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The crossroads of Europe and the
unfinished business of Russia

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Abstract:

The trade war between the US and China fuels the increasing the rivalry between two countries in areas such as economic, technological and military, outline new scenarios for the future that challenge the balances of power and blur the established areas of influence. In the middle of this challenge, this document analyses the political and economic relations of the European Union with Russia that have gradually deteriorated as a result of the increasingly aggressive international policy promoted by Vladimir Putin and the economic sanctions carried out by the EU against Russia. This phenomenon is evaluated within the framework of the instability posed by the scenario of division of the world order between two blocs and the challenges that this will entail for the European Union, which is again, in the middle of two blocs and external pressures that hinder the already of itself common policy and decision-making of the Union. In this context, it is convenient to evaluate the opportunity and risks of a Russia disconnected from the EU and the strategic opportunities that a rapprochement would offer in the new and intentionally convulsive scenario.

Keywords:

Russian Federation, China, United States, Vladimir Putin, Donald Trump, Xi Jinping, European Union, economy, geopolitics, trade relations, international politics, economic sanctions, trade war.

***NOTE:** The ideas contained in the Opinion Papers shall be responsibility of their authors, without necessarily reflecting the thinking of the IEEE or the Ministry of Defense.

La encrucijada de Europa y la asignatura pendiente de Rusia

Resumen:

La guerra comercial entre EE. UU. y China, junto con la rivalidad del gigante asiático respecto a la potencia norteamericana en terrenos como el económico, tecnológico y militar, perfilan nuevos escenarios de futuro que desafían los equilibrios de poder y difuminan las áreas de influencia establecidas. En medio de este desafío, el presente documento analiza las relaciones políticas y económicas de la Unión Europea con Rusia que, paulatinamente, se han deteriorado como consecuencia de la, cada vez más agresiva, política internacional impulsada por Vladimir Putin y las sanciones económicas realizadas por la UE contra Rusia. Este fenómeno se evalúa en el marco de la inestabilidad que supone el escenario de división del orden mundial entre dos bloques y los retos que esto supondrá para la UE que se encuentra, de nuevo, en medio de dos bloques y presiones externas que dificultan la, ya de por sí, política común y toma de decisiones de la Unión. En este contexto, conviene evaluar la oportunidad y los riesgos de una Rusia desconectada de la UE y las oportunidades estratégicas que un acercamiento ofrecerían en el nuevo y convulso escenario intencional.

Palabras clave:

Federación de Rusia, China, Estados Unidos, Vladimir Putin, Donald Trump, Xi Jinping, Unión Europea, economía, geopolítica, relaciones comerciales, política internacional, sanciones económicas, guerra comercial.

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Introduction

In recent years, changes have led to a radical shift in geopolitics development, accelerating international relations transformation, trade, and balance of power, challenging the entrenched classical precepts while posing difficult to forecast future scenarios.

Since the end of the World War II, the weight of Europe in global geostrategic context has lost his decision-making leverage. During the last 75 years, the old continent has not been able to rebuild its international influence through a single voice that responds to common policies and interests.

Despite having celebrated the 75th anniversary of the end of the WWII in 2020, Europe has not ceased to be a theatre of operations for world powers that use the cradle of Western civilization as a chessboard where mistakes of third parties end up being endogenous problems for the countries of the European Union.

The growth and economic importance of the European Union in the world is undeniable, but despite representing 20% of the world economy according to the IMF¹, its specific political weight does not correspond with a market that exceeds in population by almost 120 million to the United States of America. On the contrary, USA has translated its economic projection into power and political influence that encompasses and drags behind it the positions of the EU, and other nations, before the different geopolitical challenges.

During the time between the end of the cold war, the dissolution of the Soviet Union and the new decade that we are addressing, Europe has lost the opportunity to create a specific political weight according to its economic relevance due to the 'Balkanization' of its own structure , where nothing has been done in decades to provide an international political arm that brings together the set of voices of the nations of the Union.

¹ World Economic Outlook Database, International Monetary Fund, september 2020. Available at: <https://www.imf.org/external/pubs/ft/weo/2016/02/weodata/weorept.aspx?pr.x=79&pr.y=10&sy=2019&ey=2021&scsm=1&ssd=1&sort=country&ds=.&br=1&c=001%2C998&s=NGDPD&grp=1&a=1>

European Union and Russia's relationship

Today's relations between the EU and Russia are not going through its best moments, the strategic shift of the Russian Federation, which seems to have lost interest in an approach to Europe, to which it also belongs geographically, seems increasingly evident setting the course for the Path to China with which it increasingly shares 'obstacles' with the same origin.

Current relations with Russia are neither fluid, nor trustworthy, nor balanced, not even from a commercial point of view. To this we must add that trade with Russia does not create added value chains on which to develop common interests.

Undoubtedly the sale of raw materials, mainly energy, generate large revenues for Russia and solve essential supplies, at a good price for the European market, especially for Germany. But in recent decades these relations, more characteristic with developing countries than advanced economies, have not served as the basis for mutual knowledge growth that would move towards closer relations that would help create added value for economies on both sides.

Markets would not allow France to enter into a conflict with Germany as its interests and economies are common and interdependent. On the contrary, since the fall of Berlin's wall, relations with Eastern Europe have not caused a situation in the Russian case that leads to a strategic alliance of interests, weakening European objectives and detracting from EU influence over the Eurasian giant.

After decades of mistrust between countries that are called to understand each other, Eurostat's² data shows trade relationship is reduced to exports by the European Union to Russia focusing mainly on machinery and vehicles, followed by chemicals and other manufactured products representing as a whole 90% of exports to the Slavic country. The medicines stand out as the most exported product to Russia³.

² "Russia-EU International trade in goods statistics", *Eurostat*, 2020. D Available at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Russia-EU_-_international_trade_in_goods_statistics#EU_and_Russia_in_world_trade_in_goods

³ "Russia-EU International trade in goods statistics", *Eurostat*, 2020. Available at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Russia-EU_-_international_trade_in_goods_statistics-EU_and_Russia_in_world_trade_in_goods

As for EU imports from Russia, primary products (72%), mainly energy, raw materials, food, and beverages dominate last. Of all imports into the European Union from Russia, raw petroleum oils stand out as a star product.

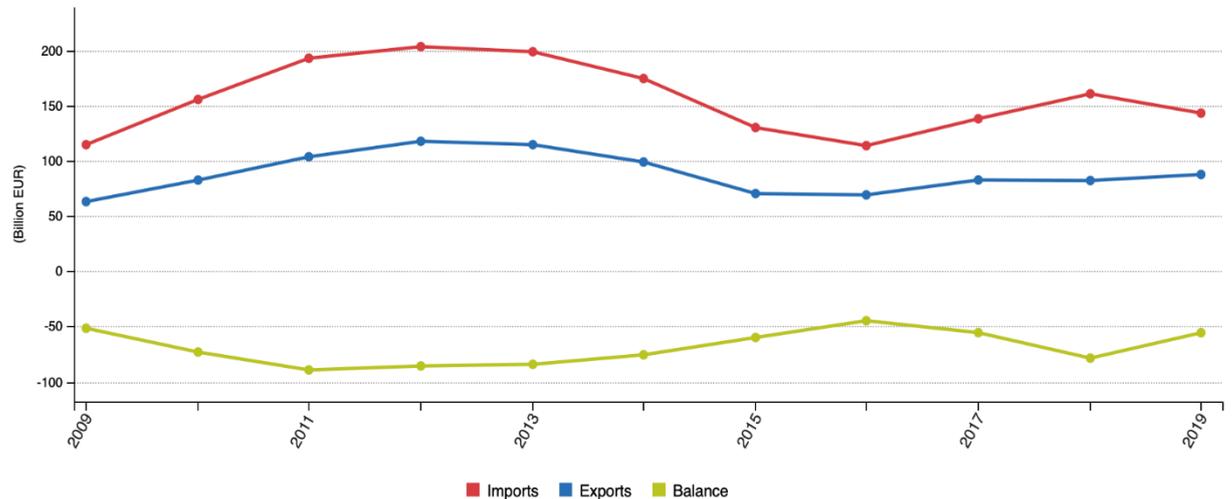


Figure 1. Imports, exports and trade balance between the EU and Russia, 2009-2019.

Source. Eurostat.

Assessing the data provided by Eurostat in 2019, Russia is the fifth largest partner in terms of exports of goods from the EU as a whole (4%), earning up to fourth place as the largest partner for imports of EU goods (7%).

With a trade balance clearly in favour of Russia, as shown in Figure 1, one country stands out among all those who make up the Union in its relations with Russia; Germany is the largest importer and exporter of goods to Russia.

The Russian paradox

The Russian Federation is a contradiction itself and as such should be studied with caution since from the contradiction, limitations and weaknesses powers its strength of a nation with eleven time zones, which cover the largest territory under the same flag. The history of the Slavic country is full of challenges, difficulties and suffering from which it has been able to extract creativity out of lack of resources, to equate its Western namesakes in technological and military areas.

When we think of the United States of America, the People's Republic of China, or the European Union, we refer to the three most powerful and rich economies on the planet. Far from these magnitudes is the extensive and little populated Russian territory (8.3 inhabitants/km²).

A real example of the size of the aggregate measure of Russian production can be obtained from the 50 states that make up the US economy, an experiment that yields surprising results especially in discovering that California alone practically doubles Russian Gross Domestic Product (GDP), while Texas and the State of New York are economic realities that alone are well ahead of Russia in terms of GDP. In fact, the Russian economy would rank fourth among the states that make up the U.S.

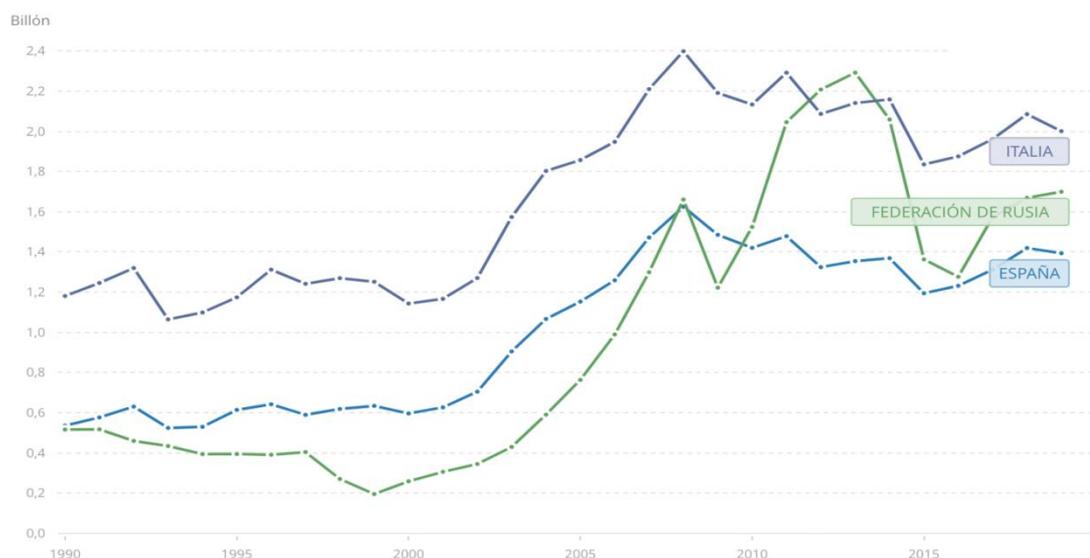


Figure 2. GDP (US\$ at current prices) - Spain, Russia and Italy. Source. World Bank.

Compared to the countries of the European Union, in 2019 the GDP of the Russian Federation stood between Italy and Spain. The Russian paradox shows one of its most prominent contradictions since its relatively small economic size is always outside the Top Ten of the MFI, World Bank or United Nations, can exert geostrategic leverage worldwide.

The size of its economy does not curb Russian capacity to claim its place on the global geopolitical board. Over the past decade we have witnessed Russia's return on the international stage with clear and forceful interventions in the most complicated scenarios of the globe, demonstrating an unknown determination since the dissolution of the Soviet Union.

The 'weakness' of Russian national accounting has been countered by its enormous inherited and improved military capability since the end of the USSR, capable of ensuring the total annihilation of the United States or any other threat in 30 minutes thanks to its nuclear triad, something still far from being achieved by China despite its recent programme revealed by the Pentagon⁴ with which it intends to double its nuclear arsenal.

The size of its economy has not prevented Moscow from developing a military industry capable of ensuring the global weight of its economy that reinforces Putin's challenge on 19 September, "For the short time in modern history" Russia, "has the most advanced weapons that surpass all that has existed and exists today". The Russian president's words are corroborated by demonstrations of hypersonic weapons such as the Avangard missile, or the Tsirkon launched it from the frigate Admirant Gorshkov and the submarine Severodvinsk, while submerged, as reported by the TASS⁵ pose a serious threat to NATO's capabilities, ahead of the United States despite having a budget that multiplies by 8.6 to Russia's and 7 to China's.

GDP is not the only way to measure an economy, as there are other parameters to be ranked to value a nation's health and future potential. Although this economic variable does not allow other macroeconomic magnitudes to be in 'Champions League' position, as CNBC⁶ reported the expansion of gold production launched in Russia in recent years.

⁴ "Military and Security Developments Involving the People's Republic of China 2020", *Office of the Secretary of Defense*. Department of Defense, p. viii, September 2020. Available in: <https://media.defense.gov/2020/Sep/01/2002488689/-1/-1/1/2020-DOD-CHINA-MILITARY-POWER-REPORT-FINAL.PDF>

⁵ "Russia to hold about 10 more test launches of Tsirkon hypersonic missile", *TASS*, April 2020. Available in: <https://tass.com/defense/1148571>

⁶ "Risks of further U.S. 'sanctions will 'paradoxically' boost Russia's gold production, says Fitch Solutions, 2020", *CNBC*. Available in: <https://www.cnbc.com/2020/08/27/risks-of-more-us-sanctions-will-boost-russias-gold-production-fitch-solutions.html>

CNBC's quote from Fitch Solutions report underscored the rebound effect of Western sanctions: "U.S. sanctions against Russia, underway and expanding, will paradoxically support short-term gold production in the country".

Lessons learned in the wake of the so-called subprime mortgage crisis of 2008 alongside the direct economic impact of U.S. economic sanctions, European Union and other nations, following Ukraine's political destabilization and subsequent referendum in Crimea, de facto integrating the peninsula as part of the Russian Federation, have created the path to an economy capable of withstanding crises and tougher sanctions, based on containing debt and accumulating reserves of precious metal that best supports any eventuality: Gold.

This productive boost can place the Eurasian country as the world's leading gold producer by the late 1990s thanks to annual growth that the study cited by the US average averages puts at an average of 3.7% per year.

Russian gold reserves exceeded China's in 2018 after accumulating 1,900 tons since 2005, bringing Russia according to NASDAQ⁷ among five countries with the most reserves of gold.

Increased reserves and gold production join the increase in international reserves according Bank of Russia⁸ (Central Bank of the Slavic country) which reports in September 2020 a volume amounting to \$591.8 billion which represents "a weekly increase of US\$1.0 billion".

Russian central bank policy responds to threats from international cycles and crises, as well as attacks on the national economy because of Western sanctions. The diversification strategy goes through the de-dollarization of its economy, as well as a diversification of reserves where the dollar, a currency increasingly at risk from its long-term hegemonic role, loses weight as gold reserves increase at a time when precious metal fires its price as a result of the COVID-19 crisis and the unstoppable increase in the debt of Western economies.

⁷ "Top Ten Countries With the Highest Gold Reserves", *NASDAQ*, May 2020. Available in: <https://www.nasdaq.com/articles/top-ten-countries-with-the-highest-gold-reserves-2020-05-15>

⁸ "Dynamics of international reserves of the Russian Federation", *Bank of Russia*, September 2020. Available in: https://www.cbr.ru/statistics/macro_itm/svs/int-res/

The public debt according to con the Bank of Russia⁹ and the Ministry of Finance, places the total public debt of the Russian Federation at the end of June 2020 at 16.1% of GDP, increasing its value by 1.5 percentage points of GDP at the end of 2019.

The data contrast with the figures of the European Union economies where Spain is in the first quarter of 2020 according to Eurostat¹⁰ at 98.8% of GDP, while Italy reaches 137.6%. Let us remember that the total Russian economy by GDP is in the middle of these two nations, where Eurostat data do not reflect the increase in debt generated by the COVID-19 crisis during the second quarter of 2020, while S&P rating agency indicates Spanish GDP will "stabilize at around 120% in the coming years".

The sanctions imposed against Russia have not produced the effects pursued as confirmed by Professor Jorge Mestre-Jordá¹¹: "The rounds of sanctions undertaken by the US have not taken place. The U.S. and the EU on Russia since 2014 have not been effective in achieving the purposes set out." Indeed, the Russian economy is now more resurgent than ever by developing its own industrial processes that displace agricultural imports mainly from the EU. Russia is producing its own dairy products by creating a new economy while displacing Spanish or French producers, who together with European farmers and ranchers are the real losers of the EU-Russia sanctions war, with effective loses from the European Union, in 2014-2016 alone, exceeding EUR 30 billion.¹²

⁹ Monetary Policy Report No. 3, Bank of Russia, August 2020, p. 48. Available in: http://www.cbr.ru/collection/collection/file/29125/2020_03_ddcp_e.pdf

¹⁰ "General government gross debt", *Eurostat*, September 2020. Available in: <https://ec.europa.eu/eurostat/tgm/table.do?tab=table&plugin=1&language=en&pcode=teina230>

¹¹ MESTRE-JORDÁ, Jorge, *Analysis of the Effectiveness of U.S. and EU Sanctions on Russia (2014-2017)*, IEEE Opinion Paper 28/2018, March 2018, p. 16. Available in: http://www.ieeee.es/Galerias/fichero/docs_opinion/2018/DIEEEO28-2018_Sanciones_EEUU-UE_a_Rusia_JorgeMestre.pdf

¹² MARTÍN Y LADERA, Iván. "The Danger of Tariffs and Sanctions for the World Economy where Europe loses more than the United States, Russia or Japan", *Business Insider*, September 2019. Available in: <https://www.businessinsider.es/peligro-aranceles-sanciones-economia-mundial-499817>

Russian turn, moving away from Europe

Peter the Great vision looking towards Western Europe differs from Vladimir Putin's current position who, step by step, is moving away from Europe and turning his sights towards Southeast Asia, giving up a future with Europe that could open new horizons and offer a detente on the continent that should be the norm and not the exception.

Russia's submission to Putin as the new Tsar who is perpetuated in power, *sine die*, is a response to the impotence of making a rapprochement between equals a reality between the Eurasian nation and the EU. Decades later, the outstretched hand of a newcomer Putin to power has turned into detachment towards the West.

The unstoppable NATO advance towards Russian borders and the destabilization of satellite countries, Ukraine and Belarus, the last line of containment against the advance of the military bases and armies of the alliance generate a nervousness that relives past experiences, the ones Putin remember every year since he came to power. Moscow does not want to see American bases in Vitsyebk, Orša or Gorki in Belarus, just as for the Kremlin a new NATO's Rota in Odessa would be practically an act of war.

The lack of trade agreements and joint plans between the European Union and Moscow, the lack of a common effort to find forms of collaboration that foster rapprochement, instead of the cold distancing and lack of trust, is pushing Russia to throw itself into the arms of China, where it finds more common ground than with its European 'brothers'.

Russia is very suspicious of China¹³, whom it considers a wolf in sheep's clothing, aware of the claims and dangers that this nation poses to its shared borders where the uninhabited territories of the Slavic country are coveted by overpopulation and old Chinese claims.

As much as it wants to avoid, Russia is an essentially European nation even though its territory borders North America across the Bering Strait. Russian population have their customs and ethnicities, but the European spirit and culture firmly imprinted on fire and by force from Moscow, throughout history, has left Western culture as the central axis of the country. Without it the Balkanization of Russia would be inevitable.

¹³ AZNAR FERNÁNDEZ-MONTESINOS, Federico. *Hacia una nueva bipolaridad*, Documento de Análisis IEEE, 2020.

Although the Chinese threat exists in the long term for Russia, the lack of a decided policy towards Moscow has precipitated the creation of a Sino-Russian axis that is becoming stronger and more solid every day, where military relations are increasingly coincident. The North American fence now extends across the South China Sea, copying the system used first against the Soviet Union and now with Russia in Europe. This reinforces the interests that have been build, by a fearsome friendship, between Xi Jinping and Vladimir Putin.

The significant arms sales between Russia and China are now joined by a fusion of common threats and interests that are not at all convenient for the security and defence of Western interests.

Western pressure has ended up twinning two leaders settled in power over any kind of vote or democracy, in the Russian case, with President Xi absolute power.

The twinning between Vladimir Putin and Xi Jinping rethinks the Western strategy and, especially, the European one. Combined military power of both nations has to be taken into account, especially when their interests coincide (on their own initiative or because Putin has no choice) not only in political and economic aspects, but in common geographic areas that allow involvement of both nations facing the same threat.

Past joint operations in the Asia-Pacific region provoked reactions from South Korea and Japan that flooded headlines¹⁴. Naval manoeuvres in the Baltic with the presence of Chinese ships should serve as an alarm clock for Western ruling classes.

Russia and China agree on multiple points. In geopolitics, all space left by a nation is quickly occupied by other interests. The withdrawal of troops from Afghanistan by the US puts this nation in the spotlight of China thanks to the rapprochement that this nation is making towards Pakistan, taking advantage of the crisis with India, to make it an ally and bridge to South Asia after the withdrawal of the US military.

The Chinese deal with Iran, circumventing sanctions against the Islamic nation after the unilateral American rupture of the agreement, concur with Russian aid to the country just as the United States tries to build a new NATO in the Middle East.

¹⁴ "Seoul is shot by Russia and China's first asia-Pacific airpatrol", Joyce Lee and Josh Smith, Reuters, July 2019. Available in: <https://it.reuters.com/article/coreasur-rusia-aeronave-idLTAKCN1UI11P-OUSLT>

Playing with marked cards

Vladimir Putin and Xi Jinping play with marked cards an advantage that gives them the initiative to the nations of the European Union, the United States, Canada, the United Kingdom or Australia. While these countries change democratically every four to five years, China, and Russia (after their last constitutional change) have two undisputed leaders who have demonstrated greater intelligence and foresight than many Western politicians.

The short-termism that dominates European politics prevents Western countries from seeing the long term with the calm that geopolitics requires. Meanwhile, totalitarian powers calmly plan the next blow that is not necessarily military. Chinese plans in the tech field have not been built overnight. China in 2020 is the result of wise strategic decisions and investments (with state resources) that instrumentalize private initiatives to conquer the technologies that will dominate this century. Today the Chinese technological ecosystem in certain areas is unrivalled and the *sorpasso* has been completed in different sectors with the consequent economic boost it carries with it.

These plans are not possible in Western democracies, especially those countries with governments under constant stress and ongoing political crises, where elections happen over time without providing governments with the stability they need. Democracy shows its limitations in dealing with strongly led nations when a small party alliance can put an entire government in check. This advantage is used in China and Russia to take advantage over its Western counterpart. The political weakness of its rivals is used as an accelerator of their interests where the whole responds to the request of its leaders.

Wandel durch handel

The *wandel durch handel* concept, interpreted as: change through trade, has become the new leitmotif of German-to-Chinese politics, as Peter Altmaier¹⁵, German Economy Minister, said when talking about his country's trade relations with China, market number one (above US). U.S.A. for German exports valued at EUR 100 billion.

This policy goal, criticized by many, is to bring about changes in countries' systems and societies through trade by creating a current that through economic growth and the result of the incentive of trade will lead to a democratically based political transformation.

This philosophy is not only German but was at the centre of Bill Clinton's 2000 speech¹⁶ to celebrate China's entry into the WTO: "China not only agrees to import more of our products. China also imports highly praised democratic value: economic freedom."

Caution has been German basis of its international policy, especially with authoritarian countries, mainly due to economic reasons since the Teuton economy is based on exports totalling more than half of its GDP.

Chancellor Angela Merkel finds it difficult to maintain her position of "understanding" regarding Russia's geostrategic aggressiveness in the international arena. In fact, the option of exchange through trade is being strongly criticized and described by some journalists as "failed" after twenty years of little democratic change in China.

Giving up the *wandel durch handel* would mean abandoning the concept that has cemented the creation of the European Union, which has become what it is thanks to the interrelationships, cooperation and economic integration that have provided the greatest period of peace and prosperity in the history of the old continent.

Critics of this principle allude to moral values, putting them before economic ones, as the United States is doing to China and other nations, with the danger of turning moral principle into an improperly used political instrument.

¹⁵ MATTHEW Karnitschnig and HANKE VELA, Jakob. "Germany's economy minister defends Berlin's muted response to China's crackdown in Hong Kong", *Politico*, July 2020. Available in: <https://www.politico.com/news/2020/07/15/germany-hong-kong-china-365499>

¹⁶ CLINTON, Bill. "Clinton's Speech on China Trade Bill", *Institute for Agriculture & Trade Policy*, March 2000. Available in: https://www.iatp.org/sites/default/files/Full_Text_of Clintons_Speech_on_China_Trade_Bi.htm

The danger of the breakdown of relations, through sanctions and trade conditions, is an isolationism that does not consider economic relations as forces of positive change.

For this reason, economic sanctions against Russia fail and will fail again, because effective economic integration must take effect for them to take effect. In a scenario of misaligned countries, they fall on deaf ears.

Absence of a joint future agenda with Europe ends up reinforcing the authoritarian stance that pushes closer to those more 'similar' nations, such as the case discussed above, which are increasingly bringing Russia and China closer to a common future capable of altering the global balance.

The case of the trade relationship between France and Germany, economic sanctions would be devastating for citizens, but over Russia they have failed. Brussels and Moscow failed establishing their economic relations by reducing it practically to a gas and crude oil.

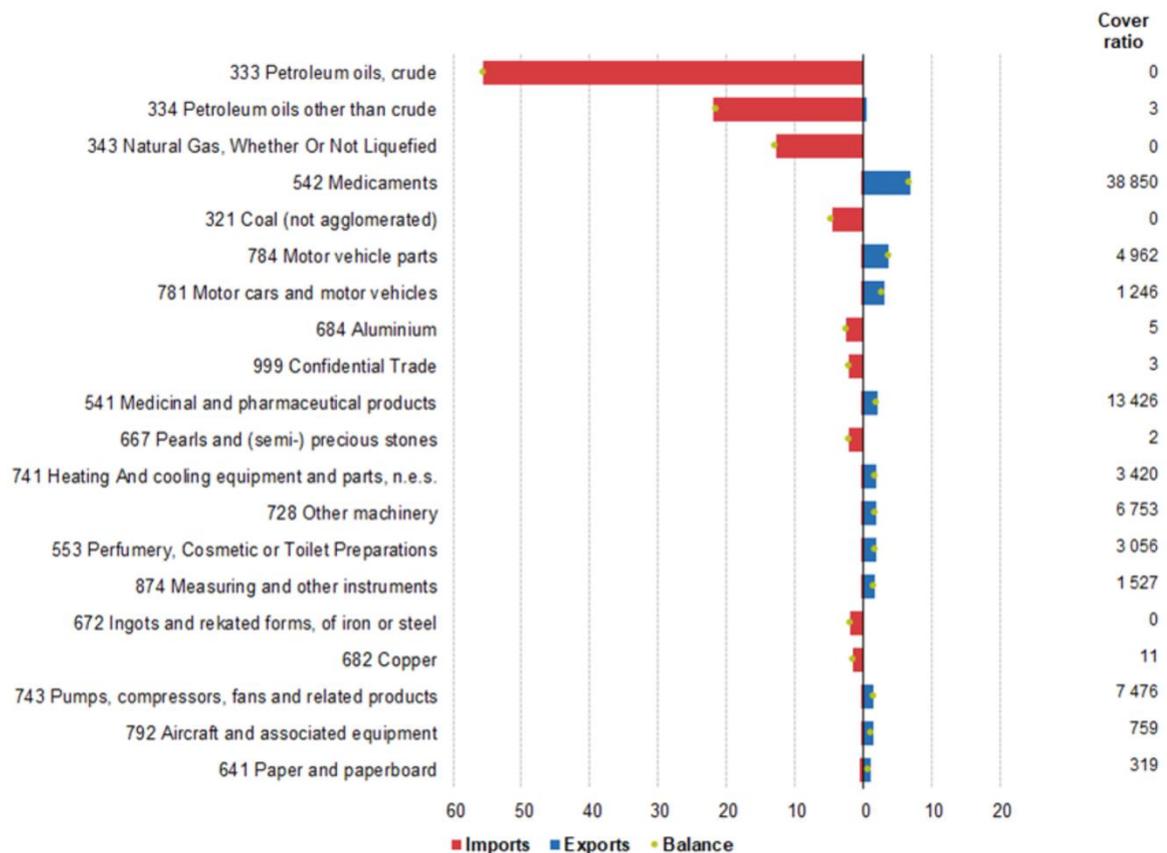


Figure 3. Most traded products between the EU-27 and Russia, 2019. Source. Eurostat.

There are no projects outside Nord Stream II (again related to gas supply) that produce economies of scale that generate added value or common projects that could benefit the eastern economies of the European Union and foreign investment.

The security that normality provides in rich business relationships, drives away ghosts and rivalries of the past that have no place in a necessarily interconnected economy.

The alternative

There is a line of thought that raises the rupture of relations and an increase in sanctions, in order to defend principles and values that can lead to ostracism and isolationism from those markets that are not at the level of Western morality.

The risk we are living today is precisely to find ourselves close to this possibility that would put Europe back in the middle of a dispute that has not begun, in which it cannot intervene and that it will be more expensive than for the other parts.

A world divided between the US and its allies in the Middle East offers little room for Europe to choose between U.S. or Chinese technology, Asian or American social media apps and services, Internet 1, or Internet 2. Companies should choose which market they will work with, or what technology, since their exports to the other bloc would be excluded. All this would lead to the loss of welfare and freedom conquered for generations, broken inevitably the balance and peace between the union's own nations.

This may seem like an apocalyptic scenario, but the reality is that, in Europe, in the middle of the technological age where communications are key, there are no leading business conglomerates in key sectors.

US has Apple, Google, Facebook, Microsoft, Amazon. China, on the other hand, rivals at the same level thanks to the support and advances from Ali Express, Xiaomi, Huawei, WeChat, even Russia has a giant like Yandex that occupies Google's position in the Slavic country. How many companies in these sectors does the European Union have?

Conclusion

Over the past six years relations between the European Union and Russia have deteriorate. Severe sanctions policy criticized by Italy and other EU countries and Kremlin's distance has generated mistrust between the two sides.

From a Russian point of view, this stalemate results in the hardening of Moscow's positions which, being rejected by a Europe, has a free way to jump into the international arena in its own way, accepting a worsening situation regarding to its European 'brothers'. Since things are wrong, a worsening is assumed in exchange for the advantages that certain geostrategic actions can offer to Moscow.

Media campaigns and stigmatization have ended up getting Moscow to choose to communicate its point of view, between aggressive style and passive style, projecting power and even playing down diplomatic consequences like lose G8 seat is assumed in exchange for reinforcing his position in the Middle East.

Military intervention in Syria responds perfectly to this line of thought. Despite the European dislike and the US and UK opposition, Russian intervention in Syria has saved Bashar al-Assad's regime, been a success for Putin who has strengthened his military presence in the Eastern Mediterranean, reaffirmed his ability to be a reliable intermediary for regional powers, meanwhile the White House contradicting his pacts by dedicating himself to his own and leaving the area. By the way, Iran has established a corridor with Hezbollah forces in Lebanon, while Europe has suffered a wave of migrants and refugees that has fuelled the expansion of nationalisms and disagreements in many of the states. Russia has been strengthened in its Middle East campaign while Europe is weaker, more divided and with Turkey as an added problem.

As for the US-led sanctions policy and followed despite internal oppositions by the EU, it has not paid off. In a five-year period, the Russian economy has been able to absorb the blow, its markets now sell Russian-produced cheese, creating a previously non-existent industry, European agricultural producers, many of them Spaniards, have not been compensated for their losses.

While sanctions have caused direct damage to certain industries and strategic sectors, their prolongation has failed to increase their initial effects resulting in a counterproductive effect of strengthening affected sectors. As a result, external

dependencies have been supplemented by their own developments, gaining technological independence that guarantees sovereignty of knowledge, while developing a chain of value and know-how.

Russian military industry is now more self-sufficient than it was ten years ago. Moscow has renewed its nuclear triad with huge investment in strategic submarines, Sarmat ballistic missiles and, in particular, the entry into service of the new Tu-160M2 and upgraded TU-95MS.

Economically last six years have been used by the Russian Central Bank to increase its gold reserves (listed in all-time highs in 2020) ensuring support for its currency and economy in the event of economic crisis processes and tightening sanctions, all without triggering debt that remains at low levels.

Since Donald Trump's arrival at the White House, the scenario in which the global financial, inclusive and technological system, as we know it may cease to exist returning to the division into two large blocs led this time by China and the US is a *déjà vu* of worst Cold War moments.

Within this scenario, the lack of understanding and 'change through trade' causes Russia to end up opting for the Chinese side unbalance Europe. Attracting Russian Federation to West, via the European Union, can be an essential weapon in China's long-term containment strategy.

A great trade and common interest's pact that unites projects and infrastructures that definitively bring all continental European states close is on a dead track. Europe is frozen by its internal disagreements, lack of a common international policy and the interests of other powers that would not see with good eyes a united continent with more than 600 million people economy.

The Europe where Madrid's citizens travel in shared cars from Yandex, and in Moscow the French cheese is tasted again accompanied by an Italian wine, while the photos of Trans-Siberian travellers are transmitted through networks powered by Ericsson and Nokia technology, are left only for imagination.

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