IMPACT OF UKRAINE CRISIS ON RUSSIA-GERMANY BILATERAL RELATIONS

SHILPA

Abstract

Relations between Russia and Germany, two very important countries, have seen many ups and down during the eighteenth and nineteenth century. However many studies have been conducted on Russia-Germany relations but most of them have concentrated on the economic and energy aspect of their relations. Germany and German diaspora played a very critical role in Tsarist Russia. After the Soviet disintegration, relations between Russia and Germany moved in a friendly and cooperative direction. Germany became the largest importer of Russian energy and an important source of high technological goods and investment in Russia. However, after the Ukraine crisis the relations have taken a sharp down turn. The current article discusses the impact of Ukraine crisis on Russia-Germany relations and will also discuss the results of the sanctions imposed by Germany on the Russian economy. However the importance of these two states can never be overlooked as both the states requires each other cooperation in political, economic field as well as for trade and investment.

Russia and Germany are considered to have special relations and close historical and cultural links that they have maintained since the time of Tsarist Russia. Both the states belong to the European system in the matter of trade and security. Germany is one of the key member states in the EU while Russia is an important geopolitical actor with its large military might and a significant amount of natural resources in the East, has led to strengthening of their cooperation in almost all the sphere. Russia and Germany's cordial relationship is of fundamental importance for the European security architecture. Relations between the two states took a new turn in the year 2014, with Russia's annexation of Crimean peninsula from Ukraine in the month of February 2014, and Russia's support for separatists activity and military intervention in eastern Ukraine, which further led to the deterioration in Russia-Germany relations.

UKRAINE CRISIS AND ITS SIGNIFICANCE FOR RUSSIA

The Ukraine crisis of 2014 in which, Russia occupied Crimean peninsula and is involved in the militarized separatist conflict in eastern Ukraine has created the most severe clash in relations between Russia and the West since the era of Cold War. The crisis escalated in the month of February 2014 when the then President of Ukraine Victor Yanukovych rejected to sign the association agreement with the EU in November 2013. It further turned into political protest and instability.

Russia's subsequent involvement in the Ukraine crisis has posed a very basic question to all of us, as why Ukraine has been the focal point for all the states involvement, and why Russia and Germany relations as according to many experts see the lowest point ever. As first, we should know a little about Crimea and its significance to the interested parties.

CRIMEA: LOCATION AND HISTORY

Ukraine is located on the Eastern Europe and is the second largest on the continent after Russia. Kiev is the capital of Ukraine, which is located in the Dnieper River. Crimea peninsula, which is officially a part of Ukraine, is situated on a peninsula extending from the south of Ukraine between the Black Sea and the Sea of Azov. Strait of Kerch separates Crimea from Russia to the east.

Crimea is a peninsula, which is located on the Black Sea coast of Ukraine, due to its geographical location on the Black Sea; is of great strategic significance to both Russia and Ukraine. As for Russia, it is doubly important, as a majority of Crimean's of around 2.3 million identify themselves as ethnic Russians. The modern history of Crimea starts in the year 1783 when the Russian Empire captured it during the reign of Catherine the Great and since then it became part of Soviet Ukraine and remained as a part of Russia until 1954. In the year 1954, it was transferred to Ukraine under the then Soviet leader Nikita Khrushchev. Officially, Crimean peninsula is a part of Ukraine but due to its strategic importance, it has become the cause of disagreement between Russia and Ukraine. Crimean peninsula has been of great significance as with a population of around 2 million – with 58% of ethnic Russians, 24% of Ukrainians also offers a great economy comprising tourism and agriculture. As among the total population in Crimea, the majority of the population recognizes themselves as ethnic Russians.

Few months ago, after the escalation of the crisis, the Russian Parliament responded by stating that Crimea Peninsula could become a part of Russian territory, acknowledging public opinion of the population of Crimea, which comprises, majority as Russian ethnicity, in a referendum set for 16th March, which finally resulted in a 95.5% favoring the annexation to Russia.

CRIMEA'S STRATEGIC IMPORTANCE

The city of Sevastopol in the Crimean Peninsula has been a source of tension, as it is home to the Russian Black Sea Fleet. With the Ukrainian independence as an autonomous region, a lease was signed which permit the Russian fleet to continue operating from there. However, in the year 2010 this existing contract was extended until 2042 in return for cheap Russian natural gas delivery to Ukraine.

Tension began to prevail between Ukraine and Russia in the month of November 2013 when the then pro-Moscow President Viktor Yanukovych abandoned an EU deal in favour of stronger ties with Russia and fled

Ukraine in the month of February after protests turned into a fierce clash among the forces in the country's capital Kiev. Later, to control the situation, Kremlin-backed forces effectively seized the conflict-torn area.

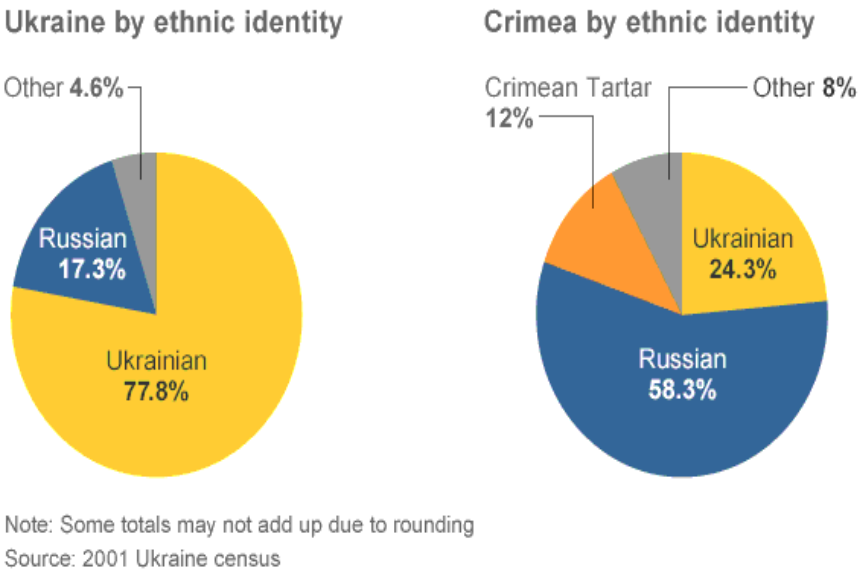

Figure: 1

ETHNIC GROUPS IN UKRAINE AND CRIMEA

Ukraine has been divided between east and west since the disintegration of the Soviet Union in 1991 and as an affect to this divide, there exists a linguistic and cultural divide. In some of the parts, including the Crimean peninsula the Russian language is widely spoken as well as in most of the parts of the east and south it is the main language of communication. The Ukrainian language is the foremost language in the western regions closer to Europe. This division is also significant in the voting patterns. During the election majority of Russian- speaking people went for Yanukovych as opposed to his Ukrainian rival Yulia Tymoshenko in 2010.

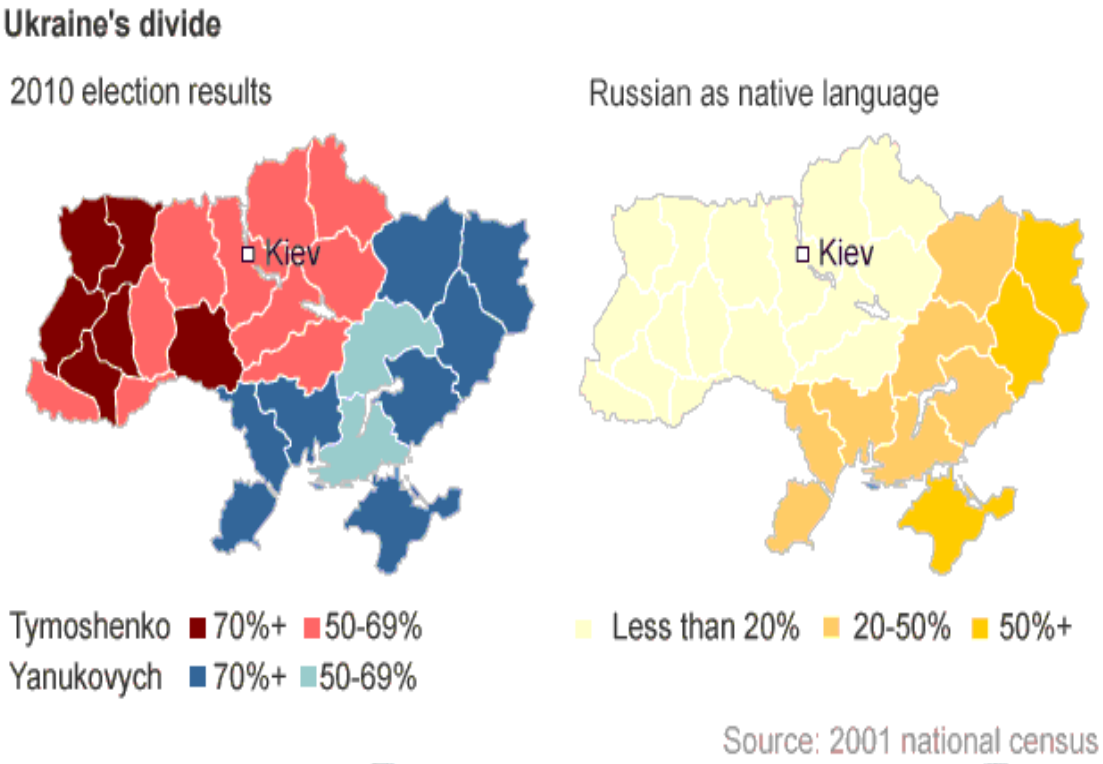

Figure: 2

Regarding ethnicity and language, Crimea is particularly Russian facing. According to the 2001 Ukraine census, whereas ethnic Ukrainians identified themselves as Ukrainian, most inhabitants of Crimea identified themselves as ethnic Russians.

RUSSIA-UKRAINE TENSION

Since the Soviet period, the port of Sevastopol has been home to the Black Sea Fleet. The presence of the Russian fleet in Sevastopol has been one of the major causes of tension between Russia and Ukraine. According to Russia's UN ambassador, Vitaly Churkin, the 1997 agreement between Russia Federation and Ukraine has been the major source, which authorized the move of Russian troops in the Crimean peninsula. The Agreement on the Status and Conditions of the Russian Federation, Black Sea Fleet's Stay on Ukrainian territory between the Russian Federation and Ukraine, was further extended in the year 2010. This agreement between the signing parties does not permit Russia at any cost to occupy Crimea nor does it allow Russia the discretionary authority to move its troops around the Crimean peninsula. However, it only provides Russia with the authority to locate troops on its bases in the Crimea and use the following bases for their movement in the Russian territory. Simultaneously the Russian troops have to respect and obliged Ukrainian law and their sovereignty.

Article: 4. 1. Stated "*The total personnel strength and the number of ships, vessels arms and military hardware of the Russian Federation Black Sea Fleet located on the Ukrainian territory will not exceed the levels defined in the 28 May 1997 Agreement Between the Russian Federation and Ukraine on the Parameters on the Black Sea Fleet's Division*".

The region of Sevastopol has been serving as a military base for keeping Russia's Black Sea Fleet. According to the above-mentioned agreement, the fleet was allowed to continue operating from there, in return for cheap Russian natural gas supply. It was specified under the terms and conditions of the TACA Agreement of 1997. However, opposing the agreement rules Russia deployed its army out of the territory of its military bases, and in a move to assert its hegemony over the autonomous region by taking control over key installations in the region. Russia by doing this not only violated Ukraine sovereignty but also violated International Law including United Nations Charter.

According to the sources, Russia recognized Ukraine borders, which is a violation of the 1997 agreement, which does not allow the movement of Russian forces without consulting the Ukrainian authorities, and Russia cannot increase the level of troops on its own.

IMPORTANCE OF UKRAINE FOR THE TRANSFER OF RUSSIAN NATURAL GAS TO EUROPEAN STATES

Within the EU, Russia has the largest abundance of natural resources and with this, it is the major provider of natural gas to European states. Ukraine here needs special mention as about half of the Russian natural gas flows through pipelines in Ukraine. From Russia, gas pipelines runs through Ukraine, and Belarus, and finally reaches to European countries such as Hungary, Poland, Slovakia, Romania, etc. Under the authorization of Gazprom, eight major export pipelines transfer Russian gas to Eastern and Western Europe markets via Ukraine, Belarus, and Baltic Sea. In which around 76% of Russia's natural gas is delivered to the western European states in which Germany, Turkey, Italy, and few other states consumes the bulk of these volumes. The Crimean crisis is considered as a major incident in the current pattern of Russo-German relations as Germany has taken the lead from the western world to contain Russia's aggression in Crimea.

Germany's response to the crisis can easily be judged by the following statement made by the German foreign minister Frank Walter Steinmeier's which **says** *"Europe is, without a doubt, in its most serious crisis since the fall of the Berlin Wall."* Twenty-five years after the end of the conflict between the blocks, there's a new, real danger that Europe will split once again". According to a critic Ruhle, Russia's seizure of Crimea in the current Ukraine crisis marked a new low in the Russia- NATO relationship and this situation has once again taken us back to the cold war days of Russia- West relationship in international matters.

SANCTIONS IMPOSED BY THE EU ON RUSSIAN FEDERATION

In an attempt to check Russia's illegal actions in the Crimean territory, on 12 September, the EU announced sanctions that targeted Russia's working institutions such as on Russian arms sector, state finances, and on some of the energy companies. The top officials of President Putin managed these sectors. Russian state banks were barred from raising long- term loans in the EU. Russia-EU arms deal suffered under these

sanctions, as the deal between the states were banned temporarily and according to the sanctions, EU will not provide its technology to Russian oil industry. Under the sanctions, three chief state oil firms, Gazprom Neft, Rosneft, and Transneft were also being targeted. Travel bans were being put to some of the top Russian officials and separatist leaders. The targets are those considered "materially or financially supporting actions undermining or threatening Ukraine's sovereignty, territorial integrity and independence".

Following the US line, under the sanctions, the EU had also targeted close officials of Russian President Vladimir Putin with some of the major state own companies.

In the month of March 2014, the first rounds of sanctions were announced by the United States. In retaliation towards Russia's action in Crimea, EU froze some of the ongoing projects with Russia such as; EU postpones the talks regarding EU-Russia visa matters and canceled the arrangements for the G8 Summit in Sochi. U.S President issued Executive order 136660 and 13661 on Ukraine. Under this order, individuals and entities were being targeted who were responsible for violating the territorial integrity of Ukraine. In a further move, The European Union on March 17, 2014, also imposed sanctions on Russia by putting travel bans and freezing the asset of both the Russian and the Ukrainians officials.

When the situation in Southeast Ukraine was worsened and turned into a full-scale civil war, the second round of sanction were imposed on Russia on the month of April. Under these sanctions, EU expanded the list of targeted persons, which included military leaders of the Ukrainian militias and Russian parliamentarians and newly founded units in the southeast Ukraine.

IMPACT OF THE SANCTIONS ON GERMAN BUSINESS WITH RUSSIA

The negative result of sanctions could be seen in the Russia-German business as the Dusseldorf-based energy giant Eon, for example, recently built power stations in Russia worth €9 billion. Most of the generators are already online, but because the economy in Russia is suffering, the returns are much lower than forecast. The car industry suffered due to sanctions on Russia. In the year 2014, German car manufacturer Volkswagen sales figure goes down by 10 percent than they were in 2013. Opel's figures have also fallen by 12 percent during the first five months of the year because of sanctions.

On one side, Germany took the lead in the European Union to put harsh sanctions against Russia for its alleged action in the Crimean region but on the other side, unlike the United States, it has appeared especially unwilling to ratchet up sanctions, as German business depends on having good relations with the Russian Federation. As in 2013, Russian exports to Germany figured around 38bn euros (£30bn; $51bn) which are the highest trade turnover in the EU. However, for Germany, this trade is more important as it is a big importer of Russian gas and oil, which constitutes more than 30%. The EU's trade with Russia-worth

nearly 270bn euros in 2012, dairy products, like fruits and vegetables and other foodstuffs, were affected by the Russian ban as was announced as a response to the Western sanctions. As food exporters were fallen after Russia's announcement of an immediate embargo on a wide range of food imported from the EU, US, Norway, and few other countries.

FIGURE SHOWING GERMAN EXPORT TO RUSSIA AND RUSSIAN STOCK MARKET INDEX



DER SPIEGEL Graphic: Russia's Struggling Economy.

Figure: 3

As clearly seen in this figure, that there is a decrease in the percent of German export in the first quarter of the 2014 year, after the sanctions imposed by the western countries in Russia, which is not a good sign for both the state's economic relations.

When the Ukraine crisis escalated in the month of February–March 2014, Germany immediately assumed a role as a mediator, at the start of the crisis, Germany tried to serve as a contact partner between Russia and Ukraine. But as soon as Russia's illegal activities started in the region despite the alert from the Western world, Germany took the initiative from the western states to counter Russia's illegal moves in the conflict-torn region and subsequently became a leader in the Ukraine crisis.

FACTORS THAT LED GERMANY TO TAKE THE MAIN LEAD

According to the opinion shared by Ulrich Speck in his article "*German power and the Ukraine Conflict"* says that Germany is an important country, which could not be sidelined. Geographically it is located in the middle of the center of the European Union and also an important player in the European Union and has the largest economy and population in the EU. Thus 2014, Ukrainian crisis is something that could not be

avoided by the Germans, as the entire geopolitical order to the country's East is at stake. He further adds that after, Germany's harsher attitude towards Russia's illegal activities in the region Russo- German interaction have been reduced though Germany is trying its best to open the forum for talks simultaneously it also takes the help of posing financial sanctions to Russia.

ECONOMIC NEEDS

Both the states are interdependent especially in trade and energy sphere. Some 6,000 German companies are currently operating in Russia which means a large section of German employees depend on Russian jobs, also Germany has been home to around 100,000 Russian-speakers, so it would be in the interest of both the states to negotiate and cooperate in the matter peacefully.

Germany is a big market for Russian gas as it imports about a quarter of Russia's exported natural gas but, on the other hand, as prices of Russian gas were low and Germany's holds high stocks so in that way Russia is in more need of Germany as it needed more revenue. Germany's trade surplus with Russia is significant. Germany exports about 2.1bn euros (£1.7bn; $3bn) more in goods to Russia, which sounds beneficial for German side while trading with the Russians.

RUSSIA-GERMANY TRADE RELATIONSHIP



Figure: 4

The above-mentioned figure shows Russia-Germany trade relationship by highlighting their share of imports and exports to each other in percentage. This figure shows smooth Russian-German trade relations which used to exist between the two before the Ukraine crisis broke out. Due to the western sanctions, Many large and small German firms were badly hit which further resulted in the sharp drop in trade turnover with Russia, as in 2013, German trade with Russia totaled €76bn. About 10% of all German exporting

corporations trade with Russia. In value terms, firms for whom these imports account for at least 75% of their total imports import 50% of German imports from Russia. Russia considers Germany as an important trading partner among other EU member states. Russian trade with Germany is more important for Russia itself than its partner Germany, as over half of the Russian government's revenue comes from the delivery of fuels with 80% of its oil and 70% of its gas exports going to the EU. Another record shows a deficit of 7% in the imports from Russia in the year 2014 which totaled to 38 billion euros, which indicates that year's highest ever annual German trade deficit with Russia.

The impact of Ukraine crisis on Russia and Germany relations can be noticed by the Russian President Vladimir Putin statement as he criticized EU sanctions imposed over Ukraine and spoke about the economic fallout. By stating *"It's not a secret that the relations between Russia and Germany today are going through a bad period because of differences in the assessment of the events in Ukraine. Our bilateral trade in 2014 for the first time in five years fell by 6.5%."*

Another incident that adds up the current tension that is prevailing for a long time among the parties is the firing and crash of the airplane MH17 in the Ukrainian territory and the handling of the crash by the Russian authorities. According to the probe done by the German intelligence agency, the pro-Russian rebels planned the incident and Germans held Russians troops responsible for the downing of Malaysian Airlines flight MH17, which killed 298 people in eastern Ukraine in July.

The European Bank for Reconstruction and Development (EBRD as well as the European Investment Bank, blocked the financing of new investment projects with Russian Federation. Both banks had lent 3.74 billion US$ to Russia in the year 2013. The EBRD invested annually in the past, about 2 billion € in Russia. Also, the EU funding of cooperation programs which foresaw an amount of 609 million US$ for the period 2014 to 2020 was blocked in retaliation to the Russian government's action in the firing of the MH17 airplane.

USE OF DIPLOMACY BY GERMANY

The German traders are not happy with the economic sanctions put by Germany against Russian Federation. As for them, it has a negative impact on the German trade. Among other business sectors, Germany is the biggest exporter of Russia in the automobile sector. Keeping the German business in mind, throughout the crisis period, Germany tried to use the strategy of diplomacy in Ukraine as well as on the Russian Federation to move the conflict from the military to the diplomatic and economic levels. Berlin is trying its best to push Russia for negotiations. Since the eruption of the Ukraine conflict, Merkel and Putin remained in regular contact, through phone conversations. Many meetings were arranged between the foreign minister of Germany, Ukraine and Russia. Because of the meetings, two Minsk agreements were finalized. The first Minsk agreement of September 2014 and the second, known as Minsk II of 2015 which later provides the main outline for a Western strategy to bring down the conflict in Eastern Ukraine.

SHOWING GERMAN PUBLIC OPINION REGARDING GERMANY'S ROLE IN UKRAINE CRISIS

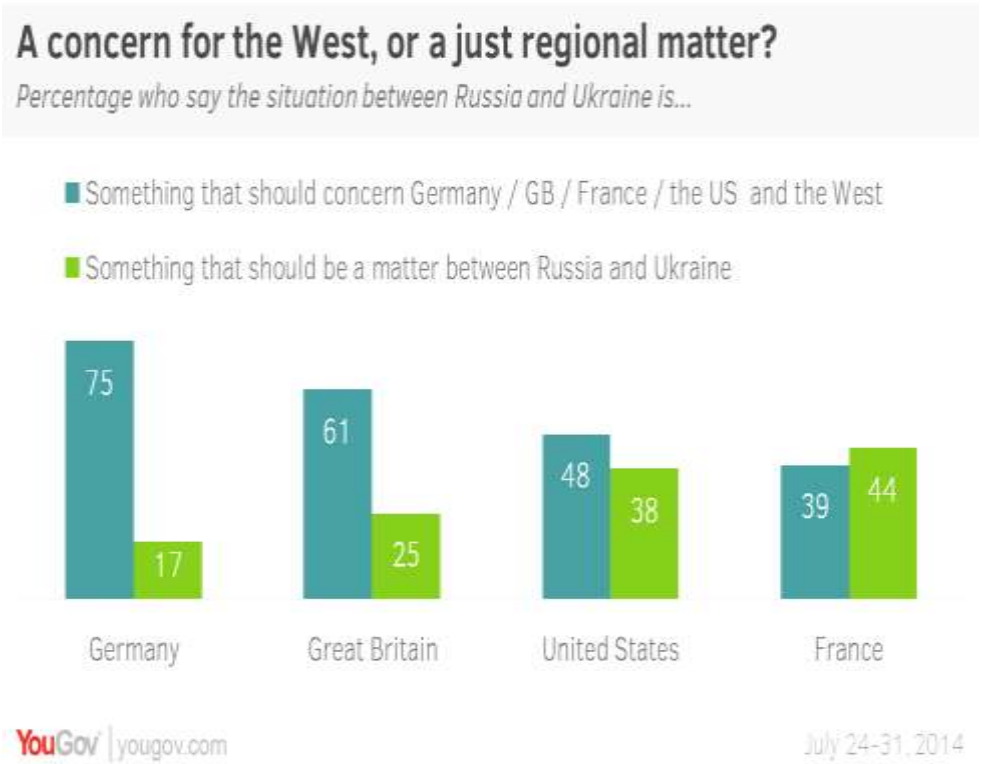

Figure: 5

The figure shows the percent of individuals who think that Germany's concerns in the 2014 Ukrainian crisis are right.

In an opinion poll most of the Germans supports EU's sanctions against Russia. According to a survey conducted by the Infratest Dimap Centre in February, 70% of the people fears an escalation of the conflict between Russia and the West, 48% people think that Russia feels threatened by the West, with 69% Germans opposes NATO's permanent presence in Eastern Europe, and above all 78% claims that Russia is a partner who cannot be trusted.

As on one side due to the harsh sanctions, German exports to Russia fell by 26 percent. The business community is against the sanctions and shares the opinion for a softer approach towards Russia. However, the downing of MH17 over the territory of Eastern Ukraine triggered a public discussion that has altered Germany's opinion about Russia. According to polls, 49% of German public appreciates their country's role as a mediator between Russia and the United States, but by the month of December, 61 percent agreed and supported Germany's harsher attitude towards Russia's actions.

GERMANY'S CONCEPT OF STRATEGIC PATIENCE

Germany is trying its best to bring Russia to the negotiating table. Germany's attitude towards the solution to the current problem rests on two basic assumptions. First, Germans supports and promotes the concept of

"strategic patience" in the context of Russia. Second is that cooperation between Russia and Europe is essential for the whole region's stability. Without the support of Russia, Europe's welfare is next to impossible. And as a result of this Germany has untill now tried to follow a different approach with that to the United States towards Russia as was pursued so far. In this regard, Minsk agreement can be considered as a milestone.

The conflict between Russia and Ukraine poses a threat to the internal security of the European continent and for Germany; this conflict is the violation of the territorial integrity of one of the European state. Germany not only sees this conflict in between two states but also fears that the escalation of the conflict might cause another armed conflict in Europe. German politicians are of the opinion that the only possible means to end this conflict is the adoption of "strategic patience". Germany is also very well aware of the fact that Russia remains EU's most important neighbour and Russian support is necessary for balancing the whole European security architecture. It also sees Russia as an important partner in solving many international issues such as the conflict in Syria in which Germany needs the support of Russia.

CONTACT GROUP

In a further move to accelerate the peace process in Ukraine, German Chancellor Angela Merkel with Russian President Putin proposed to set up a "contact group" with the objective to increase the regular dialogue between the leaders of Russia, Germany and Ukraine. In the Ukraine crisis. Highlighting the importance of Russo-German trade relations, Chairman of the German-Russian Forum Matthias Platzeck, made a statement by saying that the European Union's sanctions against Russia further add in freezing the cooperation with Russia. According to him consistency in Russia- Germany relations are a prerequisite for both the state's development and the current situation which arose after the Ukrainian conflict between Russia and Germany is not a good sign for a healthier partnership and also does not promote in the flourishing of the Europe. The Chairman in an interview to TASS news agency said that *"We must use all the ways to keep in touch with each other,"* Platzeck said. *"In constant and direct contact we can recover lost trust and prepare the way to reset. It touches upon equally Germany and Europe. Russia should take part in the negotiations with Europe more often. The fact will promote stability and security in the continent"*. According to him "sanctions are not viable political measures. Russia-Germany economic potential is huge," the politician said. *"It is an important part of the favourable future of the European continent. Global challenges are posing threats to us," he said. "We need to suppress them jointly with Russia"*.

Mentioning the Syrian crisis, the minister highlights the importance of Russia as his partner in fighting the global problems. As in the past, in Afghan issue or drug trafficking issue, Russia played a significant role while dealing with all these issues. That is the example of the Syrian settlement, where Russia is participating, which can clarify how to tackle problems within joint efforts.

Medvedev also appreciated the high level of trust and cooperation between the two countries' businesses and stated "it is up to the European politicians to make up their mind. What has happened is deplorable: trade turnover between Russia and Germany has shrunk 40%. Trade with the European Union has dwindled by half, but it will be still worse if we keep driving the situation farther up the dead end. One has to be bold enough to recognize that time is ripe for ending the economic sanctions that spell nothing good either for Europe or Russia. Our country is prepared for that, but let me point out once again: we are waiting for our EU partners to take the first step," Medvedev said. Even after the Ukraine crisis, despite a decrease in cooperation has been noticed between Russia-Germany trade relations but according to Russian Foreign Minister Sergey Lavrov in an interview with Italy's Limes magazine, Germany is still among Russia's key trade-and-economic partners, said in an interview with

"Germany's cumulative investment exceeds $11.6 billion, he said."About 6,000 companies with German capital are active on our market. They aggregate turnout exceeds $50 billion."

He also mentioned in his interview that dialogue between the two countries, including that at the top level, was never interrupted. *"We attach special significance to the promotion of cultural and humanitarian ties that are called to maintain trust and mutual understanding between our peoples,"* he said. "The public form Petersburg Dialogue was resumed in October 2015. Active work is being done to prepare the cross-year of Russian-German youth exchanges in 2016-2017 which will take up the baton from the cross years of the Russian and German languages and literature." Lavrov stressed Germany has adopted the "dual strategy" in the Ukrainian crisis, which is based on the western model of its Cold War approach. This strategy is also known as the so-called "*congagement"*, a combination of the policy of 'containment' and that of 'engagement'. Under this strategy, Germany would offer Russia with many programs on cooperation like reviving the Partnership for Modernization and signing a free trade agreement between the EU and the Eurasian Union.

In the Ukraine conflict, Many Germans prefer their government to pursue independent policies from the U.S. It has been noticed in the German case, which supports for German Chancellor Angela Merkel increased when she pursued a European line in dealing with Russia. Strong sentimental feelings also remain toward Russia, especially in parts of East Germany and among older generations. Many Germans on their personal level feel great sympathy for Russians.

ONGOING RUSSIA-GERMANY COOPERATION

Recently in 2015, Russian and German trade associations have agreed to establish a joint entrepreneurial platform to foster closer business ties. The joint initiative would add up to the promotion and flourishing of the existing economic cooperation between Russia and Germany between to foster trade dialogues between the two sides, the officials from the German-Russian Chamber of Commerce (AHK) said that with this joint initiative both the state's economy as well as politics would get benefit, as this move would serve as a forerunner in improving the current bilateral relations.

Further stressing the importance of each other in the crisis moment Germany's Ambassador to Russia, Rudiger Von Fritsch told a TASS news conference that though Russia and Germany's relations have been affected by Ukraine conflict, but our cooperation in other sectors are going well, and we still have other areas of common interest. According to him, Germany is no doubt very much interested in what is going on in the conflict-torn region of Ukraine and is keeping a sharp eye on Russian action in the region and would do so as this situation is not only related to Ukrainian territory but it also related to the whole security and stability of the European region, and *"that is the way it will be in the future as well."* German-Russian relations are much broader and richer and their common history can also be a history of success, the ambassador noted. *"There is no alternative to good German-Russian relations."* Both the states have plenty of common interests, projects, both at the international and the bilateral level, which should be developed" further, Rudiger von Fritsch stated. He also mentioned a nuclear deal with Iran as of a successful cooperation between Russia and German.

In the cultural field, the cross years of the Russian and German languages and literature were held, intensive contacts continue at the level of civil societies and scientific communities. Talking about the resumption of the St. Petersburg Dialogue German-Russian public forum, the ambassador showed great hope for future Russia-German relation. He said that. These contacts unites our countries, and it is in the interest of both the state's future to make sure that these ongoing dialogues involves representatives of all sectors of civil society." The conflict in Ukraine casts a shadow upon the bilateral relations, but there is a wide range of topics and areas where both Russia and Germany managed to cooperate.

CONCLUSION

After discussing the current pattern of Russia-Germany relations, it can be said that development in Russia and German relations are a prerequisite not only for their development but also for the development of the European continent, as these are the two main geopolitical players in the region.

In the globalized era, each state is interconnected and interlinked to each other; hence, activity in one region directly or indirectly affects other parts also. The conflict in Ukraine is a major challenge for both Russia

and Germany as it poses a threat to the stability of the European Union. Germany harsh attitude for Russia in the current conflict does not only indicate that Germany is trying to assert its position by checking Russia's actions in the Ukrainian region, but throughout the crisis period, we noticed that unlike the United States Germany's approach towards Russia was softer. After the crisis German Chancellor Merkel tried her best to engage Russia in dialogue with Ukraine. In the conflict, Germany turned as a neutral partner for both Russia and Ukraine. Though sanctions over Russian Federation had a negative impact on both the states long term relations. As Russia and Germany needs each other in the economic sector as well as in the political field. During the initial month, Russia faced difficulties in its trade turnover with Germany as well with other European countries due to the sanctions imposed on Russia by the Western states but later somehow they managed to prevent this fall in the trade deficit and once again tried their best to engage in more projects related to energy and trade. Both the leaders of Russia and Germany are very well aware of their international standing and acknowledges each other partnership in the Ukrainian conflict as it directly links to their region. Germany has been playing a decisive role in the crisis between the West and Russia. Since the beginning of the crisis, Russia and Germany have been keeping close contacts with each other. Despite the negative trends noticed in the Russian-German trade in 2014, close cooperation is still going in the business sphere. Germany has repeatedly supported the idea of bringing Russia back to the G7 group to make it G8 once again. Russia was boycotted by the Western states from the G7 membership after the Crimean Crisis. Germany recognizes Russia as a strategic partner and acknowledges Russia's role in solving global issues. As stated by German Chancellor Angela Merkel in a meeting with Ukrainian President Petro Poroshenko in New York, that the situation in Ukraine is important for global security. The statement made by German Chancellor Merkel indicates the need for an integrated approach to solving the current crisis as it challenges the existing global security structure.

REFERENCES:

1. Adomeit, Hannes (2015), "German-Russian Relations:Change of Paradigm versus 'Business as Usual", in Hans Stark (eds) *Study Committee for Franco-German Relations,* pp. 1-34.
2. Aleforment, (2014), "Ukrainian Crisis" *Wild Star* 26, March, [Online: web] Accessed 23August 2017, URL: http://wildstarlife.com/?p=235ne web.
3. BBC News (2014), "Crimea referendum: Voters 'back Russia union" [Online: web] Accessed 20 April 2017, URL: http://www.bbc.com/news/world-europe-26606097.
4. BBC News (2016), "Crime Profile", (2016), 21 April, [Online web] Accessed 25 May 2017 URL: http://www.bbc.com/news/world-europe-18287223.
5. Drożdż, et.al (2015), "Germany in the Russian-Ukrainian conflict: a political or a humanitarian mission?" OSW Commentary, Center for Eastern Studies no. 163 [Online: web] Accessed 17 August 2017, URL: http://www.osw.waw.pl/sites/default/files/commentary_163.pdf.
6. Encylopaedia Britannica [Online: Web] URL: https://www.britannica.com/event/Crimean-War

7. Evans, Stephen. (2014), "Germany and Russia's contradictory relationship" BBC News. [Online web] Accessed 22 August 2017 URL: http://www.bbc.com/news/business-28423733.

8. Ford, Dana. (2015) "Germany's Merkel visits Moscow amid crisis in Ukraine", CNN [Online: web] Accessed 21 September 2017, URL: http://edition.cnn.com/2015/05/10/europe/russia-merkel-visit/.

9. Forsberg, Tuomas, (2013), "From Ostpolitik to "Frostpolitk" ? Merkel, Putin and German foreign policy towards Russia",*International Affairs* no. 92(1), URL: 20 November, https://www.chathamhouse.org/sites/files/chathamhouse/publications/ia/INTA92_1_02_Forsberg.pdf.

10. *Government of the Russian Federation (2010), *Energy Strategy for Russia: For the period up to 2030*, Ministry of Energy of the Russian Federation, Moscow.

11. Graupner, Hardy (2015) "German exports to Russia takes a tumble" URL: https://www.dw.com/en/german-exports-to-russia-take-a-tumble/a-18464606

12. Grant. Madeline, (2014), "German intelligence agency blames pro-Russian rebels for downing of flight MH 17" 20 October, URL: http://www.newsweek.com/german-intelligence-agency-blames-pro-russian-rebels-downing-flight-mh17-278431.

13. Khlebnikov, Alexey (2014),"Everything you need to know about Western sanctions against Russia", Russia Direct, [Online: web] Accessed 21 October 2015, URL: http://www.russia-direct.org/things-you-need-know-about-western-sanctions-against-russia.

14. Morgan, Samuel (2015), "New Business platform hopes to revive German-Russian ties", *EurActiv.com*, 23 October, URL: http://www.euractiv.com/section/europe-s-east/news/new-business-platform-hopes-to-revive-german-russian-ties/.

15. Moriarty, Michael, Fahey, Noel (2014) "The Institute of International and European Affairs" 12 August 2014, [Online web] Accessed 22 July 2017 URL: http://www.iiea.com/blogosphere/understanding-german-russian-trade-relations.

16. Pond, Elizabeth and Kundnani, Hans (2015), "Germany's Real Role in the Ukraine Crisis Caught Between East and West", *Foreign Affairs*, Accessed 22 August 2017, URL: https://www.foreignaffairs.com/articles/eastern-europe-caucasus/germany-s-real-role ukraine-crisis

17. Panke, Julian. "Enemy at the Gates? How the EU Should Cope with Russia in Its Eastern Neighbourhood." IEP Policy Briefs on Eastern Europe and Central Asia, no. 2 (2014): 1-6.[Online web] Accessed 23 July 2017 URL: http://www.ssoar.info/ssoar/bitstream/handle/document/39531/ssoar-2014-panke-Enemy_at_the_gates_.pdf?sequence=1.

18. Posner. Eric. (2014) "The 1997 Black Sea Fleet Agreement Between Russia and Ukraine" International Law. [Online web] Accessed 12 October 2017, URL: http://ericposner.com/the-1997-black-sea-fleet-agreement-between-russia-and-ukraine/.

19. Rahr, Alexander. (2010) "Germany and Russia: A Special Relationship." *The Washington Quarterly*, 30 (2): 137-45. Accessed September 23, 2017 URL: http://dx.doi.org/10.1162/wash.2007.30.2.137.

20. Russian Times, 2015 [Online: web], URL: https://www.rt.com/

21. Speck, Ulrich. (2015), "German Power and the Ukraine Conflict", Carnegie Europe, 26 March 2015, [Online web] Accessed 4 October 2017, URL:http://carnegieeurope.eu/2015/03/26/german-power-and-ukraine-conflict.

22. Turgunova, Viktoria (2013) "The Nexus of Politics and Economy: A Case Study of Russia-German Relation" Accessed 22 September 2017, URL:

http://www.theguardian.com/world/2015/feb/12/ukraine-crisis-reports-emerge-of-agreement-in-minsk-talks.

23. TASS, Russian News Agency, (2015) "No alternative to good relations between Russia, Germany", [Online web], 28 September, URL: http://tass.ru/en/politics/824131.
24. Ruhle, 2014: [4] 234-39 cited in Turgunova 2013:56) "The Nexus of Politics and Economy: A Case Study of Russia-German Relation" Accessed 22 September 2017, URL: http://www.theguardian.com/world/2015/feb/12/ukraine-crisis-reports-emerge-of-agreement-in-minsk-talks
25. Schepp, Matthias. Schmergal, cornelia. (2014), " The Bomerang Effect", URL: http://jagahost.proboards.com/thread/16742/bomerang-effect
26. Ziener, Markus (2015) "Why Are Germans So Sympathetic to Russia? [Online web] Accessed 23 October 2015, URL: http://www.gmfus.org/blog/2015/04/20/why-are-germans-so-sympathetic-russia.

FIGURES:

1. http://www.bbc.com/news/world-europe-26387353/.
2. http://www.bbc.com/news/world-europe-26387353.
3. http://www.spiegel.de/international/business/german-economy-hit-by-us-eu-sanctions-on-russia-a-982075.html.
4. http://qz.com/194695/angela-merkel-is-rewriting-germanys-post-war-handbook-on-relations-with-russia/.
5. https://today.yougov.com/news/2014/08/07/most-support-sanctions-against-russia/.