

# Medvedev will not declare cold war

By Gideon Rachman

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Nikita Krushchev, the leader of the Soviet Union in 1956, told the western world: “We will bury you.” Now Dmitry Medvedev, the newly elected president of Russia, has come back with a revised offer: “We will buy you.”

In a speech this year, Mr Medvedev urged Russian businesses to emulate the Chinese and to go on a global buying spree to secure new technology and markets. “This is a very important task,” he insisted.

Russia certainly has lots of money to spend. Its currency reserves of \$464bn (€305bn, £234bn) are the third largest in the world. It has set up a \$127bn stabilisation fund with a licence to invest overseas. Gazprom, the state-run gas monopoly that Mr Medvedev chaired until recently, is keen to buy assets in western Europe.

Being bought is certainly a more attractive option than being buried. But there are those in the west who believe that Russian banks could be just as threatening as Russian tanks. Edward Lucas, author of a recently published book, *The New Cold War*, argues: “We are facing people [the Russians] who want to harm us, frustrate us and weaken us. Their main weapon is our greatest weakness: money. Just as we worried about the firepower of the Soviet war machine, now we should fear the tens of billions of dollars in its coffers.”

This sounds frightening – but it raises two important questions. First, do the Russians really want to “harm us”? Second, could they really do it, even if they wanted to?

The answers to both questions are more reassuring than the apostles of the new cold war would have it. It is true that you do not have to talk to Russian officials for long to uncover a strong sense of antagonism towards the US and the European Union. The Kremlin line is that the west ruthlessly exploited Russian weakness in the 1990s. Now the Russians are determined to push back.

But Russian interests are too deeply entangled with the west to make a straightforward policy of confrontation feasible – particularly when it comes to business and trade. The Russian state now effectively controls the most “strategic” bits of the Russian economy. But using this power as a political weapon is harder than it sounds.

The main instrument of revived Russian power is the country’s reserves of oil and gas. It is the rising price of energy that has made Russia rich and given the Kremlin the sense that – at last – it has a powerful lever in its hands.

The EU fears that, in some future political conflict, the Russians will use this leverage. At present, the EU gets some 30 per cent of its gas from Russia. As if to underline Europe’s vulnerability, Mr Medvedev is taking office just as Gazprom has cut gas supplies to Ukraine by 25 per cent, as part of a pricing dispute.

A threat to turn off the heating in the middle of winter would certainly give a new meaning to the idea of a cold war. But Russian energy is a difficult weapon to deploy.

Almost all of Russia’s energy cut-offs to date – and there have been several – have been brief, aimed at their immediate neighbours and have been ostensibly driven by business concerns. To use the denial of energy as a long-term strategy, aimed at the heart of the EU for explicitly political ends, would be a huge and improbable escalation of this tactic.

Russia can only really exploit its energy wealth by selling its gas and oil. All Gazprom’s major pipeline routes head west. The Russians know that if they ever actually attempted to freeze western Europe into servitude, they would ruin their reputation as suppliers for ever. EU efforts to lessen energy dependence on Russia have been pretty feeble so far. But they would become much more determined if a Russian energy war ever looked feasible.

It is not just the Russian state that has a powerful interest in maintaining a working commercial relationship with European customers. The deep connections between politics and business in modern Russia mean that the country’s most powerful people often have a direct personal stake in the continued prosperity of western Europe. They have business relationships to maintain, investments to protect, houses in the south of France, children at school in Britain.

Russian investment in “strategic” EU assets will inevitably be carefully monitored. But while Russian investors might seek to influence business decisions in a way that suits

the Kremlin, they are unlikely to choose a policy of outright confrontation. To buy into the European economy and then deliberately to provoke conflict with the EU would be self-defeating.

This does not mean that western Europeans can relax completely. Over-dependence on any single supplier of energy – Russian or otherwise – would be a mistake. Even if the Russians never use energy as a political weapon against the EU, low productivity and investment may well mean that Russia will become a less reliable supplier over the next 20 years. So the search for alternative sources of energy remains urgent.

There is no doubt that Russia Inc exists. Mr Medvedev's career path from Gazprom to the presidency is a perfect illustration of that. So is the disconcerting habit of some state officials to hand out two cards: one for their government job and one with their business affiliation.

But the entanglement between Russian business and the Russian state is not necessarily bad news for the rest of the world. Resurgent nationalism in the Kremlin is a real worry. But people with international business interests tend not to be nationalists. They cannot afford to be.

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**CDR Diana Sorrentino, USNR**