



CENTENARY POLICY
INSTITUTE

Breaking the Chains: Freeing Europe and Ukraine from the Kremlin

based on closed door roundtable discussion held at
Vilnius Klubas

On May 11th, 2023

**Key points, conclusions and
recommendations from the discussion**

1. The roots of status quo

From the 1960s until Russia's invasion of Ukraine in February 2022, the broad policy consensus in Europe was that building economic engagement with Moscow would prevent future conflict. Despite multiple failures of the concept from Chechnya to Georgia to Crimea, European retailers and manufacturers continued to invest heavily in Russia while European dependency on Russian energy grew.

2. A new world?

In some ways Putin's attack on Kyiv put an end to the illusion that economic engagement was a viable alternative to containment or deterrence. For some (though by no means all) G7 corporations, continuing to do business in Russia became reputationally toxic. A broad political consensus on the strategic dangers of energy reliance on Russian gas was also formed. At the same time many of the Kremlin's more direct methods of influencing Western public opinion, from propaganda channels and funding radical political parties, were also closed down.

3. Business as usual

Nonetheless, there is clear evidence that a significant and growing constituency of European corporations and politicians are ready, as the endgame of the Ukraine war approaches, to consider resuming business as usual with a post-war Russia.

4. Clear and Present Danger

The Centenary Policy Institute (CPI) believes that a resumption of economic ties with Russia presents several clear and present dangers to European and Western security. The CPI has, therefore, launched a series of closed-door seminars for policy experts, policymakers and stakeholders to explore ways of reducing the Kremlin's still-existing influence on Europe and, more importantly, to prevent future capture of Western corporations and elites by Russian money.

Competing Narratives

- 1.** The West needs to develop a more realistic understanding of the realities of power in Russia to avoid naive views that the West can still deal with the Putin regime in the future.
- 2.** The key fallacy is the projection of a Western view that the Putin circle are motivated by practical and material considerations such as building the Russian economy (altruistic motivation) and increasing their own wealth (selfish motivation). Rather, the Ukraine war had proved that paranoia and shoring up the regime through the invention of external enemies are much more powerful considerations for the Kremlin.
- 3.** The Western attitude towards Russia has been rooted in another fundamental fallacy - that engagement, negotiation and respect will build the kind of normal, quid pro quo bilateral relationship that Western countries enjoy with each other. The reality is that the Kremlin clearly sees international relations in terms of a zero sum game competition.
- 4.** Western institutions like the European Parliament, European Commission, and NATO have been hitherto driven primarily by economic interests - often dictated by stake-holding private and public corporations such as Germany's chemicals sector and European gas majors - rather than strategic and civilisational considerations such as protecting core democratic values and the principles of international sovereignty.
- 5.** In a hypothetical post-war world in which the Putin regime survives essentially intact, the Kremlin has two key weapons for restoring both cashflows and elite property rights in Europe. First and foremost is European voters' desire to ease the cost of living crisis via cheap energy exports (though this has been as much created by non-war-related factors such as green energy policies). The second is and restore growth, both in sectors dependent on exports to and manufacturing in Russia as well as in cheap-energy dependent businesses rendered unviable by volatile energy prices.
- 6.** However there will be no smooth long term resolution of Europe's practical issues as long as the fundamental economic and military stability of the continent remains threatened by a militarily viable and still-belligerent Russia. There is a need to demonstrate, persuade and remind Europe's strategic and economic decision-makers to that profit and stability cannot be properly calculated without factoring in whether policies are likely to help the post-war recovery of Russia's military power.

The end goal of the war

- 1.** Putin is losing the war. Clearly, he has failed to achieve any of his stated goals in Ukraine, and Russia is undoubtedly weaker than it was before attacking Ukraine. Moscow has lost its major European gas markets, its macroeconomic model has shifted towards sanctions busting parallel imports and exports, its elites have lost or been cut off from the wealth they have stashed abroad.
- 2.** But he is also, in some senses, winning it. It seems unlikely, at least in the opinion of the US security and military establishment unveiled in the Discord leaks, that Ukraine will succeed in pushing Russian entirely out of all territory lost since 2014. Such an outcome will allow Putin to claim some kind of victory. Despite sanctions and heavy battlefield losses the Putin regime's control of propaganda and political space in Russia remains remarkably intact.
- 3.** Talk of punitive reparations and Hague tribunals obscures the strategic bottom line of the war, which is that Russia's nuclear weapons make it impossible for one belligerent directly to attack the other. The West has made clear that its response even to battlefield nuclear use by Russia will, in the words of Emmanuel Macron, be 'overwhelming but not nuclear.' Russia can be beaten in the field in Ukraine; it cannot be challenged on its own territory.
- 4.** This leaves only two ways way to seriously challenge Putin's power: the first is to inflict military humiliation in the next phase of the war. The second is to ensure that economic sanctions actually degrade the Russian economy.
- 5.** Time is running out for Ukraine to win as support for continuing to arm Kyiv, in both the US and major EU countries, is shrinking. Moral support for Ukraine still runs strong, but the arguments for 'peace' (effectively in the form of a land for peace agreement) begin to gain traction over arguments for 'justice' (in the form of total victory for Ukraine).
- 6.** Post-war, Ukraine will emerge economically devastated while Russia's economy remains stagnant but essentially sound.
- 7.** Post-war, the full economic recovery of Ukraine and a serious reform programme which will enable it to be a prosperous and democratic market economy is essential in terms of Europe's security. If Ukraine is allowed to flounder in corruption and economic devastation, Putin will have demonstrated the dangers of alliance with the West and the fickleness of Washington and Brussels' promises.
- 8.** As long as Putin or a Putin-like regime remains in power in Russia, economic engagement will only serve to grow future threats. But it is also important to bear in mind that in a post-Putin world, the West has a string interest in helping a future democratic Russia grow and thrive in order to build a prosperous and free society.

Conclusion and Recommendations

- 1.** Sanctions have so far had a limited impact. They have failed to cripple the Russian war machine or economy. Nor have they affected the willingness of Russian people to stop the war, as the majority of them live in poverty and in a cultural context where national pride and security from attack are considered more important than material comfort.
- 2.** The political will to improve and reinforce sanctions is necessary to create a bigger impact. In practical terms, that means using all means to close parallel imports to Russia via Turkey, Kazakistan, Belarus, China and India - especially of dual use products that can assist Russia's war effort.
- 3.** To continually improve and reinforce sanctions against Russia and make it difficult for Russia to get hold of key materials to wage war.
- 4.** Western countries are the main destination for Russians fleeing the country, but nonetheless many wealthy Russians, including Kremlin associates, continue to travel to and keep assets in Europe.
- 5.** One way to filter out regime-affiliated visitors from ordinary Russians could be to require that every person from the Russian Federation to fill the questionnaire by entering the country, requiring to indicate whether he/she directly or indirectly participated in the aggression against Ukraine, whether he/she has visited Russian-occupied territories of Ukraine, Moldova, Georgia. On the other hand - Western countries need to help regime opponents and even allies to defect (with due caution, of course).
- 6.** Energy companies experience a huge profit increase as the result of the Russian war in Ukraine. Windfall taxes are introduced in some countries. But there is no real debate of those companies who get some money from Russian assets or are experiencing huge profits to share this with Ukraine. Just Lithuanian Ignitis and Enel did something more significant.
- 7.** Assist those businesses or business people (from the Russian Federation or from the West) to uphold their reputation by helping Ukraine to resist the aggression and restore its economy. An adequate mechanism is needed for this purpose. This could include donations to Ukraine, or allocating funds to be invested by independent investment funds to be invested in rebuilding Ukrainian economy.

Western companies still operating in Russia as of May 26, 2023

1	<u>SPAR</u>	38	<u>Fortum</u>
2	<u>Leroy Merlin</u>	39	<u>GlaxoSmithKline</u>
3	<u>Krka</u>	40	<u>Porsche</u>
4	<u>Philip Morris</u>	41	<u>Volkswagen</u>
5	<u>Raiffeisen Bank</u>	42	<u>GE</u>
6	<u>Carlsberg</u>	43	<u>Glencore</u>
7	<u>Claas Group</u>	44	<u>Andritz</u>
8	<u>Coca - Cola HBC</u>	45	<u>Air Liquide</u>
9	<u>Auchan</u>	46	<u>Archer Daniels Midland</u>
10	<u>Metro AG</u>	47	<u>Microsoft</u>
11	<u>British American Tobacco</u>	48	<u>Veolia</u>
12	<u>Aalberts</u>	49	<u>Trafigura Lines</u>
13	<u>Bonduelle</u>	50	<u>Engie</u>
14	<u>Buzzi Unicem</u>	51	<u>HSBC</u>
15	<u>Rockwool</u>	52	<u>OMV</u>
16	<u>Komatsu</u>	53	<u>Aurubis AG</u>
17	<u>Liebherr</u>	54	<u>Faurecia</u>
18	<u>Kia Corporation</u>	55	<u>Alcon</u>
19	<u>SLB</u>	56	<u>Barry Callebaut</u>
20	<u>Schlumberger</u>	57	<u>MSC</u>
21	<u>Intesa Sanpaolo</u>	58	<u>Baker McKenzie</u>
22	<u>Nestle</u>	59	<u>FL Smidth</u>
23	<u>Pernod Ricard</u>	60	<u>Fluidra</u>
24	<u>Heineken</u>	61	<u>ID Logistics</u>
25	<u>Bayer</u>	62	<u>Boiron</u>
26	<u>B. Braun</u>	63	<u>Foraco</u>
27	<u>Unilever</u>	64	<u>Ehrmann</u>
28	<u>Anheuser-Busch InBev</u>	65	<u>Agrana</u>
29	<u>Michelin</u>	66	<u>BPW</u>
30	<u>Sanofi</u>	67	<u>CLINTON</u>
31	<u>AGC</u>	68	<u>DMK Group</u>
32	<u>Philips</u>	69	<u>Dr. Theiss</u>
33	<u>Syngenta</u>	70	<u>SpaceX</u>
34	<u>AstraZeneca</u>	71	<u>Europol Gaz</u>
35	<u>Danone</u>	72	<u>Marcegaglia</u>
36	<u>UniCredit</u>	73	<u>Net4Gas</u>
37	<u>Novo Nordisk</u>	74	<u>OSTC Group</u>

Centenary Policy Institute – Mission Statement

Centenary Institute was founded in Vilnius in 2018 to address the imminent threat to Western democracies arising from hostile actions by Russia and China.

We believe the lack of an open debate in the Western media and amongst political elites, suppression of truth – widely referred to as Wokeism - has led to monumental failure to identify the true nature of Putin's regime with catastrophic consequences for Ukraine.

The faith in Western moral values needs to be restored through bold debate and policy action even at the cost of Western political 'comfort zone' and sensibilities.

The number one goal of Centenary Policy Institute is to expose anti democratic propaganda in the West and hostile regime actors that undermine democratic institutions. This corruption and infiltration of Western societies by hostile forces has to be exposed and upended.

We believe a bold approach will be needed in Ukraine to ensure a break with the Soviet past (Desovietization) and separation of business and politics. We begin our journey by accepting political and democratic failures of past thirty years and embrace future transformation with courage and optimism for the future of Western democracies.

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