

# **The War in Ukraine: Lessons for Europe**

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## FOREWORD

An interesting characteristic of life is that it never gets boring and is full of surprises, sometimes very unfortunate surprises. This also applies to politics, as well as international relations and security issues. Just a few years ago only the most convinced diehards in the West imagined that a change of government and the Maidan protests in Kyiv, Ukraine's capital, would initiate a Russian invasion and the annexation of Crimea, break previous international agreements regarding borders, and destabilise the situation in neighbouring Ukraine. Unfortunately, again as in its history, Europe is facing war on its doorstep. And we are once more caught out, unprepared just like in 1938 when sacrificing Czechoslovakia was assumed to ensure peace. To prove this one need only read Churchill's speech of 16 October of 1938: "The Defence of Freedom and Peace."<sup>\*</sup> By only changing some country names this speech would become highly applicable to the current situation describing our reaction to the actions of current Russian leadership.

Today, following these events, Europe and the whole world is living in another reality as far as security arrangements in the European continent and broader is concerned. Illusions are lost about the possibility to see democratic reforms in Russia. A formerly favoured policy of mutual economic engagement between the West and Russia appears increasingly damaging for the West and Europe. Most European countries and their leaders were taken by surprise, unprepared to face the rise of Russian military at their borders. Tough language from the current Russian leadership threatening its neighbours with the possibility of a nuclear strike left many speechless. The European Union (EU), largely demilitarised, internally split as far as future security and defence policies go, weakened by financial crisis, a possible Greek exit from the Euro Zone, experiencing fatigue from enlargement, and a rise of populist and nationalist movements within its Member States made it hard to master a proper and timely response to the Russian challenge.

As Statesmen Churchill once put: "No one must, however, underrate the power and efficiency of a totalitarian state... The rulers for the time being can exercise a power for the purposes of war and external domination before which the ordinary free parliamentary societies are at a grievous practical disadvantage... We must recognize that the Parliamentary democracies and liberal, peaceful forces have everywhere sustained a defeat which leaves them weaker, morally and physically, to cope with dangers which have vastly grown."<sup>\*\*</sup> We have to recognise this.

To do so, European governments need time to digest and analyse current challenges to previous as well as still existing Security Architecture constructed

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<sup>\*</sup> Winston S. Churchill, *Into Battle*, (London: Cassell, 1941), 83–91.

<sup>\*\*</sup> *Ibid.*

during and after the fall of the Berlin Wall. Part of this process includes lessons not yet learned from the Ukrainian crisis. Therefore, a collection of the latest opinions on the Ukrainian and Russian crisis in this book should provide tasty food for thought for opinion makers, academicians, and politicians. Up to now, there were no coherent attempts to analyse the lessons to learn from current changes in Russian international policies. This book is an attempt to provide some coverage for this missing part.

The quicker we can wake up from our possible sleepwalking during another major international crisis involving nuclear powers, the better. The West, but particularly the EU, is facing a unique chance rising from this unexpected challenge. It has two major possibilities. One possibility is to fall deeper into political irrelevance regarding the global influence of the European Union. The second possibility is an opportunity to master its fate and emerge a stronger Union out of this crisis. I definitely prefer and believe in the latest. When then, if not now? Who else, if not we? Just like in 1938, many in Europe believe peace and good relationships will be sustained by any means. I totally agree it is necessary to examine every diplomatic means to bring Russian leadership to its senses. However, more than a year after this crisis (which some call war) began, peace and a return to previous affairs have not been reached. As Churchill said: "There is another question which arises out of this. Can peace, goodwill, and confidence be built upon submission to wrong-doing backed by force? One may put this question in the largest form. Has any benefit or progress ever been achieved by the human race by submission to organised and calculated violence? As we look back over the long story of the nations we must see that, on the contrary, their glory has been founded upon the spirit of resistance to tyranny and injustice, especially when these evils seemed to be backed by heavier force."

It is believed that smart people learn from the mistakes of others in order to not repeat them. In turn, statesmen differ from ordinary politicians because they attempt to lead people instead of following the crowd. Europe and the world face a number of security challenges, including the Russian invasion. Neighbouring countries badly needs statesmen who are able to formulate new policies *vis-a-vis* Russia in particular, and *vis-a-vis* themselves and the changing world in general.

Artis Pabriks,  
Brussels & Riga, April 2015

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\* Winston S. Churchill, *Into Battle*, (London: Cassell, 1941), 83–91.

## INTRODUCTION

This collection of articles was created at a time when many Europeans and North Americans became increasingly aware that the West–Russia relationship would not return to the same state it had been in prior to the annexation of Crimea in spring 2014. However, it is not clear yet exactly where they will arrive, for the present situation is regarded as a transitional stage which may go on for some time. Russian authorities have interrupted the peaceful life of post-modern Europe and provided ground for concern, especially in Eastern European and Baltic countries. Russia representatives' statements on the possible use of nuclear weapons seem to be a bluff, however, neither the aforementioned statements, nor Russia's increased military exercises over the period of a number of years near the Baltic Sea should be disregarded. If for many West Europeans Russia's aggression was a wake-up call and eye opener to see modern Russia's real political nature, then for the Baltics and parts of Russia neighbouring countries, it was rather the confirmation of a concern which had existed prior to Vladimir Putin's presidency.

Unfortunately, since the collapse of the USSR, Russia has not been overly eager to calm their neighbours' worries. Initiated in the 1990s, the liberalization of economics and politics was replaced by state bureaucratic capitalism, securing the concentration of huge resources into the hands of narrow minded business elite close to state leadership. Right after the collapse of the USSR, all spheres experienced major changes in Russia — beginning with education and the media, and ending with entrepreneurship and citizens' freedom of travel. However, at the beginning of Putin's second presidency, Russia has definitely advanced more and more in the direction of the Soviet past. Putin's expressed regret, in public in 2005, about the collapse of the Soviet empire, the restoration of the hymn of the USSR. Denying an honest analysis of the crimes and weaknesses of the Soviet system are just few elements indicating that Russia's political elite is unwilling (and unable) to develop Russia into a modern, prosperous, and democratic country — the country where the most resources would be equally distributed among the population, and not just among the approximately one hundred “Olympus Gods” who own a third of Russia.

If one switches on television channels under the control of Russian authorities, broadcasting their news and analytical programs, it looks as if he or she enters some different reality: although Russia has not officially admitted its participation in the Ukraine conflict, each news broadcast is predominated by stories about warfare and the humanitarian crisis in Ukraine, as well as “Kyiv junta” the latest developments. During discussion programs on the state television channel RTR, participants compete with each other in miscalling and abusing the US, NATO, the EU, and the Ukrainian government. This issue might be ignored if Russian

media had not become the hybrid war element in Ukraine. Besides, in a number of Russia's neighbouring countries, Russian propaganda channels are quite popular among Russians residing there. In the Baltic States, the presence of Russian media is increasingly viewed in a security policy context, and solutions are looked for to decrease new security risks.

Not only in the Baltic States, but also the rest of Europe, security themes are as urgent as they have been for a long time. Russia's hybrid war against Ukraine reminds us that threats and risks should be perceived not only from military, but also economic, political, and social perspectives. Although warfare is not going on within the European Union, nevertheless, this hot spot has closely approached the EU, occurring in the Eastern Partnership country of Ukraine. Secure, democratic, and well-off neighbouring countries were one of the objectives initiated in the 2004 European Neighbourhood Policy. It is obvious that, for the time being, this objective is still far from being achieved. How to adequately react to new security, economic, and political challenges after Crimea's annexation is one of the main questions for which an answer is looked for in this collection of articles by researchers from Latvia, Finland, Russia, Ukraine, and the United Kingdom.

The collection of articles is divided into three major parts: security, economics, and politics. It is a significant fact that security themes are more or less present in the second and third parts, once more confirming the necessity to concentrate not only on military security, but also on other aspects. One of the conclusions which, similar to a connecting thread running through all articles, is related to an awareness that European countries have few chances to manage the new challenges each state alone. Mutual solidarity should be demonstrated, and solutions looked for at regional and all-Europe levels.

According to the theme's level of urgency, the first chapter begins with Rihards Bambals' contribution, discussing changes necessary to European Union Common Foreign and Security Policy. Jānis Bērziņš' writes about Russian New Generation Warfare revealing to the reader that Russia's new approach to warfare is adaptive, and in each potential future conflict, Russia will act in a unique, new manner, taking into account each opponent's weaknesses. The chapter on security issues is concluded by Jānis Kažociņš analysis of new security challenges in the Baltic countries, indicating that not only should NATO collective defence and each Baltic state's self-defence be strengthened, but social cohesion should be enhanced in order to decrease the hybrid threat possibility.

The chapter on economic issues is introduced by Roman Dobrokhotov, dealing with the imposing of Western sanctions against Russia and analysing their political and economic consequences in Russia, which become increasingly effective. Implementation of the sanctions has been going on, but their impact has just recently started — while Russian gold and currency reserves drop, an agreement between the West and Iran would prolong the relatively low level of oil prices, reducing Russia's manoeuvring possibilities. Kari Liuhto presents a detailed view on EU member states' economic dependence on Russia. Such interdependency



limits the EU's freedom to implement an effective sanctions policy with the aim to change Russia's behaviour on the international scene. Ukrainian researchers Olena Pavlenko, Anton Antonenko, and Roman Nitsovych consider developments in the Ukraine — Russia relationship in the energy sphere as the second front in the conflict, whose events are of principal importance for Ukraine's future existence and development. In order for energy supplies to not serve as a tool of blackmail in Russia's hands, the EU should implement a common policy, including Ukraine in it.

The third chapter, dealing with the necessary changes in European politics, is introduced by Artis Pabriks, co-editor of the collection of articles, who calls the EU to pursue a certain and pro-active policy in protection of its values. Forced policies should remain in the past, and a free world's assuredness and resolution will determine to what degree whether international legal principles maintain any value. Ian Bond continues the political theme, considering the EU, NATO, and Ukraine's future cooperation perspectives, indicating that the West should stretch out a helpful hand to Ukraine which has expressed a wish to break from its Soviet legacy and the authoritarian, corrupt post-Soviet model offered by Russia. In his contribution, Māris Cēpurītis analyses necessary changes in the EU Eastern Partnership whose implementation should be predominated by adaptive, strategic approaches, and not those which are technocratic and bureaucratic. The political chapter is concluded by an article on the Russian compatriots' policy and media influence in Baltic countries. Since the beginning of Russia's aggression against Ukraine, these two spheres have to be viewed from the security policy prospective in order to prevent hybrid wars such as in Ukraine.

On the behalf of the authors, I would like to say thank you to the project's initiator Artis Pabriks, and financial supporters the European People's Party, and the Konrad Adenauer Foundation including its Representation Head, Elisabeth Bauer, whose support has been vital for this work.

Andis Kudors,  
Riga, April 2015



## **Part I**

# **Lessons Learned: Security**



## EUROPEAN SECURITY, DEFENCE, AND GLOBAL ROLE: A YEAR AFTER CRIMEA

*Rihards Bambals\**

“Europe has never been so prosperous, so secure, nor so free”<sup>1</sup> is the first sentence of the current European Security Strategy (ESS), adopted back in 2003. Some may argue it has been one of the most cited and discussed EU documents, even outliving some EU Treaties. If so, the EU has been an isle of prosperity and security in an ocean of global economic turbulence for more than a decade. However, in 2012 Ian Bremmer, an American political scientist, argued that in a multi-polar world, in transition and without global leadership, old Western institutions that once served as “referees” of the international order are losing their effectiveness and leverage. Paraphrasing Hastings Lionel Ismay<sup>2</sup>, first NATO Secretary General, Bremmer even asserted that “we’re living in a world in which the Russians no longer threaten the West, America is less crucial for European security, and the Germans have emerged as Europe’s most influential state”<sup>3</sup>.

Three years later on 7 February 2015, Sergey Lavrov, Russian foreign minister, delivered a speech at the annual 51<sup>st</sup> Munich Security Conference nearly a year after his country had occupied and annexed Crimea, changing by military force modern day European borders. In his address Lavrov played a blame-game accusing the US and EU of applying zero-sum tactics and making Eastern Partnership countries choose sides (between West and East); confronting Russia when abandoning the EU strategic partnership and NATO-Russia Council; and of continuously taking steps towards escalation when managing the Ukraine crisis.<sup>4</sup>

What do all three cases have in common? What do they testify about the current state of European security and the EU’s global role? The answer is: they are either deceptive, or no longer reflect the reality of global power parities. Against the backdrop of a global economic recession and wide range of threats in the neighbourhood, the ESS does not reflect the EU’s current global role, or its ability to deal with challenges on its own. Likewise, Lord Ismay today is as correct as he was half a century ago. Back in 2012 when the US announced its ‘pivot’ or ‘rebalancing’ towards the Asia-Pacific region, and NATO and the EU were struggling to find reasoning for sustaining defence budgets and large armies, it may have appeared the US was quitting Europe, while Russia did not endanger it militarily. However, Russia’s aggression in Ukraine and an illegal occupation and annexation of Crimea

\* The views and opinion expressed in the article are author’s own, and do not represent a position of any institution or organization he may be part of

proved it could suddenly change over a year. Deterrence and collective defence returned to the core of NATO's goals, while the US by sending fighter jets and troops to Eastern areas of Alliance as part of reassurance measures proved it had never left Europe. And finally, although Germany has risen as the most powerful economy of the EU, its power alone is yet not enough to solve challenges such as a possible Greek exit from the euro-zone, British exit from the EU, or the ability to consolidate 28 nations for a joint stance in Common Foreign and Security Policy (CFSP) — greatly dependent on single veto rights, and continuously producing 'the lowest common denominators'.

In November 2014 Federica Mogherini replaced Catherine Ashton as the EU High Representative for Foreign Affairs and Security Policy, and Vice-President of the Commission (HR/VP). From her first days in office she demonstrated an ambition to increase the EU's global power by advancing EU-NATO cooperation, applying instruments of the Lisbon Treaty (i.e. Article 44 TFEU; permanent structured cooperation), and by redesigning the ESS.<sup>5</sup> Likewise, in March 2015, Jean-Claude Juncker, President of the Commission, announced plans about the creation of an EU Army.<sup>6</sup> Some of these ambitions may be presented at June's 2015 European Council, and at the end the Latvian Presidency of the Council of the EU there will be a reassessment of the progress achieved in Common Security and Defence Policy (CSDP), and opportunity to provide ongoing strategic and political guidance. Due to the new leadership and changed geopolitical context, the event could be a pivotal moment for the EU. Member states will have to decide whether they are willing to surrender part of their sovereignty and reach the next level of integration in defence and security, or whether European dependence on US protection will increase while the EU global role diminishes.

To understand the EU's options and response to Russia's aggression in Ukraine, one must explore major developments in European security and defence over the past year and prior to Crimea's annexation. Therefore, to provide context for the Ukraine crisis, the article approaches several questions at once, such as: What challenges currently and may eventually endanger the EU now and in due future? How do the major EU players perform in foreign and security policy? How do regional and global partnerships affect the EU's global role? What might and should be discussed at June's 2015 European Council on CSDP? And finally, why should the EU review its Security Strategy?

## **1. "Bound by Wild Desire, I Fell into a Ring of Fire"**

What threatens the EU, and can Europe truly feel safe? In 2003 the European Security Strategy (ESS) for the first time in EU history defined global challenges and key threats that nations should strive to overcome and mitigate together. The definition of global challenges included elements such as conflict-caused migration flows, pandemics, shortage of some resources (water), and the race for others (gas

and oil). They were envisaged as challenges from “the outside world” beyond EU borders. To temper or eradicate any risks that could spill over to the EU, the ESS was based on a concept of the development-security nexus anticipating actions to improve development conditions in the European neighbourhood. Along with the global challenges, the ESS identified five key threats: terrorism, proliferation of WMDs, regional conflicts, state failure, and organized crime.<sup>8</sup>

Five years later, in 2008, the EU nations reviewed the ESS. However, instead of designing a new ‘grand strategy’, they came up with a report on the implementation of the old one, stating that “it remains fully relevant” and the “report does not replace the ESS, but reinforces it”.<sup>9</sup> However, these nations also extended the list of key threats from five to eight, adding to areas of EU interest cyber security, energy security, and climate change (disasters, environmental degradation, and natural resources).<sup>10</sup> Until today, these have remained the key domains in which the EU has dedicated financial, administrative, and policy-planning resources whenever developing CSDP and launching new out-of-area operations in conjunction with other CFSP tools.

However, recently that has all changed. In January 2015, the World Economic Forum issued its 10<sup>th</sup> annual “*Global Risks Report*” based on the risk perception of 900 global decision-makers attending the prominent gathering. In comparison to the reports following the global economic recession of 2008 dominated by concerns over economic conditions, climate change, or cyber security, the 2015 edition was different. It clearly proved that geopolitical risks (in terms of their likelihood) are back on a global agenda. In this regard, “interstate conflicts” took first place (never before in the Top 10), while “failure of national governance” and “state collapse of crisis” in third and fourth places respectively<sup>11</sup>. It highlighted the extent of political and psychological effects the Ukraine crisis left in 2014.

Likewise, in January 2015 “Eurasia Group” published a report with projections on the main risks worldwide starting with the statement: “Geopolitics is back. As 2015 begins, political conflict among the world’s great powers is in play more than at any time since the end of the cold war”.<sup>12</sup> According to the report’s analysis, in 2015 the top three risks are: 1) the politics of Europe; 2) Russia; and 3) the effects of the China slowdown.<sup>13</sup> In February, “*Munich Security Conference Report of 2015*” declared that: “War has returned to Europe, proving that even the region with the most tightly knit web of common rules, institutions, and interdependence is at risk.”<sup>14</sup>

In early March, a task force led by Javier Solana, former NATO Secretary-General (1995–1999) and the EU High Representative for CFSP (1999–2009) who was once in charge of commissioning the ESS, presented a report “*More Union in European Defence*”. According to the prominent team of 18 people, which includes two former NATO Secretary-Generals, a Latvian ex-President, retired army generals, MEPs, and recognized academics, Europe currently faces three major challenges: an arch of instability in its neighbourhood; military capabilities that are weakened by austerity and unreasoned duplication; and a political and economic gravity centre that has drifted from Europe to Asia. Moreover, following the report’s logic, in the next 15 years, the EU will face challenges such as a new balance of power

(the rise of Asia, Arctic sea lanes, a demographic explosion in Africa); increased vulnerability of cyber and critical infrastructures; hybrid warfare; jihadi extremism; and a possible large scale conflict in Middle East.<sup>15</sup> Such unprecedented use of strong language among policy makers and leading analysts marks a rather worrying pattern, leading to the question: How safe is Europe in 2015 and should its citizens be afraid?

The EU's responsiveness and ability to influence the global agenda a year since the events in Crimea, and in the context of other ongoing or emerging crises, have exposed security challenges on three separate levels: challenges and risks within the EU, security threats beyond EU borders, and transnational threats inside and outside the EU.

First, there are risks eroding European stability and prosperity from within the EU. While still experiencing low growth rates, Europe struggles with problems of social, economic, and political fragmentations. Gaps between younger and older generations, and between Southern and Northern countries, in recent years, have widened, affecting the EU's unity and security. For example, in 2013 youth unemployment in some EU member states peaked to nearly 60 percent<sup>16</sup> while differences between the minimum monthly wage in Eastern and Western nations were tenfold.<sup>17</sup> In combination with the fact that the majority of victims of Muslim radicalisation recruited in the EU to fight for 'the Islamic State' in Syria and Iraq are people of a young age, such a pattern is rather alarming, not just for European prosperity but also its security. In September 2014, at least 500 people from Britain (350 from France, 300 from Belgium, 80 from Sweden, and 70 from Denmark) had officially left Europe to join the ranks of jihadi warriors.<sup>18</sup> It is only recently that the EU has started discussions on common policy to deal with 'the foreign-fighters' who might eventually return to Europe and endanger fellow citizens. Also the EU's performance in the public eye has suffered. In 2012 only two out of five people saw the Union's image positively or trusted the bloc.<sup>19</sup> That, in turn, endangered the unity of the EU, and raised uncomfortable questions such as: will Greece undergo the necessary reforms or will it leave the euro-zone? And will Britain choose to stay in the EU? Success or failure when managing internal EU's concerns will affect its global performance as well as its public image internationally. Today, internal and external security aspects are interlinked and mutually dependent; therefore responses to multi-faceted challenges have to be adequately complex.

Externally, the EU is bound by what officials in Brussels call "a ring of fire"<sup>20</sup>, borrowing an epithet from a song by Johnny Cash. From the East, Europe faces Russia's aggression in Ukraine and revisionism of European security architecture and the post-World War II international order. From the South, it faces instability, civil wars, and uncontrolled migration from conflict-torn Syria through to Libya. Along with the immediate neighbourhood, challenges are stretching further to an area labelled as "a neighbourhood of the neighbours". At any time a crisis from such distant locations as Mali, Iraq, Afghanistan, or the Middle East can quickly spill over to the immediate neighbourhood, or the EU itself. In parallel, Europe still has



to deal with a peaceful resolution of “protracted conflicts” on its own continent, from Nagorno Karabakh, South Ossetia and Abkhazia, Transdnistria, to Crimea and Eastern Ukraine. Likewise, the EU should look truth in the eyes and start investing in peaceful and diplomatic solutions for the unresolved conflict between Cyprus and Turkey that has hampered any fully fledged EU–NATO cooperation for more than a decade.

Finally, there are security risks which do not fall into any of the previous categories. In contrast to the internal and external security challenges, transnational risks and threats may tend to catch their victims by surprise causing huge damage, if protection systems are not resilient enough. For example, in just the first two months of 2015, terrorists organized violent attacks in the EU capitals of Paris and Copenhagen. Dangerous pandemics (Ebola), extreme weather conditions, natural hazards and man-made disasters, cyber-attacks (including ones that damage smart grids and critical infrastructure), illicit trafficking, and uncontrolled migration are among the challenges that do and will threaten European citizens in the decade to come. Such challenges do not always fall within the competencies of the Alliance’s collective defence, which has served for a long time as an excuse for EU members to not adopt joint measures. Risks inside and outside the EU as well as on a transnational level, should therefore be seen as interlinked security challenges that Europe will inevitably have to deal with to sustain its peace and security, and global role.

## **2. Global Long-term European Security Challenges**

Beside the direct threats to European security, some challenges and trends in global power shifts may have a long-term influence on the EU’s global role. In fact, the EU has started experiencing them already, and, if not reversed, such trends will affect the bloc’s relevance and capacities to shape the global agenda. Some of the most pressing global long-term challenges are erosion of the Western-designed international order, European defence budgetary cuts, reduced European global trade and development influence, and a disintegration of European unity.

### ***Western-designed and Rules-based Systems***

The EU’s international crisis management engagements in most cases, according to the principle of “effective multilateralism” enshrined in the ESS (2003), are based not only on decisions of 28 sovereign member states, but also depend on other organizations, such as NATO and the United Nations. However, due to Russia and China’s occasional vetoes, the UN Security Council over the last decade has hindered the Western desire for intervention, proven by the examples of Syria and Ukraine. Researchers from the European Council on Foreign Relations (ECFR) have argued that “when EU member states are prepared to place a crisis in their

neighbourhood on the UN agenda, as previously over Kosovo or Syria, Beijing and Moscow are liable to see an opportunity to constrain or divide the EU”<sup>21</sup> The same applies to the G-20, a Western attempt to integrate emerging powers in global multilateralism after the economic crisis of 2008. However, in the end the G-20 was used against European nations that had to give up part of their influence in the International Monetary Fund (IMF) at a summit meeting in 2010, while over next two years “Europe was a problem to be solved rather than a solution”<sup>22</sup> And, following Ian Bremmer’s logic, arguing that the world has entered the age of G-Zero, international Western-designed organizations such as the IMF and World Bank will continue being relative losers compared with China in years to come. Moreover, not only do the Chinese Development Bank and Import-Export Bank of China lend more finance and reduce the Western power over reforms in developing countries, China has already gained influence within the World Bank.<sup>23</sup> Therefore, one of the greatest challenges with security implications for EU nations in the foreseeable future will be to find mechanisms to either coerce the non-Western world to live by the values, rules, and vision of the international order, or to redesign old, multilateral formats by increasing their flexibility, or find new incentives and platforms for sustaining their collective leverage.

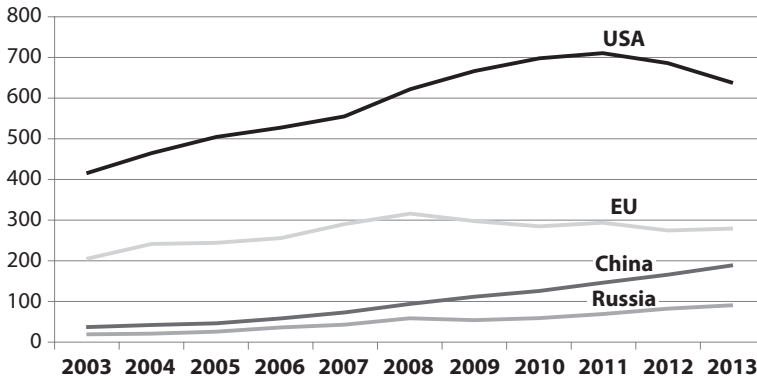
### *European Defence Budgetary Cuts*

The EU has been free riding and not taking defence seriously for too long now, and the economic crisis has made the situation go from poor to worse. In 2013, when the ESS was adopted, EU nations (the EU-15) spent 202.5 billion USD, or nearly six times more than China and 12 times more than Russia. It was merely less than half (48.8 percent) of what the US spent in 2003 (415.2 billion USD). After “the big-bang” a year later, total defence spending of the EU-25 had increased by nearly one fifth (18.8 percent) reaching 240.5 billion USD. However, in the aftermath of the global economic and financial crisis, due to deep national defence budgetary cuts throughout the EU, the global power parities substantially changed. Ten years after Europe (for the first time) set its security policy ambitions — the EU spent just 43.5 percent of US total defence expenditure, widening the gap between both sides of the Atlantic. Meanwhile, emerging powers China and Russia had caught up closing the gap between the two, and the Western states. By 2013 they had increased their defence budgets more than five times (when compared with 2003) and thereby already accounting for 67.6 percent and 31.5 percent of what the EU spent, respectively (*see Figure 1*).

Such a trend was possible due to stable annual defence budgetary allocations of at least two percent of the gross domestic products (GDP) in China and no less than three percent in Russia. While in 2009 all actors (except China) slowed down or started to diminish their defence budgets, two years later the tendencies became worrying when regarding the future of the Western global power (and

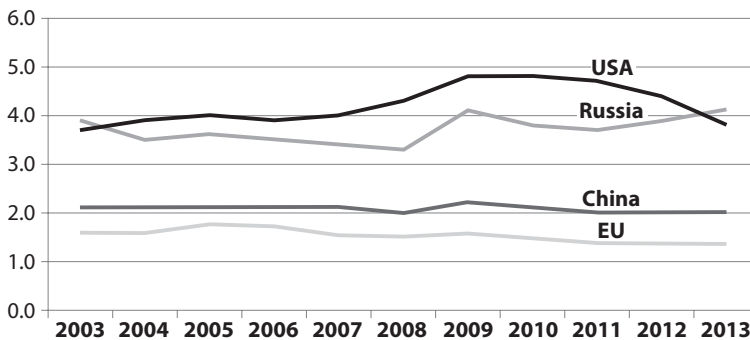
the EU in particular). As of 2011, both the US and EU defence budgets started falling, while China’s and Russia’s rose. The EU-28 defence budget decreased by 15.1 billion USD from 2011 to 2013, and the US experienced 71.1 billion USD cuts in their budgetary allocations as shares of the GDP fell from 4.7 to 3.8 percent. As a result, in 2013, Russia for the first time since 2003 spent a larger share of its GDP (4.1 percent) than the US did (see Figure 2). Although during 2013 the US and EU combined still spent nearly five times more than China and 10 times more than Russia, developments over the last decade proved that even a military superiority — one of the greatest trumps of the Western world — had started to diminish. If the current trend continues and emerging powers continue to grow while the EU stagnates or lags behind, Europe might lose its military might in less than a decade, and struggle with more worrying problems than an autonomous power projection to distant crisis management operations.

**Figure 1.** EU military expenditure (billion USD in current prices) compared with the USA, Russia, and China (2003–2013)



*Source:* Author’s calculations based on SIPRI Military Expenditure Database<sup>24</sup>

**Figure 2.** Average EU defence budget (% of GDP) compared to USA, Russia, and China (2003–2013)



*Source:* Author’s calculations based on SIPRI Military Expenditure Database<sup>25</sup>

### ***Reduced Trade and Development Influence***

In 2012 the EU was the planet's largest economy (22.9 percent of the world's GDP)<sup>26</sup>, the largest importer and exporter of services, and the biggest exporter of goods.<sup>27</sup> With a package of 56.5 billion Euro in 2013 the EU provided more than half the world's development assistance, therein being the largest aid donor.<sup>28</sup> Trade and development for a long time have been the main leverages extending the EU's global clout. Yet they are also in danger of being lessened. A decade after adopting the ESS and "the big bang" the EU's GDP had rose by nearly 29 percent while the emerging powers had grown faster with Brazil in the same period multiplying its GDP three times (300 percent), Russia four times, and China nearly five times.<sup>29</sup> <sup>30</sup> Moreover, in recent years China has intensified its aid efforts to Africa and Asia in return for different raw materials by providing grants, interest free loans, and concessional loans with a total volume of 89.3 billion yuan (14.4 billion USD).<sup>31</sup> More importantly, China's aid often comes "without demands for reform or a detailed accounting of how the money is spent"<sup>32</sup>, therefore competing with or even replacing EU efforts and diminishing its most powerful weapons from a comprehensive toolbox. Also, following ECFR researchers, due to over technocratic donor programmes, the EU has constantly been outplayed in Syria (by Russia and Iran), in Egypt (by Saudi Arabia), and in Africa at large (by China).<sup>33</sup> Such trends reaffirm that, if the EU does not address trade and development aid strategically as part of a comprehensive foreign policy strategy, it may soon lose part of its biggest leverages in the global arena, as well as its influence in the neighbourhood, to other emerging powers. Therefore, trade, development, and security are interlinked and should be treated accordingly whenever discussing and drafting a new pan-European strategy.

### ***Disintegration of European Solidarity and Unity by Emerging Powers***

Serious threats to EU's sustainability are the politics of emerging powers, especially Russia who applies "divide and rule tactics". Despite the EU's unity towards sanctioning Russia due to its actions in Ukraine, its former "strategic partner" (that by some has been called "a strategic enemy") still has much leverage. First is the chronic energy supply dependency as most Eastern and Central European countries still import most of or all their gas from Russia. Second, Russia directly funds far left and right wing populist parties in nearly half of the EU countries (including France, the UK, and Germany), of which many, along with opposing further European integration, favour closer ties with Russia or an exit from the EU.<sup>34</sup> Third, the case with the French *Mistral* warship deal in 2014 proved Russia plays EU countries against one another to raise tensions and mistrust. Likewise, Russia sabotages the possibilities for deeper EU-NATO cooperation as it strengthens ties with historical adversaries like Turkey and Cyprus. In late February 2015 it even

signed an agreement with the latter providing Russian navy ships with access to Cypriot ports in exchange for restructuring its 2.5 billion-large loans.<sup>35</sup> Lastly, Russia practises propaganda campaigns and uses TV channels such as “Russia Today” as part of its hybrid warfare to deceive Russian-speaking minorities in EU countries (especially Latvia and Estonia) to gain their support regarding Russia’s policies, for example in Ukraine.<sup>36</sup> As well as finding options for sustaining and modernizing the EU’s traditional leverages such as trade, development, and military superiority as part of a wider foreign policy toolbox, Europe might need to consider at the same time investing in its own unity and in drafting joint strategies for engaging emerging powers such as Russia and China.

### 3. Adapting to the Shifting Global Security Environment

How did events in Crimea and Eastern parts of Ukraine help change EU security policy through the year? And is there actually such a thing as a “pan-European policy”, or do the member states still plan and exercise twenty eight separate solo policies instead of pursuing “a European concert”?

For a long time the US and NATO have meant “defence” for Europeans, while the EU has played the “security” part, and even then mostly only in its own neighbourhood, not within Union borders. After all, both actors share 22 members with one set of capabilities to be spared for both “defence” and “security”. And NATO at the Wales Summit proved the Ukraine crisis brought collective defence back as its quintessence and showed the Alliance is resilient and capable of rapidly adapting to the new geopolitical context. By creating the Readiness Action Plan and committing towards a “continuous air, land, and maritime presence and meaningful military activity in the eastern part of the Alliance”<sup>37</sup> NATO made its Response Forces (NRF) faster, enhanced its Standing Naval Forces, created “a spearhead force” of 4–6 thousand troops deployable to the frontlines within a few days<sup>38</sup>, and formed command and control centres in six Eastern allied states.<sup>39</sup> In addition, Russia’s aggressive behaviour helped bringing the US military back to Europe. Right after Crimea’s annexation the US sent additional fighter jets to Poland and the Baltic States, helped to triple the NATO-led Baltic Air Policing mission, deployed its troops in Eastern allied states, and committed to provide 1 billion (USD) towards a “European Reassurance Initiative” for further joint training and exercises.<sup>40</sup> President Obama on the eve of the summit even declared “the defence of Tallinn and Riga and Vilnius is just as important as the defence of Berlin and Paris and London”.<sup>41</sup> Consequently, although NATO and the US have managed to deter Russia from further aggression beyond Ukraine, they have also helped deepen an illusion that Europe can “free-ride” regarding its own defence. Such a tendency raises questions: what would the EU do to protect its “neutral” members, such as Sweden and Finland, in the event of similar aggression such as is demonstrated in Ukraine? Or how should the EU react and exercise effective crisis management and

peacekeeping next to its borders in situations when the US or NATO has no interest in becoming involved? Should the EU transform itself similarly to the Alliance, and should it become more militarily independent, or should it stay a civilian power?

Other unanswered questions remain: how did the EU respond to Russia's aggression and how did it adapt to the new global security landscape? Where was the CSDP after Russian-backed proxy insurgent groups occupied and illegally annexed Crimea and entered the Eastern parts of sovereign Ukraine? In reality, there were no immediate and visible CSDP efforts outside of Brussels' corridors that could be paralleled to the Alliance's policies. The EU's military rapid reaction forces — Battle Groups — were once again not deployed to manage the crisis or assist Ukrainian forces. A military CSDP operation was not launched. Even the EU's speciality, the civilian CSDP toolbox, was neither timely nor effective. It took more than four months and three formal EU Foreign Affairs Councils (FAC) between events in Crimea in March and the downing of the flight MH-17 plane in July 2014, to agree on the deployment of a civilian CSDP mission — *EU Advisory Mission for Civilian Security Sector Reform Ukraine (EUAM Ukraine)*. And even then it was an advisory police force and rule of law “unarmed and non-executive civilian mission”.<sup>42</sup> Instead of reaching and monitoring the ceasefire on Ukrainian borders, the EU chose to increase Ukrainian capacities to better deal with the adversity. Similarly, in November 2014, Latvia, Lithuania, the UK, and Hungary established a trust fund for supporting EU Eastern Partnership countries (including Ukraine) to participate in EU-led CSDP missions and operations and other training activities to raise their level of interoperability and readiness.<sup>43</sup> However, in reality, besides multi-level economic sanctions against Russia, a package of financial aid to Ukraine, non-recognition of Crimea's annexation and stop branding relations with Russia as “a strategic partnership”, there was nothing much in practical terms the EU as a united bloc had done, at least not in the domain of security and defence. The truth is that Ukraine is merely another example highlighting much deeper structural and systemic gaps that a possible joint European stance towards foreign and security policy is dependent on.

Currently the EU is not (and will not be) able to autonomously manage crises and challenges such as Russia's aggression in Ukraine, if its nations do not address several gaps and shortfalls together. Firstly, the EU has no joint armed forces or assets, while the CSDP has been one of the least experienced policies in the Union's history with the lowest degree of integration. Secondly, an “all or nothing” approach regarding most matters of CFSP/CSDP has dominated due to the unanimous decision-making procedure, which made the EU dependent on an agreement by all 28 nations every time a new crisis emerged. Thirdly, the EU still has no comprehensive foreign and security policy strategy. The ESS is outdated and no more reflects the international balance of power, nor the threats and challenges the EU is facing, or its global role. The EU needs a shared vision on a cooperation framework for strategically preventing crisis rather than meeting the consequences when they have already evolved. Lastly, the EU has no systematic and tailored



approach to international and regional partnerships. If the EU-28 is to succeed in maintaining the security of its own citizens and neighbourhood, it will have to reinvigorate multilateralism in a world where no country has means or power to meet all security challenges on its own.

### *The EU Army — A Myth or Necessity?*

In early March 2015, the President of the Commission Jean-Claude Juncker called for the creation of an EU Army that would allow the Union to better defend its values and borders, better coordinate foreign and security policies, and send a clear message to Russia about Europe's seriousness and global responsibilities.<sup>44</sup> Although at that moment it was not yet clear what form such an army would take, or when it could be created, and how it might be run, the EU already has developed several elements towards a more autonomous crisis management that in time could be exercised separately from the US and NATO.

For example, since 2007 the EU has had fully operational Battle Groups — a multinational rapid reaction force of at least 1 500 troops that is on a rotational six month standby and can be deployed to manage an international crisis within 10 days after a decision to intervene is launched by the Council. They should be self-sustainable for a period of at least 30 days which can be extended to up 120 days, if resupplied.<sup>45</sup> On paper they look solid and in practical terms their preparation and certification has helped Member States increase their mutual interoperability. However, as it presently stands, the Battle Groups have never been deployed even though there have been plenty of opportunities to do so ranging from Libya, Mali and the Central African Republic, to Syria, and most recently Ukraine.

Also, since 2009 the Lisbon Treaty provides mechanisms for a more integrated defence. They include the EU version of NATO's collective defence — solidarity (Article 222) and mutual defence clauses (Article 42.7) — as well as options to entrust a CFSP/CSDP task (e.g. a peacekeeping operation) to a group of Member States (Article 44), or to pursue closer defence integration among the most capable nations under the permanent structured cooperation (Article 46).<sup>46</sup> However, six years on these options have not been practised or widely discussed. French operation '*Serval*' in Mali (2013–2014) and air-assaults on "the Islamic State" (2014) have proven whenever the option for an EU-led CSDP operation is denied by a lack of consensus or decision-making, procedures in Brussels are too lengthy and nations tend to use force unilaterally or in a coalition of willingness. However, an ambitious agenda of the new HR/VP and more often summits on defence in the future could change the trend.

And regarding the debate on EU defence and security, it was only in December 2013 that the European Council, for the first time since adopting the Lisbon Treaty, addressed the CSDP and European defence capabilities and market. The run up to the summit highlighted a major achievement towards greater defence integration,

as HR/VP Ashton presented a special report on CSDP. The report underlined that “the Union must be able to act decisively through CSDP as a security provider, in partnership when possible but autonomously when necessary, in its neighbourhood, including through direct intervention”, and more importantly for the first time in EU history it stated that: “Drawing as necessary on military capabilities, the EU should be able to engage all 5 environments (land, air, maritime, space and cyber).”<sup>47</sup> Moreover, the European Council issued conclusions with a most immense list of tasking, starting with the shortest phrase “Defence matters”. Among others, tasking included development of such military capabilities as drones, satellite communications, strategic air transport, and cyber defence.<sup>48</sup> Therefore, it can be noted that debates on greater European autonomy in defence and security have been activated, and due to the international context are likely to continue, as the next defence European Council in June 2015 will assess progress achieved and provide further guidance.

However, ideas about joint EU armed forces are not new, and according to Jan Techau it has been the second oldest discussion subject (next to federalism) since the mid-20<sup>th</sup> century. Moreover, it has also been one of the main differentials between “Atlanticists” (states favouring reliance on NATO and the US) and “Gaullists” or “Europeanists” (states favouring greater EU defence autonomy). Yet, following Techau’s logic, a stronger Europe would strengthen the transatlantic link and not weaken it; although any army would still be dependent on a US and NATO nuclear umbrella, and should coordinate its actions with Washington.<sup>49</sup> Recently, the EU established an “Economic and Monetary Union” and “Energy Union” striving for closer integration in fiscal and energy issues. Following recommendations issued by 11 foreign ministers (Austria, Belgium, Denmark, France, Italy, Germany, Luxembourg, the Netherlands, Poland, Portugal, and Spain) in 2012 the EU should create a “European Defence Policy” (joint defence industry)<sup>50</sup>, while Solana’s 2015 report has suggested the creation of a “European Defence Union”.<sup>51</sup> Julian Lindley-French, however, argues that while “collective defence” draws on capabilities governed by sovereign nations, “common defence” would need supranational-level governance, which is not yet provided, and the EU’s 21<sup>st</sup> century challenge will be to strike the right balance between both approaches.<sup>52</sup>

History proves that discussions on a European army are likely to continue for the time being, including at EU Council and European Council meetings on defence and security. Yet, a European army is more of a symbol of increased integrated military capabilities and a defence industry shared by 28 nations that cannot afford to develop new technologies and provide man-power for fulfilling the full spectrum of crisis management tasks on their own. EU Members, at some point, might have to surrender part of their sovereignty over defence, for not only greater European integration, but to sustain the EU’s power and leverages *vis-à-vis* the emerging powers and challenges. In this regard, instead of an army the EU needs greater defence and security autonomy. This in turn, can be ensured by greater and smarter national defence spending, development of multinational



modern military capabilities that are available for all other Members, and at some point exploring the use of the Lisbon Treaty's alternative tools, such as Article 44: permanent structured cooperation and establishment of a permanent EU command and control centre. The age when states had to choose between a stronger NATO and the EU is long gone. The majority of nations share both organizations, which have one set of capabilities, and the Alliance and the US equally need the EU, while the Ukraine crisis has only deepened such a necessity.

### ***United We Stand, Divided We Fall***

One of, if not the largest reason why CSDP has not experienced deeper EU integration and further development, hides in a two-fold explanation: defence is still regarded as a matter of national sovereignty, while any decision in this domain (including launching new missions or operations) has to be accepted unanimously by all 28 Members. This means that a single veto can ruin even the greatest proposal and ambitions for a greater EU global role. As foreign and security policy interests vary across Europe, reaching a consensus may become true pandemonium, if not impossible. Security of the continent at large is dependent on political unity among EU nations. Indeed, there was a time when “the triumvirate” (or “the big three”) — Britain, France, and Germany — could not agree on joint EU foreign policy priorities because each had different interests. For a long time France has been the greatest supporter of a stronger EU foreign and defence policy while opposing over-reliance on NATO, and US assets and capabilities. Britain, on the other hand, has been the strongest “Atlanticist” defending an unalterable role of the Transatlantic Alliance in European security, although defence has not been the only domain in which the country has not pursued deeper integration (i.e. the euro-zone; Schengen). Lastly, for Germany its traumatic historical experience has been a lengthy issue — one that has hindered it from using its role more actively, not just as the largest economy of the bloc, but also as a security provider that may use military force, if necessary, for projecting interests globally. As a result, according to Daniel Keohane, “France is caught between German reluctance to use force and British reluctance to use the EU.”<sup>53</sup> But that was before the Ukraine crisis, and leaves the question: Has anything changed in the year since Crimea?

According to the ECFR's annual assessment of EU foreign policy, the most active leaders in 2013 were: France, Britain, and Germany, followed by Sweden, Italy, and Poland. The report concluded EU members in 2013 were pursuing more “unilateral” than “European” foreign policies, while a new trend emerged. Through pursuing the most active foreign policy in the EU, France in 2013 became more “Atlanticist” by using more ‘coalitions of willingness’ and unilateral operations, including support for the US regarding air-strikes in Syria. Britain, however, although supporting it politically, could not send practical aid to the US air-strikes because of Parliament refusal, while Germany became more critical about Russia and a more active

supporter of the Eastern Partnership, and more involved in normalizing relations in the Balkans. As a result, the report concluded that France became more “British” in its approach, the UK became more “German”, and Germany became more “Polish”.<sup>54</sup> However, a year later in 2015 the picture had changed. France had fallen from first to fourth place, while Britain lost one position in ECFR rankings, concluding that “leadership in 2014 was centred around the large member states, and, above all, Germany”.<sup>55</sup> A notable difference a year after Crimea was that while France continued a path of ambitious unilateral actions (e.g. the Central African Republic), other EU nations, especially Germany and Sweden, were dominating because of their coalition building style and effectiveness regarding sanctions against Russia, Syrian refugees, and democracy support in MENA region.<sup>56</sup> However, on CSDP, the report concluded that “2014 was a dismal year for the EU’s ambitions to play a distinctive security role abroad” because interventions in Sahel and countering the Ebola epidemic in Africa, instead of a concerted action by the EU-28, were left to France and the UN, while Germany’s leadership over sanctioning Russia came only after the downing of the MH-17 plane.<sup>57</sup>

In November 2014, “*The Economist*” observed that 10 years after opposing the US-led coalition for Iraq’s invasion, French anti-Americanism had disappeared, as it was the first country to join in the US-led air-strikes on ISIS.<sup>58</sup> If one observes the new French White Paper (2013), it states the EU and NATO are not competing, while any of these three possible scenarios — French foreign policy depending only on its interests; delegating complete security to the US and NATO; and a fully integrated European defence — are all impossible.<sup>59</sup> France sees NATO as a nuclear defence project, and the EU as “a global project”, which includes economic, commercial, and diplomatic dimensions that will allow better dealings with multi-faceted crises in the next 15–20 years.<sup>60</sup> Therefore, it defends a position of synchronizing levels of ambition and different strategic culture in Europe: “a closer integration should eventually extend to security and defence”.<sup>61</sup> Two years on, French professor François Heisbourg concludes that despite current (or future) constraints, France will not downscale its level of ambition, and in any case will try and advance a stronger European foreign policy either together with the UK and Germany through the EU, or alone.<sup>62</sup> A stronger foreign policy stance, following Heisbourg, will be a necessity for France which, along with nuclear deterrents and a permanent seat at the UN Security Council, will continue using its strong sides — soft power of the Francophone world, and exports of aerospace, defence, energy, and transport.<sup>63</sup>

Also, Germany in parallel with the Ukraine crisis underwent a process of strategic foreign policy rethinking by presenting a report in early 2015, which drafted lessons learned on German foreign policy across three areas: managing crisis, shaping the global order, and European integration. In relation to future European security, the report commissioned by Foreign Minister Steinmeier, states Germany will cherish a partnership with France as well as the transatlantic Alliance, while at the same time building its policy on the “European reflex”. Instead of pursuing a unilateral policy because of its economic strength, Germany will always

coordinate and act within European frameworks first in order to shape the global agenda.<sup>64</sup> Moreover, to answer the pressing question about Germany's future role in CSDP, the report suggests that "the use of military means to secure political solutions can be advisable or even unavoidable. We need to approach this question with due caution and restraint, but without ruling it out altogether."<sup>65</sup> It also suggests that "Germany will make an active contribution to the future of European Foreign and Security Policy strategy and closely dovetail its elaboration with the process of drafting Germany's next white paper."<sup>66</sup> However, some critics have argued the review does not yet provide basis for "a grand strategy" and is more related to Steinmeier's attempts to regain both control over foreign policy from the Chancellor and greater power for the Social Democratic Party within the coalition.<sup>67</sup> Only time will tell whether a greater German power will lead to a more integrated and strategic European defence and security, and whether that country will be willing to use military force to achieve joint EU interests and protect its values. Until recently, according to Josef Janning, norms and rules have dominated the use of power in German foreign policy, EU policy has prevailed over relations with the US, while relations with Russia were both economically and politically important. However, a year after Crimea these elements may no longer be valid, and Germany is in the leading position more so because of circumstances rather than its own willingness.<sup>68</sup>

Lastly, there is the British challenge. In recent years Germany and France had replaced Britain with Poland to form "a Weimar triangle" — a new driving force for closer European defence integration — which gained support from mid-weight powers Italy and Spain for CSDP boosting ideas as a permanent structured cooperation, European Defence Policy (possibly — the EU White Paper on Defence, as suggested by France to define joint strategic interests and priorities<sup>69</sup>), a permanent EU Command and Control Centre, and EU-owned capabilities (such as a fleet of drones). However, these innovations have remained "just ideas", as they have been opposed and vetoed several times by Britain in 2003<sup>70</sup>, 2008<sup>71</sup>, 2011<sup>72</sup>, and 2013<sup>73</sup>. Britain has argued that it supports closer defence cooperation between sovereign Member states, but opposes any supranational entity such as EU-owned and operated headquarters, common capabilities, and EU armed forces. Yet Britons themselves argue their country "seeks to develop CSDP as the European pillar of NATO"<sup>74</sup> Until recently, British reluctance could be explained by their opposition to French plans for strengthening the EU at the expense of NATO, therefore diminishing a US role in European security (which at the time also opposed plans for greater EU military autonomy). However, this was before France had fully returned to NATO, the US had announced its rebalancing towards the Asia-Pacific region and called for greater European burden sharing in the famous speech by Robert Gates, the US Secretary of Defence, in June 2011.<sup>75</sup> More importantly, that was before Russia's aggression in Ukraine, and a constantly tightened "ring of fire" emerged around the EU. Therefore, if European leverage and power continues to diminish before a rapidly worsening security situation in its neighbourhood (in the short term), and before other emerging powers such as China and Russia (in the medium and

long term), the EU might face an eventual choice between an agreement on joint response and prevention mechanisms (including supranational), or changing the voting procedure in CFSP/CSDP (introducing “constructive abstention”) that would bypass the British veto while still ‘saving face’, or meet the eventual consequences of an over-reliance on US aid. June’s 2015 European Council on defence and security (and other defence Councils) may become the next milestone in CSDP development, but it will be greatly dependent on Britain’s position.

And Britain may hold a key for Europe’s future integration, as well as its transatlantic link and relations with China. Britain, the strongest “Atlanticist” in the EU so far, was the one that in mid-March 2015 started the “snow-ball effect” by joining the Chinese-led Asian Infrastructure Investment Bank, regarded as a rival to US-led World Bank and other ‘Bretton-Woods institutions’. A week after Britain opposed US warning signals and joined the bank’s founding nations club, not only did Germany, France, and Italy<sup>76</sup>, but Australia, the Republic of Korea, and Japan also joined (or were seriously flirting with such an idea).<sup>77</sup> Such a sudden move left many questions unanswered regarding European security: Will this lead to a fracture in EU-US relations, which in turn could lead to greater European defence integration? Will the US remind its European allies that it cannot be taken for granted as security provider, or will it further increase its military presence in Europe to counterbalance not only Russian military threats but China’s economic power? To answer the question as to whether the Ukraine crisis has changed anything regarding European unity towards security the response is — Yes — changes are coming, but it is too early to predetermine whether they are for good or ill. It is clear that the EU would benefit, if the momentum of Ukraine’s crisis is utilised, and a more coherent foreign and security policy is not just sustained, but also brought to the next level at June’s 2015 European Council.

### *A Strategy Above All Others*

The European Security Strategy (ESS) is outdated and should be replaced by a new European Foreign and Security Policy Strategy (EFSPS). The ESS for too long has fulfilled the role of a proxy ‘grand strategy’ that the EU has lacked. A new strategy should come before any plans on shared military or civilian capabilities, structures, or out-of-area operations. Moreover, the world outside and inside the EU has changed. New security threats and global challenges have emerged; China has become the world’s second largest economy with growing global political clout, while Russia has become an aggressive revisionist changing the borders of sovereign states by force to create new protracted conflict zones such as in Georgia (2008), and Ukraine (2014), or to sustain old contentions as those in Moldova, the Balkans, South Caucasus, and even within some EU member states. Likewise, the EU has changed by providing in a post-Lisbon setting some new structures such as the EEAS and High Representative to assert a shared policy, while not defining what

priorities they should pursue. As a result, the EU is overstretched to respond to every crisis after it has emerged, while the response itself may be delayed due to lengthy compromise dealings between member states. The Ukraine crisis has brought to the surface and exposed the lack of a strategy that could unite the diverse EU toolkit of means and connect them with the ends, based in a joint threat assessments and shared foreign policy priorities.

After all, a strategy is more than a document, as it has at least six different roles to play at once. First, a new strategy would provide a shared vision for the 28 nations about the EU's global role, interests, and responsibilities. It would put aside the old divide between "Atlanticists" and "Europeanists" for greater European defence autonomy, and new structures and forms of cooperation with a different perspective. Second, a strategy provides internal and external narratives. To the outside world it proves the EU is a united actor with concrete ambitions that should be treated accordingly. Internally, a strategy would explain to EU citizens why they should support greater defence expenditure or use of force in the CSDP framework. Third, a strategy synchronizes the EU's stance with global transformations and changed priorities of both emerging powers and its closest allies, such as the US and NATO. Fourth, it distinguishes regions "of European interest" from others and allows the prioritizing of any international engagement ranging from CSDP to trade, development, and diplomacy. Fifth, paraphrasing former Swedish foreign minister Carl Bildt, a strategy could serve as a new software of tasks for the EU after its hardware had been changed by the Lisbon Treaty.<sup>78</sup> Indeed, the EEAS and HR/VP deal not only with the ESS but also other, much wider foreign policy aspects, therefore, their priorities and agendas as well as the whole organization should be based on a contemporary 'grand strategy' rather than an outdated security concept. Lastly, following former Polish foreign minister Sikorski's logic, a strategy is about "setting the spending priorities".<sup>79</sup> The EU should define the areas and global challenges where it will be in 'the driving seat', where it will take 'a back seat', and where it will not get in the car at all.<sup>80</sup>

All in all, HR/VP Federica Mogherini received her first task back in 2013, when the European Council tasked her "to assess the impact of changes in the global environment, and to report to the Council in the course of 2015 on the challenges and opportunities arising for the Union".<sup>81</sup> In November 2014, Mogherini in one of her first foreign visits came to Riga, Latvia, and proved her dedication towards the task, arguing the new strategic framework should reach beyond security. Following Mogherini, it should also cover other aspects of CFSP, while the process of strategic review should involve a wider foreign affairs community.<sup>82</sup> And there already exists an impressive list of recommendations provided by a Swedish, Polish, Italian, and Spanish led project on "European Global Strategy"<sup>83</sup>; in a task-force led by Javier Solana<sup>84</sup>; as well as other prominent EU foreign and security policy experts.<sup>85 86 87</sup> To proceed and emerge stronger from the Ukraine crisis, and solve other global security challenges, the EU needs to put in place concerted and synchronized efforts. However, taking a step back, above all the EU in the first place needs a strategy.

## ***Regional and Global Partnerships***

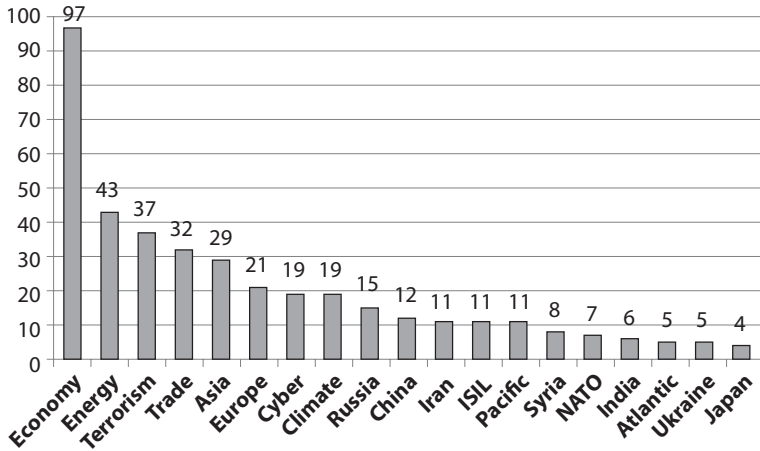
In any new ‘grand strategy’ the EU will have to choose between “strategic” and “regular” partnerships, and entities that may be regarded as competing, or even sinister. Moreover, the EU should be flexible and resilient by synchronizing and tailoring its policy in line with its partners, especially (but not only) the US and NATO. So far it has lagged behind.

For example, NATO has already adapted twice in the last five years: first, by adopting the new Strategic Concept (2010), and a second time at the Wales Summit (2014). The Strategic Concept defined priorities for the 21<sup>st</sup> century: collective defence, crisis management, and cooperative security.<sup>88</sup> It recognised the “importance of a stronger and more capable European defence” asserting the Alliance will “fully strengthen the strategic partnership with the EU”.<sup>89</sup> The Wales Summit, in the aftermath of Crimea’s annexation, went further, devoting five articles on EU–NATO cooperation, and stating “the current strategic environment has highlighted the need for further strengthening our strategic partnership and reinforcing our joint efforts and our common message”.<sup>90</sup> The Summit also welcomed decisions taken at the first post-Lisbon European Council on defence (2013) because “a stronger and more capable European defence [...] will lead to a stronger NATO”<sup>91</sup>, while outlining areas of current (and future) shared interests: cyber defence, proliferation of WMDs, counter-terrorism, energy security, maritime security, defence and security capacity building, and hybrid warfare.<sup>92</sup> The next European Council on defence and security in June 2015 could respond with a vision for further EU–NATO cooperation because the current form, according to the EEAS has reached its limits.<sup>93</sup> In such a case, it should be one of the core building blocks for a new European Foreign and Security Policy Strategy (EFSPS).

The US has also transformed over time by adopting three different national security strategies over last 13 years: in 2002, 2010, and lastly in February 2015. Each time has followed a significant turn in US policy. In 2002 a strategy was put in place as a response to the terrorist attacks of 9/11; in 2010 — for the global economic recession; and in 2015 — for the post-recession, post-Iraq and Afghanistan, and post-Crimea global security environment. The 2015 Strategy states “a strong Europe is our indispensable partner, including for tackling global security challenges, promoting prosperity, and upholding international norms”, and “commitment to collective defence of all NATO Members is ironclad”.<sup>94</sup> However, according to new security doctrine, the US remains committed to further deepening EU–US relations be it in transatlantic security or TTIP, while the numbers prove that for next half decade or so economic and energy security will be more important than terrorism; Asia — appearing 29 times in the document — will be more engaged than Europe (21) and NATO (7); the Pacific Ocean (11) will be more important than the Atlantic (5); while Russia, China, Iran, and ISIL will all be equal challenges to deal with, but Ukraine, Japan, and India are to be left more in the background (*see Figure 3*).



**Figure 3.** Comparison of appearance times in the US National Security Strategy (2015)



*Source:* author's own material (based on the US National Security Strategy, 2015)<sup>95</sup>

At the same time, the EU will have to reinvest in “effective multilateralism” and positive dynamics with the United Nations, which was the core concept of the ESS (2003). Though one could argue that due to Chinese and Russian vetoes the UN Security Council (SC) is deadlocked for any Western-led liberal interventions, or that European clout within the UN has diminished, the EU is not without guilt either. In March 2015, US Ambassador to the UN Samantha Power reminded listeners that the European share of participation in UN-led peacekeeping efforts had fallen from 40 to 7 percent over the last 20 years, therefore calling for greater involvement from the EU.<sup>96</sup> Also in March 2015, HR/VP Mogherini delivered her first speech before the UN SC arguing that “the new global order will be multilateral, or it will not be”, later adding that both the EU and UN share the same principles and tasks: “to save the next generations from war, to fight for democracy and human rights, to promote social progress”.<sup>97</sup> Both the EU and UN will need each other to resolve crises, as in Ukraine or other parts of the world, as well as sustain the current international order, which it is yet to base on joint agreements, principles, and values.

Lastly, the EU could start engaging the pivotal states it has left out of its foreign policy clout for a decade or more, in particular Japan and Turkey — two countries with geopolitical importance and shared interests but as yet fully unexplored cooperation potential.

Japan is the world's third largest economy and a partner of the EU and NATO. Moreover, according to Yuichi Hosoya (Keio University), all three — Japan, the EU, and NATO — are normative partners, while the EU and Japan can be regarded as “normative powers” and “civilian powers” sharing the same values and norms: peace, liberty, democracy, rule of law, human rights, and human

security. Although both have focused more on relations with either the US or China, they should start embracing the need for each other, in particular realising the economic and political interests in East-Asia.<sup>98</sup> Likewise, the EU and Japan share concerns over the revisionism of the current international order imposed by either Russian or Chinese use of force to change state borders. Japan is eagerly following, how rest of the world will deal with Russia's aggression in Ukraine, while the EU observes developments related to "the disputed islands" in the East China Sea because a precedent in one end of the world is likely to influence the other ends as well. Also, in parallel to the Ukraine crisis and the continuous tensions with China over the disputed Senkaku/Diaoyu islands, Japan has adopted a new National Security Strategy<sup>99</sup>, and adopted measures by Cabinet in July 2014 to initiate changes in national legislation that would permit within the framework of its Constitution the use of force for collective defence and self-defence purposes, as well as contribute more actively to international peace and stability.<sup>100</sup> Joint security challenges, common values and norms, as well as recent development in Japan's security policy may open new possibilities for cooperation with the EU to exercise joint interests, counterbalance China and Russia in Asia, and supplement cooperation with the US.

Turkey, on the other hand, is a close and active Allied state that devotes two percent of its GDP to defence, has the tenth largest armed forces in world and the fifth largest within NATO (after the UK, France, and Germany)<sup>101</sup>, and due to its geographic location is located at the middle of all crises the EU is facing — from Russia and Ukraine to its North, South Caucasus, Iraq and Iran to its East, Syria and Middle-East to its South, to the Balkans and Cyprus to its West. Turkey should become a more engaged ally in Europe's fight against security crises, global security challenges, and maintenance of the international order.

## Conclusion

Crimea's annexation and implications of the Ukraine crisis to European security, defence, and its global role have to be regarded in a broader perspective. In 2014, Europe faced multi-faceted and diverse external and internal security threats, while the EU's global power continued to decline. Russia tried to test the limits of European security, response and resilience, as well as the endurance and flexibility of the current international order. The analysis, produced by a wide circle of foreign and security policy experts, argue in favour of the tendency for the established and emerging powers to continue changing either the rules or the playing field of the current order in 2015, and beyond. NATO and the US proved that for now they have endured global transformations by further evolving themselves. Yet, the EU has lagged behind.

Although the European response to the Ukraine crisis could be viewed as slow and responses within the CSDP framework as inadequate or ineffective, an emerging



instability unearthed various deeper challenges within the EU. What hindered a European responsiveness? The answer hides in the same problems haunting the EU since the creation of CFSP/CSDP. Among others they include: lack of a shared strategy with a common assessment of threats and challenges, lack of joint assets that could strengthen NATO and European defence autonomy, lack of unity among members that is incompatible with current decision-making procedures, and lack of investment in partnerships with shared values, interests, and concerns as the EU has. Therefore, the Ukraine crisis should be regarded not as a sudden European failure, but rather as a wake-up call for a necessity to start at last a strategic debate on EU security, defence, and strategic recalibration.

For some the Ukraine crisis might be a fragment of a much broader picture of challenges that the EU and Western world are facing, while for others it could be an existentially vital security threat, meaning a number one (and only) priority. Similarly, some might argue in favour of the “Atlanticists” and NATO as the ultimate answer to every security challenge in Europe, while others might defend “Europeanists” and stronger favour to the EU’s global role and larger responsibility for its own and others’ security. However, it should not be “a zero-sum game” in either discussion. The EU and Europe at large suffer from security challenges that are over interlinked. Short-term security risks have longer-term consequences, while long-term projections may affect immediate decisions in favour of or against EU engagement in particular international crisis management. Also the internal socio-economic fabric has impacted the EU’s responsiveness to “the ring of fire” and external and transnational challenges. Meanwhile, the EU’s passivity managing global issues might possibly affect how it is perceived from the outside including possible transgressors of the current international order for whom Europe’s weakness may serve as an incentive to further test the limits of its resilience.

The Ukraine crisis serves as proof, as it already affects the Baltic States, Poland, and other parts of Eastern Europe in complex ways. Although NATO has carried out reassurance and deterrence measures, it is not yet the ultimate answer to the multi-faceted challenges to European security the Ukraine crisis has either unearthed or deeper exacerbated. The Alliance alone cannot solve Eastern European energy dependence on Russia or sudden cyber-attacks that may affect the whole spectrum of security aspects. Likewise, the Ukraine crisis highlighted that the EU and NATO had not been expecting, nor were prepared, to meet the challenges of hybrid warfare consisting of massive propaganda campaigns and proxy insurgent groups used in combination with conventional politico-military tools. Hybrid threats cannot be solved under the NATO nuclear umbrella alone, and “Atlanticists” have not yet won over the “Europeanists”. The longer the Ukraine crisis remains unresolved, Russia will be perceived globally as “a winner” over EU and Western powers, which have not been able to avert new protracted conflict zones in countries willing to integrate within their structures. After all, how is one perceived as a global role model and norm-setter, if actors who choose to follow its rules and norms are attacked and disintegrated by other powers disrespecting the rules in the first place?

In order to adapt to the new global setting, the EU should initiate a review of the European Security Strategy at June's 2015 European Council (on defence and security) by broadening and applying its cover to the whole CFSP, therefore designing a European Foreign and Security Policy Strategy. It should serve as a comprehensive framework to unite the 28 members behind joint interests, priorities, and a shared assessment of security challenges, thus with full respect to the national sovereignty synchronizing their efforts to exercise one global policy rather than 28 separate ones. The new strategy should settle disputes between "Atlanticists" and "Europeanists" ("Gaullists") regarding greater European defence autonomy. To achieve it, the strategy may have to incorporate full use of the existing instruments (EU Battle Groups) and the yet to be practised post-Lisbon provisions (permanent structured cooperation; EU command and control HQ; joint financing) in such a manner that the EU and NATO complement each other. In military terms, "the end state" of the strategic review leading eventually to a new strategy should be a more autonomous European defence with greater burden sharing within NATO (including defence spending), and a larger EU global role in maintenance of current principles, values, rules, and world order. Lastly, to strengthen its own resilience, Europe might need to join forces with like-minded and pivotal states, for example Japan and Turkey, which could include a more deepened defence and security cooperation. The future of Europe *vis-à-vis* the rest of the world depends on its skills to pursue adaptation, flexibility, increased responsiveness, and resilience — to strategically live in a constant and enduring transformation.

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## RUSSIAN NEW GENERATION WARFARE IS NOT HYBRID WARFARE

*Jānis Bērziņš*

In his arguably most famous book, “Capitalism, Socialism, and Democracy”, Joseph Schumpeter debated that the demise of Capitalism would result from development and a fostering of anti-capitalist ideas, especially within the intellectual class. Schumpeter was right. In more concrete terms, the critic against capitalism was developed mainly inside the most developed countries, exactly where capitalism was most successful. It was not limited to Economics, but rather developed in a multidisciplinary methodological framework, thus extending the analysis to Political Science, Sociology, and International Relations. The most famous of these critical theories are the Dependency Theory and the World-System Theory.

Although nowadays these theories are marginal, imagine for one moment if the writings of Samir Amin, Immanuel Wallerstein, Andre Gunder Frank, Giovanni Arrighi, John Bellamy Foster, Noam Chomsky, David Harvey, just to cite few, turned to hugely influence Russian geopolitical and military thought. In short, the result would be Russia considering itself a victim of American and European economic interests, instrumentalized by the financial system, multilateral organizations, and diplomacy. The West would be only interested in its natural resources, forcing the country to be in a permanent state of the Development of Underdevelopment.

The promotion of democracy and human rights would be an excuse to force the country into submitting to foreign interests, mainly to tame nationalist internal politics, thus facilitating the depletion of the country by American and European companies. Thus, Russia’s natural destiny would be to accept being a junior partner in the international system, but as a submissive one. Rephrasing a popular motto in 1960’s Brazil, “What is good for the United States is good for Russia.” Although for the West this may sound absurd, in short this view has become increasingly popular within Putin’s inner circle and the military. Yevgeny Bazhanov, rector of Russia’s Diplomatic Academy, recently stated that: “People in power did not object to or even greeted the Western efforts to plant democratic values in Russia and teach the nation how to live in a “free state.” Today, this looks like an effort to weaken power in Russia and “force it to its knees”.<sup>1</sup>

### **1. Russia’s World Strategic View**

At the very beginning of his first term Vladimir Putin suggested Russia should reassure its role in a multipolar world, one where no single regime has sovereignty.



Although there were clear signs of deepening the Eurasian trend in Russian foreign policy, Putin also tried to develop friendly ties with the West, especially with the United States. Soon he understood the relationship would not be smooth. The US–Russian Strategic Stability Cooperation Initiative of 2000 is one example.

The document President Bill Clinton and Vladimir Putin signed aimed to be a “constructive basis for strengthening trust between the two sides and for further development of agreed measures to enhance strategic stability and to counter the proliferation of weapons of mass destruction, missiles and missile technologies worldwide”.<sup>2</sup> However, the act on Russian–American Confidence and Cooperation approved by US Congress forbid the White House to restructure Russia’s foreign debt, until closing a radio electronic center in Lourdes, Cuba. Without options, Russia was forced to close it. Russia is convinced the terms of its foreign debt restructuring were especially designed to weaken its economic power, thus its military power. Shutting down the military naval base of Cam Ranh, Vietnam, because of lacking resources to pay the lease is one example.

It follows that Russia should be prepared for three possible military conflict scenarios. First a major war with NATO and Japan. Second, a regional–border conflict scenario, i.e. disputed territories. Third, an internal military conflict as a result of terrorism. It is not to believe that direct military conflict with NATO in the short term is to be expected. However, Russia has been facing severe pressure with the infringement of its strategic national interests. NATO has wiped out politically and militarily most of Russia’s natural potential allies. This can be exemplified by NATO’s expansion into the former Warsaw Pact space. The monetarist economic ideology imposed by the International Monetary Fund, the World Bank, and other multilateral organizations, not only had the objective to weaken Russian society overall, but resulted in underfunding the Armed Forces, thus in operational degradation.<sup>3</sup>

At the same time the Afghanistan and Iraq War, as with other American/NATO military interventions, made Putin conclude the West is dangerous and unpredictable. Besides, the Transatlantic Community, especially the United States, use instruments of irregular warfare such NGO’s, and multilateral institutions (IMF, World Bank) to destabilize Russia. As a result, the view that Russia constantly faces threats from the outside became mainstream. In the face of these threats, Russia considers itself a fragile country. Putin and those in his inner circle understand that its economy is too dependent on oil and gas. As a result, there is not enough energy for expansion. At the same time, it is necessary to maintain its regional influence by all means. Since there are many factors outside Russia’s control, Putin believes external factors can influence internal, and result in Russia’s crash. This explains why Russia is engaged in not letting Ukraine be closer to the West.

Russia has tried to present itself as a serious global player. In this sense, the Georgian war of 2007, from a psychological perspective, served as a way to reassure the Russian internal public. It also reflects a clash of worldviews. On the one hand, the West tries to impose its model, one that is flawed. NATO, the US, and the EU’s moves are unilateral and disregard the chain effects from their actions. For example,

an Islamic dictatorship being substituted by fundamentalist regimes. On the other, Putin considers international development as a comprehensive process, with no place for values-based politics, but particular interests in concrete cases. Putin is convinced that defending his and his inner circle's private interests and beliefs is tantamount for defending Russia's national interests. Thus, any attempt to make Russia more transparent, democratic, or tolerant, is considered not only a personal attack against him and his allies, but against basic Russian values.

## 2. Russia's New-Generation Warfare

Since the beginning of the Crimean operation, it was difficult for many to find a term to define the way Russia conducted its operation. In the very beginning, some called it "fourth generation warfare", referring to William Lind's idea that warfare presents a generational evolution. Therefore, the First Generation of Modern War (1648–1860) was marked by line and column tactics, and battles were formal and the battlefield was orderly. Its significance is the establishment of a military culture, resulting in the separation between "military" and "civilian". The second generation surged as a development to address contradictions between military culture and the disorderliness of the battlefield. Its objective was attrition in a way that centrally-controlled firepower in synchrony with the infantry: the artillery conquers, the infantry occupies. The Third Generation was a development of the second, and is commonly known as the *Blitzkrieg* or maneuver warfare. Finally, the Fourth Generation represents a return of cultures being in conflict. The state loses the monopoly of violence and war, and finds itself fighting non-state adversaries.<sup>4</sup> Therefore, since Fourth Generation Warfare is basically about non-state actors fighting a culture war, this concept is too narrow to characterize the Russian way of conducting warfare.

One of Putin's closest advisors, Vladislav Surkov (under the pseudonym of Nathan Dubovitsky), coined the term "Non-Linear Warfare" in an article describing what would be the Fifth World War, the one where all fight against all.<sup>5</sup> The idea is that traditional geo-political paradigms no longer hold. The Kremlin gambles with the idea that old alliances like the European Union and NATO are less valuable than the economic interests it has with Western companies. Besides, many Western countries welcome obscure financial flows from the post-Soviet space as part of their own mode of economic regulation. Therefore, the Kremlin bets these interconnections means Russia can get away with aggression.<sup>6</sup> Although this concept may explain Russia's idea that there is a war of civilizations,<sup>7</sup> it fails to reflect the way it is conducting warfare.

The most accepted term for referring to Russian New Generation Warfare is Hybrid Warfare. NATO itself has adopted the term. The seminal work about Hybrid Warfare is Hoffman's "Hybrid Warfare and Challenges". The author developed the idea that a hybrid strategy is based on tactically employing a mix of instruments, resulting in it being difficult to fully understand and establish a proper strategy to

deal with it. The main challenge results from state and non-state actors employing technologies and strategies that are more appropriate for their own field, in a multi-mode confrontation. It may include exploiting modern capabilities to support insurgent, terrorist, and criminal activities, the use of high-tech military capabilities, combined with terrorist actions and cyber warfare operations against economic and financial targets.<sup>8</sup> Therefore, it still largely presupposes the application of kinetic force, or, military power to defeat the enemy.

There are two problems. First, it still presupposes the application of kinetic force. Russian New Generation Warfare does not. Second, it is a conceptual mistake to try to fit Russian New Generation Warfare, the result of a long military academic discussion, on Western concepts. Naturally, the word hybrid is catchy, since it may represent a mix of anything. However, due to it being a military concept and the result of American military thought, its basic framework differs from the one developed by the Russians. Therefore, it is a methodological mistake to try to frame a theory developed independently by the Russian military on a theory developed in another country, therefore reflecting another cultures way of thinking, and strategic understanding about the way to conduct warfare.

Russia's military strategy can be divided into three interrelated levels. First, doctrinal unilateralism, or the idea that the successful use of force results in legitimacy. The weak reaction of the United States and the European Union has indicated that strategy is correct. Second, by strongly adhering to legalism. For example, without discussing the legal merit of Russian actions in Ukraine, they were all backed by some form of legal act. Putin asked the Russian parliament for authorization to use military power in the Ukraine if necessary. Naturally, it was granted. Russia uses this fact together with the argument that it never used military power in Crimea as a sign of its peaceful intentions. Third, Russia denies the idea of it having militarily occupied Crimea, since the troops there were local self-defense forces. In addition, although it is true the number of troops stationed there increased, this is still within the limits of the bilateral agreement between Russia and Ukraine.

Third, Russia obviously supported the referendum promoted by Crimean pro-Russian political forces, who were trying to legitimize Crimea's incorporation. It argues this is a case of self-determination similar to Kosovo. The West considers the referendum to be illegitimate, first, because it violates the constitution of the Ukraine; second, because it was organized in such haste there was no option in the ballot paper for voting for Crimea to remain part of the Ukraine. Russia considers this to be merely legal cynicism, and argues the West considers some events to be legitimate, but others to be illegitimate, despite being of the same nature, according to whether it's in its own interests or not. Russia has also argued that its actions are the result of its commitment to defend Ukraine's territorial integrity in accordance with many international agreements signed during the 1990s.

The Crimean campaign has been an impressive demonstration of strategic communication, one which shares many similarities with their intervention in South Ossetia and Abkhazia in 2008, while at the same time being essentially different,

since it reflects the operational realization of new military guidelines to be implemented by 2020. Its success can be measured by the fact that in just three weeks, and without a shot being fired, the morale of the Ukrainian military was broken and all their 190 bases had surrendered. Instead of relying on a mass deployment of tanks and artillery, the Crimean campaign deployed less than 10,000 assault troops — mostly naval infantry already stationed in Crimea, backed by a few battalions of airborne troops and Spetsnaz commandos — against 16,000 Ukrainian military personnel. In addition, the heaviest vehicle used was the wheeled BTR-80 armored personal carrier.

**Table.** Changes in the Character of Armed Conflict According to General Valery Gerasimov, Chief of the Russian General Staff<sup>9</sup>

Traditional Military Methods	New Military Methods
<ul style="list-style-type: none"> <li>• Military action starts after strategic deployment (Declaration of War).</li> <li>• Frontal clashes between large units consisting mostly of ground units.</li> <li>• Defeat of manpower, firepower, taking control of regions and borders to gain territorial control.</li> <li>• Destruction of economic power and territorial annexation.</li> <li>• Combat operations on land, air and sea</li> <li>• Management of troops by rigid hierarchy and governance.</li> </ul>	<ul style="list-style-type: none"> <li>• Military action starts by groups of troops during peacetime (war is not declared at all).</li> <li>• Non-contact clashes between highly maneuverable interspecific fighting groups.</li> <li>• Annihilation of the enemy’s military and economic power by short-time precise strikes in strategic military and civilian infrastructure.</li> <li>• Massive use of high-precision weapons and special operations, robotics, and weapons that use new physical principles (direct-energy weapons — lasers, shortwave radiation, etc).</li> <li>• Use of armed civilians (4 civilians to 1 military).</li> <li>• Simultaneous strike on the enemy’s units and facilities in all of the territory.</li> <li>• Simultaneous battle on land, air, sea, and in the informational space.</li> <li>• Use of asymmetric and indirect methods.</li> <li>• Management of troops in a unified informational sphere</li> </ul>

As a result, it follows the main guidelines for developing Russian military capabilities by 2020 are:

- 1) from direct destruction to direct influence;
- 2) from direct annihilation of the opponent to its inner decay;
- 3) from a war with weapons and technology to a culture war;
- 4) from a war with conventional forces to specially prepared forces and commercial irregular groupings;
- 5) from the traditional (3D) battleground to information/psychological warfare and war of perceptions;
- 6) from direct clashes to contactless war;

- 7) from a superficial and compartmented war to a total war, including the enemy's internal side and base;
- 8) from war in the physical environment to a war in the human consciousness and in cyber-space;
- 9) from symmetric to asymmetric warfare by a combination of political, economic, information, technological, and ecological campaigns;
- 10) from war in a defined period of time, to a state of permanent war as the natural condition in national life.

Thus, the Russian view of modern warfare is based on the idea the main battlespace is the mind and, as a result, new-generation wars are to be dominated by information and psychological warfare, in order to achieve superiority in troops and weapons control, morally and psychologically depressing the enemy's armed forces personnel and civil population. The main objective is to reduce the necessity for deploying hard military power to the minimum necessary, making the opponent's military and civil population support the attacker to the detriment of their own government and country. It is interesting to note the notion of permanent war, since it denotes a permanent enemy. In current geopolitical structure, the clear enemy is Western civilization, its values, culture, political system, and ideology.

The phases of new-generation war can be schematized as following:

- First Phase: non-military asymmetric warfare (encompassing information, moral, psycho-logical, ideological, diplomatic, and economic measures as part of a plan to establish a favorable political, economic, and military setup).
- Second Phase: special operations to mislead political and military leaders by coordinated measures carried out by diplomatic channels, media, and top government and military agencies by leaking false data, orders, directives, and instructions.
- Third Phase: intimidation, deceiving, and bribing government and military officers, with the objective of making them abandon their service duties.
- Fourth Phase: destabilizing propaganda to increase discontent among the population, boosted by the arrival of Russian bands of militants, escalating subversion.
- Fifth Phase: establishment of no-fly zones over the country to be attacked, imposition of blockades, and extensive use of private military companies in close cooperation with armed opposition units.
- Sixth Phase: commencement of military action, immediately preceded by large-scale reconnaissance and subversive missions. All types, forms, methods, and forces, including special operations forces, space, radio, radio engineering, electronic, diplomatic, and secret service intelligence, and industrial espionage.
- Seventh Phase: combination of a targeted information operation, electronic warfare operation, aerospace operation, continuous air force harassment, combined with the use of high-precision weapons launched from various platforms (long-range artillery, and weapons based on new physical principles, including microwaves, radiation, and non-lethal biological weapons).

- Eighth Phase: roll over the remaining points of resistance and destroy surviving enemy units by special operations conducted by reconnaissance units to spot which enemy units have survived and transmit their coordinates to the attacker's missile and artillery units; fire barrages to annihilate the defender's resisting army units by effective advanced weapons; air-drop operations to surround points of resistance; and territory mopping-up operations by ground troops.<sup>10</sup>

In other words, the Russians have placed the idea of influence at the very center of their operational planning and used all possible levers to achieve this: skillful internal communications; deception operations; psychological operations and well-constructed external communications. In Ukraine, they have demonstrated an innate understanding of the three key target audiences and their probable behavior: the Russian speaking majority in Crimea; the Ukrainian government; and the international community, specifically NATO and the EU. Armed with this information they knew what to do, when and what the outcomes were likely to be, demonstrating the ancient Soviet art of reflexive control is alive and well in the Kremlin.

This is very relevant to understand its strategic significance, since it is the operationalization of a new form of warfare that cannot be characterized as a military campaign in the classic sense of the term. The invisible military occupation cannot be considered an occupation by definition. Not only were troops on Crimean territory already stationed at Russian naval bases, they were also “officially” part of the autochthon civilian militia. Deception operations occurred inside Russian territory as military exercises, including ones in Kaliningrad to increase the insecurity of the Baltic States and Poland. At the same time, the Crimean parliament officially — although not legally by the Ukrainian constitution — asked to join the Russian Federation, and the Ukrainian media became inaccessible. As a result, Russian channels of communication propagating the Kremlin's version of facts were able to establish a parallel material reality, legitimizing Russian actions in the realm of ideas.

### **3. Asymmetry and Russian New Generation Warfare**

An often ignored aspect of Russian military art is the idea of asymmetry in warfare. As Vladimir Putin expressed in 2006, “Quantity is not the end... Our responses are to be based on intellectual superiority. They will be asymmetrical and less expensive, but will certainly improve the reliability of our nuclear triad”.<sup>11</sup> In its classic definition, asymmetry is the strategy of a weaker opponent fighting a stronger adversary. The main idea is, as Clausewitz put it, is that war “...is not merely a political act but a real political instrument, a continuation of political intercourse, a carrying out of the same by other means...The political design is the object, while war is the means, and the means can never be thought of apart from the object”.<sup>12</sup> As a result, since the objective of war is to achieve political gains, the instruments of warfare may be military or non-military. This means a direct attack



followed by territorial occupation and annexation might not be necessary, therefore warfare may be direct or indirect.

In the first case, it means to disarm and destroy the enemy. In the second, it means to wear down the enemy by a process of gradual exhaustion of capabilities, equipment, number of troops, and moral resistance. One of the best example is the Vietnam War. The Vietcong were able to resist American forces long enough, until they retracted and the war was over. Hence, since the Vietcong achieved their political objectives, even without directly defeating American forces they won the war. Although, for Clausewitz, indirect warfare was a matter of resistance, the Russian strategy is based rather on Sun Tzu's idea that "warfare is the art (*tao*) of deceit... Attack where he (the enemy) is not prepared; go by way of places where it would never occur to him you would go".<sup>13</sup>

Another important aspect to understand the Russian view of asymmetric warfare is Mao Zedong's strategy of using regular and irregular forces together. Mao viewed guerrilla and conventional forces as part of the same mechanism for defeating the enemy. Therefore, attacks were both symmetric and asymmetric, dispersing the enemy's strength. However, the most valuable lesson the Russians learned from the Chinese regards the ideological aspect of warfare. This was very well exemplified during the Sino-Japanese War. Since the ideological dimension of war is fundamental for victory, especially during stabilization operations, to win the hearts and minds of the population is decisive. Mao had a clear advantage, since he had a clear ideology to offer, while the Japanese had not.<sup>14</sup>

This is the basis for the Russian strategy of creating an alternative reality as a military strategy. The idea is that support for strategic objectives of war by society in a country at war, in other words, the legitimization of war, is fundamental for achieving victory. In other words, the success of military campaigns in the form of armed conflicts and local wars is very much dependent on the relationship between military and non-military factors — the political, psychological, ideological, and informational elements of the campaign — then on military power as an isolate variable.<sup>15</sup>

Therefore, asymmetric warfare has the objective to avoid direct military operations and interference in internal conflicts in other countries. Therefore, as a result of the specifics of fighting weaker adversaries, the following strategy was predominant: employment of small, specially trained troops; preventive actions against irregular forces; propaganda among local populations the weaker adversary pretended to defend; military and material support given to support groups in the country being attacked; a scaling-back of combat operations and employing non-military methods to pressure the opponent.<sup>16</sup>

The main instruments of asymmetric warfare to be employed by Russia are:

- 1) Measures making the opponent apprehensive of the Russian Federation's intentions and responses;
- 2) Demonstration of the readiness and potentialities of the Russian Federation's groups of troops (forces) in a strategic area to repel an invasion with consequences unacceptable to the aggressor;

- 3) Actions by troops (forces) to deter a potential enemy by guaranteed destruction of his most vulnerable military and other strategically important and potentially dangerous targets in order to persuade him his attack is a hopeless case;
- 4) Impact of state-of-the-art highly effective weapons systems, including those based on new physical principles (remote versus contact);
- 5) Widespread employment of indirect force, non-contact forms of commitment of troops (forces) and methods;
- 6) Seizing and holding enemy territory are not always needed, and are only undertaken if the benefits are greater than “combat costs,” or if the end goals of a war cannot be achieved in any other way;
- 7) Information warfare is an independent form of struggle along with economic, political, ideological, diplomatic, and other forms;
- 8) Information and psychological operations to weaken the enemy’s military potential by means other than armed force, by affecting his information flow processes, and by misleading and demoralizing the population and armed forces personnel;
- 9) Significant damage to the enemy’s economic potential, with its effect showing up at a later time;
- 10) A clear understanding by a potential adversary that military operations may turn into an environmental and sociopolitical catastrophe.<sup>17</sup>

It is interesting to note that much of what has been written by Russian military experts about Russia’s strategic challenges reflects the way it has conducting warfare. Aleksandr Nagornyi and Vladislav Shurygin, when analyzing Russia’s most important strategic challenges, established ways and instruments the West could employ against it.<sup>18</sup> Although their analysis is mostly based on Color Revolutions as the result of strategies of controlled-chaos deliberately being employed by the West, it reveals more about Russian strategy itself. They have formalized nine points that, although allegedly could be used by the West against Russia, in reality strongly reflects the Russian asymmetric strategy operationalized in Ukraine. The nine points are as follows:

- 1) Stimulation and support of armed actions by separatist groups with the objective of promoting chaos and territorial disintegration;
- 2) Polarization between the elite and society, resulting in a crisis of values followed by a process of reality orientation to Western values;
- 3) Demoralization of armed forces and military elite;
- 4) Strategic controlled degradation of the socioeconomic situation;
- 5) Stimulation of a socio-political crisis;
- 6) Intensification of simultaneous forms and models of psychological warfare;
- 7) Incitement of mass panic, with the loss of confidence in key government institutions;
- 8) Defamation of political leaders who are not aligned with Russia’s interests;
- 9) Annihilation of possibilities to form coalitions with foreign allies.<sup>19</sup>



In the field, the discussion above means employing high-precision non-nuclear weapons, together with the support of subversive and reconnaissance groups. The strategic targets are those that, if destroyed, result as unacceptable damage to the country being attacked. They include top government administration and military control systems, major manufacturing plants, fuel and energy facilities, transportation hubs and facilities (railroad hubs, bridges, ports, airports, tunnels, etc), potentially dangerous objects (hydroelectric power dams and hydroelectric power complexes, processing units of chemical plants, nuclear power facilities, storages of strong poisons, etc).<sup>20</sup> Therefore, Russia's objective is to make the enemy understand it may face an environmental and sociopolitical catastrophe, avoiding engaging in combat.

## Conclusion

The nine points above, together with the ten strategic points of asymmetric campaigns and the eight phases discussed before, are the key elements of Russian New Generation Warfare. The strategy is to combine direct/symmetrical actions with asymmetrical instruments, aiming to achieve the tactical objectives established by political leaders. Since Russians understand they are not strong enough to win a war against NATO, their strategy is very much relying on asymmetric methods. The most important issue to be taken into consideration in this case is that this strategy is based on attacking the adversary's weak points. As a result, each campaign is unique.

The biggest challenge for Europe's security and defense is its unpreparedness to deal with this strategy. Many Russian military authors stress that it has a very significant role in disorganizing military control, the state administration, and air defense system. It can also mislead the enemy, sway public opinion the attacker's way, and to incite antigovernment demonstrations and other actions to erode the opponent's will to put up any resistance. In Europe, the Russian strategy has focused on stimulating the lack of convergence towards common security interests by political means. According to Mark Galeotti, this includes single-issue lobbies with divisive messages, well-funded fringe parties, *Russia Today*, think tanks, and business lobbies, just to cite a few. Therefore, the objective is not necessarily to gain direct support for Russia.

Rather, it aims in debasing support for NATO and the European Union. In the first case, to remove Article 5's assurance. In the second, to weaken the geopolitical influence of the West. In other words, Russia uses democratic tools to fight against democracy itself. The only way to deal with this sort of warfare is with more democracy. This means more neutral information, analysis, and education. Politicians need to be more honest, transparent, and connected with common people. Economic policy should also take the interests of the population, and should not be merely designed to support the interests of the banking sector. Unfortunately, even in Europe it seems to be quite a difficult task sometimes.

Russia's strategy is based on exploiting the opponent's own weaknesses (soft points) against him/herself. Some argue the Baltic region is the most important soft spot for European security. It is not. From a defense perspective, mismanagement of the European economy in the name of specific economic ideologies and interests of the financial system is the most serious threat for European security. It jeopardizes the legitimacy of the state, and of the European Union as democratic institution, as a direct result of rising unemployment combined with low social security. A concrete indicator of this trend, for example, is the significant rise of euro-skepticism. Also, the increase in popularity of nationalist and populist political parties with radical platforms. It also undermines the EU's soft-power, reducing its influence in the global arena.

However, the pure military aspect cannot be ignored. European countries have been forced to drastically cut their defense budgets as a result of bailing out the financial system. For example, in Spain the €41.4 billion bailout was equivalent to almost five years of the defense budget. In 2014, it dropped by 3.2 percent, including a reduction of 8.4 percent in new investments. In the United Kingdom, the bailout for the banking sector was equivalent to 21 years of the British defense budget, which is equivalent to the annual cost of servicing the public debt. France is expected to cut their defense budget by 10 percent over a five-year-period, including reducing its personnel by 12 percent by 2019, making nearly 34,000 people unemployed.

The United States defense budget is also being considerably cut because of sequestration. Since the US already pay for 75 percent of NATO's budget, it is clear that Europe is expected to increase responsibility for its own security. At the same time, Russia has been investing hugely in modernizing its Armed Forces and soon might be more militarily powerful than Europe (without the US). Although Eastern neighbors can be considered Europe's most serious security threat, there is still terrorism, instability in Africa, and importantly, the Arctic. It is vital to remember that Russia has not only been modernizing but developing its military capabilities in the Arctic at a very rapid pace. Therefore, the Russian threat for Europe may come also from the North.

Some European officials had the idea of establishing or, rather, increasing the capacity of EU Armed Forces. However, since without money this is not possible, its operational future is obscure as countries are already struggling with their own defense budgets. Moreover, many members of the EU are also members of NATO. A second question, therefore is whether bigger EU Armed Forces would double NATO. The answer is probably yes. Besides pragmatically addressing its problem of legitimacy and other soft points, it would much better if the EU assumed the role of assessing and coordinating a realistic valuation of resources, interoperability, reconciling ambitions and capabilities, while at the same time providing budgetary and procurement guidance. Finally, the EU needs to find a way to address the problem of convergence, trying to establish a common understanding about what the main threats are for European security.

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## BALTIC SECURITY IN THE SHADOW OF UKRAINE'S WAR

*Jānis Kažociņš\**

On 24 February 2015, in his speech on the occasion of the 97<sup>th</sup> anniversary of Estonian Independence, President Toomas Hendrik Ilves said: “Exactly a year ago, events started to unravel about a thousand kilometres south of us. Today the entire post-Cold War security structure of Europe has been destroyed... we can say that the former inner sense of security has been disrupted... Questions are being asked in our newspapers and in our homes that we have not heard since the restoration of our independence... A war is underway in Ukraine. People are being killed there every day. Even now. This is a new type of war, in which one clearly proven combatant is openly using the newest weapons while denying everything.”<sup>1</sup>

### 1. A New Type of War

The “*Gerasimov Doctrine*”<sup>2</sup> of Russian non-linear war first came to Western attention relatively recently. It talks about the blurring of lines between states of war and peace, and how a thriving state can, in a matter of months or even days, be transformed into an arena of fierce armed conflict, become a victim of foreign intervention, and sink into a web of chaos, humanitarian catastrophe, and civil war. If anyone was in any doubt about the feasibility of this kind of hybrid warfare, then the last year’s events in Ukraine have clearly demonstrated the threat which hangs over Russia’s neighbours. Recently senior NATO political and military figures have specifically drawn attention to the Baltic States as a region under particular threat. It is the aim of this essay to examine how serious the threat is to Lithuania, Latvia, and Estonia, and what should be done to guard against it.

In his essay on “*Russia’s New Generation Warfare in Ukraine*”<sup>3</sup> Jānis Bērziņš describes the eight envisioned phases as follows:

- Phase 1: Non-military asymmetric warfare (encompassing information, moral, psychological, ideological, diplomatic, and economic measures as part of a plan to establish a favourable political, economic, and military situation).

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- Phase 2: Special operations to mislead political and military leaders by coordinated measures carried out by diplomatic channels, media, and top government and military agencies by leaking false data, orders, directives, and instructions.
- Phase 3: Intimidation, deceiving, and bribing government and military officers, with the objective of making them abandon their service duties.
- Phase 4: Destabilising propaganda to increase discontent among the population, boosted by the arrival of Russian bands of militants, escalating subversion.
- Phase 5: Establishment of no-fly zones over the country to be attacked, imposition of blockades, and extensive use of private military companies in close cooperation with armed opposition units.
- Phase 6: Commencement of military action, immediately preceded by large-scale reconnaissance and subversive missions.
- Phase 7: Combination of targeted information operations, electronic warfare operations, aerospace operations, continuous air force harassment, combined with the use of high-precision weapons launched from various platforms (long-range artillery, and weapons based on new physical principles, including microwaves, radiation, non-lethal biological weapons).
- Phase 8: Roll over the remaining points of resistance and destroy surviving enemy units.

## 2. Has New Generation Warfare Worked in Ukraine?

In order to identify the degree of threat to the Baltics, it is useful to see how well this hybrid warfare has worked in Ukraine. Fundamental to this is an understanding of the Kremlin's desire to reassume Russia's "proper" place as a superpower. This is based on incremental steps. The Customs Union with Belarus and Kazakhstan has led to a Eurasian Economic Union to rival the EU. Of course, without Ukraine both of these constructions are lame. But as John Lough of Chatham House points out: "...central to Russia's view of the region is that it sees Ukraine's independence [in 1991] as a historic accident. It has never accepted it as permanent. Russian officials talk about it as a state and as a territory but not as a country."<sup>4</sup>

Moreover, a view that Putin has repeatedly expressed is that Russians and Ukrainians are one nation but two states which belong together. If one part of the nation, with the determination of Maidan, can drive out its corrupt autocrat — then this is a clear and present danger to Putin himself. He had to act to prevent Ukraine's orientation towards the West, to show that violent opposition to the ruling elite, even if corrupt, can only lead to chaos and civil war.

In the case of Crimea it is immediately clear that Phases 1–4, with elements of Phase 5 of new generation warfare, were seen. Together with meticulous staff planning and military discipline of the highest order this resulted in a complete Russian success, virtually without a shot being fired. This is in stark contrasts to the ramshackle military execution of the war against Georgia in 2008. There, though

military objectives were more or less achieved, the lack of modern preparedness of Russian armed forces was clearly evident. Military reform has apparently made great progress in the intervening six years.

Spurred on by the Crimean success, the Russian leadership then embarked on the Donbas adventure. However, despite the employment of elements of all the first 7 Phases of non-linear war, a bloody stalemate has now emerged in Eastern Ukraine. This can hardly be viewed as a success. Increasingly Russian military formations have to be brought to bear against Ukrainian forces in order to demonstrate there can be no purely military solution to the crisis, at least not for Ukraine. But the costs for Russia are also rising in terms of sanctions and “Cargo 200” military deaths which are increasingly difficult to explain at home.

More to the point, the main aim of non-linear warfare is the achievement of a desired political solution. Though the political aim in Georgia 2008 may have been just to create two frozen conflict zones, the probable desired political outcome of regime change in Tbilisi was not achieved. This came about later by way of a democratic and non-violent process. Again, the Donbas project has not yet led to the fall of the post-Maidan political system, a likely desired political outcome. Furthermore, securing another frozen conflict in the region does not further the main objective of a pliant Ukraine which prefers membership of the Russian-led Eurasian Economic Union to partnership with the decadent West. This now seems a generation away.

In other words, Russia does not have any good outcomes in Eastern Ukraine. Further military pressure on Ukraine could open a land bridge to Crimea but at the likely cost of more Western sanctions and an undeniable use of Russian troops. On the other hand withdrawal of support for the “separatists” would be seen as treachery by many at home and could lead to a collapse of the separatist puppet states and possibly even regime change in the Kremlin. A frozen conflict tying Ukraine’s hands politically might be the best that can be achieved from a Russian perspective. Of course this can be portrayed as a victory and would continue to undermine the Kyiv authorities, but it is surely not what Putin had in mind as the final outcome.

At the same time, Crimea has proved to be an economic disaster for Russia. Without a land bridge through Ukraine or the proposed \$6 billion bridge planned across the Kerch Strait, keeping Crimea supplied has become a major headache. Western sanctions against Crimea have also played their important part. Yet sanctions against Russia have begun to bite in recent months. Their impact may, in fact, be less than that of the major fluctuation of oil prices or the lack of investment in infrastructure since the last decade of Communist rule and the inability of Putin’s power vertical to modernise and to diversify Russia’s economy. This is likely to lead to increased pressure, real or perceived, on the Kremlin from those close to power who have been directly affected by the economic downturn or the many urban Russians who have got used to a better standard of living since Putin first came to power. As Mark Galeotti has pointed out, contemporary Russians are not the Stalingrad generation.<sup>5</sup>



### **3. Soft, Economic, and Hard Challenges for the Baltic States**

To understand Russia's foreign policy it is necessary to recognise that Russia has continued to see NATO as an enemy, existing only to threaten Russia, since the mid-1990s. More recently, the EU has become an equally important threat because it offers an alternative, more attractive, model to the internal political structure of Russia. The threat posed by the EU was shown in stark detail by the Maidan protests in Ukraine which began as a popular reaction to then-President Yanukovich's rejection of closer ties to the EU.

The Kremlin's intentions in the Baltic States are quite different from those in Ukraine and other former states of the USSR. Russia does not expect the Baltics suddenly to have a change of heart and vote for the Eurasian Union. However, pliant countries which look to Russia as their big brother, inside NATO and the EU, would be very useful. If internal or external pressure on the Kremlin forced it to look for extreme military solutions, then a NATO defeat would be the ultimate success, removing Russia's enemy and the perceived tool of US foreign policy. Such a defeat is conceivable if Article 5 of the Washington Treaty were shown to be ineffective. This is only possible in the Baltics where NATO is reluctant to station troops permanently, and where Russia has at its disposal overwhelming conventional forces.

The Baltic States are well established democracies, were independent before the Second World War and have been members of NATO and the EU since 2004. However, Russia's attitude towards them since their renewed independence has been patronising and occasionally hostile. Russia finds it difficult to accept three small, independent states, which until 1918 were part of the Tsarist Empire, so close to Russia's heartland. Russia does not acknowledge the USSR's occupation of these three states between 1940 and 1991 (though Russian troops only left Estonia and Latvia in mid-1994) and feels acutely the lack of strategic depth which NATO countries on the east coast of the Baltic Sea denies her. Nevertheless, the Kremlin has been prepared to allow the Baltic States to integrate into Western structures largely because there is little risk of contamination for Russia herself: the Balts (less their Russian-speaking minorities) are not brother Slavs but are seen to be quite different.

Even so, Estonia, Latvia and Lithuania have already experienced elements of Phases 1, 3 and 4 of this hybrid warfare for a number of years. Indeed, that is the reason why Baltic politicians, journalists, and commentators had so long been regarded in the West as Russophobes. Russia has systematically used political, economic and military pressure on the Baltic States in an attempt to make their politics more amenable to Russian foreign policy goals. A combination of soft, economic and hard power have been used with varying degrees of success.

While it has become unfashionable to talk about soft power since the start of the Ukrainian crisis, it should be remembered that Professor Joseph Nye's idea of the attraction of culture, political values, and foreign policy were a byword in foreign policy until recently. Though President Putin wrote about it in 2012<sup>6</sup>, Russia



first acknowledged the threat of soft power attraction in its Foreign Policy Concept 2013 which defines soft power as: "...a comprehensive toolkit for achieving foreign policy objectives alternative to traditional diplomacy... an indispensable component of modern international relations. At the same time, it sometimes creates a risk of destructive and unlawful use of "soft power" and human rights concepts to exert political pressure on sovereign states, interfere in their internal affairs, destabilise their political situation, manipulate public opinion, including under the pretext of financing cultural and human rights projects abroad."<sup>7</sup>

In other words, soft power was seen as a threat to Russia and therefore a tool to be used against Russia's real or imagined foes.

Looking at the above components of soft power it must be acknowledged that Russian culture with its unique characteristics and depth of emotion is attractive to all but the least sensitive. On the other hand, the Russian political system and Russian foreign policy, even before 2014, were hardly values that most other countries craved to emulate. While the EU could offer prosperity, democracy and equal opportunities; the US freedom, individualism and opportunity; China an alternative economic model and the chance to work; and even the old USSR the dream of social equality in a worker's paradise, what was Russia offering?

Well, Russia's orientation to past values, such as the victory over Nazism in the Second World War, a messianic appeal to traditional values through orthodox religion and an alternative to US unipolar hegemony does strike a chord with people in the former Soviet Union. There is an undeniable common USSR history (though seen very differently in the Baltics and Moscow). Appeals to the common heritage of Russian compatriots outside Russia, the use of Russian media and language, the popularisation of Russian culture, history, and sport have all played a role. Simultaneously the West is derided as weak, corrupt, degenerate, and post-Christian. Russians highlight Kosovo, Iraq, Afghanistan, Guantanamo, extrajudicial killing by drones and Snowden's revelations, amongst others, to demonstrate this. Yes, Russia may be imperfect, RT points out, but the West is just as bad insisting on double standards, and demanding from Russia standards to which it does not itself comply. One only need add a few foreign policy successes such as dictating US policy over Syria's chemical weapons and clever use of the BRICS grouping (and latent anti-Americanism to be seen in many parts of the world, including Europe) to produce a powerful mixture. We will return to information challenges later.

In terms of economic leverage, Russia has shown over many years its readiness to use its position as a key energy supplier to much of Europe for political purposes. Energy dependency provides a very powerful tool which can be used to divide and rule through pricing policies but always with the unstated threat of energy denial. But economic leverage goes much further than this: corrupt practices are an everyday reality in Russian business. Corruption is encouraged by the use of bribes and inducements as well as threats and intimidation. For foreign businessmen seeking to work in Russia this can mean accepting local methods or even importing them back into their home country. It is made clear that business in

Russia is difficult without the “right”, compromising contacts. Economic pressure is easily applied through disputes about import and other standards or simply by slowing or closing cross-border traffic. It is an axiom that Ukraine’s crisis is as much to do with corruption (before and after Yanukovich) as with Russian “separatists”. The Baltic economies are geographically linked to Russia and are therefore vulnerable. When these corrupt ties migrate to the domestic political arena, real dangers arise.

After Crimea and Donbas, writing about Russian hard power is simpler. But it is worth remembering that it has always played an important role in Soviet and Russian life, in fact it was a natural part of the thought process. In the USSR glorification of militarism, victory and the defence of the state as absolute values reached their annual culmination every year on 9 May, the day of victory in the Great Patriotic War (known in the West as the Second World War), along with St George ribbons, now seen adorning the breasts of Donbas “separatists”.

Then there is the massive Russian rearmament programme to which the West should have paid more attention. It is hugely expensive, plain to see and does not correspond to any obvious threat. Cyber-attacks on Estonia in 2007 sounded a warning. Even more clearly, in the words of Ron Asmus, the war with Georgia in 2008 should have shaken the world.<sup>8</sup> But (as many commentators have pointed out) the West collectively hit the snooze button. Then came the crisis in Ukraine for which the West found itself totally unprepared.

#### **4. Are the Baltics Really Threatened?**

To answer this question, it is useful first to consider geography. The Baltic States are a thin sliver of under-populated land with a combined border with the Russia Federation (including Kaliningrad) and Belarus of more than 1500 km. They are cut off from most of NATO and the EU by the Baltic Sea and share only a 103 km land border with Poland. In military terms they appear to be militarily indefensible, and this was a strong argument used against them becoming members of NATO before 2004. However, it is worth noting that at the end of the Second World War, in May 1945, the Germans still held the Courland Peninsula in Latvia against Soviet forces, even after Berlin had fallen. In other words, military defence is feasible but only with the extensive employment of troops to balance potential Russian massive local superiority. Yet it is difficult to envision the Baltic States becoming a huge armed camp. To make matters worse, Russia’s Kaliningrad enclave is for her militarily of strategic importance and securing a land corridor controlled solely by Russia would be a very high priority. Today land access to Kaliningrad is only possible via Belarus through Lithuanian or Polish territory.

In accordance with the Gerasimov Doctrine, the Baltic States face a number of current threats. We have already looked at the political and economic pressure which has now been supplemented by an intensified level of information warfare.

This is accurately described by Peter Pomerantsev and Michael Weiss as the “weaponisation of information.”<sup>9</sup>

“We in the West consider freedom of speech and freedom of information to be sacred... But what happens when a powerful actor systematically abuses freedom of information to spread disinformation... uses freedom of speech in such a way as to subvert the very possibility of a debate... as a tool to confuse, blackmail, demoralise, subvert and paralyse? Russia combines Soviet-era “whataboutism” and Chekist “active measures” with a wised-up, post-modern smirk that says that everything is a sham... The aim of this new propaganda is not to convince or persuade, but to keep the viewer hooked and distracted, passive and paranoid, rather than agitated to action... The West has no institutional or analytical tools to deal with it.”<sup>10</sup>

The aim of this information warfare in the Baltic States is to create the impression of inevitability: no matter how they might squirm and wriggle, it is only a matter of time before they return to the Russian sphere of influence. The methods used are multiple but the messages are that the Baltics are failed states with incompetent, corrupt governments; that they discriminate against their minorities; and that they are returning to fascism. These messages are used internally and internationally to bring political pressure to bear on them with the constant Russian chorus that the Baltic States fail to live up to international norms and their obligations, therefore they are not worth defending. This is a powerful message and an attractive one for Europeans who do not want to envisage a return to war.

Another important element of hybrid warfare is the use of Russian compatriots as a means to destabilise a target country. This is very fertile ground, especially in Latvia and Estonia, following the deliberate Russification of these countries especially during the 1950s and 1960s. The Russian and Russian-speaking ethnic minorities are indeed a cause of friction. In Latvia the former are 26 percent and the latter 34 percent of the total population, according to the Latvian Migration Service. Among these are 263,000 permanent residents who have no citizenship. They are immigrants or descendants of immigrants from the USSR during the time of occupation, who have not made use of their right to gain citizenship. This is a large number but greatly reduced from the 735,000 in 1995. Nevertheless, Russians regularly return to this apparent injustice and President Putin has himself referred to these people: “We cannot tolerate the shameful status of ‘non-citizen’. How can we accept that, due to their status as non-citizens, one in six Latvian residents and one in thirteen Estonian residents are denied their fundamental political, electoral and socioeconomic rights and the ability to freely use Russian?”<sup>11</sup>

The Russian-speaking minorities are politically useful for Russia which may claim a duty to protect them but they may not be the potent fifth column which some Russians would like to see. Unofficial statistics indicate about a third of marriages are between Latvians and non-Latvians, which shows a high degree of integration. More important, two thirds of non-Latvians consider themselves to be Latvia’s patriots<sup>12</sup> and in 2013 89 percent of babies born in non-citizen families became citizens at first registration.

Military pressure has been evident with the increase in military aircraft, ships and submarines approaching Baltic airspace and maritime zones and the demonstration that Russia is indeed a regional super-power. To make sure the message is getting through, less subtle tactics are also used such as kidnapping an officer of the Estonian Security Police on the Estonian-Russian border and seizure of a Lithuanian trawler in the Barents Sea. But how seriously should we take the possibility of a conventional military attack on the Baltic States?

Well, such an attack was professionally rehearsed during Exercise Zapad 2013. Russia could certainly muster the required military assets and would probably overwhelm Baltic in-place forces fairly quickly. A Russian land corridor to Kaliningrad would have the added advantage of cutting the Baltic States off from land reinforcement from NATO. If, at the same time, modern air defence systems, together with naval and air forces, were able to interdict NATO air or sea reinforcement, that would put NATO in a very difficult position. However, this would be an existential challenge to NATO and US foreign policy credibility, one the US (and indeed Germany) could not leave unanswered after reassurances given to the Baltics at the most senior levels. Therefore it would be a matter of time and logistics before Baltic territorial integrity would be restored. Before the Ukraine crisis a *coup-d'état* operation to seize the Baltics might have been presented as a *fait-accompli* to a stunned and paralysed NATO. But now, forewarned about Russian capabilities and intentions, that option is no longer so straightforward. Of course, NATO will require time to implement decisions taken at the recent Wales Summit but the commitment to Article 5 has once again been reaffirmed.

The next possibility is the deployment of “little green men” in one or more of the Baltic States. They could be used in support of separatists (local or imported) in areas heavily populated by ethnic Russians, such as Narva in Estonia or Daugavpils in Latvia. However, despite the best efforts of many Western journalists, evidence of separatism in these areas is hard to find. While the political views of the Baltic Russian-speaking minorities may be more positively inclined towards Russia's foreign policy, the whole community is united by a desire to avoid the violence and destruction witnessed in Eastern Ukraine. The Russian General Staff are professional and flexible and thus unlikely to repeat in the Baltics an experiment which, in military terms, has not brought about the anticipated success in Donetsk and Luhansk.

A more likely scenario is an insurgency with the aim of splitting the ethnic communities, pitting them in opposition to each other, and undermining the state. This is potentially a serious challenge because it requires only limited personnel and logistics yet, through terrorist tactics, can inflict great damage on the state. For example, the UK counts 1441 armed forces deaths during the Northern Ireland troubles, while the campaigns in Afghanistan, the Balkans, and Iraq together accounted for 694 — significantly fewer.<sup>13</sup> Moreover, the UK is a well-established, mature democracy which does not have a powerful neighbour able, and perhaps willing, to provide support for such an insurgency.

In this context, it is disturbing to note the spate of bombings which have occurred across Ukraine in recent months. By February they were already killing people in addition to damaging infrastructure and property. The Ukrainian government blames Russia for sponsoring the attacks, apparently with the intention of destabilising Ukraine. This may signal a new direction in hybrid warfare.

Despite Chancellor Merkel's famous remarks about President Putin's state of mind, there is no convincing evidence that Putin is likely to act irrationally. His overall aim is to retain power at home and increase it abroad. He may certainly be playing poker while the West plays chess but even he is unlikely to let the stakes get out of hand. Nevertheless, he may feel he has only a two year window of opportunity to take on the West and restore Russia to her rightful great power status. He may well think the US (and the West in general) is weak and indecisive, but this may change after the next Presidential elections. The trans-Atlantic consensus may then become more difficult to achieve but could make the US a dangerous opponent. At the same time, apparently bereft of ideas on how to cope with Russia's emerging economic collapse, he may believe he can hold out using financial reserves for up to two years, by which time oil prices or other factors will have magically solved Russia's problems. If so, then the next two years are ones fraught with danger and possible miscalculation.

## 5. The Baltic Response

There are four elements in the Baltic response to their security challenges: collective defence, self defence, social cohesion, and perceptions.

Firstly, the security of the Baltic States is primarily based on their membership of NATO and the EU. No matter how far defence spending is increased, the Balts alone are unlikely to be able to defend themselves for long against a determined attack by the regional super-power: Russia. This is clear from historical evidence. In 1938 defence spending as a proportion of the absolute state budget was: Estonia 20.4 percent; Latvia 27.5 percent; Lithuania 23.2 percent.<sup>14</sup> Yet even with this massive investment in defence, all three decided against war with the Soviet Union. They accepted USSR military bases on their territory in 1939 and subsequently were occupied and annexed in the same week Paris fell to the Germans.

For this reason decisions made at the NATO Wales Summit are of great importance. Implementation of these decisions, in particular creating the very high readiness joint task force, its command structure and enablers, within the Baltic States is crucial. At the same time, the Baltic States must be seen to be pulling their weight if they are to justify their pleas for US and NATO military support. Before the Ukrainian crisis only Estonia was fulfilling her commitment to 2 percent GDP defence spending, with Latvia and Lithuania lagging far behind. During 2014 both countries demonstrated their determination to achieve the 2 percent goal within a reasonable period. This is most important otherwise the Balts' apparent concerns

about Russia's potential military aggression would sound hollow. (It should be noted that in 2014 while Russia's defence spending stood at 4.1 percent and the US at 3.8 percent of the GDP, Latvia and Lithuania were spending less than 1 percent on defence.<sup>15</sup>)

But there is another aspect of collective defence which has not been exploited to the full: Baltic military cooperation. This began well with BALTBAT, the Baltic Peacekeeping Battalion, made up of soldiers from all three states and supported by a number of Western countries, led by Denmark. Launched in 1995, the project was an excellent vehicle for developing common military doctrine, procedures and equipment policy. It led to a number of other projects such as the Baltic Defence College (BALTDEFCOL) and the Baltic Airspace Surveillance Network (BALTNET), both of which are still active. However, in place of developing a Baltic Brigade from the BALTBAT, the project was shelved in 2000 and the three countries went their separate ways. The current Russian threat should work as a driving force to ensure that the small Baltic military forces are able to coordinate their planning, command, and control in order to make the most of such assets as they have while NATO reinforcements are on their way.

The second element consists of a robust initial self defence capability. The potential costs of a Russian military adventure in the Baltics must be increased to the point where it becomes both politically and militarily unattractive. This means low level self defence must be capable of inflicting substantial casualties on an aggressor and preventing a quick and painless occupation. Of course the Baltic armed forces are unable to secure the whole of their territory against a regional super-power alone. However, appropriate doctrine and smart use of small units in an asymmetric way can raise costs for an aggressor substantially and buy time for allied reinforcement.

Thirdly, more attention should be paid to social stability and cohesion. We have already seen that Russian speaking minorities in Estonia and Latvia are unlikely to be the mass fifth column which some Russian nationalists would like to see. Nevertheless, favourable circumstances for integration must be developed. This can be based on shared interests between various communities. While attitudes to, for instance, Russia's annexation of Crimea may vary, the overriding common interest is to maintain stable and secure states and avoid the horrors witnessed in Eastern Ukraine.

Fourthly, perceptions matter every bit as much as military hardware or boots on the ground. Therefore, more attention should be focused on the information war in which the Balts have become reluctant participants. It is not enough to maintain a reactive attitude to information manipulation. Proactive measures are necessary. Counter-propaganda or censorship would do more harm than good. But the Balts must find convincing ways of putting their own case across and exposing Russian lies and information distortion. This means identifying the aims of information operations and taking steps to neutralise future attacks. Suggestions proposed by Peter Pomerantsev and Michael White include a Transparency International



for disinformation; a “Disinformation Charter” for media and bloggers; counter-disinformation editors; the disclosure of Kremlin affiliations in public statements; and public information campaigns on how disinformation works.<sup>16</sup>

In particular, attention needs to be paid to attempts to split the ethnic communities in order to make use of Russian speakers to further Russia’s foreign policy goals. This means, among other things, finding the right balance between government spending on security/defence and on social programmes, especially health and education.

Most of all, perceptions concerning Western intentions are of overriding importance. Russia must be certain that, in the case of an attack on the Baltic States, this will lead to implementation of Article 5 of the Washington Treaty and the Allies will come to the aid of the Baltic States. It has been suggested the Baltic States should be viewed in the same way as Berlin during the Cold War. The three, small Allied brigades in Berlin would have been overrun very quickly by the Group of Soviet Forces in Germany. But the order to occupy West Berlin was never given because it was well understood this would lead to a full war.

In the same way, it should be made clear that Northeastern Europe is not part of a contested zone. Being part of the EU and NATO must be seen to matter, otherwise security guarantees would be worthless and the future of both organisations questionable. In a sense, this is also a litmus test for Washington. The President of the United States personally and senior members of his administration and the Republican opposition, have delivered resounding security guarantees to the Balts.<sup>17</sup> The US is well aware that other allies, especially in the Pacific region, who also rely on US guarantees, are watching the situation in the Baltics very carefully. Of course, they too want to be certain the US will fulfil her commitments.

## 6. The Ethical Dimension

If we declare the borders of NATO and the EU really are the West’s red line, then we are faced with an ethical issue. Between this red line and the Russian Federation live some 75 million people. If they are to be in some sort of geopolitical grey zone that means the West is not prepared to stand up for their rights to choose their own system of governance and economic partners. Is our commitment to the values and principles on which we have built our Western democratic ethos over centuries so feeble that we are prepared to accept a return to the politics of the strong dictating to the weak?

As Jan Techau has pointed out:<sup>18</sup> “The old order was established after the Eastern enlargements of NATO and the EU had come to an end, and when Russia made clear that it was unwilling to accept countries in its immediate neighbourhood slipping too far toward the West... Moscow created frozen conflicts on its neighbours’ territory to grant it a maximum of political influence with a minimum of power projection... The West did not do much about it because it couldn’t. The same is



now happening in Ukraine, only more so, because more is at stake. The West could not possibly have gone to war over Ukraine, but nor could it morally accept the reshuffling of European territory by force. In the end, Russian hard power prevailed over Western principle. In other words, the West hates and rejects the language about Russian spheres of influence but silently accepts it.”

But for the EU there is another dilemma. The bloodbath in Syria, the rise of the Islamic State, Boko Haram and anarchy in Libya, as well as climate change making North Africa ever more arid, all point to increasing insecurity for Europe in coming years. For some countries illegal immigration has already overtaken their ability to cope and is likely to become an ever greater problem. This is a massive security, social, and defence challenge for the EU and the West. It raises ethical questions about the right to life and the duty of civilised states to save, accept and care for refugees.

There will be no easy solution to this question. However, if anyone in Tallinn, Riga or Vilnius thinks this will not affect them, then they are as mistaken as anyone in Lisbon, Rome, Athens or Ankara thinking that Russian resurgence will not affect them. As Damon Wilson of the Atlantic Council has pointed out, we are not weathering passing storms; this is climate change.

The West must show it is able to stand together as a united community which takes its values, responsibilities and commitments seriously and that NATO and the EU can translate them into policy. Only then we will resist current Russian pressure and lay the foundations for a healthier relationship with our Eastern neighbour when Russia's foreign policy changes and equally find solutions to the challenges to Europe's South.

Having begun with a quotation from President Ilves' speech on 24 February 2015, I will conclude with another extract: "...we know that Estonia and the other Baltic states are not the next "Ukraine", although some people think it trendy to say so. Luckily, they are wrong, just as they were wrong only a few years ago, when we were admonished for our supposedly baseless phobias... Europe and the NATO allies have a greater consensus regarding security questions than ever before in the last quarter century. The deployment of allied forces to the border countries of the alliance is an answer to the new reality.”<sup>19</sup>

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## **Part II**

# **Lessons Learned: Economics**



# SANCTIONS AGAINST RUSSIA: ECONOMIC AND POLITICAL CONSEQUENCES

*Roman Dobrokhoto*

Sanctions against a particular country in general, and its citizens separately, is one foreign policy instrument whose effectiveness cannot be unequivocally assessed. When a necessary result is not achieved by diplomatic means, sanctions can be an instrument of compulsion and/or administration of punishment, which nowadays is still relatively widely used. Russia's aggression against Ukraine, their annexation of Crimea, and supporting separatism in Eastern Ukraine, have served as a basis for the free world representatives' decision to implement sanctions against the new officials of Crimea, and against Russia. In this article, the economic and political consequences in Russia of the aforementioned step are analyzed.

Sanctions against Russia have had an enormous impact on Russia's economic and political system, although officially it is usually not admitted in this country. The introduced sanctions consisted of two parts — political sanctions against officials (freezing their bank accounts, arresting their property, and denying them entrance visas) and economic authorisations.

A key blow was against Russian President Vladimir Putin's entourage — the main result of political sanctions. Visa and property limitations imposed on Gennady Tymchenko, the brothers Arkady and Boris Rotenbergs, Yuri Kovalchuk, Igor Sechin, Vladimir Yakunin, Sergey Ivanov, and a number of other high-ranking officials, denied their access to recreational activities in Western countries where most of them own property, have children who are studying, and relatives residing. Sanctions tension within the political elite is contained by the presumption these sanctions are temporary, and would be lifted after the "hot stage" of the war in Ukraine. Meanwhile, they have expanded. Economic sanctions have had an even more fundamental impact. We will now look at which sanctions are having the greatest impact.

## **1. Examples of the Most Significant Sanctions**

### *The European Union (EU)*

*March 17*

The European Parliament (EP) adopted a permissive resolution calling on the refusal of the planned natural gas pipeline construction "South Stream".<sup>1</sup>

*July 31*

Sanctions were introduced against “Sberbank” (“Savings Bank of Russia”), “VTB” bank, “Gazprombank”, “Vneshekonombank”, and “Rosselkhozbank”. An embargo was also put on the imports and exports to Russia of arms and such like materials; a ban was put on the exporting of dual-purpose goods and technologies for military use to Russia or Russian military end users. The EP obliged exporters to obtain preliminary permission from competent institutions of Member States for the export of separate kinds of energy equipment and technologies to Russia, as well as introducing a ban on supplies to Russia of high-tech equipment for the production of oil in Arctic regions from deep water shelf and shale oils.<sup>2</sup>

*September 12*

- A ban was put on financing debts from three Russian fuel-energy companies: “Rosneft”, “Transneft”, and “Gazprom Neft”. The EU banned trading in bonds with a maturity exceeding 30 days, and organizing such bonds issues.
- Limitations were tightened in regards to providing loans and investment services to five Russian banks: “Sberbank”, “VTB” bank, “Gazprombank”, “Vneshekonombank”, and “Rosselkhozbank”. A ban was introduced on granting credits for a term exceeding 30 days, as well as purchasing and trading in newly issued bonds, shares, and financial instruments with a maturity exceeding 30 days.
- A ban was introduced for organization the financing of debts of three major Russian defense concerns: “Uralvagonzavod”, “Oboronprom”, and “Obyedinyonnaya Aviastroitelnaya Korporatsiya” (“United Aircraft Corporation”).
- The sanction list added nine Russian defense concerns: “Sirius”, “Stankoinstrument”, “Khimkompozit”, “Kalashnikov”, Tula arms plant, “Tekhnologii Mashinostroyeniya” (“Engineering Technologies”), NPO “Visokotochniye Kompleksi” (Scientific-Production Association “High-Precision Complexes”), anti-aircraft concern “Almaz-Antei”, and Scientific-Production Association “Bazalt”.<sup>3</sup>

### *The United States (US)*

*March 4*

In 2014, the US froze its cooperation with Russia in investment and military spheres, along with bilateral talks and withdrawn conference planning.<sup>4</sup>

*March 28*

Licensing exports to Russia of military goods and services was interrupted.<sup>5</sup>

*April 3*

Consultations with Russia on anti-missile defense issues were suspended, and cooperation in the space sphere was stopped, with the exception of the International Space Station project and a number of peaceful nuclear energy projects.<sup>6</sup>

*April 28*

Selling Russia high-tech goods capable of strengthening Russian army's fighting capacity was banned, and previously issued licenses for their supplies were annulled.<sup>7</sup>

*May 7*

Russia was excluded from the trade program allowing countries with a transition economy who were importing separate types of goods to the US to not pay customs duties.

*July 16*

The first sanctions against key sectors of the Russian economy were imposed. Sanctions were applied to "Rosneft", the natural gas company "Novatek", and state-owned "Vneshekonombank" and "Gazprombank". The list comprised of the following Russian military-industrial complex companies: "Almaz-Antei", "Izhmash", "Kalashnikov", Scientific-Production Association "Bazalt", "Uralvagonzavod" and the Instrument Design Bureau, Scientific-Production Associations "Mashinostroyeniye", "KRET" ("Concern of Radio-Electronic Technologies"), and "Sozvezdiye".<sup>9</sup>

*July 25*

Support for the World Bank's projects in Russia was denied.<sup>10</sup>

*July 29*

Sanctions against "Bank Moskvi" ("Bank of Moscow"), the "VTB" bank, and "Rosselkhozbank" were introduced. Citizens and companies of the US were prohibited from purchasing these banks or connecting them with juridical persons, as well as property debt obligations with a term exceeding 90 days. Sanctions against "Obyedinennaya Sudostroitel'naya Korporatsiya Rossiyskoi Federatsii" (the "United Ship-Building Corporation of Russian Federation") were also introduced.<sup>11</sup>

*August 6*

Supplies to Russia of equipment for deep water (above 152 meters) extraction, development of the Arctic shelf, deposits of shale oil and gas, and supplies of technologies for non-traditional extraction of energy were banned.<sup>12</sup>

*September 12*

Sanctions were introduced against:

- Corporations "Gazprom", "Lukoil", "Transneft", "Gazprom Neft", "Surgutneftegaz", "Novatek", and "Rosneft". American companies were banned from supplying them with the goods and technology necessary for developing oilfields in deepwater areas including the Arctic shelf, as well as shale layers. The corporations "Gazprom Neft" and "Transneft" were prohibited from taking credits and placing securities in the American market for a term exceeding 90 days. Measures taken were aimed at preventing supplies of such technologies and equipment to Russian companies even through mediators.



- “Sberbank”, “Bank Moskvi”, “Gazprombank”, “Rosselkhozbank”, “Vnesh-ekonombank”, the “VTB” bank and corporations “Novatek” and “Rosneft” — American citizens and companies were prohibited from purchasing bonds with a maturity exceeding 30 days from these banks and corporations, or providing credit to them.
- Companies of military-industrial complexes: corporaton “Rostekh”, anti-aircraft concern “Almaz-Antei”, OAO “Dolgoprudenskoye Nauchno-Proizvodstvennoye Predpriyatiye” (OJSC “Dolgoprudensk Scientific-Production Enterprise”, OAO “Mashinostroitelny Zavod Imeni M.I.Kalinina” (OJSC “M.I.Kalinin Engineering Plant”), OAO “Mitischinskiy Mashinostroitelny Zavod” (OJSC “Mitischinsk Engineering Plant”, and OAO “Nauchno-Issledovatel'skiy Institut Priborostroyeniya Imeni V.V.Tikhomirova” (OJSC “V.V.Tikhomirov Engineering Scientific-Research Institute”).<sup>13</sup>

Besides this, a number of economic sanctions were introduced by countries such as Japan, Australia, and Canada.

## 2. Consequences of the Economic Sanctions

Closing of the Western financial markets was the most powerful blow for Russian banks and corporations. In a normal situation that would not have been too serious a problem, but the sanctions coincided with the drop of oil prices which alone hit Russia's economy harshly and lead to an outflow of capital. The cessation in the growth of oil prices had caused some economic problems (towards the end of 2013 a number of economic analysts were forecasting a recession of 1–1.5 percent even before any sanctions were declared and a fall in oil prices), so when oil began to rapidly cheapen, it became clear all Russian economy sectors would suffer considerable losses. Oil and natural gas are the main items in Russian export, and more than 50 percent of the budget depends on oil-gas revenues<sup>14</sup> (and if the spill-over effect is considered, the share is much larger than 50 percent). Beginning in July, Brent oil was gradually cheapening, falling from \$115 to \$55 through January, then bouncing to \$60 in February (although in March the price of Brent fluctuated to around \$55 per barrel, and the price of Russian oil brand *Urals* — around the \$50 mark).

During 2008 — 2009, the drop in oil prices was analogous; the only access to foreign capital was for Russia. Because of this Russia was capable to overcome the crisis without serious problems. The Reserve Fund reduced by \$200 billion (mainly due to foreign currency selling by TsentrObank (Central Bank) to maintain the exchange rate of the ruble), but citizens were unaware of this as companies and banks had successfully refinanced themselves, and the government increased social expenditures.

This time, Russian companies and banks cannot refinance themselves because of the sanctions, therefore they are forced to turn to the government and its

currency reserve. The reserve has to be sold in order to pay the debts, which leads to a record outflow of capital and pressure on the exchange rate of the ruble. In 2014, the net outflow of capital from Russia amounted to \$151 billion — 2.5 times more than in 2013. The exchange rate of ruble crashed by 50 percent, which resulted in an outburst of inflation (because of Russia's huge dependence on imports). The planned rate of inflation for 2014 was around 7 percent, but in reality, in January 2015 actual food inflation soared to 30 percent in annual terms, hence the price of a number of goods doubled.

A recession will inevitably lead to retrenchment. The Ministry of Finance has already designed a draft law for the dismissal of 10 percent of civil servants (tens of thousands of people may be involved). Similar cuts have already been carried out by state corporations, and also in the private sector. This fact is significant: cuts on a mass scale had been initiated in the health care sphere long before the introduction of sanctions and fall in oil prices: even then the Russian economy was facing structural problems and governmental demands to raise salaries of medical personnel and school teachers had to be met by taking strict administrative measures (in health care — by reducing the number of personnel and closing hospitals, in education — by increasing the amount of work for teachers and pedagogues). Now, with the economic crisis, the situation in the health care and education spheres will continue to be aggravated because staff reductions have already occurred wherever possible.

An increase in unemployment rates is partly held in by migrants who have left their jobs (their wages in rubles lost some of their value because of devaluation). Thereby, the overall unemployment rate is unlikely to exceed 10 percent but the real level of salaries will drop significantly.

A decrease in income levels is taking place simultaneously because of the growth of prices and a fall in the level of the average salary. Inflation will lead to the impoverishment of Russian citizens by approximately one third, and salary cuts caused by restructuring the economy and the recession will add to this effect. In general, it can be expected that if oil prices return to 2004 levels, Russia may also step back to the level of income during that time, which would mean a double decrease, measured in foreign currency (to nearly \$500). However, this effect will be extended for a time because the government is temporarily softening the consequences by using currency reserves.

The same is also true regarding the recession — it will be late because of governmental activities related currency reserve use aiming to compensate budget deficits and stimulate investments. Furthermore, the government can at any moment switch on their printing machine, which would also delay the drop in production levels for some time. In 2015, the recession may amount to approximately 7 percent, but if oil prices do not significantly increase, 2016 will not become a period of recovery, disregarding due positive effects on production by devaluation.

Under normal conditions, devaluation is followed with gaining privileges from national producers. Since their expenditures are measured in national currency, they

have therefore been relatively reduced (such an effect, for example, was observed in Russia after the 1998 devaluation). But today in Russia, national producers are either incapable of taking the vacated niche in most sectors of economy (for example in the fields of electronics and pharmaceuticals), or individually they are to some degree dependent on import supplies (which is relevant to nearly all branches). Where replacement of imports is possible, that will be followed (and it is already) by a growth in prices, but the purchasing capacity of Russian citizens is decreasing, and not all Russian people will have the possibility to increase their expenditures — thereby, the effect of replacing imports will be quite inconsiderable. Here, sanctions are also of great importance: Russian producers need to raise the volume of production in order to have a chance to take the vacated niche, and investments are necessary to this end. Loans inside Russia are expensive, interest rates by the Central Bank are too high, and obtaining credit abroad has become difficult because of the sanctions.

It is also worth mentioning that sectors such as tourism and air transport suffer direct losses from devaluation, because travelling has become too expensive for Russians (a number of tourism and air companies have already gone bankrupt).

Implementation of the voluminous program in the defense complex sphere will also become doubtful — it will turn out too expensive. The government will probably be forced to concentrate on the social part of defense expenditures and on those defense complex areas which are orientated towards export.

It is of great importance too, that along with energy prices, the volume of extraction of oil and natural gas is also decreasing considerably, and even in the event of prices growing their rapid recovery will be impossible. The sanctions will make modernizing oil refineries impossible, and this will also have long-term consequences.

The rapid collapse of the ruble and growth in prices have caused an increase in the number of failed credit repayments (by March 2015 the share of overdue credit payments had reached 17 percent).<sup>17</sup> That in turn, has had its impact on the banks involved in crediting the population.

The banking sector suffered an even harder blow caused by the Central Bank raising its key interest rate to 17 percent (although later on this was lowered to 15 percent and then 14 percent). That resulted in closing one bank after another. As such, it is not a serious problem for Russia as many small banks are actually not real banks, only being involved in the operations of providing cash, and other semi-criminal activities. Today, approximately 790 commercial banks operate in Russia (in 2009 there were more than 1000), meanwhile, their number in Germany is less than 350, and in the United Kingdom just above 200. The year 2014 was a record one regarding the number of banks that closed (89), but in 2015 this record may be beaten (according to assessments from the Center for Macroeconomic Analysis and Short-Term Forecasting the number of bankrupt banks may reach 200). Key problems lie not only in the aforementioned, but in the fact that large, serious banks are already under pressure too. If the government denies support to just one major

banks, that may cause general panic, and an “invasion” of depositors may bury the overall banking system, therefore the Russian government will support everyone, however, whether the government has sufficient resources is the controversial question. In case sanction continue for another year, and the Western capital market remains closed for Russia, in 2015 the Federation may approach a state of default.

The Ministry of Finance is trying to prevent a state of default by reducing state expenditures — according to the Ministry’s plan they have to be cut by 10 percent in 2015.<sup>18</sup> The Ministry also insists on suspending (in 2015) all new construction projects and optimize expenditures related to implementing previously initiated investment projects. However, these measures, if they are adopted at all, cannot resolve the economic problems — they can just smooth effects of the crisis a little and allow a slowing down in the use of the Reserve Fund. Without lifting sanctions or increasing oil prices, these kind of measures can only postpone the looming default, but not completely eliminate it.

Lowering Russia’s rating to “trash” level by Standard & Poor’s in late January (a month later followed by Moody’s) became the significant signal to indicate sanctions had been effective. In the course of the 2008 — 2009 crisis when there existed an analogous fall in oil prices and comparable gold-currency reserve, such a drop in ratings did not occur because the market was aware Russia could refinance its external obligations and survive the temporary shock. Now the situation is different. During the next year and a half Russia may exhaust its reserves and go bankrupt.

According to data from 6 March 2015, Russia’s gold-currency reserve amounted to \$356 billion.<sup>19</sup> Central Bank reserves made up its main part, and governmental funds the minor part of \$151 billion (Reserve Fund — \$77 billion, National Welfare Fund — \$74 billion). These are the governmental funds that will be used to compensate the budget deficit (the expected amount is approximately \$45 billion), save the banks, investment projects, and the main thing — support corporations and banks in their repayment of external debt. In 2015, corporate borrowers of the Russian Federation have to spend approximately \$120 billion US to repay their external debt (at 1 January 2015, Russia’s overall external debt was about \$600 billion). It would be possible to refinance part of it — approximately 20 billion. The approximately remaining \$100 billion will be partly covered by banks’ and corporations’ own reserve, partly by the Reserve Fund and National Welfare Fund. Both funds will probably be exhausted in 2015 (in the event oil prices do not soar to pre-crisis level, thereby providing exporters with currency revenues).

The Central Bank reserve will also become exhausted soon. Taking into account about \$45 billion US of the reserve is monetary gold which cannot be sold in a short period of time and \$3 billion is currency in IMF, the Bank of Russia is left with approximately \$157 billion — the “cushion” necessary for maintaining the monetary exchange rate. This is not too much, bearing in mind that in 2014 the Central Bank already spent \$76 billion US and €5 billion on interventions.<sup>20</sup> However, the lower the level of reserve, the stronger the pressure on the ruble. In case the reserve drops to a level lower than quarterly imports (in the fourth quarter

of 2014, it was \$68 billion, but may decrease two times during one year), it will automatically lead to a speculative attack on the ruble and guaranteed default.

These assessments do not take into account two other important figures of expenditures: the \$50 billion strong fine in the case of YUKOS shareholders (Russia may refuse to pay it, but that would be followed by an arrest on its foreign assets) and expenditures related to the war in Ukraine — statistics of which, of course, are not publicized.

Thereby, because of the fall in oil prices under sanctions conditions, in a period of just one year Russia may exhaust government funds and most of the Central Bank's reserve. That is a significant stimulus for Russia to interrupt its aggression in Ukraine.

### 3. The Impact of Sanctions on Russia's Political Processes

The threat of defaulting and the ongoing rapid fall in living standards (official annual inflation remains at a level of 17 percent)<sup>21</sup> impact the moods of the political elite and average electors. The government is trying to soften social effects by taking such measures as freezing prices on a number of "socially significant" goods, but these measures have more of an information effect, rather than an economic one.

At the moment the government is placing political priorities above economic ones, which is obvious, for example, in the Kremlin's lack of desire to lift Russia's economic sanctions on Western products, which aggravates the problem of inflation, and employees suffer an additional blow in retail spheres.

In this background, the reformer wing of political elite is becoming increasingly active. For instance, the ex-Minister and present Head of "Sberbank" German Gref proposed in February to set up a "Center for Reform Management", which according to the plan would be a permanently operating institution excluded from the sphere of Ministerial control and exclusively supervised by the Prime Minister. In the beginning 2000 decade, Mr Gref was supervising a program of liberal reforms, but with oil price increases they gradually began to slip, and by the end of Vladimir Putin's second presidency they had reduced to nil. Now it looks as if they are once again in demand. One more liberal ex-Minister, Alexei Kudrin, who began opposing the existing economic policy in 2011 (and was dismissed for it) has also intensified his activities.

The reform program first of all envisages a decreasing of state influence on economy, and a number of measures aimed at raising transparency and improving the business climate.

However, Vladimir Putin has so far not made one signal regarding his readiness to accept such reforms. The only reform which is seriously discussed is increasing of the age of people having the right to a pension. According to Kudrin, in the course of meeting with experts, Putin proposed to develop that issue. (Other reforms were discussed at the meeting, including reforms for small business, but no decisions

were made in that regard). Here, the very fact of meeting experts to discuss ways out of the crisis is of greater importance — previously Putin had ignored such consultations.

Simultaneously, Putin is making moves backward — for example, at present in March 2015 the Administration of the President is working on returning government members to the councils of directors in state corporations. If this plan is implemented it would become the regular wonderful liberal reform of Medvedev, as well as the regular negative signal about strengthening the regime of “hand control”.

The same contradictory tendencies can also be observed in the sphere of public opinion. On the one hand, sanctions and an overall aggressive foreign policy give state authorities a pretext for inciting anti-Western moods. On the other hand, economic problems lead to diverting the stress on internal problems and increase discontent with the social-economic conditions. For example, “Sberbank’s” Financial Sentiment Index has fallen to the minimum since beginning records in May 2009. “Rosstat’s” Consumer Confidence Index dropped by 1 percent in the third quarter, and in the fourth quarter by 11 percent. Authoritative social scientists who carry out research activities in target groups, like Mikhail Dmitriyev, forecast the growth of protest moods on the basis of economic problems. Furthermore, under the conditions of increasing pressure to legal opposition (a number of criminal cases, as well the assassination of Boris Nemtsov can be mentioned), the deepening economic crisis still has many more chances to go beyond the limits of non-violent protest.

It should be noted that Russia’s regions have different levels of development, and many federation members are already on the verge of bankruptcy. Donations from the center will allow avoiding regional defaults in the near future, but growing unemployment in a number of regions will inevitably cause considerable tension. The problem of mono-cities will especially be serious, as the recession has already led to the closing of enterprises and job cuts on a mass scale. Disregarding devaluation which under the conditions of market economy has to create privileges for domestic producers, the effect of replacing imports cannot be observed in most branches, first of all because of the high-level interest rate with doesn’t allow Russian business to take the niches vacated by importers.

Thereby, growth of discontent on the part of political elite and the population, will pose increasing threats to the existing political system.

#### **4. Eventual Consequences of the Sanctions from a Short- and Long-Term Perspective**

Under the conditions of restricted access to the global market of capital, Russia’s freedom to rapidly maneuver becomes limited — and the reserve may become completely exhausted. That would lead to a situation where Vladimir Putin faces a choice between two main scenarios — either to resolve the economic problems by money issuing, or by changing relations with the West and increasing the external



debt. The first scenario will close the country from the outer world, but would inevitably lead to serious economic problems in the form of high inflation rates, or deficits. Let us conditionally call it the “Soviet” scenario. The second scenario would mean a drastic change in political discourse which would imply reconciliation with Ukraine, a change in foreign policy rhetoric, and expressing a readiness for domestic systemic reforms, which would lead to the lifting the sanctions and opening access to Western capital. Let us conditionally call this the “Perestroika” scenario.

The “Soviet” scenario seems preferable for the conservative political elite and part of society, but comprises of serious risks. One of the risks is a split in the elite, which is not taking place yet, but may occur in the case of such a scenario, because the whole economic block in the government think within the market paradigm and will unlikely be ready to accept a full nationalization of economy. It would also be opposed by Russian oligarchs who have close ties with world markets.

The “Perestroika” scenario, in its turn, implies serious risks for Putin and his entourage. Vladimir Putin associates Gorbachov’s “Perestroika” with the loss of sovereignty and lessening of political control. Unlike Gorbachov, he seems to be unwilling to risk the stability of his “vertical line of power” in order to save the economy. Putin’s entourage (including Igor Sechin, Vladimir Yakunin, the Rotenbergs brothers, Gennadi Tymchenko, and Yuri Kovalchuk) will struggle to maintain their monopoly on managing political and economic processes inside the country.

It can be assumed that, in the event economic conjuncture allows the existing political elite to maintain its stability, it will stick with the “Soviet” scenario. But, if the impact of economic sanctions and low oil prices leads to a deep economic crisis posing a threat to the survival of Putin’s team, the probability of their readiness for dialogue with the West would grow.

At the present time, Vladimir Putin is trying to find a compromise which would simultaneously allow maintaining the existing political system and smoothing out the economic consequences, which means uninterrupted bargaining with the West (leaving space for an eventual “discharge”), and combining the market and “command” instruments that manage the national economy for combating the crisis (a gradual slackening in the rate of the ruble, moderate money issues, freezing prices on “socially significant” goods, using the gold-currency reserve for the compensation of the deficit and investments).

If sanctions are lifted Russia’s situation would change drastically. No significant influx of capital can be expected in any event, however, major corporations would have the possibility to refinance, and the risk of default would turn out to be minimal. Living standards will drop, but the government will have sufficient reserve to maximize neutralizing the social consequences and allowing itself to invest in modernization the energy sector and maintaining the current rate of extraction. That would permit investing in the captured regions of Ukraine which would then become an additional stimulus for Moscow to insist on maintaining control of the occupied areas of the Donetsk and Lugansk Regions — but keeping Crimea will be demanded by Moscow irrespective of economic conditions.



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## THE ECONOMIC DEPENDENCE OF EU MEMBER STATES ON RUSSIA

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The malfunction of the centrally planned economy accelerated the collapse of the Soviet Empire, i.e. the disintegration of the Council for Mutual Economic Assistance (CMEA), the Warsaw Pact, and the USSR. After the breakdown of the socialist system, former East European satellites of the Soviet Union have systematically integrated towards Western institutions, such as the EU and NATO. Ex-Soviet republics have remained in the grey zone, excluding the Baltic States which joined the EU and NATO in 2004.

Russia aims to merge this grey zone to itself via the Eurasian Economic Union, founded at the beginning of 2015. Even though Armenia, Belarus, and Kazakhstan have already joined this Russia-dominated union and Kyrgyzstan may become a member during the course of 2015, some ex-Soviet republics, such as Ukraine, have shown their willingness to integrate towards the West instead. Russia, however, did not accept the revolutionary remove of the democratically-elected Yanukovich regime and the intensification of Western orientation in Ukraine, and as a consequence violence broke out in Crimea, eastern Ukraine, and Odessa. When analysing the foundation of the contemporary crisis, one should keep in mind that turmoil in Ukraine has been evolving since the Orange Revolution in 2004.

NATO sources indicate Russia has not only supported separatists in Ukraine, but Russian Special Forces and troops have participated in the annexation of Crimea for the Russian Federation, and fights in eastern Ukraine. The obvious involvement of Russia in the Ukrainian conflict has rapidly eroded the EU's trust in Russia and raised questions as to whether Russia can still be regarded as a reliable partner for the EU and if the EU should decrease its economic dependence on the Russian Federation. In order to aid answering the latter question, this article analyses the current state of economic dependence for the EU and its member states on Russia.

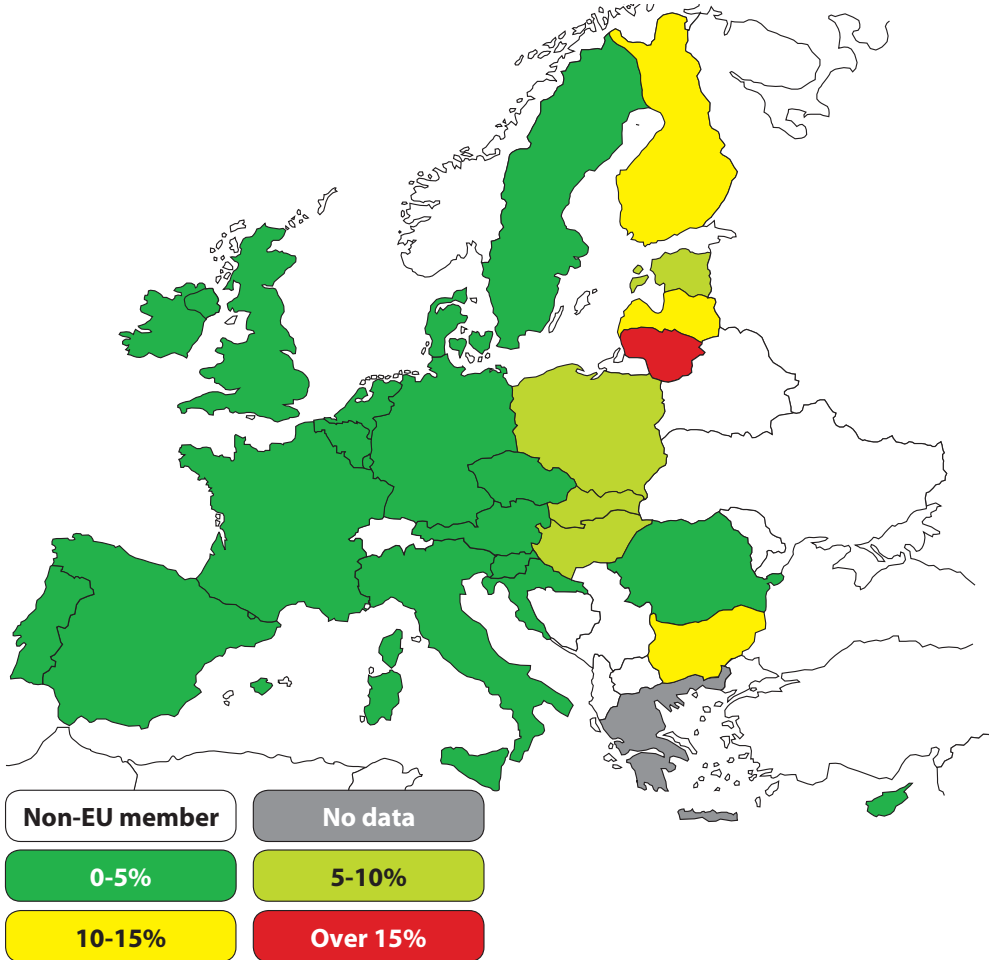
Russia's share of EU external trade is nine per cent, making Russia the EU's third-largest trade partner after the USA and China.<sup>1</sup> EU Member States differ significantly in terms of their economic dependence on Russia. The countries in the EU–Russia border zone are generally the most dependent on trade with Russia. Geographical proximity and business rationality explain part of this high trade

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dependence with Russia, but on the other hand, one should not neglect the impact of historical and political reasons when assessing reasons for overemphasised trade dependence of border zone countries on Russia (Map 1 and Appendix 1).

**Map 1.** EU Member States' dependence on trade with Russia  
(The share of Russian trade in overall foreign trade turnover of EU Member States)



See Appendix 1 for data.

Trade dependence on Russia becomes even more varied when one excludes EU trade from EU countries' foreign trade. We can take Finland as an example. In 2013, Russia made up 13.9 per cent of Finland's foreign trade turnover. However, if EU trade is excluded, Russia's share jumps to 31.6 per cent. In other words, Finland is more than three times more dependent on trade with Russia than the EU on average.<sup>2</sup> Taking Lithuania as another example, it would become clear that country

is approximately six times more dependent on trade with Russia than the EU on average, since 57.4 per cent of Lithuania's foreign trade is conducted with Russia, if trade with EU countries is excluded.<sup>3</sup>

The majority of imports into the EU from Russia consist of various energy-related goods, such as oil, natural gas, coal, and uranium. Due to massive energy imports from Russia, roughly a fifth of the EU's primary energy needs are met by Russian energy. To be more precise, Russian oil forms some 9–10 per cent, Russian natural gas some 5–6 per cent, Russian uranium 3–4 per cent, and Russian coal 2–3 per cent of the EU's primary energy consumption. The EU is far more dependent on energy imports from Russia than, for instance, China and the United States (US). The overall dependence on China and the US for Russian energy is some 1–3 per cent.

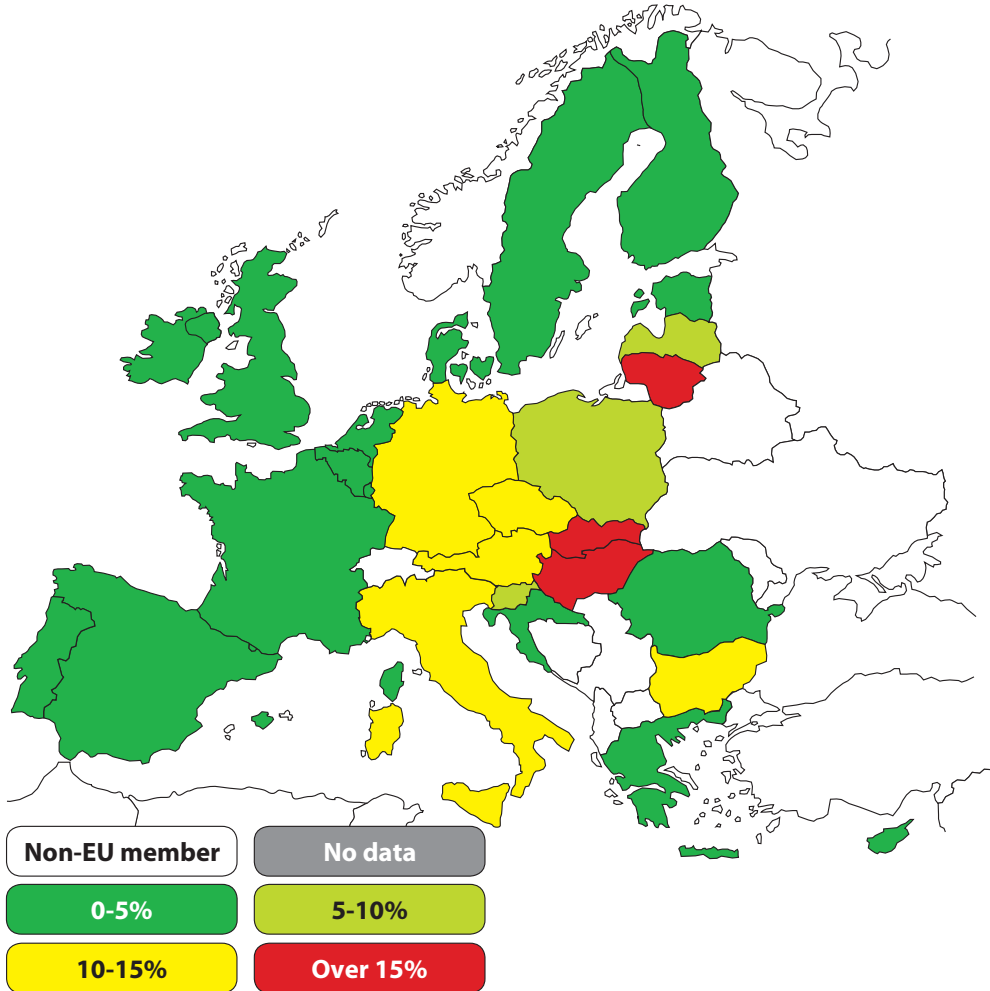
Dependence on energy imports from Russia varies a great deal between EU countries. Let me take natural gas as an example. Cyprus and Malta do not consume natural gas at all, therefore they cannot be dependent on Russian gas. Sweden is comparable to Cyprus and Malta, as the Swedish economy's gas dependence is marginal. Moreover, all of Sweden's gas is imported from Denmark. Contrary to this, Croatia, Denmark, Ireland, Portugal, Spain, and the UK are heavily dependent on gas but they either produce the gas they use or import their gas from elsewhere, i.e. not from Russia. The Baltic States and Finland are extreme cases, as they traditionally used to import 100 per cent of their gas from Russia<sup>4</sup>, but despite this, their real dependence on Russian gas varies a lot, as gas plays a different role in these economies. For example, in Estonia and Finland less than five per cent of final energy needs are met by natural gas, whereas the corresponding share in Lithuania is more than 25 per cent. As a whole, Hungary, Lithuania, and Slovakia are by far the most dependent on Russian gas in the EU (Map 2 and Appendix 2).

In 2014, Germany alone covered over a quarter of the whole of the EU's exports to Russia. Germany is followed by Italy (11 per cent), France (9 per cent), the UK (7 per cent), and Poland (6 per cent). These five countries represent some 60 per cent of EU exports to Russia.<sup>5</sup> Despite the lion's share held by these countries, they have remained united when it comes to the EU's sanctions policy against Russia. Louder complaints about, and criticism of, the EU's sanction policy have been voiced in other countries, such as Finland, where exports to Russia play a larger role in their total exports. In Finland, some business people have even lobbied against EU sanctions policies despite the fact Finland is less dependent on exports to Russia than Estonia, Latvia, and Lithuania. Perhaps the explanation for such a behavioural difference can be found in these countries' histories, i.e. all the Baltic States were a part of the Soviet Union, whereas Finland managed to stay outside the Soviet bloc after the Second World War. The Baltic States seem to have a fresher understanding of Russia through their Soviet-era experience than Finland.

According to the European Commission<sup>6</sup>, the EU's most dependent sector on exports to Russia is footwear and hats. Some 16 per cent of these commodities' exports outside the EU is directed at Russia. This is followed by live animals (14 per cent), vegetable products (13 per cent), textiles (11 per cent), plastics products

(9 per cent), stone, glass, and ceramics (9 per cent), machinery (9 per cent), pulp and paper (8 per cent), foodstuffs (8 per cent), transport equipment (7 per cent), and chemical products (7 per cent).

**Map 2.** EU Member States' dependence on Russian natural gas  
(The share of Russian gas in primary energy consumption of EU Member States)



See Appendix 2 for data.

If one moves from trade to investments, you can easily see Russian direct investment in the EU plays a minor role. In the majority of EU Member States, Russian direct investment represents less than one per cent of their inward foreign direct investment (FDI) stock. Russia's share exceeds the 1 per cent level in only seven EU countries, namely Austria, Bulgaria, Cyprus, Estonia, Finland, Latvia,

and Lithuania. Its share is close to five per cent in Austria, Bulgaria and the Baltic States, whereas in Finland it is just slightly above one per cent. Cyprus tops the list with a share of nearly 15 per cent.

Oil and gas-related business activities are behind the majority of Russian investments in the EU, although Russian companies have expanded to other industries as well, such as metal, logistics, and tourism. Russian corporations are relatively reluctant to start manufacturing activities in the EU, though a few exceptions can be found.

If one wishes to analyse the overall impact of Russian investments in the EU, one should first take into account the fact a lot of Russian capital in the EU has arrived via tax havens. In addition to these indirect investments from Russia, one should also consider the Cyprus phenomenon. According to the Central Bank of Russia<sup>7</sup>, Russian companies invested approximately EUR 150 billion as FDI in Cyprus by the end of 2013. The Central Bank of Cyprus in turn, reports the country has received only some EUR 2 billion from Russia as FDI.<sup>8</sup>

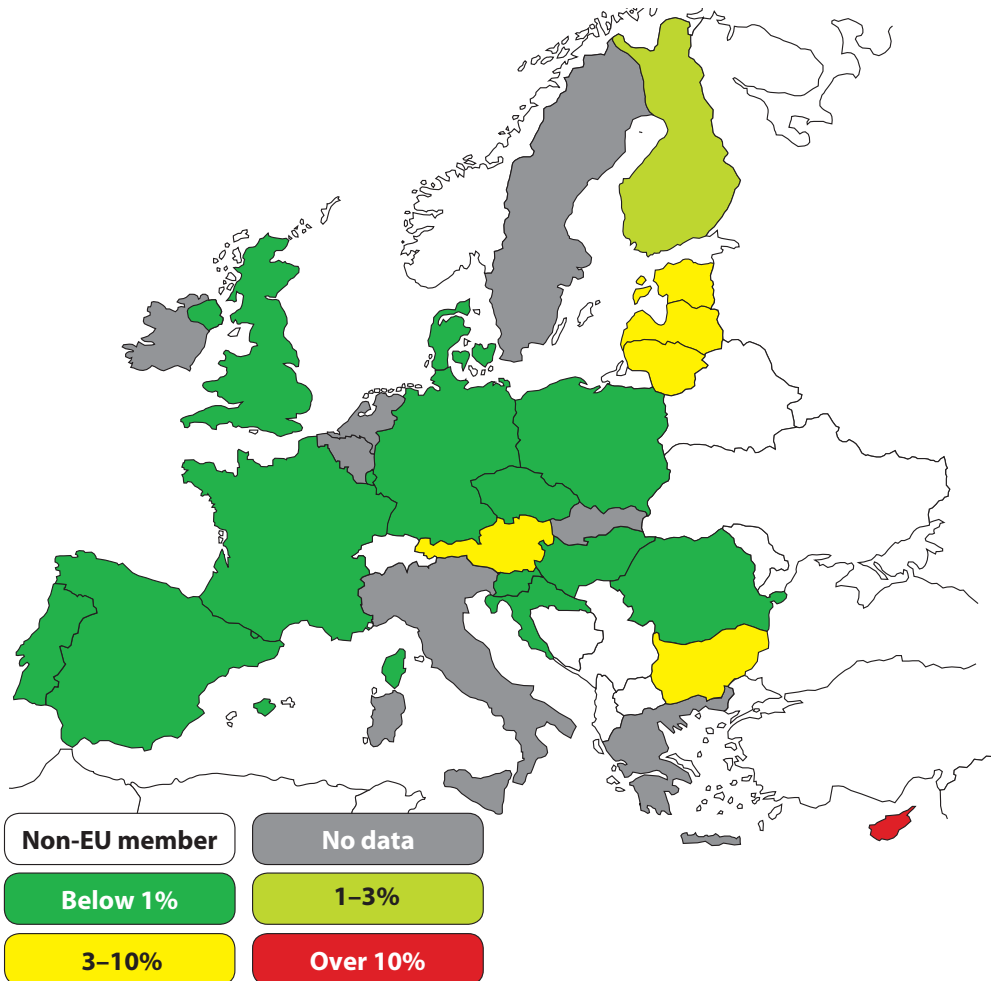
One may assume a great part of Russian capital invested in Cyprus has left the country and either gone back to Russia or been reinvested elsewhere in the EU. Therefore, I surmise the real amount of Russian FDI in the EU is much larger than national statistics indicate. On the other hand, it seems EU statistics overestimate the total amount of Russian FDI in the EU.<sup>9</sup> Whatever the true amount of Russian investment in the EU is, it seems evident that Russian FDI stock in the EU is not at the high level the EU as a whole should be concerned about it. Despite this, one should not forget that in some sectors, such as energy logistics and energy trading, Russian companies may play a strategic role. This becomes particularly evident in some ex-socialist countries within the EU (Map 3 and Appendix 3).

To summarise, it is practically impossible to calculate the exact economic dependence of EU Member States on Russia, as business processes and their spill-over effects are very complex. Let me take Finland again as an example. Finland imports some 15 million tonnes of crude oil from Russia. After the refining process, half of it is used in Finland, while the other half is exported.<sup>10</sup> That is why more than one tenth of Finland's total exports consist of oil products, although the country does not produce any oil itself.<sup>11</sup> Should we interpret the processing of Russian oil and reselling it to the West as a sign of dependence on Russia, or as an intelligent business idea? This question applies to Lithuania as well.

Even if it is impossible to precisely measure the real economic dependence on Russia, one can argue the EU-Russia border zone, i.e. EU countries from Finland to Romania, is generally more dependent on Russia than the rest of the EU. When one compares the economic interdependence between the EU and Russia, it is an indisputable fact the EU, which has an economy ten times larger than Russia's, is less dependent on Russia than Russia is on the EU. Russia's large energy deliveries to the EU are perhaps the only thing that makes the EU truly dependent on Russia. It is wise to keep in mind that roughly one fifth of the EU's primary energy needs is met with various forms of Russian energy. To put it another way, more than

100 million EU citizens' households are run by Russian energy. At the EU-Russia border zone, dependence on Russian energy is considerably higher. For instance, 35–50 per cent of Finland's energy needs are met with Russian energy. In the Baltic States and some other ex-socialist states, Russia's share may climb even higher than Finland's. Besides the dependence on Russian energy, one should analyse vulnerability levels in case of a Russian energy cut-off. For example, Finland is well prepared for a complete stop in energy deliveries from Russia, which is not the case with all ex-Warsaw Pact countries now EU Member States. In fact, some of them would be extremely vulnerable as a result of non-delivery of Russian energy during winter.

**Map 3.** EU Member States' dependence on Russian direct investment  
(The share of Russian investment in inward FDI stock of EU Member States)



See Appendix 3 for data.



Therefore, one should add two components to the analysis of energy import dependence on Russia, i.e. vulnerability levels and timing. In the long term, Russia is clearly more dependent on the EU than vice versa, but in the short term, and during winter in particular, the EU's easternmost countries are more dependent on Russia than Russia is on them. In order to improve the situation, the EU in general, and eastern EU Member States in particular, should reduce their dependence on Russian energy. Even if the transformation from energy collaboration towards other forms of cooperation may take time, the reduction of energy dependence on Russia is a necessary step to normalise EU-Russia relations, since energy is too political and too strategic a commodity on which to form a sustainable foundation for future relations between the EU and Russia.

In order to create alternative bridges between the EU and Russia, parties should develop non-political forms of cooperation together that would benefit both sides. An example of such cooperation could be a collaboration between small and medium-sized enterprises (SMEs), which have a common language, 'money', and are not political actors, unlike oligarchs, who carry political underwear. I am convinced that SME cooperation would boost EU-Russia trade and investment, and furthermore would make both parties more competitive and more flexible, and therefore SME cooperation would make them better prepared for the next round of turbulence in the global economy. Furthermore, SMEs are considered to be the cradle of the middle class, which is in turn regarded to be a core ingredient for democracy. Therefore, it is understandable why development of the SME sector in Russia is important for creating a truly sustainable bridge between the EU and Russia.

Besides SME cooperation, one could name environmental and university collaboration, since both parties would benefit from a clean environment and training of a new generation of experts, who would not carry the same prejudices as Cold War era experts. The role of student exchange will become even more emphasised in the future, since nationalist sentiments are gaining strength everywhere in Europe. In addition to educating future decision-makers, one should pay more attention to the free movement of people between the EU and Russia. It is a highly inappropriate time to seriously discuss EU-Russia visa freedom, but it is good to note that one could reach the same goal by extending the tenure of the multiple visa to five years. As I hold a five-year passport, a five-year multiple visa would in practice mean visa freedom for me as well as millions of other EU citizens, as long as we behave decently in Russia so as to get our Russian visas renewed. I would also like to enhance cultural collaboration, since Russia is a European superpower of culture. I am sure EU politicians and citizens would be more ready to become dependent on the products of Repin, Tchaikovsky, and Tolstoy, than those of Gazprom, Rosatom, and Rosneft.

One may argue the annexation of the Crimea into Russia and the war in eastern Ukraine have created a Cold Peace in EU-Russian relations. The following table was designed by Sergei Medvedev back in 2006, and therefore it is understandable

the table does not have even darker scenarios (Table 1). One may ask, whether a future scenario labelled ‘Authoritarian nationalism’ should be added for Russia, and what that alternative would mean for EU-Russian relations. Could authoritarian nationalism in Russia generate a Cold War between the EU and Russia, or even lead to the escalation of hostilities from eastern Ukraine towards the West?

**Table 1.** Alternative future scenarios in EU-Russian relations<sup>12</sup>

RUSSIA → EUROPE ↓	Liberal Modernisation	Authoritarian Modernisation	Bureaucratic Capitalism
Global Actor	Partnership	Zastoi	Zastoi
Common Market Plus	Partnership	Zastoi	Zastoi
Fortress Europe	Combination improbable	Cold Peace	Cold Peace <b>Are we here now?</b>

*Note:* Zastoi means stagnation. The author of this article has added the coloured circles in the table.

It is important to recognise the Ukrainian crisis is not just an internal problem of Ukraine but rather an external reflection of Russia’s internal problems. In other words, Russia seems to be incapable of abandoning the imperialistic foreign policies of the Soviet Union and allowing ex-Soviet republics leave its sphere of influence. This means, in practice, that Ukraine’s Western orientation depends to a great extent on the internal development of Russia. In turn, Ukraine’s Eastern orientation (Ukraine’s relationship with the Eurasian Economic Union) depends on the internal development of Ukraine, i.e. the development of the competitiveness of the Ukrainian economy, the credibility of the Ukrainian army, and the unity of the Ukrainian political elite.

Although the Ukrainian crisis is more a symptom than a disease, the resolving of it is necessary to cure EU-Russian relations. Here, we should remember there are at least three levels to the Ukrainian crisis: (1) stopping the war in eastern Ukraine; (2) solving the Crimean situation in line with international law; and (3) developing a long-term strategy for Ukraine.

It is easy to predict that solving the Crimean situation in line with international law will be an even longer and more complicated task than stopping the war in eastern Ukraine. A way to solve the acute legality problem is to lease Crimea to Russia for 25–99 years. Russia could pay the lease with its natural gas deliveries to Ukraine. When we aim to predict Ukraine’s long-term path, we should not

forget that only a fully democratic Russia would allow Ukraine to integrate fully into Western structures as Ukraine is historically, economically, militarily, and politically more important to Russia than we generally can understand here in the West. The collapse of the Russian Federation would open up another alternative for Ukraine's full integration with the West. Although the disintegration of the Russian Federation may seem a hypothetical option at the moment, one cannot completely exclude it, if Russia chooses authoritarian nationalism as its future path instead of comprehensive modernisation. As the disintegration of the Russian Federation would unlikely occur as peacefully as the collapse of the USSR, the EU in general, and the neighbouring countries of Russia in particular, should prepare themselves for an undesirable future by decreasing their energy import dependencies and increasing their defence capabilities *vis-à-vis* Russia.

The Russians are in the driver's seat for directing the future of EU-Russian relations, since only they are capable of defining the future direction of Russia. Hopefully, the Russians will recognise soon enough the Eurasian Economic Union will be an enormous economic burden for Russia and the intensification of Russia's relations with China is as safe as playing Russian roulette.

Due to extensive economic ties between the EU and Russia, we are like Siamese twins and too hasty an operation to separate us is impossible without risking the existence of one or the other. I wish for long-term rationality to aid us to move from the contemporary Cold Peace towards a new kind of EU-Russian cooperation, which would be grounded on the common needs of individuals, and small and medium-sized enterprises, rather than the strategic interests or energy demand of States. After all, the individuals and SMEs share more common values than EU Member States and Russia do.

**Appendix 1.** EU Member States' dependence on trade with Russia in 2013, unless otherwise indicated in the table<sup>13</sup>

*(The share of Russian trade in overall foreign trade turnover of EU Member States)*

	Value of exports (€ billion)	Russia's share	Value of imports (€ billion)	Russia's share	Foreign trade turnover (€ billion)	Russia's share
<b>Austria</b>	125.8	2.8%	130.7	2.4%	256.5	2.6%
<b>Belgium</b>	353.5	1.4%	339.4	2.9%	692.9	2.2%
<b>Bulgaria (2012)</b>	20.7	2.7%	25.4	20.8%	46.1	12.7%
<b>Croatia</b>	9.6	2.9%	16.5	4.5%	26.1	3.9%
<b>Cyprus (2012)</b>	1.6	1.6%	4.8	1.2%	6.4	1.3%
<b>Czech Republic</b>	122.2	3.7%	108.6	5.4%	230.8	4.5%
<b>Denmark</b>	83.1	1.7%	73.5	2.5%	156.6	2.1%
<b>Estonia</b>	12.3	11.4%	13.6	5.8%	25.9	8.5%
<b>Finland</b>	55.9	9.6%	58.2	18.1%	114.1	13.9%
<b>France</b>	443.9	1.7%	500.9	2.1%	944.8	1.9%
<b>Germany</b>	1093.8	3.3%	896.2	4.5%	1990.0	3.8%
<b>Greece</b>	22.5	No data	39.8	No data	62.3	No data
<b>Hungary</b>	81.7	5.6%	74.7	8.6%	156.4	7.1%
<b>Ireland</b>	86.9	0.7%	49.6	0.3%	136.5	0.6%
<b>Italy</b>	389.8	2.8%	359.4	5.6%	749.2	4.1%
<b>Latvia (2012)</b>	9.9	11.4%	12.5	9.4%	22.4	10.3%
<b>Lithuania</b>	24.6	19.8%	26.2	28.1%	50.8	24.1%
<b>Luxembourg</b>	10.6	1.5%	18.2	0.0%	28.8	0.6%
<b>Malta</b>	3.9	1.2%	5.7	5.1%	9.6	3.5%
<b>Netherlands</b>	433.1	1.6%	386.4	5.3%	819.5	3.4%
<b>Poland (2012)</b>	143.5	5.4%	154.0	14.0%	297.5	9.9%
<b>Portugal</b>	47.3	0.6%	56.9	1.8%	104.2	1.2%
<b>Romania</b>	49.6	2.8%	55.3	4.3%	104.8	3.6%
<b>Slovakia (2012)</b>	64.4	4.0%	60.1	10.2%	124.4	7.0%
<b>Slovenia</b>	21.6	4.7%	22.2	2.0%	43.8	3.4%
<b>Spain</b>	234.2	1.2%	250.2	3.3%	484.4	2.3%
<b>Sweden</b>	118.0	2.2%	112.4	4.4%	230.4	3.2%
<b>United Kingdom*</b>	199.6	2.6%	200.9	3.5%	400.5	3.0%

*Note: \*Figures for the United Kingdom are in British pounds.*

**Appendix 2.** EU Member States' dependence on Russian natural gas in 2013<sup>14</sup>  
*(The share of Russian gas in final energy consumption of EU Member States)*

	Share of natural gas in final energy consumption	Share of Russian natural gas in overall natural gas supply	Share of Russian natural gas in final energy consumption
<b>Austria</b>	17.2%	61.9%	10.6%
<b>Belgium</b>	24.8%	1.1%	0.3%
<b>Bulgaria</b>	14.6%	96.8%	14.1%
<b>Croatia</b>	23.4%	0.0%	0.0%
<b>Cyprus</b>	0.0%	0.0%	0.0%
<b>Czech Republic</b>	23.6%	63.3%	14.9%
<b>Denmark</b>	10.2%	0.0%	0.0%
<b>Estonia</b>	3.4%	100%	3.4%
<b>Finland</b>	4.3%	100%	4.3%
<b>France</b>	20.3%	17.9%	3.6%
<b>Germany</b>	23.3%	45.6%	10.6%
<b>Greece</b>	5.3%	66.3%	3.5%
<b>Hungary</b>	33.7%	82.5%	27.8%
<b>Ireland</b>	15.0%	0.0%	0.0%
<b>Italy</b>	30.5%	34.3%	10.5%
<b>Latvia</b>	9.8%	100%	9.8%
<b>Lithuania</b>	26.2%	100%	26.2%
<b>Luxembourg</b>	14.3%	25.0%	3.6%
<b>Malta</b>	0.0%	0.0%	0.0%
<b>Netherlands</b>	26.3%	5.1%	1.3%
<b>Poland</b>	16.1%	57.3%	9.2%
<b>Portugal</b>	9.6%	0.0%	0.0%
<b>Romania</b>	29.4%	15.3%	4.5%
<b>Slovakia</b>	28.6%	100%	28.6%
<b>Slovenia</b>	12.0%	72.4%	8.7%
<b>Spain</b>	16.3%	0.0%	0.0%
<b>Sweden</b>	1.8%	0.0%	0.0%
<b>UK</b>	30.6%	0.0%	0.0%
<b>EU</b>	22.1%	26.7%	5.9%

**Appendix 3.** EU Member States' dependence on Russian direct investment in 2013, unless otherwise indicated in the table<sup>15</sup>

*(The share of Russian investment in inward FDI stock of EU Member States)*

	<b>Total inward FDI stock of host country (million)</b>	<b>Total Russian FDI stock in host country (million)</b>	<b>Russia's share (%)</b>
<b>Austria</b>	EUR 220,108	EUR 10,436	4.7
<b>Belgium (2012)</b>	EUR 597,984	No host data available	–
<b>Bulgaria</b>	EUR 38,157	EUR 1,818	4.8
<b>Croatia</b>	EUR 27,020	EUR 240	0.9
<b>Cyprus (2012)</b>	EUR 15,952	EUR 2,198	13.8
<b>Czech Republic</b>	EUR 103,455	EUR 311	0.3
<b>Denmark (2012)</b>	DKK 788,200	DKK 3,700	0.5
<b>Estonia</b>	EUR 15,882	EUR 843	5.3
<b>Finland</b>	EUR 73,459	EUR 842	1.1
<b>France</b>	EUR 531,800	EUR 600	0.1
<b>Germany (2012)</b>	EUR 792,763	EUR 3,226	0.4
<b>Greece</b>	EUR 20,115	No host data available	–
<b>Hungary (2012)</b>	EUR 78,488	EUR 27	0.0
<b>Ireland</b>	EUR 257,513	No host data available	–
<b>Italy</b>	EUR 293,000	No host data available	–
<b>Latvia</b>	EUR 11,472	EUR 581	5.1
<b>Lithuania</b>	LTL 42,790	LTL 1,611	3.8
<b>Luxembourg (2011)</b>	EUR 81,724	No host data available	–
<b>Malta (2012)</b>	EUR 12,356	EUR 13	0.1
<b>Netherlands</b>	EUR 497,677	No host data available	–
<b>Poland (2012)</b>	PLN 728,749	PLN 2,092	0.3
<b>Portugal</b>	EUR 93,168	EUR 62	0.1
<b>Romania (2012)</b>	EUR 59,126	EUR 79	0.1
<b>Slovakia</b>	EUR 42,660	No host data available	–
<b>Slovenia</b>	EUR 10,729	EUR 49	0.5
<b>Spain</b>	EUR 519,175	EUR 350	0.1
<b>Sweden (2012)</b>	SEK 2 360,000	No host data available	–
<b>UK</b>	GBP 936,452	GBP 1,218	0.1

*EUR 1 = DKK 7.45; GBP 0.80; LTL 3.45; PLN 4.21; SEK 9.20; USD 1.27<sup>16</sup>*

*Note: National statistics of a host country sometimes differ significantly from the Russian source, stressing the importance of conducting a mirror study in the future.*

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## WAR IN THE ENERGY SECTOR AS A SECOND FRONT

*Olena Pavlenko, Anton Antonenko, and Roman Nitsovych*

Unlike physical aggression, when “green soldiers” appeared in Crimea in February 2014, energy aggression against Ukraine took place much earlier — from 2000. “Energy wars” between Ukraine and Russia not only worsened relations between the two countries, but involved third parties, like EU countries, in the conflicts. In 2014 Russian aggression in the energy sector against Ukraine became increasingly visible, and caused the EU to contribute to the conflict resolution.

Ukraine is a member of the European Energy Community. It has obligations to implement EU Directives in the energy sphere, including the Third Energy Package, in order to become part of the common EU energy market. The EU and Ukraine should consider developing a common energy policy and form “one voice” in their external energy policy.

In Ukraine-Russia energy relations, the role of the EU is not as a “moderator”, but a partner, helping Ukraine to form common energy markets with European countries. It is a hard task, taking into account the EU still is depended on Russian energy resources, and some EU countries publicly support Russian policy. It is also a big challenge for Ukraine, which has to “fight” simultaneously on several energy fronts with Russia, who is not ready — either politically, or economically — to lose one of their biggest consumers and the territory which has always been considered a “vassal” of Russia.

This article describes three dimensions of the Ukraine-Russia conflict in the energy sphere. Firstly, the Russian instruments which influence Ukraine by controlling their resource supply; secondly, the fight for a gas transmission system which delivers gas to EU borders. Thirdly, to propose concrete recommendations for Ukraine and the EU countries which may prevent similar “energy wars” in the future.

### **1. The War for Resources: How Russia is Trying to Keep Ukraine “Thirsty”**

The Russian annexation of Crimea and aggression in Eastern Ukraine had a profound impact on Ukraine’s energy security. It will definitely impact the energy balance as most of the active coal mines are located on territories under terrorist control. However, hybrid warfare is also aimed at cutting away the most potential and promising deposits of energy sources from Ukraine.

The annexation of Crimea and Sevastopol resulted in a seizure of energy rich resources on the Black Sea, offshore, as Russia claimed not only landmass but

an exclusive maritime zone with rights to mineral reserves. Russian occupational authorities have “nationalized” Ukraine’s state-owned Chornomornaftogaz.<sup>1</sup> The company owned 17 hydrocarbon fields — 11 natural gas fields, 4 gas condensate fields, and 2 oil fields. Chornomornaftogaz’s activities include 13 offshore platforms and interest in 5 license blocs — Skhidno-Kazantypske in the Sea of Azov, and Odeske, Bezymenne, Subbotina and Palasa in the Black Sea.<sup>2</sup>

The region is third in Ukrainian natural gas production after the Kharkiv and Poltava regions. According to the 2013 gas balance Chornomornaftogaz should have produced 1.649 bcm of natural gas that year<sup>3</sup> and 0.34 bcm in January and February 2014.<sup>4</sup> Presently the company is under Western sanctions and operates as a “state unitary company” under Russian laws.

However, the potential for deepwater resources was even higher. Several international companies have been in negotiations for production sharing agreements (PSA) for offshore development. These include the Vanco Prykerchenska PSA of 2007 (for the development of the Prykerchenska block), the PSA of ExxonMobil, Shell, OMV Petrom, and Nadra Ukrayny consortium (Skifska block), the PSA of Eni, Electricite de France, Chornomornaftogaz, and the Water of Ukraine LLC consortium (Subbotina, Abikha, Mayachna, and Kavkazka blocks).<sup>5</sup> The government of Ukraine estimates their losses at 300 billion USD.<sup>6</sup> According to the Douglas-Westwood energy research group, Ukraine will lose approximately the equivalent to 117 million barrels of gas production in the next seven years, given that 50 offshore wells would have been drilled and completed.<sup>7</sup> Overall, the deepwater gas reserves are estimated at 4 to 13 trillion cubic meters.<sup>8</sup>

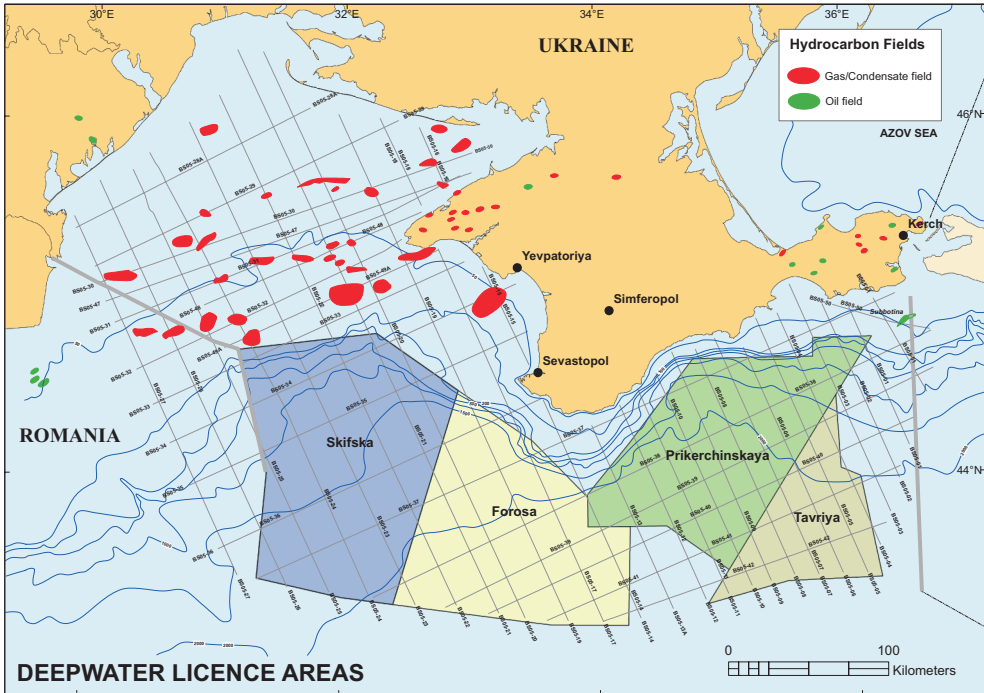
These projects will probably be frozen for the foreseeable future due to political reasons, apart from the legal issues of a possible conversion from the Ukrainian PSA regime to the Russian one. The Ukrainian legislation considers Crimea a “temporarily occupied territory” and an integral part of Ukraine. According to the “Law on Enforcement of Rights and Freedoms of Citizens of Ukraine on the Temporarily Occupied Territory”, property rights (including the exclusive maritime zone and continental shelf resources) are secured and cannot be transferred to any state or legal entity.<sup>9</sup>

Russian aggression in Eastern Ukraine has had a serious impact on the energy balance, as most coal mines are located in the Donbas (Donetsk and Lugansk) regions. Ukraine has been self-sufficient in coal generation, producing around 83.7 million tons in 2013.<sup>10</sup> However, fighting between government forces on one side, and pro-Russian separatists and Russian troops on the other — officially referred to as the Anti-Terrorist Operation (ATO) — has resulted in closure of more than half the coal mines and shutting down railway lines to supply power plants. Therefore, in 2014, coal production decreased to 65 million tons (–22.3 percent)<sup>11</sup> and more than 60 coal mines in eastern Ukraine shut down.

According to the Ministry of Energy and Coal Industry, there are 36 coal mines on the territory under government control, with the Donbas representing 23 with commercial reserves of 1142.4 million tons and an annual production capacity

of 19.7 million tons.<sup>12</sup> As for coal mines on the territory under terrorist control, militants block its delivery to power plants on Ukraine-controlled territory, using smuggling channels. Also, the OSCE monitors have reported Russia taking coal over to its territory.<sup>13</sup>

**Map 1. Deepwater Licence Areas**



*Source: Viable Opposition, Ukraine's Oil and Natural Gas Reserves — A Pawn in a Geopolitical Chess Game? March 16, 2014, <http://viableopposition.blogspot.com/2014/03/ukraines-oil-and-natural-gas-reserves.html>*

The war has created a deficit coal supply to thermal power plants, which had generated around 40 percent of electricity in Ukraine. In late November, coal reserves stood at 1.5 million tons compared with normal winter stocks of 4–5 million,<sup>14</sup> and Ukraine needed to import 1–2 million ton each month. In order to cover the shortage, the government was forced to look for coal abroad.

In August 2014, state-owned trade company Ukrinterenergo signed a contract with Steel Mont Trading Ltd to purchase 1 million tons of coal from South Africa.<sup>15</sup> The first deliveries arrived at the end of October 2014, but due to political factors and scandals<sup>16</sup> the South African coal was declared as unusable. Despite that fact, private holding DTEK continued to purchase it.<sup>17</sup> The government also negotiated coal imports with other potential suppliers, notably from Kazakhstan (Ekibastuz coal field) and the US.

The current situation looks grim as Ukraine has increased its dependence on Russia which accounted for 64.19 percent of total coal imports to Ukraine in 2014 equaling 1.138 billion USD, and 35.85 percent in January and February 2015.<sup>18</sup> Moreover, Russia effectively manipulated its position by partially suspending coal exports to Ukraine in January 2015<sup>19</sup> which — according to the deal reached in late 2014 — should amount to at least 0.5 million tons a month.<sup>20</sup>

Another impact of the war is the destabilization of the electricity market, as the uncovered coal deficit followed with rolling blackouts throughout Ukraine from early till late December 2014. About 20 electricity plants have been made idle due to steam coal (namely, anthracite types) shortages.<sup>21</sup> The government announced an emergency situation and even registered a draft “Law On Special Period in Fuel and Energy Sector”. It also held negotiations with Western partners on the possible reequipping of thermal generation to use available coal of other types.

In December 2014, the government of Ukraine permitted any company operating in the market to directly import electricity. On 30 December 2014, Ukrinterenergo signed two contracts on electricity imports from Russia: the first with Inter RAO UES provides for delivery of up to 1500 MW; the second with Inter RAO subsidiary Center for Payment Settlements (TsOR) concerns a reliable and uninterrupted electricity supply to Crimea.<sup>22</sup> The agreements, however, became subject of public attention as the second one allegedly mentioned the “Crimean Federal District” — the Crimea which has been refuted by Energy Minister Volodymyr Demchyshyn.<sup>23</sup> Investigations were launched to check possible violations, including parliamentary initiatives and an investigation of the Prosecutor General’s Office.<sup>24</sup>

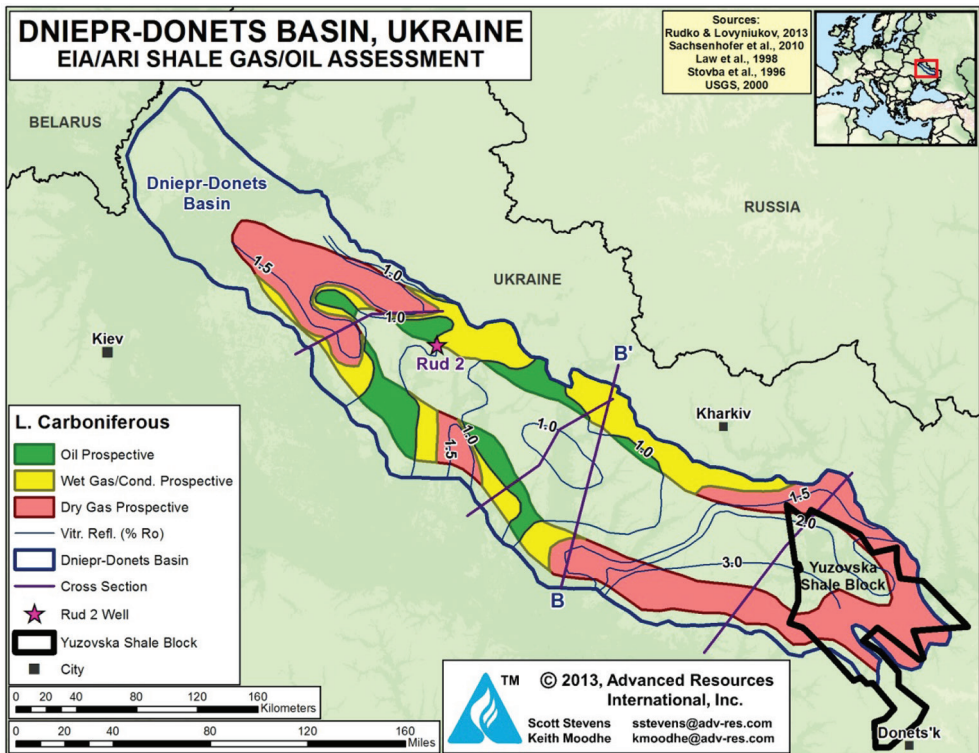
After the heating season and decrease of consumption, the Ukrainian side aims to limit imports of electricity. At present, imports amount to 300 MW out of a possible 1500 MW under the present contract.<sup>25</sup> At the same time, dependence on Russian supplies will persist as long as there is a threat of rolling blackouts and an instability of the grid caused by coal shortage.

Finally, the war in Eastern Ukraine influenced the resource-rich region located above the Dnipro-Donetsk depression, notably the Donetsk, Kharkiv, and Poltava regions. The Dnipro-Donetsk basin accounts for 90 percent of oil and gas production in Ukraine in more than 140 deposits. But it is unconventional gas which may make Ukraine an energy independent country. According to the US Energy Information Administration, the potential of available deposits of tight gas is 48 trillion cubic feet (1.36 trillion cubic meters), and 12 tcf (340 bcm) of them are technically recoverable.<sup>26</sup> In a study of IHS CERA, commissioned by Ukraine’s Ministry of Energy, experts estimate Ukraine can annually produce 60 to 70 bcm of gas by 2035, given the necessary investments.<sup>27</sup>

According to IHS CERA, conventional gas resources are estimated at 2.88 trillion cubic meters, and unconventional (shale and coalbed methane) at 11.5 trillion cubic meters. As for tight gas resources, they are estimated at 1.5 to 8.5 trillion cubic meters, with 300 bcm technically recoverable.<sup>28</sup> Calculations of the

Institute for Economics and Forecasting, Ukrainian National Academy of Sciences, indicate Ukraine can become independent from gas imports in 2024.<sup>29</sup> It is exactly these perspectives that made Russia launch an anti-shale gas campaign in Ukraine, with some pro-Russian movements being particularly active even before the war,<sup>30</sup> not to mention the propaganda on terrorist-controlled areas. Some theories even imply that Russian aggression aimed at the very areas of potential exploration of unconventional gas, in particular north of the Donetsk region and south of the Kharkiv region.

Map 2. Dniepr-Donets Basin, Ukraine



*Source: Viable Opposition, Ukraine's Oil and Natural Gas Reserves — A Pawn in Geopolitical Chess Game? March 16, 2014, <http://viableopposition.blogspot.com/2014/03/ukraines-oil-and-natural-gas-reserves.html>*

Actually, it is the precise location of the Yuzivska field, with 4.054 trillion cubic meters reserves of gas forecasted (different types which are mainly tight and basin-centered gas). At this field Ukraine awarded the first unconventional gas PSA with Shell in January 2013. The company has also run another project to explore the gas potential of tight sands on six license blocks together with state-owned Ukrgazvydobuvannia, drilling only two wells.



However, in March 2015, Shell announced termination of the joint activity agreement with Ukrgezvydobuvannia, citing exploration results which demonstrated the project “is not economically feasible”.<sup>31</sup> No additional comments were provided, but we can assume that the security situation was among key factors which impacted the decision, as investors are quite vulnerable to any warfare in close proximity to their sites. As for the Yuzivska project, Shell did not refuse its development but declared force majeure,<sup>32</sup> shortly after Malaysia Airlines Flight MH17 flight crashed less than 100 km away. Shell suspended execution of certain PSA provisions, including major exploration activity such as drilling and seismic studies,<sup>33</sup> but will continue with safer activity such as geological data analysis, social investments, and academic cooperation.

## **2. Fight for the Pipeline: Influence on the EU and Ukraine by Controlling the Infrastructure**

Since 2000, Russia has attempted to take control over Ukrainian pipelines — both in the main gas pipelines delivering natural gas to Europe, and distribution pipelines in Ukrainian regions. However, these attempts have not been successful.

The Ukrainian gas transportation system is about 36.7 thousand kilometers long. It includes 13 underground gas storage facilities (UGSs) with a capacity of more than 32 billion cubic meters, which secures reliable transit; its input capacity totals 290 billion cubic meters, the output is 170 billion cubic meters. The Ukrainian gas transportation system has operated for over 30 years. During all this time no failures or disruptions have occurred.<sup>34</sup>

Russia is among the countries with the largest oil and gas reserves in the world, and often uses them in order to put pressure on consuming countries and achieve its own political goals. Relations between Russia and Ukraine in 2006, 2009, and 2014 are apt examples, when the natural gas supply was used as an instrument to force the consuming country to recognize its debts and liabilities to Russia. However, manipulations with resources will not produce significant effects as long as the consumer can choose between suppliers. Now European consumers of Russian gas have learned Ukraine’s lesson and seek to diversify their sources of natural gas supply to avoid ‘gas threats’. They are building more liquefied natural gas terminals, new gas pipeline networks, and expanding the geography of gas supplies to EU countries. All the above is an effective vaccine for the potential energy blackmail Russia can use against the EU.

Russia realized long ago that with gas as its only political instrument, it runs the risk of losing its market and influence. That is why it is vigorously struggling for gas supply infrastructure — it would be much more difficult and expensive for consumers to build new, alternative pipelines. With only a minor struggle, Russia took control over Beltransgaz,<sup>35</sup> i.e. one of the lines of natural gas supply to the EU. At the same time, the struggle for the Ukrainian pipeline delivering 50 percent or

more of Russia's natural gas to the EU continues. The Ukrainian pipeline offers the easiest way to supply natural gas to EU countries, therefore, gas transported through it will always be competitive. Apart from supplying Russian gas, the Ukrainian gas transportation system is also capable of transporting resources from Central Asia, particularly Turkmenistan. This would offer substantial benefits to both Turkmenistan and the EU, currently seeking to establish cooperation without Russia's mediation. Hence, the above-mentioned pipeline could be a hazard to Russia in many ways, as it creates possibilities for its competitors. It is no wonder Russia puts so much effort in getting access to the system, each time inventing new methods. These attempts can be classified as follows:

***Attempting to persuade European partners that Ukraine is an unreliable transit country, so the EU should refrain from cooperating with it directly, and have Russia as a mediator instead.***

The legal argument suggests European companies currently buy natural gas from Russia on the border between Ukraine and the EU, and Russia pays transit fees to Ukraine at its own expense. Russia is the one to most benefit from this situation because that requires Ukraine to secure the volumes of gas necessary for transit on its own (i.e. Ukraine is forced to buy additional volumes of natural gas at the same price it pays for gas for its own purposes), while the tariff for transportation of natural gas through Ukrainian territory is rather low when compared with EU tariffs (\$2.88 per thousand cubic meters every 100 meters). Both parties have long struggled to force Russia to revise either the transit tariff or its participation in filling storage facilities with the volumes of natural gas necessary for transit. Back in 2013, there was conflict between Russia and the Ministry of Energy of Ukraine, represented by Minister Eduard Stavytskyi, where Ukraine requested Russia to fill up the gas storage facilities. Subsequently, the necessary volumes of gas were pumped into storage facilities through companies<sup>36</sup> owned by the oligarch Dmytro Firtash. Because of this Ukraine could not appeal to an international court to settle the dispute, as Russia would immediately attempt to prove Ukraine was destabilizing the transit of natural gas and was therefore an unreliable transit country. That is why Ukraine continues to transport natural gas despite being under Russia's pressure and breaking the rules every now and then. However, Ukraine is really interested in becoming a strong partner in the gas transportation system for the area.

Today, Ukraine keeps insisting the EU support the transition to buying natural gas at the border between Ukraine and Russia. Ukraine is approaching the final stage in creating the necessary background — a law on the natural gas market that complies with all requirements of the Third Energy Package, including those related to the entry-exit system, has already been drafted and will be adopted soon. At the same time, it is obvious such efforts will face strong opposition on the part of Russia and many European companies who receive natural gas at the



border between Ukraine and the EU. This brings the need for intensive support of both national governments and the European Commission to make European companies revise their agreements with Russia and sign relevant agreements on natural gas transportation through the territory of Ukraine with the Ukrainian operator. It must become a top priority for cooperation between Ukraine and the EU in the energy sector in the next one or two years. A notable de-escalation of conflict regarding gas relations between Ukraine and Russia, including around a future gas transportation system, can only be expected when Ukraine becomes an independent player in the natural gas market and undertakes relevant commitments to all European partners.

***Attempt to prove the pipeline will be unnecessary within the next 5–7 years where better alternatives are available.***

In 2000, when Ukrainian Prime Minister Yulia Tymoshenko recognized Ukraine's debts resulting from unauthorized gas off takes, Ukraine was offered the opportunity to sell its pipeline to Russia as a debt repayment. However, this offer was rejected by the Government and the Parliament of Ukraine. Consequently, the first virtual project was launched to bypass Ukraine — the second leg of the Yamal–Europe natural gas pipeline. The pipeline was supposed to deliver natural gas to Poland, bypassing Ukraine. Following intensive discussions, however, the project was not implemented. The Nord Stream gas pipeline to Germany was more successful. However, even with this pipeline in place, Ukraine remained the key transit country. What's more, from the very beginning of the planning stage until present, Nord Stream has faced a wide range of problems. In 2015 it became apparent it could not become an alternative pipeline and take Ukraine's transit burden, when Gazprom refused to build another line to Great Britain.<sup>37</sup> The third pipeline bypassing Ukraine was the South Stream. Its design capacity was 60 billion cubic meters and would allow the redirection of gas flows from Ukraine. For a long time South Stream was an argument for the Ukrainian Government to move towards the EU. According to the Minister of Energy of Ukraine Yuriy Boyko, the need to stop construction of the South Stream pipeline was the reason that encouraged Ukraine to join the Energy Community. And a year later, Mr Boyko and other Ukrainian officials stated they were disappointed with the Energy Community, precisely due to the Russian project not being eventually suspended. Construction of South Stream triggered new discussions about the possibilities to create a new consortium involving Russia. However, under public pressure on the part of European politicians, the EU did start a more profound assessment of South Stream pipeline's compliance with EU standards. The assessment revealed South Stream failed to comply with rules of the Third Energy Package. Apart from legal risks, the project was precarious from a geopolitical point of view — countries currently demonstrating pro-Russia behavior (Bulgaria, Austria), could become

even more dependent on Russia's policy, thus becoming the European "fifth column". Eventually, following long public discussions, Russia decided to abandon the project in 2014 with no previous consultations or negotiations, which caused resentment among its partners. A new project was initiated instead with Russia planning to build a new Turkish Stream pipeline, in cooperation with Turkey. However, so far it remains unclear who will finance it. In the context of such a scenario, the Ukrainian gas transportation system will become "unnecessary" within the next four years. However, experts and politicians doubt the success of the Turkish Stream. At the same time, it is quite possible the efforts of Gazprom, aimed at building the Turkish Stream, will once again encourage pro-Russia politicians in Ukraine to promote the establishment of a consortium with Russia.

Today it is important to ensure the Turkish Stream remains strictly supervised by the EU. Although the EU will in fact only have control over this project on the border between Turkey and Greece, it obviously represents an attempt to stop or delay implementation of the EU Southern Gas Corridor initiative, which is one of the EU's current priorities. The Southern Gas Corridor will be a direct competitor of the Turkish Stream in many ways. Therefore, it is not improbable Russia will exert pressure on Azerbaijan or Turkey to speed up the implementation of its own project. That is why neither the EU nor Ukraine should turn a blind eye to dialog between Russia and Turkey, while focusing only on their projects.

***Attempts to overburden Ukraine with debts which then may be "exchanged" for some concessions, including those that are strategic.***

After the conflict related to unauthorized gas off takes was settled and European monitoring teams obtained access to Ukrainian data, Russia began to search for new opportunities to make Ukraine its debtor. Thus, in 2005 a new conflict arose — this time in relation to 7.8 billion cubic meters of Russian natural gas that had been allegedly transported to Ukrainian underground storage facilities.<sup>38</sup> A special mission arrived in Ukraine from Russia to make an onsite inspection. The problem was eventually resolved, but Russian politicians kept insisting Ukraine owed certain volumes of natural gas to Russia. In 2006–2009, there was an attempt to sharply increase the price for natural gas for post-Soviet countries. This automatically meant they were going to get into debt. Double or even triple an increase of price for natural gas was a "bargaining chip" that allowed Russia to impose its own economic and political conditions that consuming countries would never agree on if they could demonstrate sustainable development. In 2012, during a period of abnormally cold weather, Gazprom attempted to accuse Ukraine of exceeding the contractual transit gas withdrawal limits — despite the fact Nafrogaz of Ukraine PJSC, on the contrary, reported an increase in volumes of gas to be withdrawn for transit purposes.<sup>39</sup> In December 2013, Russia lent USD 15 billion to Ukraine. The first tranche, in the amount of USD 3 billion, was spent by ex-Prime Minister

Mykola Azarov<sup>40</sup> for social purposes, and today there is a high risk Russia could request an immediate repayment. What is more, Russia never stops reminding Ukraine of its debt for natural gas withdrawn over the contractual limit. At the same time, Ukraine does not recognize the debt and is going to settle the dispute at the Arbitration Institute of the Stockholm Chamber of Commerce.

Although Ukraine, the EU, and Russia conduct trilateral negotiations on natural gas, the latter is still trying to use a high price levy to exert pressure on Ukraine. As we know, so-called “winter package” agreements allowing Ukraine a USD 100 discount for Russian natural gas will expire in late March. Last autumn, the parties agreed to discuss a “summer package” as spring approached, but now Russia states there is no need to discuss any discounts. Russia avoided this statement during present trilateral negotiations, and afterwards will once again refuse to establish dialog with Ukraine as soon as its officials return home.

Russia accuses Ukraine of unreliability, stealing gas and other sins, but at the same time often breaks the rules and official arrangements itself. For example, in February 2015, Gazprom reduced supplies to Ukraine and began transporting gas to occupied territories through the gas measuring stations Platovo and Prokhorivka, bypassing Naftogaz. According to Russia, terrorist leaders stated they did not receive gas from Ukraine. President Vladimir Putin stated the Minsk agreements had been violated, and Gazprom started direct supplies invoicing relevant costs to Naftogaz. In turn Naftogaz immediately sent letters to Gazprom, the European Commission, and the Energy Community Secretariat claiming Gazprom had breached the Brussels Protocol. In response Gazprom requested the increase of pre-payment and warned of possible cut-offs. Russian Federation President Vladimir Putin, and Minister Oleksandr Novak, also threatened Ukraine. Naftogaz of Ukraine NSJC refused to meet Gazprom’s requirements under such circumstances, insisting Gazprom was blackmailing Ukraine and Europe in this way, and referred to a possible court appeal. The parties met in Brussels with the participation of the European Commission, where they agreed Naftogaz would not pay for natural gas supplied by Gazprom in contravention of agreements.

A sharp increase of transit through Ukrainian territory is another example. In March, Gazprom increased the volume of natural gas transited through the territory of Ukraine (mainly on the border between Ukraine and Slovakia) by 40 percent in one day. It is interesting that there was no lack of gas reserves in Western Europe, so Gazprom’s decision was rather unexpected. In response Naftogaz accused Gazprom of breaching the contract, and reminded them that a single monopoly was not authorized to increase the daily transit so sharply without prior notice. Eventually, the Ukrainian company had to abandon pumping gas to UGSs and proceed with gas offtakes. With regard to this situation, experts suggested either Gazprom needed to renew their big exports after a seven-month restriction (there is no facility to accumulate gas, while conservation of wells and fields is too expensive), or Russia attempted to cause Naftogaz of Ukraine NJSC to fail. All in all no failure occurred, but agreements have been breached.

All the aforesaid proves Russia in not going to play fair in the energy sector. Moreover, it still believes it will do it unpunished. Ukraine is currently unable to give it due response while there are still political forces and business partners in the EU who will block attempts to increase pressure on Gazprom. The reason is quite simple — Europe is still very dependent on Russian natural gas. On the other hand, Russia knows this well, and uses it smartly. Russian President Vladimir Putin has already shown he was not lacking friends in the EU when, in the course of the war with Ukraine, he was warmly welcomed in Austria and Hungary. Besides, when Ukraine needed to increase the imports of natural gas from the EU, Hungary refused to help, explaining it needed to fill its own gas storage facilities.

### 3. How to Win the War: Lessons for Europe

Russia has often used a “divide and rule” approach against the EU energy policy. Unlike common foreign and security policies, energy is one of the sectors that lacks joint participation of all member states in making decisions. Gaining that power automatically requires including some sovereign decisions into common EU procedures. Despite all the challenges and threats Europe has hesitated to do that for a long time — a situation used by Russia to push its agenda. That laid down some blocking mechanisms now creating bottlenecks when the EU tries to face energy challenges when making common decisions.

The “South Stream” story showed Russia used manipulations to receive votes from some EU countries to have an impact on EU energy policy. Through special relations with gas importers, future “stream” users, and some “nuclear” EU states, Russia created a network of “friends with benefits” among EU member states. The “top of the iceberg” benefits included gas price discounts, loans for infrastructure projects such as NPP, or gas pipeline constructions etc.

Russian Gazprom created a number of EU member states joint ventures that were supposed to build (and later benefit from) the South Stream, including Bulgarian, Hungarian, Slovenian, and Austrian companies, and also Italian, French, and German companies as partners for the deep sea stretch of the pipeline. These were joined by Serbian and Croatian (at that time non-EU members) companies that were partners to Gazprom.<sup>41</sup> Russia also negotiated construction of the sea stretch with Turkey. During that time energy companies from states already mentioned received gas price discounts from Gazprom — 20 percent for Bulgaria in 2012,<sup>42</sup> reportedly less than 7–10 percent for Hungary in 2013,<sup>43</sup> and 24 percent for Slovenia in 2013<sup>44</sup> etc. Such actions seem to not be the acts of good will as one can track some kind of relation between key project decisions and discount negotiations. The real price of such a partnership though had to appear either after the statement from the European Commission about a breach of European law by bilateral South Stream deals<sup>45</sup> or after the project was closed by Russia.<sup>46</sup> Apparently some countries are chasing what they think are their lost benefits or hope that next

time everything will be different, but with Russia selecting Turkey as the key point for its new stream<sup>47</sup> the story seems to be just the same — in February 2015 the country received a 10.25 percent gas price cut from Gazprom.<sup>48</sup>

Russia has always used energy as political tool, and even a weapon. Lack of acknowledging that matter in the 2006 gas crisis led to a limited response and further crises of 2009 and 2014. The central part of the latter is the address of Russian President Putin to leaders of some EU countries with his offer to hold separate negotiations,<sup>49</sup> ignoring the EU's High Representative in particular, and EU Common Foreign policy in general. That was pointed out in the reply of EU President Barroso, where he stated consultations were held will all 28 EU Member States that mandated his letter.<sup>50</sup> This case shows how common foreign policy was executed in the EU and how it helped to frame further actions. Russian aggression on Ukraine took the whole world further in defining red lines and pulling out of "special relations" with Russia. Putin's visits to Austria<sup>51</sup> and Hungary<sup>52</sup> amid sanctions' policy, together with voices from representatives of some EU States against introducing new sanctions (although disappearing with obvious disregard for international law and its own commitments by Russia), still demonstrate challenges to EU common policy. Russia searches European boundaries with its manipulations, testing the strength of ties between Member States and partnerships of the EU in international coalitions. Such an exercise will last until the European Union works out a systematic solution to key energy challenges and attempts to use energy weapons against EU citizens. The solution should be at the heart of the new policy serving not a one-time tool, but rather, a jointly found mechanism to stop threats and bargaining.

With the multiple challenges and considerable influence of Russian pressure it becomes evident that EU and non-EU States have little chance of withstanding such policy on their own. While pipelines with Russian gas unite a number of countries in a "customer line" with Russia, it makes each of them dependent on its supply. Money paid by each country separately seems to be strong, but an insufficient argument in the gas "dialog".

There's no single and definite solution to this threat. Although the European Union has enough experience to know where to look for it. Finding the necessary checks and balances has always been at the heart of the EU. The idea of uniting countries in joint efforts to combat or generate confrontation for peace and prosperity has been a key mechanism.

Now, after many years of building common trade, foreign, and security policies, the EU has to rethink its energy policy with the mechanisms it is widely using. It seems the Union is facing the need to introduce one more layer of common policies. With energy evolving as weapon and threatening countries inside and outside the EU, and with energy wars having a strong impact on the lives of EU citizens, it became evident that outlining an operational common policy of energy market relations is high on the present EU agenda.

The Energy Union introduced at that time by the Poland's Prime Minister Donald Tusk, is one of the most rapid European ideas to be implemented. Although it has been less than a year between the time when people in EC corridors shrugged their shoulders answering questions about the Energy Union, to the time when the "thematic" EC Vice President was approved and started working, the idea of a common energy policy is not new and was advocated for since around 2010.<sup>53</sup>

The EU will find challenges on its way to an Energy Union. Energy is a substantial economic and security area where countries are very uncomfortable about sharing significant sovereignty. Though there were examples in European practice when direct involvement of the European Commission in negotiating new supply contracts played a crucial role, it is clear that Russia, neglecting international laws and practices, together with their aggression against Ukraine, was the final push to start officially considering the idea. The process will only start with bringing the responsibility of all possible stakeholders for its final implementation. While the "one voice" policy was the symbolic start to exercise, check, and practice the possibility of common policymaking in energy, the Energy Union has every chance to line up in one row with Monetary and Customs unions. The success depends on many key points, with willingness to share responsibility demonstrated by the majority of Member States being in the middle of all of that. Besides, agenda setting and mechanisms development also fit into the list of most important prerequisites.

Fighting inner pressure is one of the biggest challenges for the Energy Union. It is obvious there will be a price to pay for all the "friends with benefits", and trying to detach from these friends and patrons will not be a pleasant walk. But now in not only economic and political situation, but with military threats in the center of Europe, its citizens have all the necessary rights to know the resource flows from Russian energy giants in order to make sure it does not sponsoring terrorism or bring threats to state security. The antitrust investigation started by the EU has to be finished in an efficient and transparent manner to lay strong grounds of trust and cooperation in the EU. Third countries should not manipulate European rules and values in order to blur responsibility and influence sovereign decisions. Developing a standard and transparent contract framework is one of the grounds to build common energy policy. This should deprive suppliers of the chance to introduce "special" conditions to some partners and "hidden punishment" to others. The idea of common gas purchase has to be reconsidered in order to find the most effective solution. Together with that common EU energy rules should be applied, meaning not only proper transposition of EU *acquis* into national legislation, but also full and binding implementation in all countries involved, thus forming a "common-ruled" area, without allowing any exclusions or privileges. This is the only way of securing the implementation of common European energy markets with earlier declared values of transparency, consumer benefits, and efficiency.



Another challenge the EU has to face is excluding its partners into the Energy Union. Ukraine, being part of the Energy Community Treaty, has to become part of the Energy Union bearing all rights and responsibilities of it. That will make the Union instrumental in allowing a lot of single market mechanisms to be introduced and common energy security to be substantially increased. Inclusion of Ukraine will send a clear signal of new, uniting efforts of the EU, and energy being the main driver for it. That will also demonstrate the effectiveness of the decision to build common energy policy, showing the difference between cooperation and confrontation. Inclusion of Ukraine will give every available opportunity for refusal from compromises in a full-scale implementation of European legislation, and provide vivid results of the common energy policy.

Developing a new common energy policy will give new incentives to the European Union, providing for energy security and better understanding between all the countries involved. It will not only install the mechanisms for “single voice” policymaking, but also demonstrate the importance of the binding implementation of European regulations. The Energy Union will only be effective in the event it will not be a voluntary menu for countries to pick the mechanisms they like and ignore the ones they are not sure about. It is an excellent opportunity to create common EU energy markets, including key partner countries such as Ukraine to cooperate, securing key principles and values along the EU border and safeguarding the markets of future members. While Ukraine implements European rules in the energy sector, it is very important for the Union to clearly show how instrumental they are and what benefits it brings, letting the system work properly and building trust with Ukrainian partners. Such trust should convert to letting Ukraine participate in common EU energy policy as long as the country fulfills its commitments and implements the proper legislation. This approach will demonstrate the difference between being a victim of third party influence and enjoying the benefits of cooperation with partners who understand and support you. Learning the lesson from recent events, the EU and Ukraine have to realize the threats are real and the security and wellbeing of their citizens is at stake. Such an understanding should definitely lead both sides to become one, sharing and defending values and rules together, but also the responsibilities for developing a common and effective policy of managing energy resources, and then providing them to citizens.

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## **Part III**

# **Lessons Learned: Politics**



# HOW SHOULD EUROPE REACT TO RUSSIA'S PROPOSED 'NEW WORLD ORDER'?

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International and security tensions between Russia on one side and the West on the other has provoked the question: Does Russia propose a new world order on which to base future relationships between countries? Indeed, violations of international agreements with Helsinki and Budapest, the annexation of territory of another country at the heart of Europe, military threats to other neighbouring countries, attempts to wage hybrid warfare, and nationalist propaganda at home — these are factors which force us to think about the reasons and consequences of Kremlin policies at home and worldwide. Obviously, one might assume that Russia's current leadership is not satisfied anymore with the existing international rules it signed earlier, and violated later. However, my belief is that even if Russia were happy to offer the rest of the world some kind of new agreement about Russian borders, as well as security arrangements, these proposals are genuinely nothing unique. Rather, it is an abolishment of Janus' Kremlin policies face which reigned during the last decade and return to traditional principles much more common with Russian leadership behaviour where "Might is Right". Why did it happen? What provoked and enabled this revelation and what should be our stance *vis-à-vis* Russia? These are some of the questions I would like to discuss in this paper.

## **1. Origins of the Challenge to Peace in Europe**

In many ways, revelations of a new Russian political stance were provoked by the regime change in neighbouring Ukraine. In late 2013 the previous Ukrainian government under President Yanukovich was facing a dilemma on whether to start establishing a closer relationship with the European Union (EU) characterized by the proposed EU-Ukraine Association Agreement. Being under strong political influence from the Kremlin, Yanukovich declined the proposed Association Agreement. However, he underestimated the broad public opinion held by wide segments of Ukraine's public tired of the endless corruption, administrative inefficiency, deteriorating economic situation, and lack of justice in their country. Many ordinary Ukrainians saw this Association Agreement as a chance to reform the Ukrainian political system and societal fabric, along with European principles of democracy, justice, and a free market. After long standing unrest and violent



riots in Kyiv and other Ukrainian cities, Janukovich left the country and escaped to Russia, while the Ukrainian Parliament appointed a new President and government which in late 2014 concluded the Association Agreement with the European Union and promised far reaching reforms according to principles of a liberal, democratic political system.

As a stark surprise to many international observers and governments, Russian leadership under President Vladimir Putin was unwilling to tolerate an independent Ukraine severing its ties with Russia and willing to become a closer partner of the EU. Russia saw it as challenge to its established course to increase its political influence and control on former territories of the Old Russian Empire and Soviet Union. Ukraine was seen as a particularly important subject of Russian influence since its history and size, in many ways, had determined Russia's status in the World as a great power and regional international player. Moreover, for President Putin, losing control over Ukraine would mean losing his long nourished dream of regaining for Russia the status of a great power which the country lost after the collapse of the USSR, and he promised to re-establish this after coming to power in the Kremlin. Also, Putin's political fortune at home was very much determined by his ability not only to provide political stability and welfare, but by returning the lost international respect — even if it was purely based on power instead of any other political system qualifications.

Russian leadership acted immediately and surprised an unprepared international society. In February 2014, Russia occupied and annexed Crimea, part of a sovereign territory of Ukraine. Afterwards, a number of regions in Eastern Ukraine came under the control of Russian-sponsored guerrillas which, equipped with Russian weapons and the assistance of Russian military units, seized the bulk of Ukrainian territory. Russian aggression was triggered by a regime change in Kyiv at the beginning of 2014. Once interference in Ukrainian affairs started it become a rolling snowball. Seeing weak objections to this interference from international society, the European Union as well as the United States (US) (which from the very beginning excluded any military assistance to weakened Ukraine), Russian leadership decided to use the momentum by increasing political and military pressure on Ukraine. Moreover, Russian tactics were used not only to subdue Ukraine, but if possible initiate a split in an already vaguely coordinated EU foreign stance *vis-a-vis* Russian aggression.

Consequently, according to various estimates in early 2015 in Eastern Ukrainian there were between 5000 to 12000 Russian military personnel present. There are increasing international concerns that Russian-sponsored and equipped paramilitaries, as well as Russian military without insignia, will continue their advance to the Ukrainian city Mariupol. It would allow a bridge to parts of Eastern Ukraine under guerrilla and Russian control with annexed Crimea, an isolated peninsula, thus establishing Russian control over southeast Ukraine. Moreover, if accomplished, this advance would create an additional risk to the Ukrainian city of Odessa, as well as in the long term threaten the independence and security of Moldova, another

former Soviet territory formerly acquired by the Soviet Union via a Nazi-Soviet agreement in 1939, but today an independent country willing to join the EU.

What enabled Russia to implement this Blitz like military tactic? By observing Russian military development during the last decade, one had to notice its military spending increased between 10 to 20 per cent each year. Money was invested in modern equipment and in military training, empowering smooth military actions against weaker neighbours if needed. In many ways, Russian leadership draw its lessons from success and mistakes of the 2008 Georgian-Russian war. From this war Russian leadership learned that if surprised with military action outside the EU or NATO, the West would likely retreat, fearing political or even military escalation. Moreover, Western political division over Russian politics was dictated not only by a lack of unity and political will to see and stop the aggressor in a timely manner, but also through continually decreased military spending from most European nations. After the collapse of the Soviet Union it became increasingly popular in the West to think that war was not a threat to a modern post-Cold War Europe, just like having military is not a solution to any political challenge, especially when coming from Russia.

This is one reason why the EU as well as the United States' government was ready to declare they do not see a military solution for the Ukrainian crisis. Indeed, there was and is no military solution to this crisis, but following this logic it is very difficult to see how diplomacy alone could bring a suitable solution to an increasing appetite of aggressiveness among Russia's top current leadership.

I would like to argue that traditionally, Russian international politics are not characterized by compromise if an opponent or dialogue partner demonstrates weakness. It is, rather, convinced by an argument of strength and principle. Therefore, European-Russian dialogue over the Ukrainian crisis seemed to inhibit two various political cultures where the West was trying to apply rules of polite common sense searching for accommodation, while the Russian side was ready to use any tools available, including military threats. The later was demonstrated by President Putin's bravado in language, declaring that if needed, his army could reach Kyiv or even Warsaw in a few days. Intimidation was and continues to be a part of Russian political discourse.

Lately, the world has experienced countless and large scale Russian military exercises involving tens of thousands of personnel aiming to strengthen the feeling in Europe that any confrontation or disobedience towards Russian claims are pointless. Flights counts of military aircraft close to Baltic borders amounted to 250 times in 2014, more than one every second day. Strategic bombers have been seen flying next to the British and even Portuguese coasts. As Bzezinski rightly pointed out in his November 2014 speech<sup>1</sup>, it is unnecessary bravado from Putin aimed at bullying neighbouring countries and the West at large.

Since Russia has always been a militarized society and is becoming increasingly more so, the current Russian leadership has shown itself ready to engage, even in war, to reach the above mentioned political and economic goals. Examples of

this are the 2008 Russo-Georgian war and the current warfare in Eastern Ukraine. Moreover, Russia has dramatically increased its military presence in the Baltic area, creating new military bases and organizing military exercises near the Baltic States and Poland's borders, in contravention of the Organization for Security and Co-operation in Europe instruments, and the Open Sky and Vienna documents. It is fearful to say Russian military build-up near Baltic borders is highly asymmetric, and if one imagines a hypothetical Russian attack in the region, NATO will face difficulties when providing military assistance to nations in need, since no sizable military forces exist in the region. The Balts might be left to fight the invaders alone for several days in present circumstances.

Similarly, the Russian military presence is felt by other Baltic Sea neighbours like Denmark, Sweden, Norway, and Finland. In March 2015, the Russian ambassador to Denmark threatened the country with the possibility of a nuclear strike if Denmark, as a NATO member, contributes to the US-led missile defence system. The newspaper *Expressen* in Sweden reported that Russia successfully convinced the Swedes not to use Baltic military airports during common Swedish-NATO military exercises in 2015. Both Sweden and Finland, just like the Baltic States, experienced numerous Russian military flights with their transponders turned off, threatening civilian airlines near their borders. There has been an increased Russian military presence in the Baltic Sea as well, including warships and submarines. Intense Russian military activities and military build-ups have been observed in the Arctic, Black Sea, and near Japan in the Pacific.

Military manoeuvres have been used not only for improving Russian military capabilities. Its major purpose is internal, and political. In Russian society it strengthens the feeling of being encircled by enemies. At the same time, massive media propaganda portrays Russian military strength and endurance, something which is regarded as a national characteristic of Russians.

Last year (2014) was one in which the behaviour of the current Russian government shocked and surprised an international society and the shockwaves continue. In summer 2014, a Malaysian passenger plane with 298 people on board was down over eastern Ukraine, then on 27 February 2015, exactly a year after the seizure of Crimea by Russia, Boris Nemtsov, one of the most prominent Russian liberal politicians and former vice-Prime Minister under Boris Yeltsin, was killed next to the Kremlin's walls. It is widely believed that Nemtsov's killing opened a new stage in Russian domestic policies signalling to opposition it is no longer physically safe. There is no proof and probably none will be found to link this murder to the regime, but there is a widely held opinion that it is difficult to commit such a crime without the close involvement of official structures. Aggressive, military, anti-Western, anti-American, anti-democratic rhetoric has become a routine in local and national Russian political discourse, feeding sentiments of violence, phobias, and that feeling of being encircled by your "enemies". It also seems that, thanks to the highly centralized authoritarian rule at home (which excludes any meaningful dissent and opposition), regime change can only appear in the form of a coup or

revolution. It remains a challenge to imagine that if such changes took place in Russia they would bring more stability and democracy at home, or versus their international partners. Rather, any possible regime changes in Russia would in the short term bring additional security risks to its neighbours and international society in general. Taking all the above mentioned in mind, it is yet to be determined what position *vis-s-vis* Russia and the West should take in the given situation. In many ways, the answer lies not in Russia but in the West and Europe.

## 2. The Fragility of EU Foreign Policy

In the last decade the entire global, and in particular European, security environment has rapidly changed in front of our eyes. The permanent Middle East crisis has been joined by the post-Arab Spring rise of militant extremism in Syria and elsewhere; the near collapse of Iraq, which is suffering attacks from the emergent so called Islamic State, and the increased threat of home-grown European terrorists who are apparently tired of Western comforts and ready to join extremist phalanges either in Middle Eastern deserts or back on the streets of Europe. The latest attacks in Paris and elsewhere shows European liberal democracy has increasing difficulty in defending its values and freedoms at home.

Simultaneously, European foreign policy players, either on a national or EU level frequently show hesitation in being more assertive. Lack of decisiveness, combined with decreasing hard and soft power, diminishes European influence in nearby countries as well as internationally. Additionally, traditional transatlantic ties between the European continent, the United States, and Canada are becoming eroded, which weakens the common international stance as well as undermines common security organisations such as NATO. Politics and economics are frequently intertwined. Therefore, the long planned and negotiated economic and trade agreements of the Comprehensive Trade and Economic Agreement between the EU and Canada (CETA) and the Transatlantic Trade and Investment Partnership (TTIP) between the EU and US could provide the necessary support bringing both continents closer again not only economically, but geopolitically. However, if these agreements fail, particularly the TTIP due to prejudice, indecisiveness, or due to various anti-trade, anti-EU or anti-US lobby groups, the European continent will be first to feel its negative impact.

During times when the Far East, BRIC countries, and many other regions in the world are experiencing unprecedented economic growth, hesitation and a frequent lack of decisiveness is particularly harmful to the EU and Europe because it encourages stagnation. After the war broke out in Ukraine, the military weakness of Europe became particularly apparent. Compared to the time of the Cold War, as well as comparing other world regions including Russia, China, the Middle East countries, or BRIC countries, Europe has dramatically decreased its military spending. Moreover, after the withdrawal of the substantial US military presence

in Western Europe, contemporary Europeans are left with extremely weak and scattered military capabilities, especially in North Eastern Europe.

At the same time in many other World regions like the Far East and the Pacific one observes increasing military assertiveness, and attempts to change and challenge borders and extend influences. Many countries are also carefully observing the West's reaction to Russia's aggression in Ukraine since it might determine the world order for years to come. From this perspective one can assume Russia is challenging the world order and European core principles in a way that is unprecedented and unseen in recent decades, offering to replace them with political principles based on naked power.

However, Europe is also being challenged from the inside. During the financial crisis it became obvious that Europeans are exhibiting fatigue with enlargement, as well as having apathy regarding deeper internal integration which would strengthen the EU's integrity and consequently international influence. After the collapse of the Soviet Union it was popular to talk about European soft power and its ability to attract countries formerly dominated by Soviet-style Communism. The European welfare system and individual freedoms and liberties were powerful driving forces for reform in these countries, provided that after successfully reforming they could enter the Union. In turn, hard power was provided by NATO and, increasingly, by the US. Even through the last decade this appeal still dominated in countries like Georgia which desperately seeks any opening outside closed EU membership doors. Also, the latest Maidan movement in Ukraine was very much initiated by the hopes of building a similar political and social system as exists in other European countries.

Today one might argue that European soft power and leverage is fast diminishing. Countries near the EU feel betrayed, as they have lost the chance to join the Union even if they do succeed in implementing European-style reforms. Also, many in the European Union are increasingly frustrated by the curtailing of freedoms in EU accession countries such as Turkey. At the same time they tend to forget that some European political forces effectively blocked any opening of accession chapters with Turkey, thus limiting its influence on the reform process in this country. Being an important member of NATO, Turkey is drifting away from the European Union and both sides are responsible for that. Turkish and Balkan democratic reforms were gaining power from a hope to be admitted, once in the Club of European liberal democracies. Today, we hear more and more voices calling for the integration process with Turkey to stop.

It increasingly seems that EU foreign policy principles are more and more based on convenience and capabilities than values. And this is understandable since any policy can only be successful if it has the means to implement it. Europe is losing these means due to diminishing economic power, increasing internal political divisions, and weakened military capabilities.

Europe's limited hard power has almost faded away under the policies of extensive European disarmament and the partial withdrawal of US forces from

Europe. The EU is lacking solutions to a number of the needs and wishes of our citizens; it appears stagnant and unready to reform in any depth or breadth. Strategic thinking and solutions are increasingly giving way to technical and tactical ones, while principle is traded for compromise. Paradoxically, large number of European citizens would like to see European level solutions to their national and regional problems, but at the same time they are unwilling to delegate such powers to European institutions whose level of public trust remains low. Also, national governments remain sceptical about giving up some of their decision-making rather being willing to see EU institutions filled with so called 'Eurocrats' instead of political leaders able and willing to challenge the status quo. However, people want to see changes to established system and they increasingly find answers either in radical populist movements at home in their nation states or in various irredentist movements like in Scotland or Catalonia.

Global challenges to identity, increasing social and international insecurity, as well as fear about their future welfare is making many people turn inwards, towards nationalism, social conservatism, or even communism and authoritarianism. Europe is drifting in self-centred contemplation, which makes it a good target for internal radical populist challenges, but less relevant in international affairs. Europe is becoming more nationalistic and populist due to a lack of genuine leadership and the absence of a long-term vision. Radicals and nationalists offer old cures, picturing the world in black and white, abolishing compromise, speaking plainly, and appealing to known identities and fears. To some extent, the EU and its institutions has become a scapegoat to many. It seems our political weakness is growing from our replacement of political principles with insularity and comfort.

One might argue there is light at the end of the tunnel. Challenges can be seen as opportunities: Putin's Russia offers us a challenge by requiring Europe to act. It is in our hands whether or not we choose to embrace this challenge. However, to be able to propose a meaningful answer to these global challenges in particular, and Russian proposals to change the world order according to Might and not Right, the European Union must bring its house into order and among others also re-evaluate its former principles of foreign policy.

### **3. How Does Russian Leadership See the World and What Does the West Not See?**

The feeling of an end of history visits us from time to time during our lives. When I started my Ph.D. in political science in Denmark in 1991, the predictions of Francis Fukuyama<sup>2</sup> were the best I could imagine after experiencing the reality of Soviet rule. A chance to think freely, exercise freedom of speech, travel without borders, shape one's own destiny, vote without fear of persecution, do business, and get elected to lead a free nation, these were just some of the very important gains for millions of individuals after the collapse of the Berlin Wall.



Therefore, when I first heard President Putin call the collapse of the Soviet Union the biggest tragedy of the twentieth century I was shocked.<sup>3</sup> However, it was scarcely a surprise to the many former captive nations of the Soviet Union that their former prison guards did not want them to be free. I was shocked by how many people in Europe disregarded this revelation by the Russian president.

After the collapse of the USSR, the West hoped Russia was finally on its way to becoming a free liberal democracy, similar to those of Europe. Some initial reformist steps were taken in the early 1990s. However, current leadership under Putin has clearly turned away from the idea of creating a free liberal democracy. Political commentators, such as Fareed Zakaria<sup>4</sup>, describe 'Putinism' as a system dominated by nationalism, religion, social conservatism, state capitalism, and government domination of the media. The major goal of the current leadership is to 'revive Russia's lost greatness' at the expense of its neighbours and in accordance with zero-sum thinking.

As Dimitri Trenin<sup>5</sup> rightly argues, Putin has consistently sought to build his country on the basis of Russian patriotism, or rather nationalism, which is squarely centred on the state. For the time being, the dream of a liberal democracy in Russia is over and Europe should face this bitter reality. Observing Russian affairs, one can see that messages from Russian leadership vary between perfectly smooth Western diplomatic language and shocking authoritarian expressions. Despite revelations during the Ukrainian war, there are still many so-called "Russland-Versteher" in Europe who cannot take off their rose-tinted glasses, read between the lines, and see the true message and intentions of the Kremlin. If the messages mentioned below from Putin's speech at the Valdai Conference in 2013 were noticed in a timely fashion and had been properly analysed, the West would be in a better prepared situation now.<sup>6</sup>

First, Russia's leader highlighted as a key priority integration of the ex-USSR into a single geopolitical unit, which would recreate 'Russian greatness' equal to that of Europe and Asia. This is supported by Russia's military adventures in Georgia in 2008 and Ukraine in 2013–14, accompanied by massive disinformation campaigns aimed at domestic and international audiences. This was an occasion when Europe misread Putin's message and failed to define a political response to it.

This political bluntness and the recent war in Ukraine go hand in hand with the second point that Putin mentioned at Valdai, which was that Russians and Ukrainians are actually one people divided into two states. According to this logic, the separation of the two states can only be regarded as temporary. Therefore, what we are now experiencing is at least a partial 'Anschluss of Ukraine'. It is very much our European responsibility to assist Ukraine to defend its right to independence, remembering from history that appeasement is not the answer.

Third, Putin also stated that Russia rejects the post-Christian (read: postmodern) values of Europe because Russian civilization differs from that of the West. Russia was portrayed as a country which offers true Christian values instead of those of the failing, decadent West. Therefore it looks very heretic seeing high ranking officials



of Russia and their family members enjoying all the benefits and pleasures of liberal democracy abroad while officially denying its appeal.

On its way to recreating the might of state, Russia's current leadership very much rely on the support of the Orthodox Church. The church is natural ally in internal as well as external affairs dealing with Russian diaspora. Historically, Orthodox Christianity and Russian politics have never been separate from each other. Unlike Europe, Russia has not experienced religious wars and, consequently, has never integrated liberal values into its customs — as happened in Europe in the sixteenth to nineteenth centuries, when they became the core principles of Europe's modern political existence.<sup>7</sup> Moreover, Russia lacks any tradition of Roman law, which is fundamental to Western political systems. In other words, similar changes to those achieved by the Meiji reforms<sup>8</sup> in Japan and the Atatürk reforms<sup>9</sup> in Turkey never occurred in Russia. One might argue that in Russian politics success and choice is frequently determined by capability, and not by legality.

To summarize, what some are seeing as a surprise in recent Russian politics is, in fact, the outcome of the carefully tailored policies of the current Russian leadership, which claims to draw its legitimacy from a special path of Russian development. This leadership does not want to follow the modernization path of Atatürk or Meiji; rather their choice is associated with imperial revisionism at the expense of Russia's citizens and neighbours.

Unfortunately, one major Western mistake in relations with Russia in the last two decades has been the wishful thinking that an engagement policy alone will make Russia become a decent liberal democracy similar to those in Europe. As we know, the first modern European political scientist and real-politician, Niccolò Machiavelli, considered wishful thinking and disregard of changing challenges as one of the gravest mistakes of statesmen.<sup>10</sup> For a long time, many Western leaders been unwilling to see the bitter truth about political and military developments to the East of Europe. Instead, to successfully complete their political term at home, they have engaged in lucrative projects of economic cooperation with Russian oil, gas, or other industries, neglecting warning signs from the region and Europe's long-term interests.

In the current circumstances it would be timely to admit the very fundament of mainstream EU policies towards Russia under Putin was poorly chosen. Namely, the idea that mutual economic interdependence would ultimately change Russian leadership's mind-set in favour of liberal democratic values and a liberal political system was wrong, and has failed in practice. Since the Russian invasion and later annexation of Crimea, despite the Budapest Agreement of 1994, EU hesitation to impose meaningful and timely sanctions on Russia has been clearly motivated by economic interdependency, causing a split in which the weaker side has prevailed, at least in terms of decision-making. As a liberal democratic system, Europe is sensitive to public opinion about the influence of sanctions on its already pressured welfare systems, employment and growth, while authoritarian Russia, with its almost total control of the media, is not. Consequently, in the short term, mutual

economic interdependence has given Russia more leverage over the EU than vice versa. Thus from the beginning Russian leadership assumed the current sanctions are of a very temporary nature and will be lifted as soon as Europe faces economic losses. It would be a grave mistake by the West not to enforce sanctions, both because Russian losses are much larger and because European inconsistency will diminish its international status and undermine EU legitimacy in the eyes of its citizens, as would further lukewarm policies.

The extension of sanctions in spring 2015 signalled to Russian leadership the status quo regarding sanctions will continue. Combined with low oil prices, which is the real reason for Russian political nervousness, sanctions diminish Russian fiscal reserves and endanger its economic policies at home. At the same time one must admit that sanctions, low oil prices, and diplomatic talks, will not change Russian policies regarding its neighbours and regarding the international rules the Kremlin broke. Russia is ready for confrontation, but the question remains for what period of time and for how serious a confrontation.

As Ulrich Speck puts in his article,<sup>11</sup> sanctions have had two major purposes. First to build a consensus within the EU, where large numbers of countries were willing to swallow the humiliation presented by a Russian breach of international norms for various reasons. Second, they were intended to limit the Kremlin's options in Ukraine.

Looking at the Minsk agreements of September 2014 and February 2015, when German Chancellor Angela Merkel attempted to broker a ceasefire, two goals have been reached, if one sees the outcome optimistically. According to Ulrich Speck,<sup>12</sup> Germany and France succeeded with putting Russia and Ukraine at a negotiation table, and partly succeeded in winding down military activity. Indeed, after intense fighting in Debeltsevo village and some days after Minsk-2, military activities become less active. However, we are still miles away from a solution to the Russian-Ukrainian war; military activities seldom described using this term.

Sanctions policies and diplomatic efforts in Minsk gave certain relief in the EU and West in general, but did not solve the problems caused by Russian aggression. The EU internal split on Russian policy is less obvious, but it exists, and Russian intervention in Ukraine remains a fact with unforeseeable consequences also internally in the EU.

Russia's open embrace of illiberal authoritarianism, coupled with European political weakness, is feeding a number of radical European political movements. Leaders from Hungary to France are openly cheering Putin's success and advocating illiberal democracy and anti-EU sentiments and policies at home. The current leaders of Europe's mainstream parties are frequently hesitant, offering delayed partial solutions, while radicals are painting a populist, decisive vision in black and white, with easy choices and xenophobic and divisive solutions at the expense of the common EU good, cooperation, and security. They also frequently attack the core liberal component of European political principles.

It must be remembered that Europe's democracy and political system would be an empty shell without its liberal centre. Democracy without its liberal component

is a tyranny of the majority, lacking fundamental liberties such as the separation of religion and state, constitutionalism, human rights, gender equality, and a genuine justice system based on respect for the individual. By abolishing the liberal component of democracy we would also turn our back on Western Christian tradition, the cradle of liberalism, even if these origins are sometimes lost or forgotten. When dealing with Russia, Europe has the chance to choose between its own rules and those of the Russian roulette imposed on us. Unfortunately, the policy of economic engagement and mutual interdependence, coupled with increased internal weakness and military disarmament, has made the EU play according to Russian terms.

#### **4. The EU's Choice: War, Shame, Neither or Both?**

When debating Western response to Russian aggression and European security in general, what comes to mind, albeit unwillingly, are Winston Churchill's speeches and texts from 1938–9 about the choice between shame and war.<sup>13</sup> We are not facing such a choice yet, but there is the context in which the political choices currently being made are degrading our principles and the integrity of European politics. For quite a long time, and for the reasons of political divide and military weakness, the EU has favoured humiliation over confrontation, paradoxically letting the dangers of confrontation come even nearer. This was exemplified during the months of increasing Russian assertiveness towards Ukraine, when European and American leaders were quick to stress they could only see a diplomatic solution to the crisis, while Russia saw its solution in skilful diplomatic moves combined with military activity.

Also in July 2014, during her visit to Latvia's capital, Riga, Ms Merkel publicly pushed back and ruled out permanent deployment of a larger contingent of NATO troops in Baltic countries which are feeling increasingly threatened by the asymmetric presence of Russian troops near their borders as well as various activities of hybrid warfare. Instead, Berlin was more supportive for a rapid response force able to operate at short notice to counter threats against NATO members.

Such European reactions to Baltic and Polish demands were weak responses to the requests. First, the real deterrence can be granted only by a permanent presence and rapid response force. Second, by declining the idea of a permanent presence of NATO troops in the Baltics, Germany and other likeminded Europeans deny the same support what they did not deny to Germany itself during the time of the Cold War. The usual argument for such a decision was not to escalate the situation with Russia, while those countries on the side of more assertive defense policies argued that hesitation itself is a covert invitation for aggressive behaviour from the Federation by showing the weakness of NATO waiting to decide. Some European politicians have also wrongly referred to the 1997 NATO–Russian Founding Act which set out a road map for cooperation between both sides, arguing that stationing permanent troops in the Baltic area would violate the

agreement.<sup>14</sup> It should be said, however, the Founding Act does not prevent the permanent presence of troops in the Baltics, especially when Russia is currently in full violation of it.

Below I highlight the major reasons for European hesitation *vis-a-vis* Russia and because of this, the EU's political weakness.

First, no individual wants to risk his or her peace and security when facing any kind of challenge. The same holds for countries. This is the understandable reaction of a continent that has experienced two devastating World Wars, the Holocaust, and Communist tyranny. Simultaneously, after 60 years of peace and prosperity, there is a strong belief that war is something that is impossible in Europe. This lack of understanding is coupled with an unwillingness to maintain effective capabilities in the defence sector. Such investment is highly unpopular with the public, who would rather see the creation of new jobs and the stabilisation of the welfare system, and who are unaware the defence sector can contribute to these goals in an effective way. Many European nations have difficulty imagining Russia threatening them directly.

Second, there is an unwillingness to see Russia as an adversary because it would demand a change in the political guidelines governing relations with this country, especially among the European left, but increasingly also among the far right. This would require the admission of mistakes, something politicians are very reluctant to do.

Third, political decisions in European capitals are very much determined by economics. After the financial crisis, Russia's political and military challenge is something which requires serious resources for opposing. In the short term, it seems easier to abstain and wait, hoping things will be resolved naturally.

Fourth, the EU continues to face a number of internal challenges which make it much more vulnerable to external challenges and threats. Its deeper internal integration has stopped, as has its external enlargement. Federalisation has become an almost taboo topic compared to 10 years ago. Now, EU discourse is increasingly dominated by the potential British exit and challenge from internal power divisions in those EU countries that face the threat of fragmentation from separatist movements. In addition, there is the growing challenge of radical right movements that are openly hostile to the EU project.

Fifth, the EU-US relationship is not at its best. The withdrawal of US troops from an already almost disarmed continent feeds doubts about President Obama's interest in European affairs. Mutual trust has also been put to the test by the recent spying scandals. Polls show that post-war generations are less convinced about the transatlantic partnership.

In short, the Russian security challenge to the EU and NATO, but primarily to Ukraine and its other near neighbours, has come at a time when Europe is weaker than before, busy with its own internal affairs, lacking genuine political leadership, and contemplating its future development choices. In the short term, Europe and the US have been out maneuvered by their reluctance to sit down with Russia in a Reagan-style dialogue. Ironically, for a long time the West abstained

from providing military assistance to Ukraine, while being unable to halt ongoing military cooperation projects, such as the sale of Mistral ships, with Russia. Germany took the brave step to arm Kurds against the growing Islamic State advance, but has silently drawn the line when it comes to sending military equipment to Ukraine. It seems that part of German society and its leadership are still haunted by the ghosts of the Second World War, making it difficult for them to assume political responsibility equal to Germany's size and influence when it comes to security policy or its relationship with Russia. Unfortunately, some fear that German economic and political dominance in the EU is mirrored by other EU members, which does not help the EU and Germany conduct assertive policies when needed.

These and other examples make Europe and the West look weak and indecisive in the eyes of its partners and opponents, but most importantly they reveal the EU's weakness as a global power. By saying this it does not mean that Europe or the West in general should practice warmongering, however, it should not allow its political principles and values to become an empty sound. The West should be willing and capable to defend its values and freedoms by any means if challenged. This should be made clear to anybody.

## **Conclusion**

The Russian challenge to Europe's fundamental principles and security environment, as well as the rise of anti-EU sentiment in Europe, can be successfully met. However, this will require leadership, courage, and a vision of a future Europe which is frequently lacking in current European politics. The European political elite must follow Machiavelli's advice to rulers and acquire a leadership mentality instead of adopting a wait-and-see attitude.<sup>15</sup>

Politically we must not be afraid of changing the world, but embrace these changes and lead our nations into the future, rather than following radicals paving a way to the past. We must offer European solutions to national problems. This means giving the EU the power to do so and equipping it with people and leaders who can exercise these powers efficiently and mindfully. Internally, the EU is losing to the 'past' (radicals), which offers 'known values', while the Union — instead of a stable future — is suggesting a continuation of today's insecurity. If the EU were to disappear tomorrow, the challenges would not vanish but become even greater.

At policy level it is important to change dominant European paradigms and the state of mind and acknowledge that European countries might face a military threat from a revisionist Russia. The EU must also acknowledge that a military threat could not be countered by declining European soft power or diplomatic talks alone. Soft power, without convincing hard power, is hot air. Soft and hard power should be mutually enriching, just as in governance legitimacy should be coupled with power. One without the other can only survive for a limited time. There must be the political will and leadership to pool more power at the EU level.

Along with allocating more money to defence in national budgets, a common budget for multinational security cooperation in the EU should be considered. Societies must be made aware that military spending helps bolster economies, growth, employment, science, and education, since most of the money remains within EU's borders. Military industries have traditionally been interconnected with innovation and a number of other economic sectors currently in crisis. Moreover, supporting European security needs would reduce military exports to foes and regimes of a dubious nature. By increasing security cooperation between the EU and NATO we will be able to use the advantage of a union instead of being targeted individually by opponents.

Serious efforts should be made to bolster common EU security in such areas as cyber defence, the information space and border security, taking into account current challenges on the EU's eastern borders, such as disinformation campaigns and military invasion. These areas are weak and the levels of development, cooperation, and integration among countries is limited, thus giving any opponent numerous opportunities to harm member countries one by one. The European Commission and national governments have to give this priority since our European values are being affected and they are one of the defining cornerstones of our community.

Information policy and strategy from the European Union and United States should be designed to counter hybrid warfare including Russian state propaganda observed in Kremlin-sponsored TV channels and internet sites. Europe and the United States should assist Russian-speaking public in Russia and elsewhere to obtain objective information and empower these people to distinguish genuine facts from lies and brainwashing.

Transatlantic ties between Europe and the United States should be strengthened not only in political and military aspects but also in the matters of trade and economics putting every energy behind the goal to conclude a mutually acceptable Transatlantic Trade and Investment Partnership (TTIP). It is very important that European NATO allies actively provide additional security to Eastern European members, particularly in the Baltic. Such assistance cannot be left in the hands of the US alone because this undermines European solidarity as well as its capabilities.

Moreover, EU leaders must also agree on how to answer Russia's economic counter-sanctions in a united way. Even if the EU is dependent on Russia in certain areas like energy, transport, and trade, the EU is overwhelmingly economically stronger and capable of overcoming these difficulties if it stands united against a country whose share of the world GDP is only 3 percent. The EU must agree on an internal solidarity pact covering most of the economic damage done to individual Member States.

Obviously, the EU's and NATO's future, and in fact Russia's future and the security dimension, are very much dependent on the response to the Ukrainian crisis. We must admit that diplomatic solutions alone are not enough to stop the Kremlin's aggressive behaviour. We must be clear on what our goal is with regard to



the Russo-Ukrainian war. It is clearly not just a ceasefire. It is ensuring a sovereign and free Ukraine and respect for its internationally recognised borders, and it is letting Ukraine choose its way of development freely. It does not necessarily mean that Ukraine must and can become an EU or NATO member. But it also does not mean that it should be a failed state where oligarchs and neighbouring military units determine the fate of Ukrainians. For that purpose we must provide a Marshall Plan-type economic assistance to Ukraine and help it to start a reform process that, despite the ongoing war, targets corruption, energy, and other issues. Of course, it must be made clear to Ukrainians, their only way to preserve the independence of their country and receive Western support is through immediate engagement in serious and fast reform process transforming their country. Many EU nations would be ready to share their experience in this regard. If required, the West must provide Ukraine with advanced military technologies and assistance to enable it to stop further aggression. It is regrettable that military assistance is being provided in Iraq but not in Ukraine. Russia, in turn, must be made aware the choice between war and peace is in its hands.

While providing assistance to the Ukrainian nation to build their country from scratch, the EU should also more actively engage in the so called Eastern Partnership programme. Caucasian and Central Asian countries require much larger EU attention and cooperation to ensure these regions remain safe, stable, and prosperous. Finally, the reset of the EU-Turkey policy should be attempted since too many mistakes by both sides were committed during the last decade. Without Turkish engagement, Europe will face huge problems implementing its policies in the Black Sea area or Middle East.

If Ukraine fails to stabilize and implement the reforms its nation requires and falls back into the role as a puppet of current Russian interests, the next goal for the Kremlin may be other former members of the USSR, such as Belarus or Kazakhstan. Provocations cannot be excluded also against Baltic EU and NATO members or the wider Baltic Sea area. To be frank: Europe and the West have the choice of either facing the aggression head on and rejecting Russia's claim that might is right, or retreating from their own principles and values. What this choice comes down to is nicely summed up by a statement of one of the founding fathers of the United States of America — Benjamin Franklin, and was made at the signing of the United States Declaration of Independence: 'We must all hang together, or assuredly we shall all hang separately'.<sup>16</sup> For the sake of future generations, I strongly hope the EU will emerge from these challenges stronger and more united. I also believe that idealist and realpolitik approaches are mutually enriching and both demand proactive policies. Regarding the invitation of current Russian leadership to change the established principles of international behaviour, it should be made clear that in fact it is in Russia's own interests to stick with the established international norms determined by law, mutual respect, and cooperation, instead of lies, deception, and bullying. The West should stand ready to extend a hand of friendship to Russia once it is ready to answer genuinely.



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## THE EU, NATO AND UKRAINE: PROSPECTS FOR FUTURE CO-OPERATION

*Ian Bond\**

Where does Ukraine belong? That is the heart of the conflict between Kyiv and Moscow. Russia has given its answer: it has invaded its neighbour and annexed its territory in order to keep Ukraine out of the hands of the West, and if possible within the ‘*Russkii Mir*’, the ‘Russian world’ which is central to Vladimir Putin’s current narrative for the Russian people. Ukrainians have also given their answer: the Euromaidan and the overthrow of Viktor Yanukovych were a loud and unmistakable declaration of their wish to turn towards the prosperous, democratic, law-governed West, and away from the economically backward, authoritarian and corrupt post-Soviet model offered by Russia.

For the last year, Western leaders have focused on crisis management and responding to each new step from Russia. They have avoided the question of whether Ukraine is ultimately a European country, a Eurasian country, both or neither. For all the accusations of Russian officials and Russian mouthpieces in the West, no Western leader during this crisis has shown any expansionist urges. On the contrary, they have been at pains to avoid appearing to endorse a European or Euro-Atlantic destiny for Ukraine. Even at the EU/Ukraine summit in Kyiv on 27 April 2015, EU leaders only “acknowledged the European aspirations of Ukraine and welcomed its European choice” — a phrase first used in 1999, when Ukraine had a much less reformist government and was not paying for its European choice in blood.

It is not for Western leaders to dictate what kind of country Ukraine should be, any more than it is for Putin. But if Ukrainians have made their own conscious choice, it is not enough for the West to ignore it either. Whether the Minsk peace deal holds or (as seems more likely) falls apart, it is time for the West to start thinking about the future of Ukraine’s engagement with both the EU and NATO. In the past, it has been possible and even desirable to keep these two questions entirely separate: while there was widespread support in Ukraine for joining the EU, there was always a majority, often sizeable, against NATO membership. Russia’s intervention has changed the picture dramatically. First, Russia has linked EU and NATO membership, in a way that had not happened previously, by making clear that neither was a permissible choice for a former Soviet state. And second, it has created a majority in Ukraine in support of NATO membership.

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Russia's decision to use military force in Ukraine in response to a political and economic challenge should make Western leaders re-appraise the link between the soft power of the EU in its eastern neighbourhood and the hard power of NATO. The traditional view is that NATO's mutual defence commitment creates a cliff edge at the border of its members, against which any hostile wave will break; the EU's neighbourhood policy, on the other hand, is a gently sloping beach, where land and sea meet and merge; countries may swim or sunbathe by turns. By obliging Russia's neighbours to choose between association with the EU and membership of the Eurasian Economic Union, a project with clearly political intent, Moscow is telling countries like Ukraine and Moldova that there is a new tide rolling in, and their choice now is to swim with the sharks or try their luck at climbing the cliffs.

Western leaders can no longer put off answering the question: if Ukraine wants to join the EU and NATO, should it be welcomed in or kept at arm's length? Neither Western values nor Western interests will be well-served by continued ambiguity.

This chapter argues that if Ukraine asks for a clear perspective of both EU and NATO membership, then the West should reply positively, conditional on Ukraine meeting the same standards as any other applicant; and that Western policy should now focus on ensuring that Ukraine's options are not foreclosed by Russia's aggression. This will require a more co-ordinated approach to both stabilising Ukraine and resisting Russia than the West has so far managed.

## 1. Ukraine and the EU: First Steps

Ukraine has been seeking recognition for its eventual aspiration to become an EU member since the mid-1990s. The then President, Leonid Kuchma, told the Parliamentary Assembly of the Council of Europe on 23 April 1996 that Ukraine sought a free trade agreement with the European Union "which it also hoped to join in due course".<sup>1</sup>

The EU has never given an unequivocally positive response to such hopes. In the EU/Ukraine Partnership and Cooperation Agreement (signed in 1994, though it did not enter into force until 1998), the parties "recognis[ed] and support[ed] the wish of Ukraine to establish close co-operation with European institutions", without defining what that meant.<sup>2</sup> In the EU Common Strategy for Ukraine, a document negotiated entirely within the EU, with no formal consultation with Ukraine (though plenty of informal lobbying), the Union's strategic goals for the relationship with Ukraine made no mention of the possibility of membership, however far into the future. But the EU at least "acknowledge[d] Ukraine's European aspirations and welcome[d] Ukraine's pro-European choice". And it listed as one of the principal objectives of the Common Strategy "Support for strengthened cooperation between the EU and Ukraine within the context of EU enlargement".<sup>3</sup> Sadly for the Ukrainians, that tantalising appearance of the word "enlargement" referred only to the possibility of increased co-operation between Ukraine and

those of its Western neighbours who were already on the road to EU membership, in areas such as trade and justice and home affairs; if anything, the EU implied that Ukraine would never follow their path to Brussels.

The EU position was understandable in the 1990s and early 2000s. Under President Kuchma, though Ukraine met a key demand of its international partners by returning Soviet-era nuclear weapons to Russia and acceding to the nuclear non-proliferation treaty (NPT) as a non-nuclear weapons state, the country in other respects seemed to be developing in the wrong direction. By the late 1990s Transparency International rated it as one of the world's most corrupt states (in 1999, at the time of the Common Strategy, it was in 75<sup>th</sup> place out of 99 countries then surveyed in the Corruption Perceptions Index); Kuchma was suspected of complicity in the murder of journalist Georgii Gongadze, in September 2000; and the US had accused Ukraine of exporting or trying to export an advanced military radar to Iraq (then under UN sanctions).<sup>4</sup>

The problem is that this view of Ukraine as unsuitable to become an EU member became entrenched. It was reasonable to say that Ukraine under Kuchma or Yanukovich (or even under ostensibly more pro-Western Viktor Yushchenko) was not a realistic candidate to join the Union; but it should not have followed automatically that under no circumstances could the EU ever embrace Ukraine. Article 49 of the Treaty on European Union states: "Any European State which respects the values referred to in Article 2 [respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities] and is committed to promoting them may apply to become a member of the Union". No-one argued that Ukraine was not a European state; but the EU was unwilling to refer to Article 49 in any document connected with Ukraine.

## **2. The EU and Ukraine: The Association Agreement and the Membership Issue**

The Association Agreement, largely negotiated when Yanukovich was president, quotes much of the language of Article 2 and Article 49 in its preamble, and repeatedly stresses common values, European identity, European choice and European aspirations; but EU Member States still could not agree to a direct reference to the Articles or the implication that Ukraine had the right to apply for membership in accordance with Article 49.<sup>5</sup>

Far from seeking to separate Ukraine from Russia, as Putin and others have repeatedly alleged, the EU has constantly implied that Ukraine and other post-Soviet states could not be considered for EU membership purely on their merits and their ability and willingness to meet the same demands as other EU applicants. In the background lay the implicit suggestion that countries like Ukraine "belonged" with Russia.

The EU's reluctance to speak openly about the possibility of membership for Ukraine has continued regardless of what regime was in power in Kyiv. As the situation there deteriorated in February 2014, the EU Foreign Affairs Council met to discuss developments, and after reiterating its commitment to signing the Association Agreement it "express[ed] its conviction that this Agreement does not constitute the final goal in EU-Ukraine co-operation".<sup>6</sup> It did not, however, try to explain what might come beyond association; nor has it since the fall of Yanukovich. Indeed, it has been reluctant even to repeat the February phrase: it appears in the Joint Statement issued by the Presidents of Ukraine, the European Council, and the European Commission when provisional application of the Association Agreement began on 31 October 2014,<sup>7</sup> but not in the press release after the first EU-Ukraine Association Council meeting on 15 December 2014, which only refers to the two parties "continu[ing] to work together towards Ukraine's political association and economic integration with the EU".<sup>8</sup>

It was possible to argue for the first two decades of Ukraine's independence that it sought to balance between Russia and the West, and that there was therefore no pressure on the EU to be more definitive about where Ukraine belonged than the Ukrainians themselves (even if every Ukrainian president, including Yanukovich, had made a least a rhetorical bow towards the ambition of joining the EU). But the popular revolution against Yanukovich when he turned his back on the Association Agreement, followed by Putin's intervention in Ukraine, has changed the dynamics. If the EU refuses to acknowledge that Ukraine can apply for membership, then in effect it is conceding that countries can be militarily and economically coerced to stop them trying to join the Union. That would be a momentous abandonment of a fundamental principle of Europe's security architecture ever since the Helsinki Final Act of the Conference on Security and Cooperation in Europe in 1975 — namely that all European states "have the right to belong or not to belong to international organizations, to be or not to be a party to bilateral or multilateral treaties including the right to be or not to be a party to treaties of alliance; they also have the right to neutrality".<sup>9</sup>

The mere act of agreeing that Ukraine has the right to apply for EU membership, however, will mean little, given the current situation of the country. It needs to make the kind of transition that Poland made after the formation of the first post-Communist government. Ukraine, however, has squandered the time since it gained its independence. It will need an enormous and sustained act of will to get up to the standards of even the poorest and worst-governed of EU Member States. A membership perspective will give Ukraine's efforts a focus that they have hitherto lacked, enabling the government to argue that painful reforms are directed towards a definable goal. But it will not make the pain any less real. Nor will it do anything to stop Russia's efforts to destabilise Ukraine and turn it, if not into a failed state, at least into a fragile state dependent on Moscow's goodwill and gas for its survival. "Building the plane while flying it" is a cliché of change management; but Ukraine has to build the plane while flying it, and while Russia is trying to dismantle it. It is doomed to crash without a lot of help.

### 3. The EU and Ukraine: What Can the Union Do Now?

The EU cannot provide all the help that Ukraine needs, but it can provide a significant contribution in crucial areas. Across the former Soviet Union, in the 1990s the West underestimated the importance of the rule of law as the foundation for functioning economic and political systems. It has been a particular problem for Ukraine, which has consistently ranked among the most corrupt nations in Europe. In 1998, the first year in which Transparency International included it in its 'Corruption Perceptions Index,' Ukraine was 69<sup>th</sup> out of 85 countries surveyed (ahead of Russia, which was 76<sup>th</sup>).<sup>10</sup> By 2014, Ukraine was the most corrupt country in Europe, 142<sup>nd</sup> of 175 countries surveyed and behind Russia (136<sup>th</sup>).<sup>11</sup> Though Yanukovich was spectacularly corrupt, his departure does not mean that Ukraine has miraculously become a country of honest officials, policemen and judges.

As a rules-based organisation, the EU is well-placed to lead international support for Ukraine in trying to clean up its governance. The EU agreed in July 2014 to deploy an EU Advisory Mission for Civilian Security Sector Reform in Ukraine (EUAM). This became operational in December; by early March 2015 it had 55 staff out of a planned 101 international staff and 73 local staff. With this modest team, it is supposed to support Ukraine's reforms on a very broad front: the mission provides advice on the National Security Strategy, the Law on National Police, the Ministry of Internal Affairs Reform Strategy, the Law on the General Prosecutor's Office, the Law on the Judiciary, and the Human Rights National Strategy. It works with the National Anti-Corruption Bureau, the Border Guard Service of Ukraine, the Security Service of Ukraine, and advises on various projects including police projects in Khmelnytsky and Lviv.<sup>12</sup> Even after the mission has all its personnel this will be an enormous range of tasks for such a small staff.

The EU Rule of Law Mission in Kosovo (EULEX Kosovo) is different from the EUAM in many ways, and especially since the bulk of its personnel are involved in executive policing, prosecution and judicial functions; but its 'Strengthening Division,' which provides monitoring, mentoring, and advising, has some tasks similar to those of the EUAM. To deal with a country of fewer than two million people, the division has 94 international and 60 local staff who work with the Ministry for Internal Affairs, Kosovo Police, Kosovo Customs, Ministry of Justice, Kosovo Judicial Council, Kosovo Prosecutorial Council and Kosovo Correctional Service.<sup>13</sup>

The EUAM could never be increased to a similar scale to EULEX in proportion to the population of Ukraine (that would imply a staff of more than 3000). But it should be significantly enlarged. Popular anger with corruption was an important driver in the Maidan protests and subsequent events, but according to Transparency International Ukraine there has been little progress in tackling it, including at senior levels. The Verkhovna Rada (Ukrainian Parliament) passed a law in October 2014 to establish an Anti-Corruption Bureau, but the process of choosing its first head only started in January. The new director, Artem Sitnik, was appointed on 16 April, but the Bureau is only expected to start work in August 2015. While it was welcome that the Ukrainians included the Director-General of the European Anti Fraud



Office (OLAF), Giovanni Kessler, in the committee vetting the applicants to lead the Bureau, there were also worrying signs that the Rada and the Presidential Administration were trying to gain influence over the appointment process.<sup>14</sup> It is important that the new director shows quickly that he can act independently of all political forces in Ukraine.

One asset for Ukraine in fighting corruption is that it has a dynamic civil society sector which has repeatedly shown its willingness to expose dubious practices and illegally acquired wealth, even at the expense of considerable risk to activists. The EU can help to ensure that the state acts on the information that civil society uncovers. Both the EU and other international financial institutions who are lending money to Ukraine need to insist on full transparency in how it is spent, and on improvements in public procurement policy and practice. This is not only a matter of ensuring that public finances are not wasted; it is directly relevant to the ability of Ukraine to defend itself militarily, because of corruption in the Ministry of Defence which has left soldiers with substandard equipment.<sup>15</sup>

The EU can also do more to ensure that its Member States are not facilitating corruption through lax enforcement of anti-money laundering regulations. The large-scale theft perpetrated by the Yanukovych regime involved the use of the financial and legal systems of a number of EU countries, including Austria, Cyprus, Latvia, the Netherlands and the UK. Enforcement of EU anti-money laundering directives is a national responsibility (as is enforcement of EU sanctions regimes). The Commission checks that EU legislation is properly transposed into national legislation, and can start infringement proceedings where it is not; but where there are reasonable grounds for supposing that EU legislation is not being enforced, then the Commission should be able to intervene more forcefully. Even in the UK, with a highly developed regulatory system, the Financial Conduct Authority's 2013–2014 Anti-Money Laundering Annual Report described "significant weaknesses ... in a number of firms, particularly in relation to the assessment and management of higher risk business"; one of the issues it singled out was poor management of "Politically Exposed Persons [ie senior officials and politicians who might be involved in corrupt practices] ... particularly in relation to establishing the source of wealth and source of funds."<sup>16</sup> This is not specifically a Ukraine-related problem, but a general weakness in the EU's attitude to corruption beyond its borders.

Ukraine has a particular problem of governance in relation to its oligarchs. Many of them had close connections to Russia before the conflict started (including President Petro Poroshenko, whose confectionery firm, Roshen, had until mid-2014 a factory in Russia). Rinat Akhmetov's System Capital Management owns the Corum Kamensk Heavy Engineering Plant, in Russia's Rostov Oblast, building equipment for coal mines. Dmytro Firtash, whose extradition from Austria is sought by the US, had close connections with Russia through the gas importing company, Rosukrenergo, which he co-owned with Gazprom. Most were backers of Yanukovych; some of Akhmetov's statements were seen by the Maidan protesters as too supportive of Yanukovych. Even after the change of regime, many of them



have retained considerable influence, including through groups of Rada members under their control.<sup>17</sup>

The most interesting case, and the most threatening to any attempt to clean up the Ukrainian system, is that of Ihor Kolomoiskii, head of the Privat Group, who became governor of the Dnipropetrovsk Oblast' in the aftermath of the fall of Yanukovych, as unrest began to grow in the east of the country. Kolomoiskii's reputation is as a 'reider' — a man who takes over companies by fair means or (often) foul. In a court case in London in 2013, according to the UK's *Independent* newspaper, Justice Mann noted that he was alleged to have sought to take control of a company "at gunpoint" in Ukraine. Yet Kolomoiskii's loyalty has become crucial to Ukraine's ability to defend itself: he has funded and equipped a number of 'self-defence' battalions which have fought alongside, and sometimes better than, the regular Ukrainian forces. His political influence is equally significant: according to the OSW study cited above, he controls Rada members in the Petro Poroshenko Bloc and the People's Front of Prime Minister Arsenii Yatsenyuk, as well as a group of independent deputies called 'Economic Development'. OSW concludes "nothing seems to indicate that the new government could bring about a de-oligarchisation of the state". Yet in spite of Kolomoiskii's influence, President Poroshenko felt confident enough to remove him from office in March 2015, following a clash over control of a state-owned oil company in which Kolomoiskii was a minority shareholder.

The EU cannot directly reduce the influence of the oligarchs, but it may be able to help the Ukrainian state to reduce its dependence on them, over time, by helping to strengthen the courts and other institutions; to diversify the economy in order to reduce its dependence on oligarch-controlled conglomerates; and to establish effective procedures to ensure that Rada members and other elected officials have to subject their interests to public scrutiny and abide by strict "conflict of interest" rules. At the same time, the EU can apply pressure on the oligarchs to play by the rules by ensuring that they too come under anti-money laundering scrutiny.

Better governance in Ukraine would create better conditions for Ukraine to benefit from its Association Agreement with the EU. The Deep and Comprehensive Free Trade Agreements which form part of the Association Agreements signed by the EU with Ukraine, Georgia and Moldova will require the three countries to adopt a very significant part of the EU *acquis* in areas such as energy, the environment, transport, public finances, consumer protection and more. A study by the Konrad Adenauer Stiftung in 2012 concluded that the Association Agreement with Ukraine would require Kyiv to transpose into national legislation more than 300 EU regulations and directives in 28 areas.<sup>18</sup> In doing so, it would be positioning itself both to be able to sell into more markets (since EU product standards are often demanded by third countries as well as the EU itself), and to attract more foreign direct investment (through an improved business climate and because goods produced in Ukraine would have better access to the EU market than before).

One of Russia's objectives since 2013 has been to interfere with the development of the EU's economic relations with countries in their shared neighbourhood.

The EU is already Ukraine's largest trading partner and investor (and its share of Ukraine's trade has increased in the last year as a result of Russian sanctions against various Ukrainian products), but Russia also has strong traditional economic links with the country. Russia fired warning shots in the summer of 2013 by blocking Ukrainian exports to Russia; President Putin warned at the time that the Customs Union of Russia, Belarus and Kazakhstan might have to take "protective measures against Ukrainian imports if it signed the Association Agreement as planned.<sup>19</sup>

The EU has made serious mistakes in its response to Russian pressure on Ukraine (and the other Eastern Partnership countries with Association Agreements), offering Russia both incentives and opportunities to interfere in what should be bilateral agreements. Though the EU was motivated by the desire to contribute to reducing tension in Ukraine after the fall of Yanukovych and Russia's annexation of Crimea, it has in fact damaged its own and Ukraine's interests.

In June 2014, Jose Manuel Barroso, then President of the European Commission, suggested to President Putin (having first agreed it with President Poroshenko) that the EU should hold bilateral 'technical level' discussions with Russia and trilateral political level talks with both Russia and Ukraine "to discuss the concrete implementation of these agreements, in case there are any concerns on the Russian side. Of course we have to respect the content of these agreements, what was already decided".<sup>20</sup>

Russia's response to this conciliatory gesture was to threaten in July to cancel tariff-free trade preferences under the CIS Free Trade Agreement of 2011, which would have had a significant effect on Ukraine's economy.<sup>21</sup> This was clearly intended to add to the pressure on the EU and Ukraine to renegotiate the DCFTA to reflect Russia's objections. In addition, Russia presented almost 60 pages of proposed amendments to the DCFTA, seemingly designed to make it unworkable (one amendment suggested that Ukraine should harmonise its sanitary and phytosanitary (SPS) regulations with those of the EU only to the extent that this did not create contradictions with the SPS regulations of the Customs Union).<sup>22</sup>

When the three parties met in September 2014, they agreed that implementation of the DCFTA should be postponed until 1 January 2016 — already a major concession. But President Putin followed up the meeting with a letter to President Poroshenko; according to Reuters, in it he wrote: "Adoption of ... amendments to Ukrainian legislation, including implementing acts, will be considered as infringement of the arrangement to postpone implementation of the Association Agreement, entailing immediate and adequate retaliatory measures from the Russian side." And he continued to press for "systemic adjustments" to the Association Agreement. Regrettably, President Francois Hollande of France and Chancellor Angela Merkel of Germany have helped to keep the pressure on the EU and Ukraine to make further concessions to Russia, with ill-considered language agreed in the context of the ceasefire agreed in Minsk on 12 February 2015. In a declaration in support of the Minsk package, Hollande, Merkel, Poroshenko and Putin said that they supported "trilateral talks between the EU, Ukraine, and Russia

in order to achieve practical solutions to concerns raised by Russia with regards to the implementation of the Deep and Comprehensive Free Trade Agreement between Ukraine and the EU.<sup>23</sup> The EU-Ukraine Summit Declaration of 27 April also refers to trilateral talks, and speaks of using the existing flexibilities available to the contracting parties in the DCFTA.

It is time the EU put a stop to this Russian stalling tactic. As Jan Tombinski, the Ambassador of the EU in Ukraine, wrote in November 2013, “There is no place in this discussion for a third party. The offer on the table is a bilateral agreement that has been negotiated over several years by the EU and Ukraine with the best interests of both parties in mind. We are quite prepared to explain the impact of the Agreement with Russia, via our bilateral contacts, but we do not agree to give Russia a veto or any special rights.”<sup>24</sup>

The purpose of a free trade agreement is to enable the parties to it to become more prosperous by lowering the tariff and non-tariff barriers to trade. What Russia is seeking to do is ensure that Ukraine’s market remains more open to Russia and less open to the EU — which is neither in Ukraine’s interest nor the EU’s. Moreover, the process of transposing EU legislation into Ukrainian law is an essential element in modernising Ukraine’s economy and enabling it to escape from the corrupt post-Soviet economic model which has bedevilled it for the last 23 years. If Russia imposes sanctions in retaliation, as Putin threatened, then the EU should support Ukraine in any action it takes against Russia through the World Trade Organisation (WTO) — of which both Ukraine and Russia (grudgingly, in the latter case) are members. The longer Ukraine’s adoption of European standards and legislation is delayed, the harder it will be to prevent Ukraine from regressing. The more thoroughly Ukraine implements the Association Agreement, the more credible it will be as a possible candidate for membership. But whether or not the EU offers Ukraine a membership perspective, the Union should ensure that by 1 January 2016, Ukraine is as ready as it can be to implement the DCFTA.

#### **4. Ukraine and NATO: Practical Beginnings**

If Ukraine announced its intention to join the EU early in its independence, it has been much more ambivalent about its relationship with NATO. As soon as it emerged from the Soviet Union, Ukraine wanted some sort of a relationship with the Alliance — it joined the North Atlantic Co-operation Council immediately upon gaining its independence — but showed little enthusiasm in the next decade for applying to join the Alliance, even as the countries of Central Europe and the Baltic States progressed towards membership. Ukraine’s first president, Leonid Kravchuk, told the North Atlantic Council during a visit to NATO Headquarters in July 1992 that Ukraine wished to be neutral.

His successor, Leonid Kuchma, initially proceeded towards NATO in step with Russia: in May 1997 NATO and Russia signed the NATO–Russia Founding Act, and

NATO and Ukraine signed the NATO-Ukraine Charter on a Distinctive Partnership. The Charter was warm but vague on the goals of the NATO-Ukraine relationship. NATO looked forward “to further steps... to deepen the process of [Ukraine’s] integration with the full range of European and Euro-Atlantic structures”; NATO and Ukraine shared the view “that the opening of the Alliance to new members... is directed at enhancing the stability of Europe, and the security of all countries in Europe without recreating dividing lines”. Elsewhere in the text, but not in the context of enlargement, Ukraine is described as an “inseparable part” of Central and Eastern Europe.<sup>25</sup> The closest the document gets to hinting at possible future Ukrainian membership is in a reference to the Helsinki Final Act’s first principle, on the right to choose one’s international partners: NATO and Ukraine reaffirm their commitment to “the inherent right of all states to choose and to implement freely their own security arrangements, and to be free to choose or change their security arrangements, including treaties of alliance, as they evolve”.

Much of the detailed work flowing from the NATO-Ukraine Charter was intended to improve interoperability, at a time when Ukrainian forces were deployed alongside NATO in peacekeeping operations in the Balkans (as was Russia). But by 2002, Kuchma was pursuing NATO membership openly if unsuccessfully. In May 2002 Kuchma announced that Ukraine intended to apply to join the Alliance. The problem was that by this time, because of his human rights record and especially because of the alleged illegal sale of the Kolchuga radar system to Iraq, he was *persona non grata* with NATO leaders, to such an extent that they did what they could to avoid having him at the Euro-Atlantic Partnership Summit which took place in conjunction with the NATO Summit in Prague that year.<sup>26</sup> Essentially, NATO leaders did not take Kuchma’s interest in membership seriously; they saw it as a tactical manoeuvre to reduce Western pressure on him to clean up his act. The fact that opinion polls consistently showed that the Ukrainian people did not support NATO membership reinforced the Western view that whatever Ukraine’s leaders might say, it was not going to be a candidate for membership in the foreseeable future. In 2002, an opinion poll showed 31.4 per cent supported NATO membership while 32 per cent opposed it.<sup>27</sup>

American and British leaders did, however, accept Kuchma’s help after the invasion of Iraq in 2003, when their priority was to get as many ‘flags’ on the coalition operation as they could, in order to show broad international support for it. Ukraine sent more than 1600 troops to Iraq, and ultimately suffered 12 combat deaths before its troops were withdrawn in 2008. It also supported NATO’s ISAF deployment to Afghanistan, and the KFOR operation in Kosovo (where it formed a joint battalion force with Poland). Kuchma’s decision to try to rebuild the relationship with NATO by offering military support to NATO operations helped to get him better treatment at NATO’s Istanbul Summit in June 2004, when the Chairman’s Statement at the end of the NATO-Ukraine Commission meeting referred to Ukraine’s “stated goal of NATO membership” and in the next sentence “reiterated [NATO’s] firm commitment to the Alliance’s open door policy”. But

leaders were still reticent about making any more explicit commitment to allowing Ukraine to join the Alliance, even in the distant future: the statement also contains a number of references to the need for Ukraine to live up to the values of NATO, to carry out democratic reforms, to strengthen the rule of law and to hold free and fair presidential elections.

## 5. Ukraine and NATO: Stop-Start Moves Towards Membership

In the event, the elections of 2004 were neither free nor fair and led to the Orange Revolution, which brought to power the much more pro-Western Viktor Yushchenko in December 2004. Yushchenko in turn gave new impetus to Ukraine's efforts to get into NATO. At a special NATO-Ukraine Summit in Brussels in February 2005, Yushchenko indicated that Ukraine wanted both NATO and EU membership. NATO responded at a meeting of Foreign Ministers in Vilnius in April 2005 by offering Ukraine 'intensified dialogue' on its membership aspirations — a preliminary stage on the road to membership. In June, the Ukrainian Foreign Minister, Borys Tarasyuk, said during a visit to Kyiv by NATO Secretary General Jaap de Hoop Scheffer that Ukraine was ready to start negotiations on its membership aspirations.

Though discussions went on at various levels, and Ukraine took part in the exercises that NATO held with partner countries, it became more and more clear that the Alliance had reservations about letting Ukraine start the formal process leading to membership. The Joint Statement of the NATO-Ukraine Commission at the level of Foreign Ministers, held in December 2005, revealed some of the tensions:

"Allied Ministers reiterated that NATO's door remains open to European democracies willing and able to assume the responsibilities of membership... At the same time, they stressed that further progress toward achieving Ukraine's Euro-Atlantic integration goals, including possible participation in the Membership Action Plan programme, would depend primarily upon concrete, measurable progress in the implementation of key reforms and policies."<sup>28</sup>

These tensions became more acute as the Ukrainian government became more dysfunctional. The coalition between Viktor Yushchenko and Yuliia Tymoshenko which had led the Orange Revolution broke up; this resulted in Viktor Yanukovich becoming Prime Minister in July 2006. He visited NATO in September of that year, and announced that Ukraine would "take a pause" in membership negotiations. Meanwhile, popular support for membership had fallen since President Kuchma had first raised the idea in 2002; by October 2006, fewer than 20 per cent of the population were in favour, and more than 60 per cent were against.<sup>29</sup>

Despite this, and with encouragement from some political figures in Washington, President Yushchenko continued to try to make progress towards the Alliance, in the face of both domestic and Russian opposition. If Russia viewed Ukraine's (slow) progress towards the EU with relative equanimity, it took a very different view of the possibility of NATO membership. In February 2008, during a visit to Moscow

by President Yushchenko, President Putin warned that if Ukraine joined NATO and hosted American anti-ballistic missile (ABM) facilities then Russia would target Ukraine with nuclear missiles.

The US continued to hope that Ukraine (and Georgia) would be given Membership Action Plans (MAP) at the Bucharest NATO Summit in April 2008. But European opposition was growing: Ukraine's lack of domestic support for membership, and the sense that keeping Russia quiet was a higher priority than getting Ukraine into the Alliance, led to arguments before and during the summit. German Foreign Minister Frank Walter Steinmeier told a German newspaper, the *Leipziger Volkszeitung*, that NATO should not overburden a relationship with Russia that was already strained over NATO's recognition of Kosovo's independence.

The result was the unhappy compromise that has satisfied neither supporters nor opponents of Ukraine's membership of NATO: in the Bucharest Summit Declaration, NATO leaders stated that they had agreed that Georgia and Ukraine "will become members of NATO.... MAP is the next step for Ukraine and Georgia on their direct way to membership". They promised "a period of intensive engagement with both at a high political level to address the questions still outstanding pertaining to their MAP applications."<sup>30</sup> In effect, Ukraine and Georgia were left in limbo, with a promise of membership, but neither a timetable nor a fixed process to achieve it. The 'Declaration to Complement the Charter on Distinctive Partnership', signed by NATO in 2009, reaffirmed "all elements of the decisions regarding Ukraine taken... in Bucharest" and said that the NATO-Ukraine Commission had a central role to play in "supervising the process set in hand at the NATO Bucharest Summit" and "underpinning Ukraine's efforts to take forward... its reforms pertaining to its Euro-Atlantic aspirations for membership in NATO".<sup>31</sup> Ukraine and NATO agreed to develop "Annual National Programmes" covering five areas: political and economic issues; defence and military issues; resources; security issues; and legal issues. But it was never clear exactly what Ukraine had to do before NATO States would agree to offer Ukraine a MAP.

The Ukrainian side took the question of membership off the table entirely when Yanukovich became President in 2010: the Rada passed a new law "On the Basic Principles of Foreign and Domestic Policy" which asserted Ukraine's non-aligned status, but also said that it would continue constructive co-operation with NATO (EU membership, however, remained a goal). Ukraine continued to form part of ISAF in Afghanistan, and Yanukovich attended the Chicago Summit in 2012 for a meeting of ISAF partners. In 2013, Ukraine was the first partner country to send a ship to NATO's anti-piracy operation off the coast of Somalia.

This situation of co-operation, but no pressure from the Ukrainian side to say anything about membership, suited NATO. At the NATO Summit in Wales in September 2014, NATO membership was not mentioned at all in the context of Ukraine — perhaps understandably in view of the situation on the ground at that time, with Crimea annexed and Russian troops operating in the Donbass. In the case of Georgia, the leaders reaffirmed the 2008 language, but did not refer to



the Membership Action Plan, and created further uncertainty about next steps by stating: “We note that Georgia’s relationship with the Alliance contains the tools necessary to continue moving Georgia forward towards eventual membership”.<sup>32</sup>

Despite Russian charges of NATO ‘expansionism’, the history of the last decade shows that NATO has been ultra-cautious in its approach to taking in former Soviet states (the Baltic States, whose inclusion in the Soviet Union most NATO countries never recognised, were a special case). But this has not brought security to the countries concerned. Russian Ambassador to the EU Vladimir Chizhov showed a highly developed sense of irony when in remarks to the Russian State Duma on 16 March 2015 (according to the news agency TASS) he suggested that if Ukraine, Moldova and Georgia gave up their hopes of joining Western organisations they would become “booming, politically stable, friendly countries, which enjoy all benefits of the legally binding off-bloc status.” Though none of the three countries has joined the EU or NATO, and Moldova indeed has permanent neutrality enshrined in its constitution, all three now have live or frozen conflicts and uninvited Russian troops on their territory.

## **6. Ukraine and NATO: Decision Time?**

If NATO continues to dodge the issue of Ukraine’s long-term relationship with the Alliance, it will be compounding the EU’s mistake. If the events of the last decade or more have shown anything, it is that Russia does not regard simple neutrality as guarantee enough of its perceived security needs; after all, as Ukraine and Georgia have both shown, governments acceptable to Russia can fall or be deposed. Despite occasional suggestions that Ukraine could be like Finland, the reaction of Russia to Ukraine’s Association Agreement with the EU shows that Putin is trying to impose on Ukraine a status more like that of one of the Soviet Union’s satellite states in the Cold War.

Advocates of Realpolitik in the West argue that the status of a “neutral buffer state between Russia and NATO” would be better both for Ukrainian and Western interests.<sup>33</sup> But this ignores important points: first, if Putin had wanted Ukraine to be a (more corrupt) Finland, potentially inside the EU but determined to remain outside NATO, he could have achieved that in 2013 by doing nothing: Yanukovych would have signed the Association Agreement with the EU (which would have been generally popular in Ukraine), made no change in his stance on NATO (also generally popular); and at best, Ukraine would have started on a road to EU membership which might have lasted decades.

Second, it ignores the fact that the Ukrainian people have a voice in the future foreign policy orientation of their country; and while they might have settled for neutrality before Russia attacked, an increasing number of them now support NATO membership. Several opinion polls have suggested narrow majorities or pluralities would vote in favour of NATO membership if a referendum were held (though



with significant regional differences — one poll suggested pluralities opposed in the Donbass and in the south of the country).<sup>34</sup> The Rada voted in December by a majority of 303 — 8 to abandon the non-aligned status introduced by Yanukovych (though the vote did not explicitly call for NATO membership). Western countries may be divided on whether they should do more to encourage Ukraine to look West; but if it does so anyway, and the damage to relations with Russia is already done, then it would be better for the West to embrace Ukraine decisively than to leave it to face Russia's anger on its own.

Third, and most important of all, the realist case ignores the fact that Ukraine is not some remote country whose security and other problems have only an indirect effect on NATO; it is Europe's second largest country, with a population of over 40 million people and borders with four NATO member states. Continued Russian destabilisation of Ukraine, whether military or economic, has consequences for NATO: refugee flows, criminality, an increasing number of weapons in the hands of non-state actors (on both sides — the Ukrainian government also has a significant number of volunteer irregulars fighting for it). It is worth recalling the enormous impact of the conflicts in former Yugoslavia, with a pre-war population of 23 million: when the Bosnian conflict was at its height, Germany alone was host to 350,000 refugees. Ukraine's population is almost twice as much, and according to figures from the UN High Commissioner for Refugees, the conflict in the east has already created around 1 million internally-displaced persons, with another 600,000 as refugees or staying with friends and family in the countries around Ukraine. Europe needs Ukraine to become a stable, secure and prosperous country; that will not happen as long as Russia controls a long stretch of the eastern border and a lawless area of Donetsk and Luhansk Oblast's, where it can turn conflict on and off when it chooses.

In these circumstances, it is in the interests both of Ukraine and NATO that the country should be able to defend itself. Those who argue that helping Ukraine militarily is doomed to failure because Putin can always escalate more than the West is prepared to are missing the point: Ukraine may not be able to defeat Russia in the sense of driving it out of occupied territories; but with help from the West it can at least avoid the loss of more territory, and ideally create conditions in which a political settlement will be something more than terms of surrender dictated in Moscow (which the February Minsk agreement comes close to).

There are a number of steps that NATO can take in the short term to help Ukraine mount a more effective defence in the east, building on already existing co-operation. First, it can help with tactical training. Some of this has gone on before, in the context of the Iraq and Afghanistan operations. The US has now sent about 300 paratroops to western Ukraine, where they will spend 6 months training three battalions of Ukrainian troops; the UK has also sent a small number of trainers to western Ukraine. Much more of this should be done. Better trained forces would take fewer casualties. Second, NATO, or its Member States, can supply more tactical intelligence and more intelligence training, so that Ukrainian

forces are more aware of what is happening. Bearing in mind that Ukrainian forces and the Ukrainian security service seem to have been thoroughly penetrated by Russian intelligence in the Yanukovych period, Ukraine could also do with some NATO help on counter-espionage, recruitment and vetting; there are a number of ex-Communist countries in Central and Eastern Europe with valuable experience to share. Third, it can supply shortfalls in key weapons systems; based on the conflict so far, the Ukrainians could certainly do with more anti-armour weapons. Fourth, it can build on past programmes of co-operation on defence management to help the Ukrainians improve their defence procurement and root out corruption.

In the longer term, NATO and its Member States (and perhaps also the EU) may be able to help Ukraine's significant domestic defence industry to diversify, modernise and re-orient itself away from the Russian market. According to SIPRI, in 2013 Russia was Ukraine's third largest market for weapons exports (China and Pakistan were the two largest).<sup>35</sup> But as the Carnegie Endowment for International Peace reported, Ukraine's defence industry is still so closely integrated with Russia's, even after two decades of independence, that Ukraine makes very few products which do not rely on Russian components.<sup>36</sup> Equally, there are several facilities without which (at least in the short term) Russia would be unable to build key weapons systems — notably Motor Sich in Zaporizhia (which builds helicopter engines) and Pivdenmash (formerly Yuzhmash) in Dnipropetrovsk (which builds rockets and missiles, including for Russia's strategic nuclear force). The defence sector is a major employer, but even in a time of conflict it is probably too big for the domestic market; and it cannot continue to supply Russia with weapons that may then be used against Ukraine.

## **7. Russia's Options and the West's Counter-options**

Whatever Ukraine does to strengthen its ties with the EU and NATO, and whatever the West does to help Kyiv, Russia is likely to respond. The events of the last year have shown that any response may be asymmetric. In addition to Russia's ability to restart the fighting in eastern Ukraine, there have been numerous signs that it has agents on the ground in other parts of Ukraine, able to carry out acts of sabotage or to exploit missteps by the Ukrainian authorities to cause unrest. Russia could also use Ukraine's reliance on Russian gas for political ends (putting pressure on the EU by threatening supplies via Ukraine to the rest of Europe, as in 2009).

In addition or alternatively, Russia could stir up trouble elsewhere in the region. Moldova, with a new and relatively weak pro-European government, could be vulnerable (the authorities clearly feel this: according to media reports, on 19 March they banned Russian propaganda chief Dmitrii Kiselev and a Russian journalist from entering Moldova to present a film about the annexation of Crimea,

having banned a Russian camera crew from visiting Moldova the previous week). Russia can launch cyber-attacks on NATO and EU Member States, as it did in Estonia in 2007. It can continue its impressive information warfare campaign in the West and in states around Russia's periphery: it may not be making people admire Russia, but it is confusing them about what is really going on and who in this crisis is the victim and who the perpetrator.<sup>37</sup> And Russia can continue to mount large-scale military exercises along NATO's borders, and fly its strategic bombers close to NATO territory, in an effort to intimidate NATO by implying that President Putin is ready to launch World War 3 if NATO gets in the way of his Ukrainian ambitions.

The West should not ignore any Russian reactions to closer relations between Ukraine and Western organisations, but neither should it panic. Western leaders need to remember that this conflict did not start with a hostile move from NATO or indeed the EU. Since the annexation of Crimea, Russia has attempted to persuade the world that in signing the Association Agreement with the EU Ukraine was setting itself on an inevitable road to NATO membership. In reality, until the annexation of Crimea Ukraine was as far away from NATO membership as it had been throughout Yanukovich's term of office; and most NATO nations, including the US, have given the impression since then that they would like to keep it that way. President Obama said on 26 March 2014 that neither Ukraine nor Georgia were currently on a path to NATO membership. That did not change President Putin's view of what he needed to do to keep Ukraine from ever getting on that path.

Western states, especially those which are members of both the EU and NATO, need now to stop thinking of strengthening their security as a task that can be neatly divided between the two organisations. Russia is combating both, on the basis that it sees both as threatening its interests.

There are well-known political and institutional reasons why NATO and the EU find it so hard to co-operate seamlessly, and why ad hoc arrangements are so often the only way that they can work together in the field. Russia will no doubt use its influence in countries like Cyprus and Turkey to ensure that the current governments there remain friends of Moscow but not of each other. Other EU and NATO Member States must do what they can to deter further Russian action not only against them but against the EU's neighbours, and not just in the military sphere but in other areas.

NATO can accept that the NATO-Russia Founding Act of 1997 (in which NATO Member States agreed not to station "substantial combat forces" permanently on the territory of new Member States in Central Europe) is dead, and that the defence needs of Allies should take precedence over an agreement which Russia has repeatedly violated. Meanwhile, the EU and US have barely begun to explore the economic tools they can use against Russia, and especially against Russia's corrupt elite.<sup>38</sup>

## **Conclusion**

It is for the West to decide whether it wants Ukraine as a member of its clubs or not. But Ukraine itself will have to do most of the hard work even to reach the point where the West has to make such a decision. The history of the last 20 years would not make anyone confident that it will succeed; but the history of the last year shows that there are many people in Ukraine who would like to try. The West has spent two decades at best ignoring Ukraine's efforts to be taken seriously as a candidate to join NATO and the EU, and at worst actively discouraging them. That policy has not worked well. Ukrainians decided in February 2014 that it was time for a change; the West should now follow their example, and ensure that institutional divisions between the EU and NATO do not get in the way of effective policies.

For the EU, the first step should be an overt acknowledgement that Ukraine is a European state and that it can, in principle, apply for membership if it shows that it respects the Union's values. Coupled with that, the EU needs to put in place a programme of support for Ukraine that recognises how important it is that such a large and populous country on Europe's borders succeeds as a modern, democratic and law-governed state. The EU has to stop thinking that Russia's interests in Ukraine are more important than the EU's own; or that Vladimir Putin's interests in Ukraine are identical with those of Russia as a whole. And the EU should not be swayed by Putin's dubious historical claims about Kyivan Rus and Novorossiia. Rulers who start redrawing the map of Europe in pursuit of historical claims are at risk of opening Pandora's Box: hardly a single border on the continent of Europe has remained exactly where it is now over the course of the last two centuries. Europe has been relatively peaceful for the last 70 years because states have agreed that borders should only change by consent, while also working to make them less significant as barriers to trade and contacts between people.

NATO faces choices which are at once easier and more difficult. NATO has already declared that Ukraine will be a member of the Alliance. The hard part, if the Ukrainian people decide to take up the offer, is to operationalise it. Now that Russia is making war on Ukraine, orderly progress towards a Membership Action Plan seems impossible. But for NATO, as for the EU, Russia's intervention has made Ukraine's survival and success more important than they were before, for practical as well as moral reasons. The conflict in Ukraine is on a far greater scale than those in Georgia or Moldova; the aggression that Russia is showing towards NATO members in its exercises, its strategic bomber flights and its hostile rhetoric is much more threatening. It is naïve to think that such a revanchist power, pushing forward towards NATO's existing members, will suddenly be satisfied with its gains and go back to co-operating with the Alliance. NATO's task now should be to respond to Ukraine's appeals for help, to stand up to Russian revanchism and to throw its weight behind those who have decided to make a break with their Soviet legacy.

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# REVISION OF THE EUROPEAN UNION'S EASTERN PARTNERSHIP AFTER RUSSIA'S AGGRESSION AGAINST UKRAINE

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In November 2013 when Ukraine's President Victor Yanukovych decided not to sign the Association Agreement with the European Union (EU), nobody predicted the events that followed. If protests in Kyiv and other Ukrainian cities against this decision could have been foreseen, no one would have predicted this would lead to riots, a change in government, and annexation of a part of Ukrainian territory by Russia. However, these are the events that happened and have to be taken into consideration for future EU policies and its Member States. Events in Ukraine have also increased the necessity to review the European Union's Eastern Partnership (EaP), which remains the main framework of cooperation between the EU and its neighbors in Eastern Europe and South Caucasus.

This article examines the implications for the EU's EaP after Russia's aggression against Ukraine. It starts with short introduction to development of the European Neighborhood Policy and EaP, then looks at relations between the EU and Ukraine. The third part focuses on the Russian factor in the EaP, and finishes by addressing the implications Russian aggression has created for the EaP.

## **1. From the European Neighborhood Policy to the Eastern Partnership**

On 1 May 2004 the biggest enlargement of the European Union so far took place. During this enlargement 10 European countries — Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia — became full members of the European Union. With the accession of its newest members, the EU's outer border increased to the East and South.

This created the need for specific policy regarding the EU's "new neighbors". To address this issue, even before full enlargement took place, the EU started to discuss establishing a European Neighborhood Policy (ENP). The ENP was first proposed in 2003 to cover the southern Mediterranean as well as Ukraine, Moldova, and Belarus. When the ENP was officially established in 2004, the policy was extended to the countries of South Caucasus — Georgia, Armenia, and Azerbaijan.<sup>1</sup> As stated in the ENP Strategy Paper: "The objective of the ENP is to share the benefits of the EU's 2004 enlargement with neighboring countries in strengthening stability,



security and well-being for all concerned. It is designed to prevent the emergence of new dividing lines between the enlarged EU and its neighbors and to offer them the chance to participate in various EU activities, through greater political, security, economic and cultural co-operation.”<sup>2</sup>

Almost since the beginning of the ENP there were challenges to having a unified policy towards the EU's Eastern and Southern neighbors, because of the different environments, understandings, and aspirations in these regions. Thus the Polish–Swedish initiative for differentiation within the ENP and the establishment of a new Eastern Partnership (EaP) Policy was seen as necessary step to address specific challenges near the EU's Eastern borders. The Polish–Swedish proposal for the EaP was designed to tackle several issues — the differences between Eastern and Southern neighborhoods, the interest of some Eastern neighbors for closer ties with the EU, and the need for cooperation mechanisms between the EU's Eastern neighbors.<sup>3</sup> The Polish–Swedish proposal was taken as a basis to establish the EaP, which was officially launched at the 2009 Prague summit.<sup>4</sup>

The Eastern Partnership offered a more detailed approach to EU relations with its Eastern neighbors — Ukraine, Moldova, Belarus, Armenia, Azerbaijan, and Georgia. The EaP has a two-dimensional approach — bilateral and multilateral. In bilateral dimension the EU develops closer ties with each partner country. Bilateral dimension includes negotiating Association Agreements as well as the development of a Deep and Comprehensive Free Trade Area (DCFTA); visa liberalization; cooperation in energy and transport sectors, as well as economic, social, and regional development. The bilateral dimension also includes financial support provided by the EU to finance the implementation of Association Agreements and other reforms.

The idea behind having multilateral dimensions in the EaP is to “share information and experience on the partner countries' steps towards transition, reform and modernisation and give the EU an additional instrument to accompany these processes... The multilateral framework is aimed at fostering links among partner countries themselves and will be a forum for discussion on further developments of the Eastern Partnership.”<sup>5</sup> The multilateral dimension can be described as consisting of three levels — political, technical, and nongovernmental — as well as several additional bodies.<sup>6</sup> The political level is best represented by annual meetings of Ministers of Foreign Affairs, Eastern Partnership summits (Prague 2009; Warsaw 2011; Vilnius 2013; Riga 2015) as well as the EURONEST Parliamentary Assembly consisting of European Parliament members and parliaments from six EaP countries. The technical level is represented by working groups and panels on specific issues, but the non-governmental level is implemented in the form of the Eastern Partnership Civil Society Forum.

Furthermore, the multilateral dimension of the EaP has four thematic platforms: 1) democracy, good governance, and stability; 2) economic integration and convergence with EU policies; 3) energy security; and 4) people-to-people contacts.<sup>7</sup> All four platforms hold biannual meetings at the level of senior officials,

from the corresponding ministries. Each platform reports to the annual meeting of Ministers of Foreign Affairs of EU member states and EaP countries. Issues covered by these platforms are also discussed by civil society from EaP countries and EU Member States in the Eastern Partnership Civil Society Forum.

Two dimensions of the EaP are supposed to complement each other. The bilateral dimension gives each EaP country opportunity to address individual and specific issues, and evolve their relationship with the EU on its own pace. Multilateral platforms, however, provide wider framework to tackle issues important for the EU, its members, and EaP countries. This dimension also gives an opportunity for Partnership countries to address matters that require solution at a regional level.

## 2. Ukraine and the EU — a Relationship with Tidal Change

Ukraine is a special case in the EU neighborhood and especially in the Eastern Neighborhood. Ukraine has a larger territory than the EU's largest member, France, and has a population almost as large as Spain (fifth largest EU member by population). Due to these reasons, Ukraine is a key player in the EU's Eastern neighborhood and it should be no surprise the EaP is partly modeled upon EU relations with Ukraine.<sup>8</sup>

According to the study conducted by the EaP Civil Society Forum, Open Society European Policy Institute, International Renaissance Foundation and Policy Association for an Open Society "European integration index for Eastern Partnership Countries", Ukraine together with Moldova and Georgia are currently the most integrated countries from the EaP six.<sup>9</sup> This is a noteworthy accomplishment for Ukraine as its progress towards closer cooperation with the EU in the last two decades wasn't straightforward and experienced periods of intense changes.

Ukraine officially voiced its interest in joining the European Union in 1993<sup>10</sup> through this showing a European direction is an important part of Ukrainian foreign policy. Since 1993 Ukraine has reaffirmed this foreign policy goal several times.

In addition to putting EU membership as a Ukraine foreign policy priority, actual Ukrainian foreign policy is better described as multi-vector. In a multi-vector foreign policy approach, Ukraine developed stronger ties with the EU, NATO and the United States (US), as well as with its largest neighbor Russia, and other neighboring countries. The multi-vector approach was dominant during Leonid Kuchma's presidencies. After the "Orange Revolution" when the presidency was taken over by Viktor Yushchenko, Ukraine intensified its connections with the EU. During Yushchenko's term, Ukraine and the EU discussed and concluded the Visa Facilitation and Readmission Agreements, but in 2008, after Ukraine joined the World Trade Organisation (WTO), there was a negotiation launched on Association Agreement.<sup>11</sup> After the 2010 presidential elections Victor Yanukovich replaced Viktor Yushchenko as President of Ukraine and reintroduced the multi-vector approach to foreign policy. In his foreign policy Victor Yanukovich tried to continue

Ukraine's European integration, but also to amend relations with Russia, as it still remained Ukraine's largest energy supplier and one of largest markets for Ukrainian goods. The Association Agreement and DCFTA between the EU and Ukraine was reached in 2012, when both sides committed to undertake further technical steps required to prepare for full conclusion of the Association Agreement.<sup>12</sup> It was the cancelation of the planned signing of the EU-Ukraine Association Agreement at the EaP Summit in Vilnius on 28–29 November 2013, by the President of Ukraine that sparked events leading to the biggest crisis in Eastern Europe, so far, since the collapse of the USSR. Euromaidan protests turned to riots, and riots turned to tragedy, creating the perfect moment for Russia to annex Crimea and escalate military hostilities in Eastern parts of Ukraine.

Since the annexation of Crimea and changes in Ukrainian leadership, (guided partly by the will of society, partly by Russian actions), Ukraine has made huge steps towards European integration. On 27 June 2014 Ukraine, together with Moldova and Georgia, signed the Association Agreement with the EU, thus creating a necessary legal framework for closer cooperation. However, due to Russian factors, the full implementation of the DCFTA has been postponed until January 2016.<sup>13</sup> Postponing the implementation will slow Ukraine's integration progress, but at the same time let the Ukrainian government tackle more urgent issues like military hostilities in the country's east, and vital economic and political reforms.

Although Russia's negative position towards the EaP has been present since the establishment of the policy, the events in Ukraine materialized the practical implications for countries seeking European integration, but remain in a geographical, political, or economic proximity to Russia. Events in Ukraine have shown the "Russian factor" will have to be addressed for the EaP to be successful.

### **3. The Russian Factor in the Eastern Partnership**

As the largest neighbor of the EU and one of EU's largest trading partners, since the USSR's collapse, Russia has played a special role in EU foreign policy. Russia has also sought to establish special status in EU foreign policy — so it isn't involved in the ENP or EaP, but sustains special EU — Russia dialogue.

Relations between the EU and Russia can be described as interdependent — the EU is highly dependent on Russian energy supplies and benefits from access to Russian markets, but Russia is dependent on payments on its energy supplies and investment from EU countries. Despite close economic ties and geographical proximity, in other areas cooperation is ever-changing. We see periods of closer cooperation, and then periods of political standoffs. One example of the difficulties in EU-Russia relations is the ongoing process of drafting the new Partnership and Cooperation Agreement. Negotiations on the agreement started in 2008, and with the Russian annexation of Crimea and actions in Ukraine's Eastern regions, it is unknown when we will see both sides reach a final agreement.

Russian attitudes towards the EU was highly influenced by the 2004 enlargement when Latvia, Lithuania, and Estonia — former USSR Republics — and several other post-Soviet countries joined the organization, thus choosing a path of development that took them away from Russia's influence. Enlargement also meant limitations for Russia's economic perspective of these countries. Current Russian policies and attitudes towards European Foreign Policy in Eastern Europe and South Caucasus are based on the desire to not allow further EU expansions in this region.

The current Russian National security strategy and other policy planning documents name CIS Member States and Russia's other neighboring countries as the primary area of interest. The analysis of these documents shows Russia positioning itself as a regional power responsible for the state of matters and events in the region. The special interests of Russia in the 'near abroad' can be traced back to the early 90s, when the Soviet Union collapsed and the region disintegrated politically and economically. Despite the loss of Moscow's capacity to continue supporting these countries, Russia wasn't willing to lose control over these regions. During the presidencies of Vladimir Putin, Russia has tried to keep its influence in the same countries that are at the center of the EU's Eastern Partnership.

Currently, the main challenges to the EaP that come from Russia are created by different understandings of the objectives of EU policy. As mentioned before, the EU views the EaP as a mechanism for stabilizing its neighboring countries by helping them to become more democratic and economically developed. The EU's vision of the EaP is normative — trying to create a shared space of peace and prosperity. Russia however sees the EaP as an instrument of increasing EU influence in these countries.

These differences in the EU and Russia's understanding of the EaP are best described by both sides' statements back in 2009, when the EaP was established. Speaking at the Brussels Forum, Russian minister of Foreign Affairs Sergei Lavrov, addressed the EaP in geopolitical terms: "We are accused of having spheres of influence. But what is the Eastern Partnership, if not an attempt to extend the EU's sphere of influence, including to Belarus".<sup>14</sup> At the same event, Swedish Minister of Foreign Affairs Carl Bildt, replied, "The Eastern Partnership is not about spheres of influence. The difference is that these countries themselves opted to join".<sup>15</sup>

These statements first illustrate the Russian perception that the EU is trying to establish a foothold near Russian borders. And with this, oust Russia from those "near abroad". Russia sees the EaP as a "zero sum game" — a situation where gains can be made by only one side — the EU or Russia. Considering this, the EaP would put the EU in a more advantageous position and in this way harm Russian interests. This has been a basis for the Russian attitude towards the EaP since establishing the policy. From the EU's position, there are some geopolitical and competitive elements in the EaP, especially when we take into consideration the EaP was strongly supported by new EU member states in Central, Eastern, and Northern Europe. These are that countries that border Russia or have negative historical experiences with Russia. At the same time, many of these countries like Latvia, Lithuania, and

Estonia have gone through tough periods of reform, and understand the importance of outside support (either financial, technical, or motivational). So the EaP could be seen as a necessary but voluntary support mechanism providing alternatives for countries in Eastern Europe and South Caucasus. Different choices from the six EaP countries have already shown that each of them can choose the speed most suitable for their European integration, even by freezing any progress made, like in the cases of Belarus and more recently Armenia.

Russia's understanding of the EaP as an EU instrument to create its sphere of influence on account of Russia, increases Federation redlines to use a wider array of levers and influence the decisions of EaP countries. Economic and security levers have been the most visible so far. Most EaP countries still have strong economic ties with Russia and many of them are highly dependent on Russian energy exports, especially in the form of natural gas. Russian politicians understand the vulnerabilities of EaP countries and mention them to argue against European integration.<sup>16</sup> Gas supplies, access to Russian markets and finance, opportunities for migrant laborers, and their remittances, are among issues mentioned by Russian officials to show the risks for closer cooperation with the EU. As it is unlikely the EU can influence Russia to change its position, they have to adapt their policies to address the vulnerabilities of EaP countries.

Russia has shown a readiness to provide financial support for EaP countries, if they choose policies in Russia's interests — loans to Ukraine soon after the decision to not sign the Association Agreement, and a recent loan to Armenia for modernizing the country's power plants<sup>17</sup> are just two examples. By giving such financial assistance Russia focuses on the short term needs of EaP countries — but this also provides only a short term patch for the problems. It helps these countries for a bit, but as many of the problems are systemic in their nature, it is only a question of time as to when these countries will need their next financial package. In this aspect the EU tries to provide not just a short term patch, but a mid-term or long-term cure.

The second issue that is becoming more significant in relation to military hostilities in eastern regions of Ukraine is security in Eastern Europe and south Caucasus. Protracted conflicts in Nagorno Karabakh, Transnistria, South Ossetia and Abkhazia, and the currently open conflict in eastern regions of Ukraine are on the EU radar, but so far, with the exception of Ukraine, the EU has failed to become an active and effective participant in solving these conflicts. Additionally at the moment, the EU isn't ready to provide significant security guarantees to EaP countries. This can be partly explained by a somewhat neutral status of the EU in conflicts, and by the EU's limited capacity to provide such guarantees. This has been one of the factors in influencing Armenia's choice to pursue Eurasian, instead of European, integration.

The EU or its individual members could provide the necessary support for countries where a security situation could be used to influence decisions. This is especially important looking at Russian hybrid strategies in Ukraine focused on destabilizing the country and limiting political choices.

Overall, Russia was a factor since establishing EaP, and has opposed this policy. The latest Russian actors in Ukraine, and direct and indirect threats to other EaP countries, create the necessity to adapt the EaP so the EU could continue to provide assistance for countries in Eastern Europe and South Caucasus.

#### **4. Lessons from Russia's Aggression against Ukraine**

May 2015 will mark six years since the establishment of the EU's EaP and it will also be the ENP's overall review time. This review will provide the necessary analysis of the success and shortcomings of the ENP, thus creating a foundation for reforming this policy. The ENP review will be unable to skip events in the Ukraine and Russia's involvement. The previous section illustrated Russia's factor in the EaP, but this section will focus on the implications of events in Ukraine in the EU EaP overall.

Crimea's annexation and other activities in Ukraine's eastern regions, have shown hybrid strategies used by Russia to destabilize Ukraine. These actions have been analyzed in detail by Jānis Bērziņš and Jānis Kažociņš.

This security situation has increased the necessity for the EU to focus more on security in the common neighborhood. So far EaP multilateral frameworks have addressed four thematic platforms: 1) democracy, good governance, and stability; 2) economic integration and convergence with EU policies; 3) energy security; and 4) people-to-people contact.<sup>18</sup> Because one objective of the ENP and EaP is to achieve overall stability in the region, the EU should adopt additional comprehensive mechanisms for increasing regional stability, while also focusing on crisis solving and other security issues.

The Office of the High Representative of the European Union for Foreign Affairs and Security Policy in their joint consultation paper "*Towards a new European Neighborhood Policy*" have already identified a necessity to address security issues in the EU common neighborhood, giving priority to several questions such as: How should the ENP react to conflicts and crises in the neighborhood? Should Common Foreign and Security Policy (CFSP) and Common Security and Defense Policy (CSDP) activities be integrated into the ENP framework? Should it have a greater role in post-conflict actions? Should security sector reforms be given greater importance in the ENP?<sup>19</sup> The answer to these questions will also depend on the willingness of EU Member States to support EU institutions tackling security issues.

In relation to security and protracted conflicts it would be beneficial for EU institutions to engage more with the societies of EaP countries as they could provide more detailed and suitable answers to these security challenges. In this aspect, stronger cooperation with the EaP Civil Society Forum, various NGO's, and the EURONEST Parliamentary Assembly would have a positive impact on planning and implementing the EaP. Additional attention should be given to non-traditional aspects of security and hybrid threats, like the information struggle, cyber-attacks,



activities of GONGOS, and other non-conventional instruments of influence that can be used to destabilize the situation in EaP countries. Here the EU has agreed to prepare an action plan on strategic communication in support of media freedom,<sup>20</sup> so when the initial results are ready in June 2015, they can be shared with EaP countries. As media freedom is one element of the EaP, this would be a suitable platform to discuss these security related issues.

In addition to tackling security issues, the EU should review the level of integration provided by the EaP. Until now the highest level of integration that EaP countries can achieve is full implementation of the Association Agreement and DCFTA. Moldova, Georgia, and Ukraine have signed the agreements and the first two have already started their full implementation. The EU should now discuss what steps need to be taken to create the cooperation and opportunity for EaP countries to become full EU members after fulfilling the necessary criteria. The problem of a membership perspective isn't new to the EaP. Adam Hug writes, when considering one of the fundamental fault lines of the ENP and Eastern Partnership, "that the EU seeks to achieve similar goals (democratisation, economic development, integration and stability) to that achieved in Eastern Europe through the 2004 and 2007 enlargements, with a similar process of aligning partner laws and processes with EU norms but without the same political will, financial resources or the ultimate prize of EU membership."<sup>21</sup> This means the EaP is a policy of limited integration. So far the highest EU officials haven't been keen on further EU enlargement — reflected in the statement by President of the European Commission Jean-Claude Juncker who said, "No further enlargement will take place over the next five years."<sup>22</sup> Examples from the Baltic States have shown membership perspective can have a facilitating effect when adopting necessary reforms, needed not only for a country to become a member, but to become more democratic, effective, and competitive. So the EU should reopen its doors to countries willing to become full members. EU membership can remain amid a long-term perspective for EaP countries, but the main issue is the EU must provide this opportunity. At the same time, the EU should send strong signals, that only deep and comprehensive reforms, not cosmetic ones, will move countries towards membership.

Regarding reforms, currently the EaP already has funding to facilitate necessary reforms in these countries, but are financially limited. The Ukrainian decision to postpone implementation of DCFTA because of the country's financial situation, shows that even in cases when reforms are necessary and will provide significant benefits, not all countries can afford to tackle all problems at the same time. The EU has to take into consideration these financial restrictions and discuss the possibilities for increasing support. This could be done by the EU, its members, or in cooperation with other international financial institutions.

One of vital problems of the EaP that has been widely discussed, relating to events in Ukraine, is the overall capacity of the EU to perform as a single foreign policy actor. The EU has a High Representative for Foreign Affairs and Security Policy, but the existence of the institution doesn't mean a strategic foreign policy is



present. From one point of view, it would be naïve to hope that Federica Mogherini or her followers during the next few years would become full EU ministers of foreign affairs, as not all EU members are willing to give up additional sovereignty and depute it to EU institutions. Also the 28 EU members mean there are 28 foreign policies that have to be considered, and if members' interests collide it is even harder to find common ground. Despite all the challenges Ms Mogherini and the European External Action Service should try to establish strategic directions for EU external relations, so other EU policies could be adapted accordingly. It is also important to consider the more political and diplomatic approaches in planning and implementing the EaP. This means not only a more strategic integration of the EaP in foreign policy, but also a more detailed analysis and adaptable approaches to each EaP country. The EaP should not be understood only as a technical project, but a mainly political project, so more diplomatic approaches could help find the necessary solutions beneficial to all sides.

Another aspect the EU should address is the EaP isn't the only integration project in Eastern Europe and South Caucasus. On 1 January 2015 the treaty establishing the Eurasian Economic Union (EEU) entered into force, creating a theoretical alternative for the EaP. Establishing the EEU has created competing integration mechanisms targeting the same region. Currently two original EaP countries — Belarus and Armenia — are also EEU members. At the moment the EEU is only a shadow of the EU, but the EU should not disregard it. Armenia's choice to become an EEU member shows that specific security issues and some coercive methods can push a country to choose Eurasian integration. If the EU can't address issues important to its neighbors, then other countries may follow. Russian representatives have also expressed their opinion that the EU should establish official relations with the EEU arguing the EEU is a more logical partner for the EU than the United States of America. It remains to be seen how the EEU will develop, and whether Russian dominance within the organization will continue, but the EU should accept that there are now alternatives to its offers.

## Conclusion

This year, 2015, marks six years of the EU's EaP. In this period the EU has established this policy and gained the first significant results in the form of concluding Association Agreements with three countries — Moldova, Georgia, and Ukraine. During these six years there has been a period of increased stability and cooperation as well as times of military hostilities and a crisis that still continues in the eastern regions of Ukraine.

Russian aggression against Ukraine so far is the single most influential factor to the EaP, and that has decreased regional stability and the power of international norms, increased tensions, and led to casualties in Ukraine's civilian population. Despite the interest of many EU members in closer economic cooperation with

Russia, it is vital the EU remains adamant in protecting international laws, norms, values, and those countries that have chosen to base their future development on closer integration with the EU.

The European integration project is unique in its character — currently there is no other organization with the level of integration the EU has. This means there is no manual or ideal model of how an organization should function, and how it should develop. The same applies to EU internal and external policies, including the EaP. These implications mean the EaP is a policy of adaptation; adapting to changing situations in the region, EaP countries, third countries, and the EU itself. Only through an ongoing analysis of this situation, its successes and failures, can the EaP become a more effective and suitable policy creating shared benefits for EaP countries and the EU.

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## REINVENTING VIEWS TO THE RUSSIAN MEDIA AND COMPATRIOT POLICY IN THE BALTIC STATES

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Russia's aggression against Ukraine forces many countries' governments to reconsider their position on the issue of relations with Russia. The Baltic countries are not an exception, and changes in Russian foreign policy cause more worries there than in Western Europe. Some Russian hybrid war elements, which can be observed in the warfare against Ukraine, are used also in Latvia, Lithuania, and Estonia. Although, when regarding the Baltic States, one cannot speak about a full-extent hybrid war implying the combined use of both conventional and non-conventional warfare methods, the Balts nevertheless are obviously facing information war elements implemented by Russia particularly intensively since summer 2013. With the approach to the European Union Eastern Partnership Summit in Lithuania's capital Vilnius, Kremlin dwellers were concerned not only about eventually "losing" Ukraine, but rather about potential political changes in Russia which would even lead to loss of authority among the current political elite. The activities presented by Russian propagandists as Russia's "defence" against the Western information attack, are perceived in Riga, Tallinn, and Vilnius as Moscow's unsanctioned interference in the Baltics' political processes.

A significant shift in Russia's foreign policy toward its neighbouring countries occurred a couple of years after the "coloured" revolutions in Russia's neighbour states Georgia and Ukraine (2003–2004). Vladimir Putin's statement, made in 2005, about the collapse of the USSR as the major geopolitical catastrophe of the twentieth century was not just winged words, but the accentuation of a new approach in domestic and foreign policy. In 2005, celebrations were at an unprecedented scale for the sixtieth anniversary of victory in the Great Patriotic War and served as one of the most important building elements in the construction of national identity in Russia. The idea of Russia (and the USSR) as the main player in the great victory over fascism, along with the idea of Russia as the protector of Orthodox and traditional values against the influence of the secular West, are used as society's connection cement and the guard of modern Russian elite's authority. The public's frustration about the reforms of 1990s was good soil, used by Putin and his allies for cultivating a more positive view on the Soviet period. Such a position underlined imperial and nationalist Russian historical myths which necessarily conflict with several neighbouring countries' self-identification. Putin's recent statements on the Molotov-Ribbentrop Pact of 1939 which resulted in dividing Europe by superpowers, as nothing wrong, cannot be appreciated by the Baltic States and

Poland. It is notable that a few years ago Putin condemned the same agreement between the USSR and Germany. The fact the Kremlin host often changes his opinions like pairs of gloves, only reminds us of the cynicism characteristic for the present day Russian elite whose main values are power and money.

Less attention is paid to the second part of Putin's statement on the collapse of the USSR, where he indicated that "...for the Russian nation, it became a genuine drama. Tens of millions of our co-citizens and co-patriots found themselves outside Russian territory".<sup>1</sup> Care for co-patriots who have been left outside Russia, is one of the directions of Russian foreign policy — the part of its policy toward compatriots. Along with media, the policy toward compatriots with numerous involved foundations and non-governmental organizations is the second important Russian foreign policy instrument in its relations with neighbouring countries. The war in Ukraine highlighted the destructive activities of Russian compatriots' organizations in Crimea and Southern Ukraine, "inspiring" the mentioned regions' population to separatism and preparing ground for Russia's hybrid war. Research work of 2009 at the Centre for East European Policy Studies (CEEPS) and five other think-tanks titled *The 'Humanitarian Dimension' of Foreign Policy toward Georgia, Moldova, Ukraine, and the Baltic States* indicated that the Cossacks and the other Russian compatriots' organizations had carried out intensive activities in order to prevent a possible loss of the Sevastopol military base by Russia. Along with this Russian politicians (for example, Moscow Mayor Yuri Luzhkov) had popularized the idea of Crimea as Russian land and Ukrainians as a "variety of Russians".<sup>2</sup>

Since Putin's 2005 statements, a number of research works on the impact of Russian soft power on Baltic countries have been publicized. The events of 2013 and 2014 in Ukraine have again raised interest about the possibility of similar scenarios in the Baltic States. In 2014, Latvian researchers Žaneta Ozoliņa and Toms Rostoks, while seeking answer to the question — to which degree is Latvia compliant/noncompliant with the influence of external forces? — concluded that the integration of Latvia with the EU and NATO had reduced the possibilities of external agents toward Latvia, however, simultaneously Russia's interest in influencing Latvia by economic and soft power instruments had grown.<sup>3</sup> The researchers underline two tendencies: first, the opinions of Latvians and Russians residing in Latvia on Latvia's foreign and international policy greatly differ, and these differences become aggravated during periods of geopolitical crises; second, Latvians consider foreign policy should be oriented more to Western countries, but Russians living in Latvia believe foreign policy has to be more active in relations with Russia and CIS member countries.<sup>4</sup>

The aforementioned conclusions apply more or less to all three Baltic States, bearing in mind that each Baltic country has its specific characteristics. The Swedish, Estonian, Latvian, and Lithuanian researchers' work *Tools of Destabilization: Russian Soft Power and Non-military Influence in the Baltic States* is recent research on Russia's impact on the Baltic countries. It finds that official Russia has involved a great number of organizations under direct or indirect control on the part of

government in implementation of the soft power strategy toward the Baltic States. It is indicated in the research work that “Central pieces of this strategy are a) the Russian Compatriots policy that actively supports all Russian-speaking people outside of Russia proper, b) a campaign aimed at undermining the self-confidence of the Baltic States as independent political entities, and c) a substantial interference in the domestic political affairs of the Baltic States.”<sup>5</sup>

When Russia’s aggression against Ukraine started, a discussion for what would be the most effective counter-measures against Russia’s wish to manipulate public opinion and influence politics in Baltic countries became urgent in the Baltics. Compared with other former Soviet Republics, Latvia, Lithuania, and Estonia have considerably higher achievements in the restoration of democracy and fundamental human freedoms lost in 1904 because of Soviet occupation. How can Russia’s destructive impact be limited without the loss of the speech, press, and conscience freedoms? Should Russian media and the compatriots’ policy be dealt with as a security policy? This article seeks answers to the aforementioned questions, not trying to draw final conclusions, but rather continuing discussions already initiated in Baltic countries. The first part of the article treats Russian media and the compatriots’ policy in the Baltics as a category of public diplomacy from a neighbouring country; the second part views abovementioned issues from the security policy perspective; the third part seeks solutions for improving the situation.

## **1. Media and the Compatriots Policy as Part of Russian Public Diplomacy**

### ***Russia’s Understanding of Public Diplomacy and Soft Power***

It is difficult to discuss Russian soft power implementation as an instrument — public diplomacy — after the annexation of Crimea in spring 2014, and their hybrid war which continues in 2015. However, it was the use of Russian non-military foreign policy instruments which had been an important means in ground work preparation for hybrid war. Considering Ukraine’s example, other Russian neighbouring countries have to examine the same instruments of public diplomacy and information warfare which were implemented in Ukraine several years before the annexation of Crimea.

One public diplomacy definition states it is “an instrument used by states, associations of states, and some sub-state and non-state actors to understand cultures, attitudes and behaviour; to build and manage relationships; and to influence thoughts and mobilize actions to advance their interests and values.”<sup>6</sup> It is important to take into account that public diplomacy is used to address a broad audience in a target country, expecting to achieve public position impact on the target country’s governmental decisions.<sup>7</sup> New public diplomacy envisages involvement of various non-governmental actors in developing relations with other

countries' citizens, and the new approach is aimed not only at spreading one's own opinion, but hearing and bidirectional communication with target groups abroad.

What are Russian foreign policy designers understanding of public diplomacy? First, it should be remembered that public diplomacy is not just seeking support from foreign audiences. It is always connected with achieving a concrete foreign policy objective. Subordinated to the Ministry of Foreign Affairs agency, the Russian institution *Rosstrudnichestvo* who is responsible for the implementation of public diplomacy, has a website homepage which says, "'Soft power' capacities are most useful in terms of goals, which Russia aims to reach. These goals are caused by a country's internal development needs: securing a facilitative environment (*obespechenie blagopriiatnogo okruzheniia* — Russian), creating the modernization of alliances, and enhancing Eurasian integration."<sup>8</sup> Unfortunately, Russia's view of their friendly neighbouring countries environment is different from the perception of those very neighbours. Moscow fails to develop true friendly relations even with CIS integration core states Belarus and Kazakhstan, not mentioning Ukraine, Georgia, Moldova, and the Baltic countries.

Russia has adopted Soviet Union-style public diplomacy infrastructure abroad, as well as the methods of that time.<sup>9</sup> In reality, Russian diplomats tend to use the old instruments tested during the Soviet period, envisaging active implementation of propaganda. While addressing external audiences, Russia representatives bear in mind strategic narratives aimed at dividing the world into "ours" and "aliens", the "good ones" and "bad ones". Ideas of "Dialogue of Civilizations", the "Russian World", "Orthodox Civilization", and "Eurasianism" serve as such narratives. With the help of television and network of the compatriots' organizations, the aforementioned conceptions rapidly gain way into Russia's neighbouring countries' Russian-speaking part of the population.

The implementers of Russian public diplomacy and the compatriots' policy often speak about the "Russian World" concept, envisaging a uniting Russia and Russians residing abroad in a supranational formation based on use of the Russian language, Orthodoxy, similar views on history, and belonging to Russian culture. If "Russian World" construction ideas initially fell within the traditional concept of soft power, based on attractiveness of culture Russia's aggression against Ukraine changed the situation. Right after the annexation of Crimea, Russian President Vladimir Putin, in his March 18 speech, said he hoped "German citizens would also support the "Russian World" and attempts to restore historical Russia's unity". It is a significant fact that Putin explains Crimea's annexation not only by the necessity to regain historical Russian territory, but also to unite the "Russian World". According to the concept "Russian World" theoreticians<sup>10</sup>, define the term as a place wherever Russians and Russian speakers reside, thereby Putin's words evidently cause concern in Russia's neighbouring countries with a large percentage of Russians. Violation of Ukraine's territorial integrity and sovereignty, using the necessity to unite the "Russian World" as pretext, is an outright violation of international law. One can observe similarities with Hitler's explanation of taking away Czech Republic territory



in the late 1930s. In 2013 and 2014 “Russian World” ideas were used in a way described by Andrei Stoliarov in 2002: “Existing of large, interconnected Russian unions “in the deep rear of the Western countries” will allow not only development of super-cultures’ exchange [...], but it will reduce significantly the North Atlantic alliance’s (NATO’s) pressure on Russia’s geopolitical space”.<sup>11</sup> However, activities called defence against the Western pressure by Russia, are perceived by Baltic countries as information attacks and interference in their domestic affairs.

### ***Media as a Political Instrument***

Over the last two years many articles have been written about the Russian media’s role and impact on processes in the Baltics. It should be reminded once more that destructive influences of Russian media under state control on social and political processes in Baltic countries did not start recently in 2013 or 2014. Even if Russia had not used the media as a part of hybrid war, sooner or later the Baltic States would have to make steps for preventing Russian media’s destructive influence. The Ukraine events served as a wake-up call, but it should be remembered that Russian media had carried out their activities in the Baltics many years before Crimea’s annexing.

Great changes in major Russian television channels’ ownership occurred through to the end of Putin’s first presidency. Initially Putin’s motivation to take control of the major television channels was related to running the election campaign. In 1999, when Putin became the Prime Minister, approximately ten media holdings operated in the country.<sup>12</sup> The most important media influencing politics included Vladimir Gusinsky’s *NTV*, Boris Berezovsky’s *TV6*, and Moscow Mayor Luzhkov’s *TVC*.<sup>13</sup> If initially each channel presented alternative views on politics, ownership changes resulted in an elimination of differences in information. Along with controlling election results, one of the significant motivators to prevent the public obtaining alternative interpretations of events arose from state authorities concerns about possible unfavourable explanations of military operations in Chechnya. After the 2001 terror acts in the US, Russia used the possibility to start making announcements in an international environment explaining that military activities against Chechen combatants was part of the “global warfare against terrorism”.<sup>14</sup> The Kremlin’s unsuccessful communication in regards to the sinking of the “Kursk” submarine in 2000 at the beginning of Putin’s presidency, still stimulated his wish to maintain control of information flow and content in Russia. In addition to mentioned domestic policy factors, in 2005, immediately after the so called “coloured revolutions” in Georgia and Ukraine, the Kremlin began paying increased attention to the use of television channels for maximising its influence in neighbouring countries. If control of the media, spin doctoring, and control of narratives are effective toward the domestic audience, why not use them in foreign countries also?

In 2007 researchers at the Centre for East European Policy Studies pointed out that Russian television's impact in Latvia had caused splits in society, indicating Russian media content is not just narrow minded and anti-Latvian, but also anti-NATO, anti-Western, anti-liberal, anti-democratic, and anti-American. Researchers underlined however, that Russian television is not only popular in Latvia, but its messages are trusted by a considerable part of the Russian audience, which hampers implementing a society integration policy.<sup>15</sup> Also, results of the 2014 polls demonstrates the popularity of Russian media with Russian-speakers in Latvia.<sup>16</sup> Alongside this, a percentage of the audience considers Russian television channels as trustworthy.<sup>17</sup> If Russia was a democratic and peaceful country, we would not worry too much about the aforementioned, but Russia's aggression against Ukraine provides a basis for concern about Russian authorities' influence on a portion of the Baltic countries' populations.

What values are exported to the Baltic States by Russia through the media and compatriots' policy? Definitely not democratic values. Freedom House 'Nations in Transit' places Russia in the group of countries assessed as having a "Consolidated Authoritarian Regime". In turn, the Baltic States have gained a stable position in the "Consolidated Democracies" group. Estonia and Latvia are ranked in the top three most democratic countries among 29 nations; only Slovenia has shown better results among countries having experienced the Soviet system.<sup>18</sup> According to The Economist's 'Democracy Index 2014', the Baltic states are ranked as "Flawed democracies", where in overall rankings, Estonia takes 34<sup>th</sup> place, Lithuania 38<sup>th</sup>, and Latvia 39<sup>th</sup> place. The aforementioned rating ranks Russia in the group of 'Authoritarian regimes', and it takes 132<sup>th</sup> place among 167 countries.<sup>19</sup> In the context of this article, it is important to have a separate look at media freedom as the significant precondition for democracy. In the international organization Reporters Without Borders media freedom ratings of 2014, Estonia takes the high 11<sup>th</sup> place, but Lithuania and Latvia are ranked respectively 32<sup>nd</sup> and 37<sup>th</sup>.<sup>20</sup> In comparison, Russia is ranked 148<sup>th</sup> among 177 nations.<sup>21</sup> It should be taken into account that, unlike West European countries, for the geographically and small (according to the number of inhabitants) Baltic states, Russian values are not something distant and harmless. The Baltic countries' Eastern borders are at once simultaneously the frontiers of NATO and the EU, separating us from an undemocratic country with regional and global ambitions, which uses the lack of frontiers in the information space to fight for minds and hearts in free countries, while deforming their domestic policy processes.

Would Putin have the support of 86 percent<sup>22</sup> of the population, if there existed a real competition among political forces with the mediation of television channels in the country? Weren't Stalin and Hitler also very popular people, under similar conditions, in particular periods of history? Russian political elite not only disallow free competition of ideas in its country (surely not on major television channels), but hampers the democratic process in the Baltics. As the result of purposeful manipulation on the Kremlin's part, separate social groups involuntarily make their

seemingly free choice in the favour of aggression and violation of international legal norms.<sup>23</sup> In Baltic countries, the impact of Russian propaganda has resulted in the creation of a “pseudo public opinion” in parts of the population, which is expressed in support for the policy of the aggressor state Russia.<sup>24</sup>

### ***Russian Compatriots — the Audience and Foreign Policy Tool Simultaneously***

Numerous Russian minorities in Estonia and Latvia are the target group addressed in the sphere of spreading values intensively through Russian media and the compatriots’ policy-related foundations. Unlike the Cold War period, there is no iron curtain between the Baltics and Russia, which would filter Russian propaganda. There exists a free cross-border flow of information carrying Russian authorities strategic or basic narratives aimed at changing, in case of success, the Balts strategic choice in the form of change in foreign policy priorities. If today most Latvians and a considerable part of Russians in the country see the state as a European element of the free world, Russia’s goal is to interfere in Baltic people’s self-identification process, calling them to remember the “good” Soviet times and ask Russia to assist them in resolving their problems.

Research work at the Centre for East European Policy Studies in 2014 on Russian public diplomacy includes, *inter alia*, one simple but fundamental conclusion — Russia, while implementing its public diplomacy in Latvia, uses a selective approach, i.e., official Moscow addresses mainly target the Russian audience in Latvia, ignoring Latvians.<sup>25</sup> To some degree, this also applies to Lithuania and Estonia. Considering the presence of numerous Russian media and their popularity with the Russian audience in the Baltic States, such an approach promotes maintaining the split in society, and hampers the society integration process.

Russian policy toward its compatriots living abroad (compatriots policy) can be regarded simultaneously as an independent dimension of Russian foreign policy and a part of public diplomacy. In 1999, Russia passed the law which defines the basic principles of the compatriots’ policy. A wave of activity started the compatriots’ policy beginning in 2006, when the first three year federal program for work with compatriots abroad was adopted, defining concrete objectives and envisaging responsible institutions. All three power levels — beginning with the Presidential Administration and ending with local authorities — are involved in the compatriots’ policy. Compatriots’ congresses and conferences are attended by high-ranking officials and politicians, adding to an event’s significance. If official discussions within the compatriots’ policy deal with assistance to Russians residing abroad and so called Russian-speakers in maintaining their ethnic identity and enjoying Russian culture benefits, in reality, Russians living abroad are often encouraged to submit political claims to the government in their country of residence.<sup>26</sup> Such practices unavoidably leads to tension in inter-ethnic relations in countries with a high percentage of Russians and active compatriots’ NGOs.

Russia sponsors various types of non-governmental organizations in Latvia, Lithuania, and Estonia. Sponsorship reaches concrete organizations by various routes, the main one being Russian Embassies and foundations of various kinds. The foundation “Russkiy Mir”<sup>27</sup>, the Gorchakov Foundation for Public Diplomacy Support (Gorchakov Foundation),<sup>28</sup> and the Support and Protection of the Compatriots Residing Abroad Rights Foundation<sup>29</sup> are the most important. The foundation “Russkiy Mir” was set up in 2007, during the first wave of intensifying Russian public diplomacy, with the aim to popularise Russian language and culture abroad. However, along with the abovementioned, the Foundation is involved in spreading Russian authorities’ specific interpretation of history among Latvian school children, which adds to the split in society. The Gorchakov Foundation was established in 2010, during the second stage of increasing public diplomacy activities. The Foundation operates as a typical public foundation seeking cooperation with NGOs and opinion leaders.<sup>30</sup> The Support and Protection of the Compatriots Residing Abroad Rights Foundation specialises in juridical issues with the aim to be involved in resolving compatriot legal matters. It is obvious these foundations are specialised in such ways as to cover as broad a possible spectrum of issues related to Russians residing overseas.

Separate compatriot NGOs, of whose rhetoric and action directions meet Russian public diplomacy guidelines, spread delusive and “inappropriate to reality” information about Latvia and Estonia, thereby undermining these Baltic countries image and reputation. At the same time, their claims regarding the status of the Russian language and its role in the education process, as well as changes in citizenship institutions have a negative impact on society integration processes in the Baltics, and can cause a weakening in the sense of belonging to a country of residence among separate social groups.<sup>31</sup>

It is a significant fact the agency *Rosstrudnichestvo* is one of the state institutions responsible for the compatriots’ policy, and is additionally responsible for popularizing state image and other public diplomacy activities. The compatriots’ policy should rather be considered as public diplomacy, for such an approach allows a better understanding of its aims, which are and will be, Russian foreign policy objectives. Regional dominance is one such objective, and Russia is trying to enforce it on neighbouring countries which have chosen to be independent of Russia foreign policy.

## **2. The Russian Compatriots’ Policy and the Presence of the Media in the Baltic States as an Issue of National Security**

### ***The Media in a Hybrid War***

In Russia’s hybrid war against Ukraine, media play the principal role. It can be applied to preparation on the ground for Crimea’s annexing, and continuing information warfare parallel with military activities in the Donetsk and Luhansk

regions. In 2007, the Russian Foreign Policy Review stated that Russia's objective was "to create effective information campaigns wherever interests of Russia face real challenges and to maintain wide social consensus about Russia's foreign policy."<sup>32</sup> In order to ensure the possibility of such broad, all-round information campaigns, Russian authorities have purposefully taken control of all major Russian media. The character of power implementation in Russia is obvious — if media competitors exist, they simply have to be neutralized by any means. Also, in Crimea, Ukrainian television channels were turned off at some periods during the aggression.

No democratic country is capable of carrying out such activities of information warfare as done by Russia. A pluralism of opinions and an existence of media with alternative views disallows democratic countries from implementing synchronized information campaigns as was realized by Russia with the aim to achieve its foreign policy and military objectives. Besides, the synchronous and one-sided messages are spread not only by the journalists at all major Russian television channels, but also by experts and politicians being interviewed. For citizens and experts who have grown up in free countries, it is sometimes difficult to perceive the overall scale of control over the Russian information space. Considering their competence, Russian propagandists exceed their predecessors of the Soviet period whose activities were made, to some degree, easier by the iron curtain. If at that time, most information could not get over the wall of censorship, present spin doctors have to process a large amount of information coming from the West in a way that Russian and neighbouring countries' audiences maintain their loyalty to the Kremlin's interpretations. According to Jolanta Darczewska, Russia "...is constantly modifying and perfecting its propaganda techniques, taking into account new media tools and introducing innovations, such as activity in social networking."<sup>33</sup>

Control over the information space by setting media agenda does not guarantee control over human minds and hearts. Over the last few years, there has appeared a tendency that individuals are shutting themselves off from the diverse flow of information, consuming just the acceptable parts of information coming from seemingly reliable sources.<sup>34</sup> Communications expert, Georgiy Pocheptsov, indicates that setting the agenda for information flows is only a tactical instrument, and not as effective when compared with the strategic instrument — controlling narratives.<sup>35</sup> Narratives usually offer a clear division between "our ones" and "the aliens". The narratives fight is not the fight for simple stories, but for the stories with mythological content having maximum emotional saturation.<sup>36</sup> If information control (setting media agendas) can be used for the creation of necessary information, the objective of narratives control is to create specific filters denying information of one kind and drawing ("allowing to pass through") information of another.<sup>37</sup>

While analysing the Russian information campaign against Ukraine of 2013 and 2014, researchers at the Centre for East European Policy Studies highlighted the following narratives as the main ones used against Ukraine: "The fight for Ukraine as the clash of civilizations"; "Ukraine is the integral element in Eurasian integration"; "Ukrainians and Russians are the single nation united in the "Russian World""; and

“The Great Patriotic War continues, Ukrainian fascists have not been eliminated yet”.<sup>38</sup> The story about Nazi’s and a revival of fascism is used by Russian mass media against the Baltic countries too, creating in foreign countries a misleading impression about neo-Nazi tendencies in the Baltics. And, using Nazi themes inside the Baltic States, Russia tries to achieve a deeper split in society inciting Russians’ dislike for Latvians, Lithuanians, and Estonians.

Can television channels under control of Russian authorities be considered as true media in the understanding of the free world? Peter Pomerantsev and Michael Weiss point to the “weaponization” of information, culture, ideas, and money in Russia.<sup>39</sup> European Union Member States may no longer ignore the fact Russian media are used to have a destructive impact on many countries. In the adopted 2009 Russian National Security Strategy, the spheres of spirituality, media, history, and culture have been securitized. This securitization, visible in the chapter “Culture” of the Strategy, envisages participation by Russian security services in the spheres of media and NGOs.<sup>40</sup> The wars in Georgia in 2008 and in Ukraine in 2014–2015 demonstrate the necessity for the West to reconsider once more its opinion on security policy and the role of the media in it.

### *A Broader Security Context: Political Threats*

The war in Ukraine has sounded a wake-up call for European politicians and experts who have started to pay increased attention to Russian media and other non-military means of influence in a security context. However, it is important to remember that several years before Crimea, Russia had activated the media and other public diplomacy instruments in order to effectively influence social and political processes in neighbouring countries, including Latvia, Lithuania, and Estonia. While West European politicians were sleeping, deaming sweet dreams, and ignoring the Baltic States and other neighbouring Federation countries warnings about the spread of the revanchist mood in Russia, Moscow continued improving its information warfare methods during operations in Chechnya, the war against Georgia, in Ukraine, and activities causing splits in Baltic States society. In 2015, Russia’s “helpful hand” reached Western Europe (being already warned by the Balts some time ago) through the television channel Russia Today (RT) and support for radical right and radical left political parties. The time has come for the democratic camp to start protecting its values, viewing Russia’s economic and information presence in Europe through a security prism. Besides, those steps already spoken about would have to be made even if there was no hybrid war by Russia against Ukraine. Also without the implementation of military methods, Russia’s interference in neighbouring countries’ politics can be considered a security issue.

A theoretical approach, which can be useful for such re-evaluation, was created some time ago when Barry Buzan wrote about threats to security, dividing them into economic, political, military, social, and environmental sectors. Although



a considerable amount of time has passed, Buzan's description of political and social threats, to a high degree, applies also to current Russian relations with its neighbours. Buzan, in his repeatedly published work *People, States and Fear: The National Security Problem in International Relations*, defines security as follows: "[...] security is about the ability of states and societies to maintain their independent identity and their functional integrity."<sup>41</sup> While analysing the last decades' changes in security concepts, security policy expert Žaneta Ozoliņa indicates that "after the Cold War, a greater role in the definitions of the security concept was attached to such security aspects as the individual, values and identity, which reflect the variety of threats that security can experience due to globalization."<sup>42</sup> Thereby, interference in an identity creation process can also be regarded as a security issue. Barry Buzan mentions that political threats are directed against a state's organisational stability.<sup>43</sup> Usually political threats are directed against the ideas of the state, especially against its national identity and organisational ideology, as well as against the institutions realising the idea. Since a state is basically a political unit, political threats can cause as serious a fear as military ones.<sup>44</sup>

According to Buzan, threats to national identity include attempts in a country which has become the target of attack, to strengthen specific ethnic and cultural identities of separate groups. Objectives may vary; they may be to increase governmental difficulties in an alien country, or attempts made by a neighbouring country to prepare the ground for annexing, seeking ways for uniting its own nation as occurred in the 1990s during Hitler's campaigns.<sup>45</sup> Crimea's annexation is precisely the situation described by Buzan more than twenty years ago. It is possible the decision to annex Crimea was made suddenly by the Kremlin, however, Russian compatriots' organisations in Ukraine had been preparing for the possibility of such a step for a number of years already. Back in 2009, Kyiv Mohila Academy researchers indicated Russian compatriots' organisations in Crimea and south-eastern regions of Ukraine were involved in spreading the following narratives:

- The idea of a historical and cultural commonality between Russians and Ukrainians, including denying any differences between the two. (The only exception is the Halychany — inhabitants of western Ukraine, who have colonized the Ukrainians, eliminating the opportunity to unite with Russia.);
- The idea of united Orthodox-Eastern Slavic (including Ukrainians, Belarusians, and Russians) civilization and its messianic role in the modern world;
- The idea that Crimea belongs to Russia, and rejection of property and land claims of the Crimean Tatars.<sup>46</sup>

In an interview in May 2009, Moscow State University Professor, Alexander Dugin, expressed the need to integrate south-eastern regions of Ukraine with Russia. He said most of the actions in this affair should be done by residents of these regions. They should initiate a referendum regarding integration with Russia.<sup>47</sup> A number of Cossack organizations and compatriots' NGOs had set a goal envisaging,



at a maximum level, uniting Crimea with Russia, and as a minimum — securing a situation where Russia would never lose its right to maintain the naval base in Sevastopol. As can be seen in the ideas spread by Russian compatriots' organisations in Ukraine over the period of several years, some are related to questioning Ukraine's national identity. This meets Buzan's explanation of political threats.

In Baltic countries, Russian compatriots' organisations question Latvia's and Estonia's rights to development according to the idea of identity of nation states. Another idea widely spread by Russian media and NGOs, is that Baltic countries seemingly voluntarily joined the Soviet Union in 1940, which contradicts conclusions of academic history. On the one hand, the freedom of speech allows the dissemination of varied opinions, but, on the other hand, drastically different views of various ethnic groups about the same historical events cause divisions in society according to ethnic principles. One more important dimension of Russia's interference lies in questioning the right of Latvia and Estonia to maintain one primary state language, granting the Russian language no special status. For a number of years, the Federation has ignored the fact that Russian is widely used in Baltic countries, disregarding Moscow's regular ill-based accusations of the Balts for limiting the use of the Russian language.

Russia's identity creation process goes beyond state frontiers, causing counter-reactions on the part of its neighbour countries who are vulnerable in the sphere of developing interethnic relations since 1991. Where is the geographical space where Russia has been "constructing" its identity since the collapse of the USSR? Unfortunately for the Balts, Moscow draws borderlines through the Baltic States, trying to include Russians residing there into Moscow's orbit and ignoring Baltic countries' borders with Russia in the virtual space.<sup>48</sup> Considering national identity dimensions (culture, political, social, memory, etc.), we can conclude that throughout the last decade, Russia has tried to influence to a higher or lower degree each Baltic State.<sup>49</sup>

## **Conclusion — Seeking Solution**

From 2013, when Vilnius hosted the EU Eastern Partnership Summit, accompanied by very active Russian television channel propaganda against the European Union and Ukraine, a public discussion has gone on in Baltic countries regarding necessary counter-measures for the misinformation and propaganda spread by Russia. On one hand, the Baltic States have no real choice any more about whether to securitize their media spheres or not, but on the other hand, it is difficult to find a balance between democratic freedoms and necessary security measures. Similar Russian media and compatriots' policy methods used in Ukraine before and after the annexation of Crimea, are also used in the Baltic States. If there are no military solutions for such methods, it does not mean a reaction to them isn't required.

The Baltic countries have to securitize, to some degree, their media problems, but not repeat the securitization of Russia's information sphere, which has led to a drastic limitation in the media and of speech freedoms. The Baltic States have to maintain positive media freedom achievements, however, providing problems in the Baltics created by media under control on behalf of the Russian authorities are the security issue. Thereby a situation would be achieved when a discussion of these issues is included in higher political agendas as one of state priority. In annual reports, Baltic countries' security services have repeatedly highlighted the destructive impact of the Russian compatriots' policy and media in the Baltics<sup>50</sup>, but state governments have failed to make resolute steps to improve the situation. Discussing difficulties in Baltic countries reactions, the Baltic to Black Sea Alliance political recommendations document says that: a "Democratic countries' capability to react adequately to the ongoing processes is limited by democratic values disallowing censorship, insufficient resources for strengthening their own narratives, as well as openness of the globalized information space".<sup>51</sup> The war in Ukraine causes inclusion of the Russian impact issue into the security policy sphere, and politicians can't do anything about it.

It is important to bear in mind that neither the Baltic States, nor EU Eastern Partnership countries, considering their limited resources, are able to oppose massive Russian offensives in the media and compatriots environments. Solutions can mainly be looked at from regional and all-European levels. Experts have already tried to design recommendations for decreasing Russia's destructive impact on Europe.<sup>52</sup> Recommendations can be conditionally divided into two groups: 1) proposals addressed to EU institutions and Member State's governments; 2) proposals for self-regulation of media and NGO environments.

When considering solutions at an EU level, it should be stressed the European Commission has to come up with programs and activities aimed at decreasing Russian propaganda impact throughout the whole European Union. The European Parliament resolution 'On the Situation in Ukraine', adopted on 14 January 2015, has already called on the European Commission to act. The Resolution's paragraph 26 says: European Parliament "Calls on the Commission and the Commissioner for European Neighbourhood Policy and Enlargement Negotiations to prepare and present to Parliament within two months a communication strategy to counter the Russian propaganda campaign directed towards the EU, its eastern neighbours and Russia itself, and to develop instruments that would allow the EU and its Member States to address the propaganda campaign at European and national level."<sup>53</sup>

EU public diplomacy is one of the spheres needing improvement. The Directorate General European Neighbourhood Policy and Enlargement Negotiations (DG NEAR), in cooperation with the European External Action Service and Directorate General Communication, have to make real steps to intensify implementation of EU public diplomacy. The objective of such public diplomacy should envisage reaching the EU's Member States domestic audience and the Eastern Partnership countries' population. While addressing both audiences, "European narratives"

should be taken into account to remind them about the European Union's values which are respect for persons, respect for human rights, observation of individuals' fundamental freedoms, support for democracy, and the principles of good administration. European classical and popular culture achievements should also serve as enhancers of attractiveness and thereby soft power increasers. In addition to the aforementioned, it should be considered how not to humiliate Christians and supporters of conservative values in Europe and its neighbouring countries by one's attitude or expressions. Otherwise the Kremlin may increase the number of its supporters in Europe, making a statement causing splits in society, "Either you join Europe and become a morally degenerated person, or you join authoritarian Russia and become a more spiritual person". According to Peter Pomerantsev and Michael Weiss, 'the Valdai Alternative'<sup>54</sup> should be created, meaning that it should be recalled that both old and modern religious traditions exist in the West, including religious conservatism and modern religion tendencies, for example in the US, Poland, or Western Ukraine, etc.<sup>55</sup> In order to ensure free and active religious practices, it is unnecessary to maintain relationships between religious confession and state authorities, as it is between the Moscow Patriarchate and the Kremlin, which hampers ensuring freedom of religion in Russia.

Attention should be paid to financing the activities of Russian compatriots' NGOs from Russian funds and governmental institutions. More transparency would add to better knowledge by the public on the NGO's real intentions and their connection with implementing Russian authorities' political plans in the Baltic States. In order to provide political expertise in Europe, more experts from Russia's neighbouring countries should be invited, as they possess many years research experience about Russia and the region. East European analytical capacity should be included in the overall discussion at a European level on regional security challenges.<sup>56</sup>

Peter Pomerantsev and Michael Weiss indicate Russia has carried out the weaponization of information, money, culture, and ideas.<sup>57</sup> In the event information is considered a weapon, it would be only normal if, similar to the circulation of firearms, the information sphere had rules restricting the use of weapons with malicious intent. If in the twentieth century the fight was ongoing for freedom in the media sphere, nowadays one has to fight against malicious use of press freedom.<sup>58</sup> Monitoring media landscape development should be performed all over Europe with eventual assistance on the part of the EaP Media Freedom Watch project and similar projects in European Union Member States where NGOs, with support from European institutions, would operate. European media regulation issues should also be resolved in order to provide each EU Member State with the possibility to maintain effective control of their media environment, preventing the expression of war propaganda and hate speech there. For example, several Russian channels transmitting in the Baltics have been registered in the United Kingdom, therefore, effective monitoring of these channels is made difficult. The media sphere has to carry out self-regulation, and professionalism in work degraded within Internet

media should be restored. Journalists' professional associations should attempt to maintain high ethical standards, removing media membership and separate those journalists violating standards. Achieving full transparency in the Baltic States in the spheres of media ownership to the level of beneficiary (a physical person) is one task.

A considerable part of Russians in Estonia and Latvia are living mainly in an information space under control of Russian authorities, which decreases states governments' possibilities to communicate with all inhabitants. Latvia and Estonia have announced their plans to develop television channels using Russian language in order to address Russian speaking audiences in their countries. Such steps should be supported, however, bearing in mind the necessity to strengthen the positions of the Latvian and Estonian languages as state languages. Latvia's integration policy envisages promotion of society integration by increasing levels of knowledge of the state language among all ethnic groups, and such a goal would be reached by uniting the presently segregated education system through the use of a single language of teaching — the state language. The Baltic States' governments should consider how to provide strategic communication across the country's whole territory, allowing every citizen of the state the possibility to be involved in state processes and enjoy the sense of belonging to his/her country of residence. According to Pomerantsev and Weiss, "...audiences exposed to systemic and intensive disinformation campaigns, such as the Russian-speaking communities in the Baltic States, need to be worked with through targeted online campaigns that include the equivalent of person-to-persons online social work".<sup>59</sup>

West European countries should not rely upon the Baltic States and EU Eastern Partnership Member States as the "buffer area" between themselves and Russia. In case the Baltic States are subordinated to Moscow's political influence, Russia would look for the next buffer belt area. Europe has already experienced such a practice when at the end of the World War II, the Soviet Union's appetite was not satisfied by just the Baltics. Central European countries had to live the fate of USSR satellite states, subjecting their political and economic development to the stagnation of the Soviet system. Modern Russia, of course, is not the USSR, but nevertheless it restores one Soviet element after the other in its policy and construction of identity. In February 2015, when the Yalta Conference's seventieth anniversary was celebrated, discussions continued on Russian television channels about the necessity to organize a new Yalta Conference where major international policy players would agree on new rules of the game. If the European Union does not wish to repetition history with the formation of Moscow satellite states, as well as hampering the implementation of EU joint foreign policy, it should express a stronger solidarity with the Baltic countries, Ukraine, Georgia, Moldova, and other Eastern Partnership Member States. It is not only an issue of the EU's solidarity with countries trying to liberate themselves from a destructive Soviet legacy and burdensome ties with Russia. It is an issue of necessity for the European Union to answer once more the self-identification question — whether it supports

international rights as the point of reference on the international scene, or if it supports unpunished forceful solutions allowing division and the annexation of free countries' territories? If the answer is in favour of international rights and democracy, certain steps have to be made for protecting these principles.

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## CONCLUSION: LESSONS FOR EUROPE

*Artis Pabriks, Andis Kudors*

What are the main lessons for Europe after Crimea's annexation? This collection of articles is divided into three parts: security, economics, and politics. However, such division is rather conditional, for whatever sphere is under discussion it is definitely connected to and overlapping with the other two. Even when disregarding the aforementioned, the conclusions and recommendations are arranged according to the order of the book's main chapters.

### **Security**

After the annexation of Crimea in 2014, one of the most frequently asked questions was: Is Europe ready for preventing threats of hybrid wars? This study indicates that Russian New Generation Warfare is not only Hybrid Warfare, but a broader doctrine envisaging the use of a new type of arms in warfare. One of the typical expressions of Russia's new approach is combined direct/symmetrical actions with asymmetrical instruments. Such an approach is based on Russia's opinion it cannot be an equal opponent to NATO in a traditional war where conventional methods predominate. Russia's new approach is aimed at causing a split in NATO and EU Member States, as well as their societies, in order to achieve a situation where a military component is unnecessary for reaching the political objectives, or it is minimally needed. What should the Baltic countries' and European Union's prevention of risks, and readiness for countering threats be?

The Ukraine crisis should be regarded not as a sudden European failure, but rather as a wake-up call for the necessity to finally start an intentional debate on EU security, defence, and strategic recalibration. It is important to take into account that neither NATO without the EU, nor the EU without NATO is capable of effectively managing new hybrid threats. Europeans should not view EU and NATO security solutions as excluding each other. Each separate EU and NATO Member State cannot react effectively to these security challenges, and increasing cooperation between the EU and NATO is necessary. That would provide the possibility of using the advantage of a union instead of being targeted individually by opponents. The EU can be a strong support for NATO on such security issues as cyber defence, the information space, and border security, taking into account current challenges at the EU's eastern borders.

Considering Baltic regional security, we can conclude that the implementation of the NATO Wales Summit decisions, including creation of the very high readiness joint task force, is crucial for the Baltic States. However, each Baltic country has to make a greater effort to increase their defence capacity. It is of principal importance to continue a well-initiated Baltic countries' military cooperation. Russia's threats should be sufficient stimulus for the Baltic States' military forces ability to coordinate their planning, command, and control. The raising of defence expenditures to the level of 2 per cent of the GDP is not the end in itself. This money is extremely vital for improving self-defence capacities, and a potential aggressor's wish to attack would be cooled through an awareness of eventual military and political losses. An appropriate smart use of small units in an asymmetric way can substantially raise costs for an aggressor and buys time for allied reinforcement. And, in the context of involving civil population in military conflicts, society integration steps should be made to decrease an individual's wish to fight for the benefit of the other country. At an all-European level, a better understanding of the necessity for Member States' solidarity in risk prevention is necessary. Rome and Athens have to assist Riga and Tallinn, and Northern Europe has to participate in resolving problems in the European neighbourhood policy's southern direction. Without such solidarity, external players easily manipulate European countries, disallowing them to make powerful steps for guarding their democracies.

## **Economics**

The European Union's and several other countries' sanctions were imposed on Russia with the aim to motivate The Federation to change its policy in relation to Ukraine. The annexation of Crimea had been an outright violation of international norms, ignoring Ukraine's right to territorial integrity. But how painful were Western sanctions for Russian economics? There are at least two possible extreme Russian development scenarios, one called the "Soviet" scenario, the other "Perestroika". The "Soviet" scenario would imply further Russian self-isolation acceptable for the conservative part of the public, while "Perestroika" would require a change of policy towards Ukraine, decreasing the effect of sanctions, but nevertheless not resolving the structural problems of the Russian economy.

For the time being, Putin is trying to find a happy medium because for the present political elite in Russia, "Perestroika" is associated with the collapse of the State due to Gorbachov's policy of changes. Vladimir Putin is trying to find a compromise course which would allow simultaneously maintaining the existing political system and smoothing the economic consequences, which means, on one hand uninterrupted bargaining with the West, and, on the other hand combining the market and "command" instruments of management of the national economy for combating the crisis. However optimistic Russian officials' statements may be, with restricted access to Western capital and markets, Russian manoeuvring possibilities

decrease — and the reserve may become completely exhausted. It would lead to the situation when Vladimir Putin faces a choice between two main situations — either resolve economic problems by money issue, or by changing relations with the West and increasing external debt.

Even prior to the war in Ukraine, economic interdependence between the EU and Russia had already caused some concern, and now it is obvious how harmful dependence on a revisionist Russia (which is ready to risk many things to achieve its regional dominance objectives) is for a democratic European Union. The EU Member States' economic dependence on Russia still remains at a high level, which disallows effectively resolving international rights issues.

Undiversified energy supplies where Russia still plays a very important role, is one of the EU's most striking dependencies. Russia will maintain its ability to manipulate European countries until the European Union finds a systemic solution to key energy challenges. Such a solution may not be a short-term step, but it should be a systemic approach allowing the EU to resolve any problems in the energy sphere by joint efforts. Similar to other Russian-related problematic issues, in the energy sector it is clear that separate countries are unable to oppose Russia's manipulation, and overall solutions are necessary, not only including the EU but Eastern Partnership countries wanting to be involved. Joint support from the European Union for Ukraine on energy issues is beneficial for both parties.

## Politics

Although the “war in Ukraine” is not “war in the European Union”, it is nevertheless the “war in Europe”, and the Union should act with more certainty, in line with its moral weight and practical possibilities. The EU's passivity managing global issues might possibly affect how it is perceived from the outside. Leadership, courage, and a vision of future Europe will be necessary for adequate opposition to the challenges imposed on Europe in democracy and security fields. The European Union still possesses sufficient resources to being unafraid of protecting its values, however, passive hesitation works in favour of those who challenge these values.

In order to not only require Kyiv reforms, but assist in their implementation, a significant EU political and economic presence in Ukraine is necessary. The West must provide Marshall Plan-type economic assistance to Ukraine and help it start a reform process that, despite the ongoing war, targets corruption, energy, and other issues. If required, the West must provide Ukraine with advanced military technologies and assistance enabling it to stop further aggression. The free world should certainly defend the principle that all countries, including Ukraine, have a right to implement their independent foreign policy and make a break from their Soviet legacy.

Russian aggression against Ukraine is the single most influential factor to the Eastern Partnership that has decreased regional stability and power of international

norms so far. May 2015 marks six years since the establishment of the EU's EaP and is also the same year the ENP will have its overall review. It is difficult to require from EU neighbouring countries the same democratic reforms as from States that entered the EU in 2004 without offering them membership possibilities. For the EU, the first step should be an overt acknowledgement that Ukraine is a European State and that it can in principle apply for membership, if it shows that it respects the Union's values. The EaP is a unique, unprecedented policy lacking any examples from previous experiences to follow. That is both a weakness and strong point, because the EaP can be a policy of adaptation. Presently, while considering the EaP's future, it should be taken into account it does not act in an empty space but operates parallel to the creation of the Eurasian Economic Union developed by Russia. Therefore, Europe has to strategically implement the EaP, but not as a bureaucratic and technical policy.

Russia's aggression against Ukraine has forced Latvia, Lithuania, and Estonia to reconsider their attitude towards the presence of media under control on the part of Russian authorities and the compatriots' policy in the Baltics. Russia uses similar instruments for influencing Baltic countries' politics — they are the compatriots' NGOs and the media disseminating Russian strategic narratives and propaganda. The aforementioned spheres are increasingly viewed as a security policy issue when maintaining an assurance the Baltic States will not follow Russia's example, which has imposed considerable limitations on speech and media freedoms. We should bear in mind that neither the Baltic States, nor separate EU Eastern Partnership countries, considering their limited resources, are capable of opposing a massive Russian offensive in the media and compatriots' environment. Solutions may primarily be found at a regional and all-European level, for example, intensifying EU public diplomacy and revising EU regulations in the media space.

While celebrating the Yalta Conference's seventieth anniversary in February 2015, Russian television channels presented a discussion of the desirability to hold a new Yalta Conference during which major players of international policy would agree on new rules of the game. It is obvious Russia wishes to strengthen its regional ambitions as an out of discussions norm, in case it is agreed upon either in "Yalta 2.0" or "Helsinki 2.0". The free world should be sufficiently united and loyal to the principles of international law to prevent activities aimed at redistributing spheres of influence. Already adopted international legal norms are the only points of reference for what is acceptable and what is unacceptable on the international scene, and they are mandatory not only for small countries but also for geographically large and military strong states.

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