

THE BALTIC FORUM'S 12TH INTERNATIONAL CONFERENCE

**THE EU AND RUSSIA IN 2007:  
NEGOTIATING A NEW RELATIONSHIP**

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"It is great opportunity for me to be here. This is not my first time and every time it becomes more and more interesting. I wonder why we are here, however. Are we here to present to each other, a bill of our real or imagined imperfections? Well if that is our purpose, I have two bills: to the EU and to the Russians. I don't know which is going to be longer, but they will be pretty long and they will be mine and I speak on behalf of no one. I like to believe, however, that instead of lecturing each other, we will try to think about real facts and about real interests. The facts may be very inconvenient, but they are facts. One fact is that Great Britain has no chance what so ever to replace Russia as a major source of energy. I don't know any credible think tank, government agency, business consultancy, which believes that this is possible, including in the Britain. I am going from here to Moscow and then I will speak in London at Chatham House with some leading British energy experts. I will try this idea on them if they disabuse me of this notion, I will send a letter of apology to mister Riley, I promise".

**Alan Ryley**: "I spoke on the panel on Monday, with chief executive of the British energy regulator and he made this exact point to me. His name is Alistair McCanon and you can check it with him. He is the chief energy regulator in the United Kingdom".

**Dimitri Saims**: "Mr. Riley I promised, that, if others will support your thesis I will send a letter of apology to you and you may share it with whoever you want including all the participants".

**Alan Ryley**: "Thank you very much!"

**Dimitri Saims**: "But from what I understand today what you said just doesn't be happen be true. It also doesn't happen to be true, wherever, that there is much chance that Russia will find alternative markets at least in the near future. When I hear about how the Russians would go to the Chinese, to the Japanese, to India, it is all very interesting in the long run, but is not going to happen quickly. And it is not going to be cheap. My assumption, accordingly, is that it is in everybody's mutual interest to try to create an environment where we will be able to cooperate. It is in the economic interests, and, needless to say, it is in the political interest. In the USA there are different views on this issue including different views inside the Bush administration. One view is that we have to support new European democracies almost no matter what; and one reason we have to support them is not only because they are inherently good, but also because they are America's best allies in the EU and NATO. And the argument is that it is obviously in the American interest for Poland, Baltic states, to have more powerful voice in the European councils, particularly in NATO, because we got a bit better support from Poland than we got from France and Germany on Iraq and a whole variety of issues. And we do understand that policy is not only being true to your principles, but also rewarding your loyal friends. So, there is a very strong temptation to support Russian neighbors, new European democracies, and to be interested in them being more influential in the EU and NATO. There is also, in my view, a perfectly legitimate fear, and I hope it will not offend my Russian friends, that Russia will use energy for political purposes.

First of all, when people talk about that, there is a great element of hypocrisy - like it is inherently bad to use energy for political purposes. Mrs. Thatcher, who is also my hero (she spoke three times at the Nixon Center), she of course did believe in the use of economic sanctions and did it on many occasions. Now, of course the USA has economic sanctions against many countries, including sanctions in the energy area, including, of course, sanctions against Iran, sanctions against Venezuela and I can easily continue the list (there were sanctions against Iraq). I happen to believe that most of these sanctions were entirely justified. But the whole notion that you can not use energy for political purposes under any circumstances.. I think that just is not the way of the international politics. It also doesn't work in international politics, that you would expect others to support a situation, when the bulk of European energy would be coming from Russia and even if it is not Russian energy, but if Central Asian energy, I think that it is a legitimate European interest, and I think it is a legitimate American interest to see the Central Asian energy comes to Europe, not necessarily through Russia. I think that our Russian friend should understand that. It may be sometimes inconvenient for them, but I think that it is perfectly understandable and perfectly reasonable. On that I think there is a consensus in the American government and among the American establishment. Where there is no consensus is how we do it. And to what extent we take other American interests into account. One problem we have in dialog with Russia on energy issues is that American interests are not limited to ensuring that Europe has alternative sources of energy and alternative pipelines, some of them by passing Russia. We also have an interest in having Russia as a very important partner. It is not only on Iran, it is not only on our whole counterterrorism matter, but we also want Russia, while somewhat reducing Russian influence on the energy area, we want Russia to be very successful in the energy development, because it is quite clear that there is not just a problem with Russian energy, there is a problem of global shortage of energy. It is in the American interest for Russia to develop as quickly as possible in this regard. And I happen to agree with the idea that some liberalization of Russian market would be in the Russian interest, in the American interest and in the European interest. Now I wouldn't believe that anybody should give Russia commands and reprimand Russia for bad behavior if Russia wants to give to the state more power in this area. My great concern is not that Russia would not be a reliable energy supplier for political reasons. My concern is that Russia would not do for itself and for others to live up its full potential in the energy development. And in this regard, as GASPROM, Rosneft and others become more and more successful, acquiring different properties, the question is: are they equally successful in investing in energy development. And that is my very serious worry. We want to have dialog with Russia on this issue, not dialog of commands, not dialog of telling Russia about how primitive it is and how it doesn't know what is best for Russia. But I think that we want to have a conversation with Russia and to try to have a climate in the US – Russia relationship which would allow American companies to invest more in Russia.

When we talk about American and other multinational energy companies being able to work in Russia and about them facing difficulties in Russia, we talking about something that does not only have serious economic consequences; it has very serious political consequences. One problem is that American domestic politics is not always based on a competition of intellectual arguments. More often than not it is based on competition between different interests. There is no strong constituency for US – Russian partnership in the USA. There is a free season on Russia in the USA, politically: sometimes when Russia is wrong, or at least sometimes when Russia acts in a way it makes self vulnerable; sometimes criticism of Russia is without foundation. But why it is so easy to do? It is so easy to do, because there is no real constituency for partnership in the US in contrast with China. When foreign companies are not treated in Russia in a way which would make them really committed to the Russian market, it has implications for the US – Russian relationship.

Let me make one final point. I am not a great believer in European values or, for that matter, in the notion that democracy is so inherently superior to all other forms of government, that in the name of democracy you can do whatever. During different periods in history, as British lord Skidelski recently wrote, there were periods where people were asking whether

democracy may be just a transitional stage on the way to oligarchic rule. It happened not only in Russia, it happened also in other perfectly democratic nations as well. I do not know, however, any place, any time, when people would welcome an absence of rule of law. That is different, because the rule of law is about predictability and basic decency. I do not know anyone who would question that, not now, not before. And what is happening with the treatment of foreign energy companies in Russia raises questions about the rule of law, raise questions about nobody being truly protected on the Russian market. And that, unfortunately, affects not only foreign companies, it affects the Russian image in the West. These are complex issues. They are not black and white, but I think these are issues which we should try to discuss, try to talk about the facts and to try to have at least a mutually acceptable factual base, and try to look for solutions. Because if we decide to use our imperfections to attack each other, we may be very successful - and also very self-destructive. Thank you".