wealth in the rentier economy.

9. The only remaining threat to the current domestic political vector is longer-term destabilisation resulting from a conflict between interest groups, over resources or access to rents.

10. It is therefore likely that warning signs will be available well in advance of any serious split in the leadership and its supporting interests: nonetheless these indicators and warnings will have to be watched for carefully and invested with appropriate significance when they appear. At the same time we need to understand that there are areas where there will be no reliable indicators in open source information.

11. One of the most likely triggers for conflict within the elites is an overall contraction of the economy with the resultant threat to long-term prospects for sustained rents.

Enduring Concerns

Long-Term Threats

1. Overshadowing the long-term prospects for the economy is Russia's unsolvable demographic problem. Recent measures to improve life expectancy and birth rates in Russia can only be of limited use, because the catastrophic demographic collapse of the 1990s is already a fact.

2. Besides the implications for the economy, the demographic dead end affects all other aspects of Russian development over the longer term. We need to be alert for potentially damaging Russian responses to the perceived threats this situation will create.

3. Russia is already an observer at the Organisation of the Islamic Conference, but migration and birth rate differentials will increase the relative weight of Islam in Russia beyond recognition.

4. In addition to the effect of demographic trends, internal population movements will change the shape of Russia and how it perceives its borders.[22] This is already evident in the North

[21] The closest Russia comes at present to a unifying ideology with mass support is a comforting blend of neo-nationalism, self-enrichment, and resentment for the shared humiliations of the 1990s: all remaining guiding principles are "anti", and come under the broad heading of "Russia does not know what it wants, but it does know what it doesn't want" – i.e. most of what Western nations consider to be both important and right. All of the above provides ample grounds for Russia creating difficulties for its near and far neighbours.

[22] The situation is exacerbated by birth rates which differ radically between Russians and the indigenous populations of the North Caucasus. Among other results this leads to a severe shortage of "technically qualified people", and attempts at Moscow-imposed administrative reform will add a further pressure point.

Caucasus, whence ethnic Russians are moving to the heartlands, prompting the establishment of new military garrisons reminiscent of 19th-Century frontier outposts.[23]

5. In future the same pressures will affect the Russian Far East, where rich natural resources and a demographic vacuum sit next to the resource-hungry population generator, China. Statistics on Chinese immigration to Russia may be unreliable and politically suspect, but there is no doubt that Chinese populations will influence Russian policy in the mid-term or before.

6. Russian-Chinese relations have been remarkably peaceable to date, partly due to extreme Russian reluctance to antagonise China. The USA, Western Europe, NATO members both current and aspirant can be castigated with no fear of meaningful retribution, but criticism of China would result in immediate political and economic pain.

7. China is therefore the elephant in the room for Russian foreign policy, and the second long-term serious threat to Russia.

Implications for the UK

1. It is important to remember that with the exception of the City of London as a financial hub, in relative terms the UK is of little significance to Russia. But there is considerable potential for damage to UK interests simply as fallout from Russian actions elsewhere even before this country receives direct Russian attention.

2. In addition, we are vulnerable if we do not have an overview of the activities of Russians in the UK, particularly their involvement in the financial sector, or purchases of businesses or influence.[24]

3. There are differing and competing Russian views of influence overseas which affect us – defence/security versus energy/power versus the foreign policy establishment – and despite the apparent marginalisation of the Ministry of Foreign Affairs, we need to deal with all of them at once.[25]

4. We must seriously consider the long-term implications of institutes, organisations, businesses and people being bought up by Russia and/or Russians. It may not always be clear whether individuals are buying property, land and businesses for their own gain or on behalf of the state: but the net effect in terms of a lever which Russia can exploit is similar.[26]

5. We have already seen the effect in our partners in the EU and NATO, to the extent that (in conjunction with Russia's overt divide and rule approach) we should be wary of placing

[23] Parallels have been drawn between the current approach in the North Caucasus and Russia's earlier occupation using Cossack settlements and fortified lines.

[24] The UK is an attractive destination for overseas Russians for many reasons, but ease of establishment in the country, and relative lack of control and regulation, are seen as a bonus. Most estimates of the number of Russian expatriates in the UK (primarily London) lie around the 300,000 mark.

[25] Russia's foreign policy establishment is more marginalized than ever – for instance, the Georgian incursion runs counter to the new Foreign Policy Concept which was unveiled just three weeks previous, and torpedoes its plans for new European security architecture. Therefore the MFA should to some extent be discounted as an actor in foreign relations: the sources of initiative are all elsewhere.

[26] The current lack of reciprocity in treatment of business is important. The process by which Russia's Vneshtorgbank acquired 5 per cent of EADS, then transferred the holding to a Russian competitor, is difficult to imagine being carried out by a Western bank operating in Russia.

reliance on EU or NATO solidarity, or on national leaders or key figures to act in what would appear to be their own national interests. It is urgent that we now look more closely at this activity at home.

6. If Russia senses a strategic problem, it is liable to resolve it in ways which Western liberal thought finds unimaginable in advance and unpalatable after the fact. They will not be discouraged by unsympathetic media, human rights considerations, or any other of the constraints which we take for granted.

7. Russia's approach is asymmetric in the richest sense: although they will be encouraged by the result in Georgia to believe that armed intervention is a successful ploy with few drawbacks, we should not expect the next evolution necessarily to be a re-run of Georgia with a different target.

8. Telling Russia that its attitude must change will not help. Any speech containing the words "Russia needs to…" will simply continue the dialogue of the deaf.

9. We too need to listen closely, and understand, in order to be able to identify the difference between Russia simply making angry noises and those signals which are of real importance.[27]

10. The timing of the next crisis is likely to be distinctly unhelpful, and it is within Moscow's gift to set that timing.

11. In order to prevent or at least mitigate these shocks, we must use the mechanisms we already have to work out what Russia is doing, how, and why – together with working out our own vulnerabilities to Russian methods.[28]

12. Russia will continue to be awkward. We need to understand them in order to take pre-emptive or preventive measures and minimise the damage caused.

13. The UK may not be able to rely on EU and NATO solidarity when dealing with Russia, but we can rely on those neighbours of Russia who share our values and invest heavily in watching and working with (and also working against) Russia. Engaging with the substantial Russia expertise in these neighbours will act as a force multiplier for our own efforts, as well as meeting secondary objectives of encouragement and cooperation.

14. Time and effort needs to be devoted to proper research and preparation for engaging with Russia. The benefits may not be as plain as for the investment in dealing with China, but the costs of not doing so need also to be considered. History demonstrates the enormous cost of failing to recognise, and invest in containing, the danger posed by a European power which is turbulent, truculent, confident, and heavily armed.

- END -

[27] A case in point is membership of the WTO: this is of less significance to Russia than is commonly assumed, because of the relative isolation (and reliance on raw materials) of the Russian economy as noted above. Russian statements on the WTO, and using membership as a carrot or a stick, are therefore invested with disproportionate significance by the West.

[28] A particular example here is financial manipulation. Currency manipulation within the Baltic States could be studied to provide clues to the vulnerability of our financial centres to hostile interference.