

# The Eastern Question

*Russia, the West,  
and Europe's Grey Zone*

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*Editors*

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## *Headline Summary*

# **The Eastern Question: Recommendations for Western Policy**

*Daniel S. Hamilton and Stefan Meister*

Russia under Vladimir Putin has become a revisionist power seeking to undo the post-Cold War settlement, control its neighborhood, and disrupt Western influence. By annexing the eastern Ukrainian region of Crimea and waging war in other parts of the country, the Kremlin seeks not only to undermine Ukraine's sovereignty but the European security order. The comfortable verities of the "post-Cold War era" are a paradigm lost. The Soviet succession continues to rumble, and a new era has begun—more fluid, more turbulent, more open-ended.

Ukraine is now the crucible of change. It stands at a critical crossroads between a more open society integrated increasingly into the European mainstream and serving as a positive alternative model to that of Putin for the post-Soviet space; or a failed, fractured land of grey mired in the stagnation and turbulence historically characteristic of Europe's borderlands.

Europe's eastern lands beyond the EU and NATO are less secure and less at peace than they were a decade ago. They are challenged as much by their own internal weaknesses as by Russian aggression. Corruption and crony capitalism, kleptocratic elites and festering conflicts drain resources from countries that are already fragile and poor. Their instabilities have mixed with Moscow's revisionism to form a combustible brew.

The greatest gap between Russian and Western thinking is not over Syria, Iran, or other world regions. It is over the common European neighborhood. The United States and its European allies and partners must forge consensus on how to deal with a resurgent, belligerent Russia and with Europe's grey zone before things get worse.

Unfortunately, the chances of that are high. Moscow's aggression extends beyond Europe's east to both the northern and southern expanses of the continent. Its intrusion into Syria has further inflamed

Middle Eastern turmoil. Dangers in each region are blending in ways that threaten Europeans, Americans and many others around the globe.

Russia's assertiveness and wider Europe's tumult come at a time of immense strain on Western countries. A dizzying array of challenges is tearing at European unity and has left Europe's west with less confidence and readiness to reach out in any significant way to Europe's east. Moscow is exploiting fissures within European Union countries to generate uncertainty about the European project itself.

Europe's hesitations are magnified by those of its American partner. Yet Western principles, institutions and interests are under assault. Unity rooted in shared values will be essential. Western actions, while coordinated, have largely been ad hoc responses to Russian provocations. They are unlikely to be sustainable unless they are tied to a long-term Western strategy towards Russia and wider Europe. This strategy should consist of three components.

## 1. What the West Must Do with Russia

Western policy toward Russia must be proceed along three parallel and mutually reinforcing tracks: deterring the regime where necessary; continuous communication and selective engagement with the regime where useful; and proactive engagement with the broadest range of Russian societal actors as possible.

- **Track One:** North America and Europe should make be clear that relations with Russia must be based on respect for international law, the UN Charter and the Helsinki principles, including respect for the sovereignty and independence of Russia's neighbors. Track One should encompass both clear signals to Moscow and independent measures that can reassure allies and partners concerned about Russian pressure and deter Russia from further intimidation. Western states must
  - reject any effort to negotiate the future of the common neighborhood over the heads of those societies.
  - strengthen Western non-recognition of Russia's illegal annexation of the Ukrainian areas of Crimea and Sevastopol.
  - maintain Russian sanctions until full military and political implementation of the Minsk agreements has been secured, and be prepared to increase sanctions if Minsk is not fully implemented.
  - consider suspension of Russian membership in the entire Council of Europe, not just its parliamentary assembly.

- stop enabling Russian corruption in Europe and elsewhere.
- **Track Two:** North America and Europe should be clear that they stand as willing partners with a Russia that decides to invest in its people, build a more sustainable economy grounded in the rule of law, tackle its health and demographic challenges, build better relations with its neighbors, and act as a responsible international stakeholder. They should set forth in concrete terms the potential political, economic and security benefits of more productive relations.
  - Engage selectively on geopolitical issues such as terrorism, the so-called IS, Syria, North Korea, Iran, and climate change.
  - Revitalize the NATO-Russia Council with a narrow focus on arrangements to avoid dangerous incidents.
  - Upgrade where possible Europe's conventional arms control framework via confidence-building measures in the Vienna Document, the CFE and Open Skies treaties.
  - Reinforce the architecture of nuclear security through continued START Treaty implementation, examine challenges to the INF Treaty system, and open or reopen discussions over issues related to missile defense, dual-use delivery systems and tactical nuclear weapons.
- **Track Three:** Western actors should engage as robustly as possible with the Russian people, including with alternative elites, civil society, entrepreneurs and innovators, media and opposition figures, as well as promote opportunities for student and professional exchanges and visa-free travel. Track Three initiatives will be difficult as Moscow seeks to isolate its people from Western NGOs. But Russia is not the semi-autarkic Soviet Union. It is integrated in many ways in the global economy, and the digital age offers many points of access to Russian society.

Efforts along all three tracks of effort should be advanced via close transatlantic consultation and united by a vision of Russia as part of a new Europe, a Russia that embarks on a course of profound, systemic internal economic and political reform and modernization, a Russia that refrains from the use of force, a Russia that does not seek a sphere of influence but develops integration through cooperation and by increasing its own attractiveness. Today's Russia is not that Russia. Yet it is important that Western interlocutors not engage in the zero-sum thinking that characterizes Kremlin policy,

## 2. What the West Must Do with Wider Europe

### *Meet the Immediate Challenges in Ukraine*

Ukrainian society has made a clear choice for reform and for Europe. This historic opportunity can be lost unless Western actors engage more vigorously with Ukrainian partners to stabilize the country. Ukraine must lead the way by reforming the judiciary, rooting out corruption, selling off parasitic state-owned companies and privatizing top performers, supporting independent media and civil society, reinforcing its capacity for self-defense, and meeting the needs of 1.5 million people displaced by the war with Russia and its proxies. Western assistance can make a difference in all of these areas.

### *Revise Western Approaches to the Common Neighborhood*

The region's great diversity makes an overarching Western policy difficult. Nonetheless, some broad principles are relevant across the region. The most pressing task for the West is to help Ukraine make its transition a success. In the region more broadly, Western countries need to discourage Kremlin coercion of neighbors and encourage countries willing to make tough choices for reform.

A proactive policy along these lines might be best characterized as "Open Door, Straight Talk, Tough Love."

- **Open Door.** All countries of wider Europe that express interest and prove commitment to join European and Euro-Atlantic institutions should have a membership perspective. The Open Door is the only principle that can credibly generate stability for Europe. Without it, Western leverage and regional incentives enact reforms will be low.
- **Straight Talk.** Open Door does not mean lower standards. Membership is a generational challenge. This calls for straight talk. First, most countries are threatened as much from their internal weaknesses as from external meddling. Second, closer association with the West begins at home. Countries must make tough choices for democratic reforms, not as a favor to others, but as a benefit to themselves. Third, closer integration is likely to be accelerated to the extent a country "acts like a member" even before it becomes a member.
- **Tough Love.** Societies seeking to join the European mainstream must be prepared to create conditions by which ever closer relations can be possible. The West can and will help. But the states themselves must lead the way, and will be held to account when and where they do not.



*With these three principles in mind, Western actors should:*

- **Revamp the Eastern Partnership.**
  - *Differentiate* between those for whom political association, economic integration and eventual membership is a goal (Ukraine, Moldova and Georgia), those who are interested cooperation short of membership (Azerbaijan and Armenia, and Belarus).
  - *Focus on the most urgent needs.*
  - *Offer a “European Perspective” to Partnership countries willing and able to create conditions by which this could be possible.*
  - *Adjust Deep and Comprehensive Free Trade Agreements* to match the real needs, capacities and intentions of each partner.
  - *Create More Mobility Options.*
  - *De-link the Eastern Partnership from Russia policy.*
- **Consider new forms of association, including EU associate membership,** through selective extension of the “variable geometry” principle, to keep countries engaged.
- **Develop transatlantic complements to EU strategies.**
  - *Consider U.S.-EU “Atlantic Accords”* with countries in the common neighborhood, joint political statements that can provide reassurance and add substance to Western commitments to work with countries to create conditions drawing them closer.
  - *Consider a U.S. Black Sea Charter,* drawing on principles and mechanisms found in the U.S.-Baltic Charter, the U.S. Adriatic Charter, and elements of the Stability Pact for southeastern Europe.
  - *Deepen NATO’s ties to the countries of the region while affirming the Open Door principle.* Make the Partnership for Peace as substantive as possible for reforming post-Soviet states.
- **Engage robustly within the OSCE.** At a time of military tension and growing possibilities for incidents, accidents and miscalculation, the OSCE can provide a common platform for mediation, dialogue and conflict prevention—if its members want it to.
  - The OSCE is one of the international community’s most important on-the-ground presences in the Ukraine crisis.
    - OSCE members must provide adequate support for the OSCE’s Special Monitoring Mission in Ukraine so it can focus both on security and humanitarian issues.
    - The Special Monitoring Mission should monitor and report on the entire territory of Ukraine, including Crimea.
    - Local elections in certain areas of Donetsk and Luhansk under Ukrainian law and in line with OSCE standards must be monitored

by the OSCE's Office for Democratic Institutions and Human Rights (ODIHR).

- Western members should ensure that OSCE field missions, ODIHR, the Representative on Freedom of the Media, and the High Commissioner on National Minorities can effectively and independently perform the duties assigned to them by their mandates, and are provided with sufficient resources to do so.
- The German and Austrian Chairs-in-Office should encourage energetic expansion of such civil society activities throughout wider Europe. This could include efforts to strengthen OSCE monitoring of human rights and expand OSCE attention to minority issues to encompass newer minorities and refugees.
- **Address with greater urgency the region's festering conflicts** in Moldova (Transnistria), Georgia (Abkhazia and South Ossetia), Armenia and Azerbaijan (Nagorno-Karabakh) and, most likely, in the eastern Ukrainian regions of Luhansk and the Donbas. The West must be attentive to Russian efforts to use these conflicts to influence or disrupt neighboring countries. The OSCE should make an effort to provide fresh impetus for the Nagorno-Karabakh peace negotiations in the OSCE Minsk Group, and establish a status-neutral field presence in Georgia with access to Abkhazia and South Ossetia.

### 3. What the West Must Do for Itself

Eastern policy begins at home. The best way the United States and its European partners can act together vis-a-vis Europe's east is by getting their respective acts together in the West. Putin's challenge is as much about the West as it is about Russia. The more people in Western societies feel secure about their own prospects, the more confident they will be about reaching out to those in wider Europe. And the more robust our community, the better the odds that the people of wider Europe will find the courage they will need to make hard choices for reform.

In short, while we must deal with Russia realistically, and craft more proactive efforts with the countries of the common neighborhood, there is also much we must do for ourselves.

- **NATO: In Area or In Trouble.** NATO's old mantra was "out of area or out of business." Today's mantra must be "in area or in trouble."
- **Full Spectrum Deterrence.** Deterrence has become more complicated and its scope much broader than during the Cold War. NATO allies and partners face an authoritarian challenge from Russia to their east and

extremist challenges to their south. Full Spectrum Deterrence requires a mix of tried, true and new instruments that can be applied 360 degrees around NATO's borders. NATO has taken some steps, but more are needed.

- ***Enhance U.S. presence and participation in European defense and deterrence.*** The Obama Administration's intent to increase European Reassurance Initiative funding by \$3.4 billion is an important step.
- ***Enhance defense and deterrence in NATO's east, including forward deployment of NATO multinational forces in the Baltic region on a rotational basis.***
- ***Strengthen NATO's Conventional and Special Operations Forces.***
- ***Meet Russia's growing anti-access area denial challenge.***
- ***Revise the Alliance Maritime Strategy*** to better focus alliance efforts on collective defense and deterrence in the maritime domain.
- ***No excuses burden-sharing.*** The United States continues to fund about 70 percent of NATO's expenditures. Increased contributions from member states are essential.
- **Make use of Partnerships.**
  - ***Sweden and Finland should become Premier Interoperable Partners (PIP) of NATO,*** a new top-tier designation for high-performing partners.
  - ***Extend Nordic Baltic Defense Cooperation (NORDEFKO) to the Baltic states.***
- **Maximize Resilience.** Critical arteries underpinning and linking free societies are vulnerable to disruption by terrorists, energy cartels, illicit traffickers, cyber-hackers, internet trolls and "little green men." Governments accustomed to protecting their territories must now also focus on protecting their connectedness.
  - ***NATO allies should each make a Pledge on National Resilience*** at the 2016 Warsaw Summit pursuant to Article 3 of the North Atlantic Treaty
  - ***Make Resilience a Core Task of NATO.***
    - ***Develop Resilience Support Teams,*** small operational units that could offer support to NATO members' national authorities.
    - ***Increase support to NATO's Cooperative Cyber Defense Center of Excellence and its Strategic Communications Command.***
  - ***Reinforce NATO's pledge with a U.S.-EU Solidarity Pledge,*** a joint political declaration that each partner shall act in a spirit of solidarity—refusing to remain passive — if either is the object of a terrorist attack or the victim of a natural or man-made disaster, and shall work to prevent terrorist threats to either partner; protect democratic institutions and

civilian populations from terrorist attack; and assist the other, in its territory, at the request of its political authorities, in the event of a terrorist attack, natural or man-made disaster.

- ***Project resilience forward.*** North American and European leaders should identify—very publicly—the resiliency of their societies with that of others, including those beyond the EU and NATO, and share strategies and procedures to improve societal resilience to corruption, psychological and information warfare, and intentional or natural disruptions to cyber, financial and energy networks and other dynamic infrastructures, focusing both on prevention but also response. Forward resilience would also enhance joint capacity to defend against threats to interconnected domestic economies and societies and resist Russian efforts to exploit weaknesses of these societies to disrupt and keep them under its influence.
- **Take action again Western enablers of Kremlin operatives and eastern oligarchs.** Despite Western efforts to blunt Putin's aggression and tackle east European corruption, many Western institutions and countries enable those activities through legal loopholes, tax havens, shell companies and lax law enforcement of anti-corruption laws at home, or through their own activities in eastern countries.
- **Develop a more strategic approach to energy.**
  - *Enforce the EU's Third Energy Package and rules governing the Energy Community.*
  - *Facilitate greater U.S. energy supplies to Europe.*
  - *Invest in North-South infrastructure in Europe* stretching from the Baltic to the Adriatic. Integrate Ukraine and Moldova into the corridor.
  - *Review plans for building a North Stream II* pipeline to ensure they correspond to basic principles underpinning the EU's 3rd energy package or the Energy Union.
  - *Encourage Turkey to join the Energy Community.*

## Preface and Acknowledgments

Dramatic developments across Europe's east are testing fundamental assumptions that have guided Western policies over the past quarter century. With this in mind, our two institutions, together with our partner, the Robert Bosch Stiftung, brought together leading Western analysts and decision-makers to build Western awareness, understanding and, where possible, renewed Western consensus on Eastern policy. We engaged senior officials, regional experts, scholars, foreign policy strategists and other opinion leaders in a Transatlantic Strategy Group as well as in a series of consultations in Kyiv, Moscow, Berlin and Washington, DC. Eminent authors were asked to contribute their perspectives, and we are pleased to present their insights and recommendations in this volume.

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*Section I*

**East and West in a New Era**





## *Introduction*

# **The New Era**

*Daniel S. Hamilton and Stefan Meister*

A quarter century ago, the Soviet Union dissolved and the Cold War ended. Since then, and particularly after the Balkan wars of the 1990s, a generalized sense took hold in Western capitals that the natural state of the post-Cold War era would be European peace and stability. In the 1990 Charter of Paris, societies from Vancouver to Vladivostok united around common principles: a commitment to democracy grounded in respect for human rights and fundamental freedoms; an end to spheres of influence; and recognition of equal security for all countries.<sup>1</sup> Central and southeast European countries joined the European Union and NATO to extend the spaces of Europe where democracy and market economies prevailed and war simply did not happen. The EU created a variety of means to associate neighboring countries not yet willing or able to join its structures. NATO forged new relationships through the Partnership for Peace, the Euro-Atlantic Partnership Council, the NATO-Ukraine Commission, the NATO-Russia Founding Act and the NATO-Russia Council. Russia joined the G8, helped implement the post-Dayton peace in Bosnia, cooperated with the West to fight terrorism and decommission nuclear, biological, and chemical weapon stockpiles, and agreed to respect the territorial integrity and political independence of Ukraine in the 1994 Budapest Memorandum.

In the West, consensus grew that the “post-Cold War” security order in Europe was stable; that the magnetic qualities of life within the European Union would eventually lead eastern and southeastern European neighbors to align themselves to its standards; that Russia, while still distant, could, with Western support, modernize and eventually arrange itself within Europe’s evolving order; and that NATO’s more important missions would be crisis management far away rather than collective defense at home.

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<sup>1</sup> These principles were reaffirmed most recently in the 2010 Astana Declaration by all members of the Organization for Security and Cooperation in Europe (OSCE). <http://www.washingtonpost.com/wp-dyn/content/article/2009/12/25/AR2009122501286.html>.

Europe, it seemed, had turned the page on its 20th century horrors and divisions. Western leaders and publics were eager to move on. Their attention was captured by terrorist attacks, Middle Eastern turmoil, rising powers and economic and financial crises at home.<sup>2</sup> The vision of a Europe whole, free and at peace became more slogan than project, and the business of integration was left undone.

History, it turns out, did not end with the Cold War. Walls came down, but throughout the vast unsettled spaces to the east of the EU and NATO, other walls remained—historical animosities, ethnic hatreds, unresolved borders, struggles for power and control. Freed of Soviet shackles but with no early prospect of being moored to the West, each country went its own way. Belarus became an authoritarian regime with symbiotic ties to Moscow. Armenia and Azerbaijan also turned to authoritarianism, even as they fought each other over the unsettled territory of Nagorno-Karabakh. Armenia's reluctance to negotiate a settlement, and its isolation by Turkey, rendered it dependent on Moscow for security and political support, while Azerbaijan used its resources to balance between Russia and the West. Ukraine, Moldova and Georgia each struggled with its Soviet legacy of systemic corruption, politically captive judiciaries, distorted markets, dysfunctional bureaucracies, and informal networks fostering patronage, privilege and cronyism. Each became “momentocracies,” regimes captured by small groups of oligarchic insiders who used state structures to enrich themselves while leaving their economies in ruins, their governing institutions bankrupt and their citizens in dire need.<sup>3</sup>

In Georgia and Ukraine, however, popular anger and desperation fueled demands for change. The 2003 Rose Revolution in Georgia and the 2004 Orange Revolution in Ukraine inspired hopes that each society had turned an important corner. Georgia under Mikheil Saakashvili implemented radical economic and administrative reforms, turned anti-Russian and looked to the West. Hopes were dashed in Ukraine, however, as “Orange” authorities maintained symbiotic relationships with oli-

<sup>2</sup> See Daniel S. Hamilton, Andras Simonyi, Debra L. Cagan, eds., *Advancing U.S.-Nordic-Baltic Security Cooperation* (Washington, DC: Center for Transatlantic Relations, 2014); Matthew Kroenig, “Facing Reality: Getting NATO Ready for a New Cold War,” *Survival*, January 2015, pp. 49–70.

<sup>3</sup> Former Ukrainian President Victor Yushchenko used this phrase to describe Ukraine, but it applies to others in the region as well. See Taras Kuzio, “Political Culture and Democracy: Ukraine as an Immobile State,” *East European Politics and Society*, vol.25, no.1 (February 2011), pp. 88–113.

garchs, preserved the rent-seeking traditions of their predecessors, used administrative levers to influence the courts, and failed to make any substantial progress in integrating Ukraine more deeply into the European mainstream.<sup>4</sup> Infighting among “Orange” leaders enabled Victor Yanukovich to regain power and roll back democracy. When Yanukovich reneged on an Association Agreement with the EU in November 2014 and Ukrainian security forces beat students who had been peacefully protesting the move, popular anger once again spilled onto the streets. The *Maidan* “revolution of dignity,” Ukraine’s second post-Soviet mass protest movement, began, ultimately forcing Yanukovich from power and resulting in the election of pro-reform forces.

Meanwhile, since starting his third term as Russia’s President in 2012 Vladimir Putin has turned Russia into a revisionist power seeking to renegotiate the post-Cold War order, secure authority and control over its neighborhood, and to challenge and disrupt Western influence wherever possible. Russia’s 2008 war with Georgia briefly roused somnambulant Western leaders, but they quickly hit the snooze button. Russia then jolted the West, and the world, in 2014 by its intervention and annexation of the Crimean region of Ukraine, its active support for Ukrainian separatists and destabilization of Ukraine’s new reform-oriented government, launching of missiles from Russia into Ukrainian territory, and deployment of tens of thousands of troops on the Russian-Ukrainian border and many into Ukrainian territory itself. These acts violated assurances given by Russia against threats or use of force against the territorial integrity or political independence of Ukraine in the 1994 Budapest Memorandum; as well basic commitments to respect the sovereignty and territorial integrity of other states made by Russia under the UN Charter, the 1975 Helsinki Final Act and the 2010 Astana Declaration, the 1997 Russia-EU Partnership and Cooperation Agreement, the 1997 NATO-Russia Founding Act and the 2002 NATO-Russia Rome Declaration. Concerns were further raised by Putin’s proclamation of a duty to protect ethnic Russians in other countries regardless of their citizenship, efforts to intimidate European energy consumers, cyber attacks in Estonia, Ukraine and other countries, and provocative military activities, including simulated nuclear exercises and snap conventional force alerts, as well as violations of the air, land and seaspace of a number of EU and NATO member states.

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<sup>4</sup> The one exception being membership of the WTO in 2008.

## The Soviet Succession Is Still Rumbling

Russia's actions rudely awakened Western elites and publics to the turmoil and violence that continue within Europe and to the possibility that the fashionable certitudes of the "post-Cold War era" offer a less useful historical frame to understanding Europe's security challenges than the unfashionable uncertainties of the "Soviet succession"—a far more turbulent, open-ended and longer-lasting reshuffling of relationships among and within European societies and among states than many care to admit or acknowledge.

The "post-Cold War" mindset posits that Europe's 20th century earthquake has ended. Things have stopped shaking. The ground is stable. According to this perspective, Russian intervention in Ukraine is an episode to be resolved. Tragic, but peripheral and fixable. But Europe's 20th century earthquake did not end in 1989 or in 1991. The "Soviet succession" is still shaking the European landscape, and when one is in the middle of an earthquake, the best prediction one can make is that things will keep shaking. Russian intervention in Ukraine is a symptom, not an isolated episode. While Ukrainians bear significant responsibility for the dysfunction and turmoil that has gripped their country, their drama is only part of much broader and deeper tensions that beset the entire region. This is first and foremost a Russia crisis, not a Ukraine crisis.

Europe's vast eastern spaces, including Russia, will remain turbulent, and sporadically violent, for the foreseeable future. Europe's east is less secure and less at peace than it was at the beginning of this decade. Moscow has proven itself willing and able to intimidate, harass, and project force to assert influence and prerogatives over an expanse of peoples and territories far beyond its own, extending into the member states of the EU and NATO.<sup>5</sup> In fact, one of the most striking aspects of these challenges is that they are not limited to central and eastern Europe, but have extended across both northern and southern Europe as well, and are being further accentuated by the violence and turmoil that has engulfed the Broader Middle East. Moscow has been engaging more actively beyond Europe in part to shore up its influence over crises within Europe. It is increasingly cooperating with other regimes

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<sup>5</sup> Kroenig, *op. cit.*; Lawrence Freedman, "Ukraine and the Art of Limited War," *Survival*, December 2014.

ruling countries such as China, Iran, Egypt, and Venezuela to stabilize authoritarian leaders and undermine democratic movements.<sup>6</sup>

Moscow's revisionism and weak states in eastern Europe are a combustible mix. Putin has openly rejected the rules of the road in European security, and in eastern Europe beyond the EU and NATO there are neither rules nor roads. Institutions are challenged. NATO does not provide security for the countries in-between and is struggling to assure its members of their own security. The Kremlin has publicly renounced values and principles espoused by the EU. It is presenting neighborhood countries with a no-win, either-or choice of EU-led or Russian-led integration. Broader institutions that include all post-Soviet states, like the OSCE and the Council of Europe, have been weakened by Western disinterest and by the ability of Russia and other states to undermine reforms and undercut decisions. European-wide mechanisms built up over decades to increase transparency, predictability and de-escalation, including through arms control, have lost priority.

The stakes are high. European order itself is questioned.

These security challenges affect all Europeans, but it is unlikely that Europeans will be able to resolve them on their own. Moscow's irredentism, together with continued turbulence in wider Europe, challenge U.S. interests in a Europe at peace, whole and free. For more than a decade, the United States has focused its attention on security challenges far from European shores. Yet the greatest gap between Russian and Western thinking is not over Syria or Iran. It is over their common neighborhood in Europe.

Europe's in-between lands have again become the key source of conflict between Russia and the West. Russia's leadership believes that growing Western activities in this region are a threat to its hold on power at home. It is not only willing to pay a much higher price to assert influence over the common neighborhood with the EU and NATO than any Western state, it has shown it is prepared to use force to protect what it believes is Russia's sphere of influence. This is different than other regional conflicts, where the Kremlin has not considered the stakes to be as high and has been more willing to balance interests with the West. The post-Soviet region is Russia's primary area of interest, as it is intimately tied to Russia's as a regional and global power.

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<sup>6</sup> Christopher Walker, NED, *Authoritarianism Goes Global*, Washington D.C. 2016.

In short, the United States and its allies and partners must again engage on challenges to security in Europe, and in particular to forge consensus on how to deal with a resurgent, belligerent Russia and with the grey zone that has emerged in eastern Europe, before things get worse and Europe itself faces more serious risks of instability. The comfortable verities of the “post-Cold War era” are a paradigm lost. The Ukraine conflict is the most visible and dramatic evidence of these changes. A new era has begun—more fluid, more turbulent, more open-ended. Western values, principles and institutions are under assault. Unity will be essential.

# Chapter 1

## Eastern Challenges

*Daniel S. Hamilton and Stefan Meister*

### Russia under Putin

Russia under Putin is an authoritarian system cloaked in the trappings of “democracy” yet run by a kleptocratic oligarchy<sup>1</sup> that excludes all but a few insiders from political power and uses administrative resources to enrich itself and to control or suppress media, opposition and civil society. The rule of law and an independent judiciary exist only on paper. Through censorship, propaganda and efforts to silence elites and potential opponents through repression or cooptation, the regime seeks to maintain domestic support by convincing the public that the only alternative to its continued rule is chaos, instability and subservience to outside forces.<sup>2</sup>

Russia’s actions abroad are directly linked to the Kremlin’s main goal of securing its political survival at home. Following the chaos and upheaval of the Yeltsin years, Putin’s first two terms in office rested on an implicit social bargain in which public passivity and the regime’s legitimacy were tied to greater stability and better economic performance. Annual growth rates of 7 percent between 2001 and 2008 trickled down to nearly every part of Russian society. Unemployment fell, poverty levels declined, and consumption boomed along with Putin’s popularity. In the 2004 presidential elections, Putin received 71 percent—much more than in his first election in 2000 (53 percent). Constitutional limits did not allow Putin to run in 2008, so he nominated Dmitri Medvedev, who obtained 70 percent of the vote—at par with Putin’s own 2004 result.

At about this time, however, Russia’s growth ran out of steam. The global financial crisis of 2008/09 changed the situation fundamentally, making it clear that the Russian economy had not diversified and in

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<sup>1</sup> See Karen Dawisha, *Putin’s Kleptocracy. Who Owns Russia?* (New York: Simon & Schuster, 2014).

<sup>2</sup> Michael Ignatieff, “The New World Disorder,” *The New York Review of Books*, September 24, 2014.

many areas had become uncompetitive. It had exhausted the sources fueling its decade-long growth—rising oil prices, unutilized production capacity, growth in retail lending, and the liberal reforms of the early 2000s. Instead of using nearly eight years of growth to diversify the Russian economy, dependency on the price for oil and gas grew over this period. Russia's reserves helped buffer the blow, but Putin's social contract was beginning to unravel.

Reforms could have come—in fact they were promised by Medvedev. But the decision for Putin to return was also a decision against modernization of the economy and serious reforms because they would have undermined the power position of the regime. Productivity growth and new investment would have required the government to reform the business and investment climate, reduce government ownership and intervention in the economy, protect private property, enforce contracts and fair competition, and curb corruption. Such initiatives would have collided with the entrenched interests of Putin's extractive oligarchy of corrupt bureaucrats, politically connected business people and employees of state-owned companies, whose support had become even more critical to the regime's survival.

Russia's failure to implement reforms resulted in stagnating productivity and investment, massive capital flight, and meager growth. The regime used the country's energy wealth to enrich itself rather than build a broader base of support by investing in Russia's future by modernizing creaking infrastructure, deal with its horrendous demographic, health and environmental challenges, or shift from a resource-based economy to a more sustainable model.<sup>3</sup> This means it remains extremely vulnerable to energy price fluctuations. The precipitous fall of these prices whacked Russia and plunged it into slower growth. By the time of the Crimea crisis, Russia's economic growth had essentially come to a halt. Its GDP declined by 4 percent in 2015 and may decline by an additional 1-2 percent in 2016.

The regime tried to defuse rising discontent and deflect attention away from Russia's growing economic woes by stepping up its propaganda and censorship and in conjuring internal enemies as the 5th column of the West. Putin then set forth a second informal social contract exchanging continued political loyalty for restoration of Russian

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<sup>3</sup> Andrey Movchan, "Just an oil company? The true extent of Russia's dependency on oil and gas," Carnegie Moscow Center, September 14, 2015.



national pride as a great power.<sup>4</sup> Putin's regime used its interventions into both Georgia and Ukraine to consolidate its hold on power at home, and since 2012 by fueling nationalist fervor while further repressing civil society and independent media. Enforcing Crimean annexation over Western opposition became an excellent opportunity for Putin to shore up his approval ratings. He has turned to anti-Western and anti-American approaches as a key source of his legitimacy, presenting his illiberal regime as a conservative alternative to Western liberal social, political and economic models and saturating his population with disinformation about how the West besieges the Motherland.<sup>5</sup> His ratings remain high.

Over the longer term, economic and political pressures will continue and accumulate. Oil prices are unlikely to recover any time soon. Russia's economic health is linked to its participation in the global economy, yet Russia has reacted to Western sanctions with import substitution and counter-sanctions of its own, which worsens the situation for the Russian people. The regime scrapped free trade with Ukraine and, after the downing of a Russian fighter, cut multiple trade, tourism and infrastructure ties with Turkey.<sup>6</sup> Russia's ambitious military modernization program has come at the cost of investments in health, education and civilian infrastructure. The government has cut 2016 spending by about 9 percent and has stopped indexing pensions to inflation. While the Reserve Fund is sufficient to fund the budget deficit in 2016 and possibly in 2017, the numbers for 2018 do not seem to add up. Not surprisingly, the government has stopped producing 3-year budgets, sticking only to annual ones. Net emigration of the most active and productive part of the Russian society rose from 35,000 people a year from 2008 to 2010 to more than 400,000 in 2015.<sup>7</sup>

Russia's economic problems are daunting. Still, some perspective is warranted. The quality of life in Russia has improved dramatically since the Yeltsin years. Real incomes now exceed 2000–2002 levels by at least three times, if not more. While the real disposable income of an average Russian may have declined 8–9 percent over the past year, that

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<sup>4</sup> F. Stephen Larrabee, Peter A. Wilson, John Gordon IV, *The Ukrainian Crisis and European Security* (Santa Monica, CA: RAND, 2015)

<sup>5</sup> *Ibid.*

<sup>6</sup> Ignatieff, *op. cit.*

<sup>7</sup> Vladislav Inozemtsev, "Putin's self-destructing economy," *The Washington Post*, January 18, 2016, p. A15.

is not enough to provoke widespread public opposition. Russia's significant financial reserves can keep the economy afloat for at another few years, while some degree of import substitution has reduced the price (and, of course, also the quality) of many daily goods. Military modernization shores up Putin's support within the armed forces. And the regime's political and informational control, the lack of a viable political opposition, and the regime's capacity and determination to strike out at its opponents are all likely to reinforce Putin's authority. In short, despite Russia's domestic challenges, Putin and his regime is likely to be with us for some time, and even a change of president is unlikely to mean a fundamental change of the regime or system.

### The *Ozero* Maxims

Russia's domestic and foreign policies are controlled in an exclusive and opaque fashion by Putin and the small circle around him. This circle of loyalists has become smaller since 2012, and has shifted from a rough balance between economic "liberals" and *siloviki* to a more dominant role for those focusing on security issues. We are not likely to be dealing with this circle for all time, but we are likely to be dealing with them for some time to come. German Chancellor Angela Merkel, has stated that "Mr. Putin lives in another world." Understanding how to deal with Russia today, therefore, means understanding Putin's world. That world's understanding of events, its discourses, its methods, its policy rationales and its calculus of risks differ fundamentally from those of the West.<sup>8</sup>

Some time after Vladimir Putin returned from his KGB service in Dresden, he and a group of close associates built a cooperative for a dacha community, which they called *Ozero* (Lake), in Solovyovka, on the eastern shore of Lake Komsomolskoye near St. Petersburg.<sup>9</sup> There is considerable speculation and growing evidence that Putin's early riches and his meteoric rise to the Presidency can be traced to his *Ozero* associations. For instance, the cooperative kept a common bank. Each could put money in, and anyone could take it out. Confidential documents

<sup>8</sup> James Sherr, "The New East-West Discord," Clingendael Report, December 2015, p. 6.

<sup>9</sup> Luke Harding "Putin, the Kremlin power struggle and the \$40bn fortune," *The Guardian*, December 21, 2007; 15 лет самому мутному «Озеру» в мире! *Novaya Gazeta*, November 11, 2011; Fiona Hill & Clifford G. Gaddy, "How the 1980s Explains Vladimir Putin. The *Ozero* group," *The Atlantic*, February 14, 2013; Mumin Shakirov, "Who was Mister Putin? An Interview with Boris Nemtsov," *Open Democracy*, February 2, 2011; Dawisha, op. cit.

obtained by the International Consortium of Investigative Journalists reveal that members of Putin's circle used this arrangement as a profit-sharing model for a clandestine network that over the years has secretly shuffled \$2 billion through shadow companies and financial institutions, including Bank Rossiya.<sup>10</sup> As Putin went on to become President of the Russian Federation, the other members of the *Ozero* cooperative became top Putin associates and some of Russia's wealthiest business leaders.

What we dub the "*Ozero* maxims" is shorthand for a set of perspectives that came to shape Putin and his close associates during the formative period of the mid-to-late 1990s and beyond. These perceptions have continued to evolve over many years, and new ones have been added, as circumstances have changed and as challenges and opportunities have emerged. They are representative points of orientation, not ideological fixations, less strategy than predilection, more perspective than prescription. Yet they may be said to encapsulate the worldview that frames the Putin regime's thinking about Russia, its future, and its relations with other countries. They may be summarized as follows.

***The power of the powerful.*** When Putin rose to the presidency he was determined to extricate Russia from the turbulence of the Yeltsin years, amidst concern that the unity of the vast Russian Federation was at stake in the face of dysfunctional central and regional governments and growing separatist pressures. He consolidated his rule via the so-called "power vertical," a centralized system of hierarchical authority among high-ranking officials and between Russia's regions and its center with him at the top. He replaced directly elected governors with appointees and stopped moves toward autonomy of mostly ethnic republics. He ensured that the party in power (today United Russia) was in control of the Duma and regional legislatures and that party members in regional and local governments toed the line orchestrated by the Kremlin. Media, which was mostly owned by oligarchs, were taken over by loyal persons or by state companies like Gazprom. All together, Putin has generated a mutually reinforcing system of patronage, inside and outside of government, in which jobs, money and influence are meted

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<sup>10</sup>See Jake Bernstein, Petra Blum, Oliver Zihlmann, David Thompson, Frederik Obermaier and Bastian Obermayer, "All Putin's Men: Secret Records Reveal Money Network Tied to Russian Leader," <https://panamapapers.icij.org/20160403-putin-russia-offshore-network.html>. Boris Nemstov, the opposition leader assassinated on a Moscow bridge in February 2015, featured *Ozero* in a 2011 report documenting alleged corruption in Putin's inner circle. *Putin. Corruption. Independent report*, available at <https://larussophobe.wordpress.com/2011/04/03/special-extra-the-nemstov-white-paper-part-v-putin-the-thief/>.

out to protected loyalists who wield power to the benefit of his inner circle. As Vladislav Inozemtsev has noted, “at every level of the hierarchy a certain degree of bribery and clientelist parochialism is not only tolerated but presupposed in exchange for unconditional loyalty and a part of the take for one’s superiors.... The weak pay tribute up, the strong provide protection down.”<sup>11</sup> Corruption is not an aberration, it is central to the system.

***Authoritarian state capitalism.*** The Kremlin relies on both direct government intervention in key sectors of the Russian economy and control of politically connected businessmen to further the political and commercial interests of the Russian state and those who run it. In contrast to Ukraine, oligarchs are not independent actors who control the state, they depend on the sources and decisions of the Kremlin. This dependency has become even more important since the global financial crisis in 2008/2009 and the economic crisis since 2014. Putin and his associates knew they could not return to the command economy of Soviet times, yet as a result of the situation in the 1990s they were fearful that truly free markets could spin beyond their control to enrich independent power centers that could ultimately challenge their rule. They opened Russia to the global economy, but they want to be able to calibrate and control the interdependencies that such openness generates, for instance energy or financial flows. The regime uses the system to dominate key economic sectors, using state-owned and politically loyal privately-owned companies to intervene in global resource markets and other industries. As Ian Bremmer has noted, the ultimate motive is not to maximize growth or improve living standards but to maximize the state’s power, the regime’s chances of survival, and the welfare of the circle around the president.<sup>12</sup>

***Restoration of Russia as a Great Power.*** The Russian political elite was traumatized by the collapse of the Soviet Union and many want to

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<sup>11</sup> Vladislav Inozemtsev, “Neo-Feudalism Explained,” *The American Interest*, March–April 2011, <http://www.the-americaninterest.com/article.cfm?piece=939>. See also Alexander Goltz, “Putin’s Power Vertical Stretches back to Kursk,” *Moscow Times*, August 17, 2010; P. Baker and S. Glasser, *Vladimir Putin’s Russia And The End Of Revolution* (Washington D.C.: Potomac Books, 2007); Andrew Monaghan, “The *Vertikal*: Power and Authority in Russia,” *International Affairs* (88:1, 2012), available at [http://www.chathamhouse.org/sites/default/files/public/International%20Affairs/2012/88\\_1/88\\_1monaghan.pdf](http://www.chathamhouse.org/sites/default/files/public/International%20Affairs/2012/88_1/88_1monaghan.pdf), pp.1–16.

<sup>12</sup> Ian Bremmer, “The Rise of State Capitalism,” Real Clear Politics, May 21, 2010, [http://www.realclearpolitics.com/articles/2010/05/21/the\\_rise\\_of\\_state\\_capitalism\\_105677.html#ixzz3xXDeAStb](http://www.realclearpolitics.com/articles/2010/05/21/the_rise_of_state_capitalism_105677.html#ixzz3xXDeAStb).

reverse perceived past geopolitical losses. Putin believes that the post-Cold War European security order does not reflect Russia's interests or its importance. He wants to renegotiate that order with leaders of other big powers, particularly the United States, to affirm mutual respect for state-centric balances of power. His model is Yalta, not the Helsinki Final Act, it is Metternich, not Monnet.

This big power perspective ranges beyond Europe. In Putin's view, only the UN Security Council, rooted in negotiation among big powers, each with its own veto, is the legitimate basis for international law. The rising popularity of such concepts as the BRICs and G-20 in a "multipolar" world afforded Putin means to reassert influence by fashioning Russia as an independent global pole of power. In Putin's world, big powers guarantee stability. Every big power is responsible for one region, which means that Russia's great power status is based on its dominance of the post-Soviet region, even though the regime has no interest in building a new Soviet Union. On some issues, such as the Iran nuclear negotiations or the Paris climate change talks, this has meant alignment with Western powers. But Moscow has also intervened in the Syrian crisis to protect its client and assure itself a seat at the negotiation table.<sup>13</sup> Putin wants Russia to be recognized by other big powers, particularly the United States, as a key player on global issues. In these ways, Putin's Russia continues to define Russian greatness in terms of external influence and power projection rather than in terms of improved livelihoods, better health or the secure exercise of basic civil rights by and for the Russian people.<sup>14</sup>

*Russkiy mir.* When the Soviet Union dissolved, 25 million people living outside the Russian Federation found themselves to be former citizens of a non-existent country; in many cases it was questionable whether they had just as suddenly become equal citizens of their newly independent countries of residence. Putin's declaration that the breakup of the Soviet Union was the "greatest geopolitical catastrophe of the 20th century" reflected his perception that Russians suddenly living in other nation-states were often being treated as second-class citizens. He has responded to this ambiguous situation by asserting a right to "protect" ethnic Russians or Russian speakers wherever they are located and whatever their citizenship, that Russian law can be used to bring charges

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<sup>13</sup> Larrabee, et. al, op. cit.

<sup>14</sup> Ibid.

against non-Russian citizens who are not residents in Russia for crimes not committed on Russian territory if their actions are “against the interests of the Russian Federation”, and that Russian military forces can take preemptive action, including occupation through military forces, to protect themselves from the possibility of danger posed by foreign forces on foreign soil.<sup>15</sup> His precept of a unique “Russian world” is grounded in expansive *völkisch* concepts of Russian ethnicity unrelated to territorial borders.<sup>16</sup> Moscow used this rationale in part to justify its right to respond to conflicts in Georgia’s separatist territories by attacking Georgia itself. It was a reason that Putin cited for seizing the Ukrainian region of Crimea, even though there was no evidence of any threat to ethnic Russians on the peninsula, and for his support for Ukrainian separatists in Donetsk and Luhansk. One must question whether the Kremlin might seek to apply this self-proclaimed right elsewhere. This has tremendous implications for Ukraine, Kazakhstan, Belarus and Moldova, none of which enjoys consensus on its respective national identity or has ever existed as a state within its current borders. Putin reportedly told President George W. Bush in 2008 that “Ukraine is not even a state” and has been known to refer to Ukraine as “Little Russia”—a term used during the Russian Empire to describe parts of modern-day Ukraine that came under czarist rule. He has made similar claims about Kazakhstan, claiming that “Kazakhs never had any statehood” prior to the rule of President Nursultan Nazarbayev. Moreover, NATO members Estonia and Latvia each have populations that are about one quarter ethnic Russian.

*The post-Soviet space is treated as a sphere of Russia’s “privileged interest.”* In Putin’s world, Russian hegemony over its post-Soviet neighborhood is one foundation for its credibility as a great power. It offers insulation against encroachment, either from the West or from civil society. The regime seeks to exert as much influence as possible over its neighborhood, without running the risk of subsidizing pliant yet fragile states, which would only drain Kremlin coffers further. These precepts inform Moscow’s actions in its neighborhood. Moscow’s interventions in Georgia and Ukraine were designed to ensure its hegemony in its neighborhood, prevent inroads by NATO and the EU, and consolidate its domestic support. The Kremlin views so-called “color revolu-

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<sup>15</sup> See Frederick W. Kagan, “Situation report, Russo-Georgia Conflict,” August 9, 2008, AEI, <http://www.aei.org/publication/situation-report-russo-georgian-conflict/>.

<sup>16</sup> Timothy Garton Ash, “Putin’s Deadly Doctrine,” *New York Times*, July 18, 2014.

tions” as instruments of the West designed to undermine Russian influence. This leads to an important deficit in Russian policy: it always underestimates civil society as a political actor, and therefore believes that only Western influence can be the reason why Ukrainian society went into the streets in 2004 and 2013-14.<sup>17</sup> Russia’s leadership believes that the agency of civil society in this region can be instrumentalized and magnified by growing Western activities to threaten its hold on power at home. It is not only willing to pay a much higher price to assert influence over its neighborhood than any Western state, it has shown it is prepared to use force to protect what it believes is Russia’s sphere of influence.

*The West, by its nature, is seen to threaten the regime’s goals, which puts Russia in conflict with the West.* Traditionally, Russian concerns revolved around U.S. and NATO activities. But now these concerns have come to embrace the EU as well. This has not always been the case. After the collapse of the USSR, the EU came to be seen as a potential partner in Russia’s own modernization. In the early 2000s Moscow showed considerable interest in developing a strategic partnership with the EU, and did not resist the EU’s own expansion with the vehemence with which it opposed that of NATO—even if it did point out possible negative consequences for Russia. From the outset, however, the EU-Russia strategic partnership has been fraught with inherent tensions and misperceptions regarding their common neighborhood. Russia’s interest in such a “partnership” was premised on its impression of the EU as a weak security actor and its low profile in the post-Soviet space.<sup>18</sup> The EU’s European Neighborhood policy (ENP) was of such a general nature that it did not awaken Russian concerns. In 2008, however, in a context of marked deterioration in relations between Russia, the United States and NATO over the latter’s possible expansion to Georgia and Ukraine, the independence of Kosovo, and finally the war in Georgia, the EU’s shift to hard-law integration under the Eastern Partnership was understood in Moscow as a bold and potentially destabilizing initiative. From the Kremlin’s perspective,

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<sup>17</sup> Stefan Meister, “Getting Putin right. Why the Putin crisis is a Russia crisis,” DGAP Standpunkt 6, September 2014, <https://dgap.org/en/think-tank/publications/dgapviewpoint/getting-putin-right>.

<sup>18</sup> See the paper of the Ministry of Foreign Affairs of the Russian Federation from 1999, “Russia’s Middle-Term Strategy towards the EU (2000-2010)”; also Hisiki Haukkala, “False Premises, Sound Principles: The Way Forward in EU-Russia relations” (Helsinki: FIIA Briefing Paper No. 20, 2008).

Deep and Comprehensive Free Trade Agreements (DCFTAs) and many sectoral chapters of the EU's Association Agreements, in particular, would imply a drastic shift towards the EU's legal framework and ultimately integration into the EU's internal market, and a corresponding attenuation of these countries' ties to Moscow. The regime has thus come to view the EU as a threat to Moscow's position in the region and even its hold on power at home. When the Eastern Partnership's offer materialized, with the negotiation of four Association Agreements and DCFTAs, Russia adopted an overtly confrontational position vis-à-vis the EU. The EU has begun to change the political, economic, social and legal context in which domestic reform debates in these countries are now occurring. The Rose, and especially the Orange, revolutions set off alarm bells in the Kremlin because they signaled waning Russian influence and growing Western influence in the region.

These maxims should not be surprising to anyone following Russian developments. Putin himself has expressed them clearly. In 2007, for instance, he set forth in Munich a fundamentally different view of post-Soviet developments than those commonly held in the West.

What is new is the regime's determination to make use of a full toolbox of instruments, including the use of force, to defend and where possible control informal ties and rent-seeking opportunities. This new determination is buttressed both by a renewed sense of Russian strength and a perhaps equally vibrant sense of concern for instabilities in the neighborhood and at home. With the forcible annexation of the eastern Ukrainian region of Crimea, Putin made it clear that he proudly and manifestly rejects the post-Cold War order in Europe.<sup>19</sup> Fyodor Lukyanov summarized Russia's new attitude:

This reluctance of the West to stare the facts in the face is because, ever since the late 1980s, Europe and U.S. have become used to Moscow always leaving room for compromise, no matter how loudly it initially protested.... Now Russia is acting regardless of the costs, which renders the previous model of relations with its

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<sup>19</sup>Igor Torbakov, "Understanding Moscow's Conduct. The Analysis of the Domestic Politics-Foreign Policy Nexus in Russia," in Stefan Meister, ed., *Economisation versus Power Ambitions. Rethinking Russia's Policy towards Post-Soviet States* [Baden-Baden; Nomos, 2013, pp. 19-33.; Kadri Liik, "Putin's New World Order," European Council on Foreign Relations, March 18, 2014.



leading Western partners obsolete. But that means its relations with the East, too, need to change.<sup>20</sup>

## Putin's Toolbox

The current Russian regime has energetically applied the full suite of Russian power to advance its interests abroad.<sup>21</sup> Particularly notable are:

**Military modernization.** Strengthening and modernizing the Russian military has been central to Putin's ambition of reasserting Russian power on the world stage. The 2008 Russia-Georgia war showcased Russia's military shortcomings and saddled it with additional Caucasus headaches via the occupied territories of Abkhazia and South Ossetia.<sup>22</sup> The regime launched a 10-year, \$700 billion defense modernization initiative to expand Russia's fleet, modernize its nuclear arsenal and its air forces, increase the capabilities of its Special Operations Forces, improve its capacity to mobilize and deploy large forces quickly, deploy new missiles, and militarize the Arctic. It is developing long-range conventional precision-guided munitions that could have effects previously achievable only with nuclear weapons, thus creating a new "pre-nuclear" rung on the escalation ladder.<sup>23</sup> Putin has been steadfast in his support for Russia's arms modernization program in the face of mounting budget pressures.

Russia has deployed its military forces in provocative ways from the Arctic Ocean to the Mediterranean and the Middle East to demonstrate capability, to intimidate, harass, disrupt and divide Russia's neighbors, and to probe Western resolve. Russia's military is increasingly able to project significant anti-access/area denial capabilities in the Arctic, the North Atlantic and the North Pacific. The annexation of Crimea has significantly increased Russia's strategic footprint in the wider Black Sea region. The expansion of the Black Sea Fleet will strengthen Russia's

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<sup>20</sup> Fyodor Lukyanov, "Крым на весь мир," *Ogonyok*, March 24, 2014, <http://www.kommersant.ru/doc/2432085>; in English as "Russia has positioned itself at the epicenter of global politics," *Russia direct*, March 26, 2014, <http://www.russia-direct.org/opinion/russia-has-positioned-itself-epicenter-global-politics>

<sup>21</sup> See Ian Brzezinski, "United States Policy on Europe," Testimony to the U.S. Senate Committee on the Armed Services, April 28, 2014.

<sup>22</sup> See Marek Menkiszak's chapter in this volume.

<sup>23</sup> Brzezinski, *op. cit.*

ability to project power in the region and raises important questions about how Russia will use that power.<sup>24</sup>

Large-scale Russian military exercises, some conducted on very short notice, are cause for concern. Russia has held major exercises in the Arctic, joined with China in naval drills near Japan, and tens of thousands of troops conducted exercises on NATO's eastern flank. It has sponsored exercises intended to simulate the invasion of Denmark and the Baltic states and nuclear attacks on Poland. In some cases, exercises have been used to mask long-term Russian troop deployments, such as in Syria and in eastern Ukraine.

*Little Green Men.* Moscow has supplemented its hard power projection with active use of an array of soft power tools to seek influence within European societies.<sup>25</sup> It employs holistic, multi-dimensional and flexible diplomatic, economic, military and subversive measures to target key societal functions and arteries, both in its neighborhood and in the West, to mask its intentions, confuse and disrupt adversaries, strain their solidarity, sap their resources, slow down their decision-making and impede effective responses. This is combined with a greater readiness for brinkmanship, which also means greater potential for local actors, as well as Russia and the West, to misread each another's actions and intentions.

The Russian approach was initially labeled by some in the West as "hybrid warfare" and treated as a new phenomenon. But this term only captures part of Russia's approach, which leverages non-military means and the threat of force with a new emphasis on surprise, deception, disruption and ambiguity in intent and attribution. The Russian approach is geared toward achieving strategic aims without war, with a primary concern being to stay below NATO's threshold for reaction. However, as in the Ukraine crisis, Russia's steadily improving full-spectrum forces could be poised to act should non-military means fail, to deter potential reactions to Moscow's adventures, and to exploit opportunities for easy wins. As Paul Bernstein has noted, it is this element of brinkmanship

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<sup>24</sup>Ibid.; Heather A. Conley, Testimony to the Senate Armed Services Committee, October 8, 2015; Larabee, op. cit.

<sup>25</sup>Mike Winnerstig, ed., *Tools of Destabilization. Russian Soft Power and Non-military Influence in the Baltic States* (Stockholm: Swedish Defence Research Agency (FOI), December 2014).

that makes the non-military elements of a hybrid campaign dependent on the threat of military violence.<sup>26</sup>

In Crimea, for instance, Russia employed a skillful mixture of overt military measures and covert action, combined with an aggressive use of propaganda and disinformation carefully calculated to avoid crossing established thresholds for military response. By deploying special operations forces in unmarked uniforms, Russia was able to sow enough confusion and doubt to prevent effective countermeasures from being taken. In eastern Ukraine, Russia employed some of the same tactics that it had used in Crimea and in Georgia in 2008. Russia massed troops and conducted exercises along the Ukrainian-Russian border. This was a transparent attempt to exert psychological pressure on Ukraine. But it also kept Russian troops in a state of high readiness in case they actually had to be deployed in combat missions.<sup>27</sup> The Kremlin has also sought to destabilize and distract the Ukrainian government from addressing its pressing economic, financial and other challenges, as well as from drawing closer to the European Union through implementation of the EU-Ukraine Association Agreement and Deep and Comprehensive Free Trade Agreement.

***Manipulating frozen conflicts.*** Russian troops and irregular forces now occupy five regions in three neighboring countries—Georgia, Moldova, and Ukraine. Five of the EU's six Eastern Partnership countries now have a separatist conflict on their territory where Russia either directly occupies territories or supports one of the conflict parties. Only Belarus has no conflict of this type, but does have Russian military bases on its territory. In the wake of the Soviet Union's dissolution, Russian-backed separatists seized control of Georgia's Abkhazia and South Ossetia regions as well as Moldova's Transnistria region. In both situations the Kremlin exploited local conflicts to help local proxies seize de facto control of a breakaway region. These regions have become engines for corruption and criminality, and Trojan horses to block progress in countries on Russia's periphery. When Georgia started to make significant progress in its ambitions to draw closer to Western institutions in 2008, Moscow invaded the two regions to stop Georgia's westward drift. Moscow has since declared Abkhazia and South Ossetia to be independ-

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<sup>26</sup> Paul Bernstein, "Rethinking Deterrence and Assurance," NATO Defense College Conference Report, September 2013; Lilia Shevtsova, "A new way for the west to contain Putin's Kremlin," *Financial Times*, February 8, 2015; Brzezinski, op. cit.

<sup>27</sup> Larabee, op. cit.

ent, but has also signed treaties with both that hint at annexation. The international community has yawned.

The same game is now playing out in eastern Ukraine, where the Kremlin seeks to create an additional “frozen conflict” to use these regions to have leeway on decisions in Kyiv and prevent the Ukrainian government from achieving desperately needed reforms and weakening the country economically. Putin’s endgame is to federalize Ukraine from the outside and give the so-called Donetsk and Luhansk “peoples republics” as much as autonomy as possible within the Ukrainian state. Through these two separatist regions Moscow can block every rapprochement with the EU. Moscow has no interest in annexing these territories as it did Crimea, but rather to create a frozen conflict on Ukrainian territory that it can control. Kyiv would end up paying for this bleeding wound, which Moscow can use either to weaken or threaten the Ukrainian central government and undermine the sovereignty of the Ukrainian state. Such an outcome in eastern Ukraine could also weaken other regions and open the way for a real “Bosnianization” of Ukraine.<sup>28</sup> While Ukrainian President Petro Poroshenko has said he would not allow a Transnistrian scenario in eastern Ukraine, he may not have much choice. Until Russia and its proxies can carve out clearly defined continuous territory, it will be difficult to freeze the conflict,<sup>29</sup> although Russia’s economic crisis may change its cost-benefit calculation and may lead Moscow to freeze the Donbas conflict now to get rid of Western sanctions. The Minsk 2 agreement includes everything that the Russian leadership wants to reach in Ukraine: recognition of separatists, dictated constitutional and decentralization reform, and Ukraine’s financial responsibility for the occupied territories without political control. Implementation of this agreement can only weaken the Ukrainian state.<sup>30</sup>

Russia seeks to distract the governments in Kyiv, Chisinau and Tbilisi from successfully pursuing reforms to reduce corruption and build representative institutions. Instead of concentrating on improving their own governance, these disrupted countries must deal with the charged and emotional issues associated with territorial conflict. Moreover, separatist conflicts serve as Kremlin patronage vehicles, fueling the organ-

<sup>28</sup> Arkady Moshes, “The EU won’t fight for Ukraine,” *Kyiv Post*, August 25, 2014.

<sup>29</sup> Brian Whitmore, “Why Eastern Ukraine Could Become Russia’s Next ‘Frozen Conflict,’” *The Atlantic*, August 29, 2014.

<sup>30</sup> Stefan Meister, “Welcome, Escalation! Why Minsk 2 is not going to work,” DGAPstandpunkt 2, 23.02.2015, <https://dgap.org/en/article/getFullPDF/26470>.

ized crime and corruption that is the oxygen of Putin's system of governance. The conflicts provide opportunities for transferring money and power to Russia's Federal Security Service and its military. These institutions are an important base of power for Putin, and the spoils seized in these territories yield new resources for buying their loyalty at a time when his regime can no longer count on a flood of petrodollars to meet such needs. Putin cannot allow the rebels in eastern Ukraine to fail because it would weaken his position among important nationalistic and patriotic circles at home. At the same time, he cannot permit the government in Kyiv to succeed because that would present the Russian people with an alternative governance model.

*Using the energy tool.* Putin seeks to maintain European dependence on Russian gas and continues to use that dependence as an instrument of influence; he deftly applies a "divide and conquer" strategy to undermine Europe's cohesion. We see this also through the Nord Stream I pipeline, which connects Russia directly to Europe while bypassing Ukraine, in efforts to construct a Nord Stream II link over the objections of many European countries, and in Russia's gas pricing tactics which reward its friends and punishes its opponents.<sup>31</sup> Russia's influence is based in part on strategic control of transportation corridors through which oil and gas can be delivered to the West.<sup>32</sup> These pipeline networks imply the opportunity to control the countries in-between through rent-seeking opportunities for their elites. At the same time the gas price has always been a Russian tool to inculcate loyalty among post-Soviet and EU countries.

*Using soft power.* Russia's means of influence in wider Europe, via soft power tools such as media, language, business networks and labor markets, are much stronger than those of the EU. Shared tsarist and Soviet pasts reinforce Russia's immense influence in the region. The Russian language remains the lingua franca. The Russian Orthodox Church, state agencies like *Rossotrudnicestvo* and foundations are very active in these countries. Russian state media is engaged in an informational contest for the hearts and minds of Russian-speakers wherever they may be. Russia is a key trading partner for most post-Soviet states. Its market is broadly accessible to countries that share the legacy of Soviet standards and struggle to meet World Trade Organization

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<sup>31</sup>James L. Jones, Testimony to the U.S. Senate Committee on Armed Services, October 8, 2015.

<sup>32</sup>Brzezinski, op. cit.

(WTO) requirements. Russian influence is further enhanced by mobility and migration flows. Over the past two decades Russia's neighborhood has largely remained visa-free. Remittances from migrants working in Russia contribute significantly to economies ranging from Armenia and Moldova to Tajikistan. Russia's soft power capital ensures that its influence remains strong throughout the region.<sup>33</sup>

***Promoting Russian-led integration projects.*** The Kremlin has created institutions like the Eurasian Customs Union and the Eurasian Economic Union to give form to its hegemony over its neighborhood and to thwart the EU's Eastern Partnership. In principle, neighborhood countries could sign DCFTAs with the EU and also sign free trade agreements with the Russian-led Customs Union. But the Kremlin has pressured them to become full members of the Customs Union, which would end their sovereignty over trade policy and set common tariffs that are incompatible with elimination of tariffs as planned under the DCFTA. This is incompatible with the DCFTA, a sign that Russia is using its integration projects to compel countries to choose between it and the EU.<sup>34</sup> Other institutions include Russia-led security organizations such as the Collective Security Treaty Organization or the Shanghai Cooperation Organization, which is dominated by Moscow and Beijing. Their purpose is to create an alternative institutional framework to Western-led regional and international institutions.

***Bullying neighbors.*** Moscow has deeply undermined Ukraine's stability and sovereignty. But it has also been able to counter the EU's association process in Armenia and it acts as a spoiler in Georgia and Moldova. It uses economic sanctions to prevent reforms or integration with the EU.

Moscow attempted to sway Moldova's 2015 elections with massive support for new pro-Kremlin parties, is courting separatists and instrumentalizing the Transnistrian conflict to disrupt and destabilize the country. It has imposed sanctions to penalize Chisinau for signing the EU Association Agreement and the DCFTA.<sup>35</sup>

Despite Georgia's efforts to normalize relations with Moscow, the Kremlin has continued its creeping annexation of Georgia's breakaway

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<sup>33</sup> See Laure Delcour and Hrant Konstanyan, "Towards a Fragmented Neighborhood: Policies of the EU and Russia and Their Consequences for the Area That Lies in Between," Center for European Policy Studies, October 2014.

<sup>34</sup> Ibid.

<sup>35</sup> Ibid.

regions of Abkhazia and South Ossetia. It has used pressure to undermine further progress of EU integration in Georgia by threatening to suspend the 1994 free trade agreement, by constructing barricades along the administrative border with South Ossetia, and by gradually expanding the territory by moving the fences.

By questioning Armenia's security situation with regard to Azerbaijan, Moscow was instrumental in pushing Armenia to join the Eurasian Economic Union rather than finalize an Association Agreement, including a DCFTA, with the EU. Armenia will now have to increase its external tariff from an average 2.9 percent to 7.02 percent after its entry into the Eurasian Economic Union. The Armenian government asked for almost 900 exemptions from external tariffs. This high number reflects Armenian concerns about the economic consequences of Eurasian Union accession. Moreover, if the exemptions are not granted, Armenian membership to the Russia-led Custom Union will greatly add to its economic difficulties. At the same time, Kazakhstan successfully entered the WTO at the end of 2015 even though it increased custom tariffs for Russian products due to its declining competitiveness vis-a-vis the Russian economy as a result of the high inflation of the Russian currency and low prices for Russian products. The Kazakh example shows how other EEU member states are working to balance Russian influence and unilaterally create new barriers to trade. Neither Kazakhstan nor Belarus, for instance, have followed Russian counter sanctions against the EU in the context of the Ukrainian crisis.

*Subverting Western unity.* Russia deploys an array of soft power tools to seek influence within EU and NATO member states. Actors financed or directed by the Russian Federation are actively engaged in media and other efforts to influence the relatively sizable Russian-speaking minorities in Estonia and Latvia, undermine the confidence of non-Russian populations in the ability of the EU and NATO to assist them in the event of an external crisis, undercut Baltic credibility through a drumbeat of accusations regarding their allegedly "fascist" past and current attachment to "fascism", and interfere directly in the domestic political systems of the Baltic states via nontransparent financial flows, for instance between the Russia's United Russia party and the Estonian Centre Party, the Latvian Harmony party and the Lithuanian Electoral Action of Poles in Lithuania.<sup>36</sup>

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<sup>36</sup>Winnerstig, op. cit.

Moscow also funds extremist parties of both right and left within the European Union that rail against both the EU and the United States, deploys an army of internet trolls, fans historical and ideological embers, and targets some of the EU's weakest links to assert influence in some of Europe's most troubled corners, disrupt the European project itself, and break Western unity over the conflict in Ukraine and on sanctions against Russia. It uses the very arteries and mechanisms of open societies to disrupt those societies. Russia's role in Cyprus is a case in point. A secret deal struck in spring 2015 allows Russian warships to dock in Limassol, Cyprus' commercial hub, which has become heavily dependent on wealthy Russians who set up shell companies to shuffle their assets overseas.<sup>37</sup>

## The Common Neighborhood

When the Soviet Union collapsed, it revealed among the peoples of the entire region both a strong yearning for civil society and powerful ethnic and nationalist passions. It was inevitable that there would be some tension between the two. "This post-communist Europe of ours is rent by a great conflict of two spiritual cultures," Poland's Adam Michnik wrote in 1990. "One of these cultures says, let us join Europe and let us respect European standards, while the other says, let us go back to our own national roots and build an order according to our national peculiarity." Decades earlier, the Hungarian thinker Istvan Bibo warned that the greatest threat to democracy would come when "the cause of the nation separates from the cause of freedom."

Of course, these dangers have never been confined to Europe's east, and the fact that they still resonate within Poland, Hungary and other EU and NATO members today remind us that they are also not a feature particular to the successor states of the Soviet Union. Yet the struggle between forces of inertia and forces for change has become the everyday drama of societies throughout wider Europe today.

### *Forces of Inertia*

Throughout Europe's vast eastern spaces, the forces of inertia are strong—and often abetted by Moscow. As Ian Bond notes in this vol-

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<sup>37</sup> Andrew Higgins, "With cash and charm, Putin aims at sanctions," *International New York Times*, April 7, 2015.



ume, the biggest threat to the integrity of these countries is not Russian intervention or economic collapse (although both are possible); it is that the countries will be destroyed from within by corruption and crony capitalism.<sup>38</sup> Widespread, systematic corruption is arguably the greatest obstacle to development in all the post-Soviet states. When the Czech Republic, Poland and the Baltic states emerged from the Empire, they soon took comprehensive steps against corruption—starting with lustration and transforming the police, prosecutor general's office and judiciary. Georgia took some important steps in this direction following the Rose Revolution with police and administrative reforms. Former President Saakashvili effectively tackled petty corruption, but the country still lags in addressing high-level corruption. Moldova, however, has yet to address this problem in a serious way, while Ukraine has now taken first steps to address corruption in the gas sector and is in the process of creating honest traffic police in major cities. Ukraine has become one of most transparent countries in Europe in terms of openness of registers of real estate property, cars and other private property. Improvements in public procurement have been made with the ProZorro online system. Following many delays and scandals, new independent institutions for fighting corruption have been established (Anti-Corruption Bureau, Anti-Corruption Prosecutor)—though still some of them incompletely (National Anti-Corruption Council, Agency for Assets Recovery). These institutions finally need to be set up; those which are already in place have already started work and we anticipate seeing real results. The main test is whether these institutions will really work or if they will only imitate fighting corruption, as has been the case in Moldova, where similar institutions were built in the context of the EU's action plan, but which produced no results.

A second immediate danger to reform-interested societies in the common neighborhood is posed by weak institutions and states, which have been undermined and robbed by their own elites over the past quarter century. Dysfunctional governments based on informal rules with a bureaucracy disinterested in reforms are not only a threat to the security of these countries and their neighbors but open opportunities for Russia to influence decision-making and elite opinion. Weak institutions make reforms very difficult in states where officialdom, and society at large, need to have both desire and ability to resist corruption. Lack of rule of law, opaque decision making and dysfunctional checks

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<sup>38</sup> See Ian Bond's chapter in this volume.

and balances undermine necessary reforms and economic development, and are a threat to the integrity of these countries.

As John Herbst discusses in this volume, the situation becomes even more alarming with regard to such security organs as the ministries of defense and interior, intelligence, the border guards and, in some countries, the Ministry of Emergency Situation or financial institutions like the Central Bank, the Ministry of Finance, and tax authorities. Throughout this space—with the exception of Georgia, which energetically rooted out Russian agents in its power ministries following the Rose Revolution—much of the senior leadership in these ministries was trained in the Soviet Union. Russian security organs have gone to great effort to place agents, retain contacts and exert influence in these organs. At the start of Moscow's hybrid war in Ukraine's east, Ukrainian officials assessed that only 6,000 of its soldiers were politically reliable, trained and equipped to participate in a counter-offensive.<sup>39</sup> In the Donbas, a good number of Ukrainian police and secret police joined the Russian-organized military operation. Moldova's challenges in this area are severe as well.

Third, vast swaths of the common neighborhood are still beset with historical animosities and multiple crises, including a number of conflicts that affect all of Europe. Tensions over Transnistria, Nagorno-Karabakh, Abkhazia and South Ossetia, which some euphemistically label "frozen" or protracted conflicts, are in reality festering wounds that absorb energy and drain resources from countries that are already weak and poor. They inhibit the process of state-building as well as the development of democratic societies. They offer fertile ground for corruption, organized crime, trafficking and terrorism. They foster the proliferation of arms and a climate of intimidation. They are a major source of instability within these countries and the broader region. These conflicts severely undermine future prospects for these countries, while giving Moscow major instruments for leverage on domestic policy and to question the sovereignty of these states. Within the past three years Moscow has forced leadership changes in Abkhazia and South Ossetia to assert greater control and influence in Georgia, although it failed to push its candidate through in Transnistria. Ukraine, already impoverished, insecure and in turmoil, can only lose from a situation that enshrines two more festering conflicts on its territory in Crimea and the

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<sup>39</sup>See John Herbst's chapter in this volume.

Donbas. Moreover, the separatist entities across the common neighborhood are establishing diplomatic relations, which is generating a new dynamic of separatist polities in communion with one another.<sup>40</sup>

### *The Changing Economic Map*

Beyond these challenges, the economic map is also changing. Trade is declining between Russia and Ukraine, Moldova and Georgia, which have started to implement DCFTAs with the European Union. Between mid-2014 and mid-2015 Russia's share in Ukraine's exports fell from 21 percent to 11 percent and its shares in Ukraine's imports declined from 24 percent to 17 percent. Russia's shares of Moldova's exports and imports also declined from 21 percent to 13 percent. Russia's share of Georgia's exports and imports are already low at around 8 percent for both imports and exports. These changing interdependencies are likely to accelerate. As of January 2016 the EU-Ukraine DCFTA went into effect over Russian objections, prompting Moscow to cancel its own free-trade regime with Ukraine and to ban agro-food imports from Ukraine—an illegal act under WTO law. That same day the EU extended coverage of its preferential DCFTA with Moldova to encompass its separatist region of Transnistria. It is also important to recall that the decision to end the FTA between the Confederation of Independent States and Ukraine was made in Moscow, not Kyiv. For Ukraine it would not have been a problem to be party to an FTA with Russia and one with the EU at the same time. The EU may also agree to visa-free travel for Ukrainians and Georgians, which Moldovans already enjoy, even as Russia threatens to introduce visas for Ukraine. Civil aviation bans by Ukraine and Russia have further pulled the two economies apart. Moreover, Ukraine's energy dependence on Russia has fallen. This has been due in part to economic decline, but also to Kyiv's decisions to stop electricity imports from Russia and to engineer reverse-flow gas arrangements with EU partners.<sup>41</sup> In 2011 Ukraine imported 91 percent of its gas from Russia. By 2015 it only imported 23 percent of its gas from Russia.

<sup>40</sup>On November 12, 2014 South Ossetia established diplomatic relations with the "People's Republics" of Donetsk and Luhansk. On January 28, 2015 Luhansk recognized the independence of South Ossetia, and on May 12, 2015 Donetsk recognized the independence of both Abkhazia and South Ossetia. See Philip Remler, "Ukraine, Protracted Conflicts and the OSCE," *Security and Human Rights*, 26 (2015) pp. 88-106.

<sup>41</sup>Michael Emerson, "2016 already puts its mark on the economic map of Europe," CEPS, January 8, 2016, <https://www.ceps.eu/publications/2016-already-puts-its-mark-economic-map-europe>

### *The Maidan Precepts*

Counterpoised to these forces of inertia, and to Putin's *Ozero* maxims, is another powerful force for change across the common neighborhood that we call the *Maidan* precepts. They take their name from the protest movement that began at the end of November 2013 on Kyiv's Independence Square, and which led to the toppling of the Yanukovich regime and elections leading to a new Ukrainian president, government and parliament. Like the *Ozero* maxims, the *Maidan* precepts are shorthand for a diverse set of perceptions and predilections. Unlike Putin's maxims, however, which reflect the worldview of a small group of powerful insiders, the *Maidan* precepts encompass a wide variety of perspectives from a jumble of actors, most of them outsiders.

As a reaction to a regime that sought to undermine basic principles and human rights that already existed in Ukraine, the *Maidan* precepts are rooted in a shared belief in the agency of civil society and the power of societal transformation. As growing parts of Ukrainian society started to become citizens instead of Soviet people, the country's ruling elites failed to understand or support this transformation. The *Maidan* was civil society's answer to a weak and dysfunctional state that had been undermined by Ukrainian elites and which could not fulfill basic tasks. Their message of the *Maidan* was that these stupendous failures left civil society with little choice but to fill this gap and to demand greater responsibility and accountability from decision makers. It was a reaction to the threat that Ukraine could become more like Putin's Russia, which was triggered in particular by Yanukovich's desperate attempt on January 16, 2014 to suppress dissent by introducing what the opposition labeled "dictatorship laws," based on Russian models, which would have made the country much more repressive.

The *Maidan* precepts mix high principles and basic needs. They are grounded in the understanding that the improvements in living standards are linked to basic rights and principles like rule of law, freedom of expression, independent media as well as free and fair elections. The people of the *Maidan*, and the millions who supported them, sent a clear message that they didn't want to live in a authoritarian and corrupt "little Russia" but in a European Ukraine that guarantees these basic principles. The message of the *Maidan* protesters was that Ukrainian society could simply no longer afford the revolving-door replacement of one set of corrupt oligarchs with another. *Maidan* was driven by dignity and a commitment to human rights and fundamental freedoms, anti-oli-

garchic and anti-corruption sentiments; and a vision for the country's future development based on European rather than Russian models.

The “Euromaidan” demonstrations and civil unrest in Ukraine began the night of November 21, 2013, the moment the Ukrainian government reneged on its intent to sign an Association Agreement and Deep and Comprehensive Free Trade Agreement with the European Union. The European flags on the *Maidan* signaled that Ukrainians were not Russians, they were Europeans—despite their corrupt elites.

The *Maidan* precepts represent an ideal—a benchmark against which to judge a highly imperfect reality. Circumstances are unique in each country, and achievement does not always match aspiration. At their best, for instance, the *Maidan* precepts embrace tactics of active, nonviolent protest. Reality has differed. These coalitions can also be short-lived. Bickering among the winning forces behind Ukraine's 2004 Orange Revolution paved the way for Viktor Yanukovich's eventual political return in 2010. Contradictions between the Euromaidan's intellectuals, civil society activists and radical nationalist wings have also been strong.<sup>42</sup>

Nonetheless, these ideals continues to animate those committed to a better life, those who believe that civil society, not government decree, is the earthquake driving the Soviet succession, and that eventually this earthquake is likely to rumble throughout Europe's east, including Russia. Their fragility and ephemeral nature underscore what is at stake.

### *Ukraine's Meaning and Importance*

Ukraine is now the crucible of change for Europe's grey zone, not just because of its size and location in the heart of Europe, or because of its rich resources or its poor economy, but because of its meaning. Ukraine has always been a critical strategic factor for European and Eurasian security, but today it stands at a critical crossroads between a more open society increasingly integrated into the European mainstream and serving as an alternative model to that of Putin for the post-Soviet region; or a failed, fractured land of grey mired in the stagnation and turbulence historically characteristic of Europe's borderlands.

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<sup>42</sup>Leonid Luks, “Putin needs a Polish Lesson in Ukraine,” Open Democracy, April 1, 2014, <https://www.opendemocracy.net/od-russia/leonid-luks/putin-needs-polish-lesson-in-ukraine-solidarnosc-solidarity-maidan%20>.

Ukraine's future orientation will influence Russia's long-term geostrategic orientation and political path. A stable, independent, democratically oriented Ukraine on Russia's western border with close ties to the EU and the transatlantic community would resonate throughout wider Europe and into Russia itself. A failed, dependent, corrupt and authoritarian regime would hold little attraction for the Russian people and would strengthen Putin's efforts to impose his maxims in Russia and the rest of the post-Soviet space.<sup>43</sup>

Ukraine is also important to the future of Europe itself. Commenting on the Euromaidan, Myroslav Marynovych, a former Gulag political prisoner, said that "Ukraine is not a trouble spot, it is a partner offering a vision—a reminder of the original European spirit: youth, dynamism, and a profound belief in the principles and values that founded the European project. The Ukrainian youth carries this vision, and have been martyred for this same hope. What is Europe's answer to them?"<sup>44</sup>

Putin's aggression is more than an attack on Ukraine; it is an assault on basic principles and structures underpinning Europe's security—no forceful changes of borders, the right of countries to choose their allegiances, equal security for all countries. These principles go to the heart of what the transatlantic community stands for. Putin's aggression is also test of the West's ability to refute his efforts to establish contrary principles, such as his claim that Russia has an inherent right to defend the interests of ethnic Russians and Russian-speakers, regardless of territorial boundaries. Such a generalized right would wreak havoc in a world where most states are multiethnic.<sup>45</sup> Putin seems to understand the key role of Ukraine much better than Western countries, because he is investing much more in the failure of post-*Maidan* Ukraine than the EU or the United States are investing in its success.

As Ukraine goes, so goes much of the region. But Ukraine's reforms are stuttering. Corruption is not being addressed adequately. The country remains in a state of war, and has no control of around 400 kilometers of its eastern frontier. It is still an open question whether the momentum for change can be sustained, or whether oligarchic interests and legacy structures, aided by Putin's tactics, will be able to delay, distract, disrupt and ultimately derail reform efforts.

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<sup>43</sup>Zbigniew Brzezinski, *The Grand Chessboard*, New York: Basic Books, 1997, p. 46; Larrabee, op. cit.

<sup>44</sup>Cited in Riedemann, op. cit.

<sup>45</sup>Garton Ash, op. cit.

## *Chapter 2*

# **Western Dilemmas**

*Daniel S. Hamilton and Stefan Meister*

Eastern Europe's future is likely to be shaped in large part by the interplay between the region's legacy challenges, Putin's *Ozero* maxims, and the precepts of the *Maidan*. Western engagement can make a difference. But Russia's assertiveness and Ukraine's tumult come at a time of immense strain on Western countries.

### **Doubts and Distractions**

The most dizzying confluence of domestic and foreign challenges in a generation is tearing the seams of European unity. Many of these challenges are not new, but their velocity, intensity and complexity have come together to generate a perfect storm. Terrorist attacks, refugee streams, high youth unemployment and uneven growth have given life to popular anxieties, nationalist voices and illiberal responses that are squeezing the political center and challenging some of the EU's most fundamental premises and structures. The Schengen agreement on open borders has been upended as EU member states slap border controls on each other. Greece's debt crisis continues. The 2016 British referendum on its EU membership will lead headlines, absorb energy and agitate markets for months. A UK exit from the EU would diminish both parties, including in their ability to respond to Russian aggressiveness. All of this plays into the hands of Vladimir Putin, who describes the EU as a failed project.

Europe today is turning from being an exporter of stability to an importer of instability. The vision of a Europe, whole, free and at peace is being tested as much by a Europe fractured and anxious.

Europe's west is less confident and prepared to reach out in any significant way to Europe's east than at any time in a generation. A European Union whose societies are once again defining and delineating themselves from each other is not a Union willing or able to integrate additional societies knocking on its door. Despite the EU's Eastern Partner-

ship and such initiatives as the DCFTAs, member states still suffer from “enlargement fatigue” and are preoccupied with their own problems. Many also wonder whether countries like Ukraine and Georgia—not to mention Azerbaijan, with its Muslim population and historical and cultural ties to Iran—are really part of Europe and European culture, and are uncertain as to why the EU should engage as an active partner for change in the region. The April 6, 2016 Dutch referendum rejecting the EU’s Association Agreement with Ukraine offers ample evidence of this sentiment and reflects as much the anti-EU mood in the Netherlands as anything about Dutch attitudes toward Ukraine.

EU hesitations are magnified by those of their American partner, who is preoccupied with its own problems and paralyzed by political polarization at home. As other world regions beckon and threaten, Americans are tempted to retrench from Europe, to ask why Europeans can’t tackle their own problems, why America is still needed, whether Europe matters as it may have in the 20th century, why Europe’s challenges should be more relevant and pressing than problems at home or elsewhere in the world.

Efforts to forge Western consensus on common or complementary strategies to Russia and the common neighborhood are further complicated by basic differences in U.S. and European perspectives, interests, capabilities and priorities.

The United States views Russia in the context of its global interests and perspectives. The bilateral relationship is strategic and symbolic, but relatively thin when it comes to economic relations, energy ties or links between American and Russian societies. EU countries focus on Russia’s actions through a regional perspective. EU-Russian economic and social ties are much more extensive than U.S.-Russian links, and because of their geographic location most Europeans are more concerned than most Americans about worsening relations with Russia. While EU members are themselves torn when it comes to the specifics of Russia policy, most are primarily interested in deterring Russian aggression while tying Russia into a predictable neighborhood; preventing illicit networks of criminals and trafficking from spilling over from Europe’s east into the EU, promoting economic links and ensuring secure energy supplies without becoming unduly dependent on Moscow.<sup>1</sup> These differences are

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<sup>1</sup> See Angela Stent, “The Lands In-Between: The New Eastern Europe in the Twenty-First Century,” in Daniel S. Hamilton and Gerhard Mangott, eds., *The New Eastern Europe: Ukraine, Belarus and Moldova* (Washington, DC: Center for Transatlantic Relations, 2007)



reflected in how each side perceives the relative cost of specific policies. Sanctions are relatively cheap for Americans but expensive for Europeans, whereas the overall costs of European defense have become relatively cheap for Europeans but expensive for Americans.

These differences in perspective can generate doubts among Americans whether Europeans will have the will or capacity to maintain a consistent policy of firmness towards Moscow, given their energy and economic interdependencies and their own internal squabbles. They also generate doubts among Europeans about U.S. guarantees of European security, despite Washington's repeated assurances and steps to make that guarantee more credible and real. They wonder whether the United States will prioritize issues of the region over other U.S. global interests related to Russia. Many European elites fear loss of influence and are worried that Washington will pay less heed to their concerns even as it demands more from them in terms of assistance with challenges far from their region, at a time when many European countries are struggling with considerable challenges at home.

These mutual doubts continue to gnaw away at the relationship like termites in the woodwork. Meanwhile, the Kremlin's penchant for exploiting such doubts and differences, not only between the United States and EU member states, but between EU members themselves, remains robust.

## **Shared Interests**

These hesitations, differences and doubts provide the setting within which the United States and its European partners each approach the question of Western strategy towards Europe's east. Nonetheless, there are compelling reasons for the United States and its European partners to prioritize their work on Russia and the common neighborhood.

Shared Western interest in a Europe that is hospitable to democratic and economic freedom is challenged by further deterioration of democracy in the EU itself and in eastern Europe, which could severely damage the normative foundation of Europe's integration and its close alignment with the United States.

Shared Western interest in a European continent that is at peace with itself is challenged by Russian military interventions in Ukraine and

Georgia, festering conflicts and continued tumult across much of eastern Europe.

Shared Western interest in ensuring that significant parts of Europe are not dominated by any power or constellation of powers hostile to the West is again at risk.

Shared Western interest in expanding oil and gas pipelines networks connecting the Black Sea and Caspian regions to Europe in ways that bolster competition, diversify suppliers, and facilitate production are challenged by continuing Russian efforts at disruption and energy blackmail.

Shared Western interest in a confident, capable, outward-looking Europe that can work together globally with the United States to confront illicit and illegal transnational flows of people, money and materials is challenged by a continent beset by turmoil or distracted by instability along its periphery.

Finally, eastern Europe's strategic importance has grown in relation to challenges in the broader Middle East. Western countries are keen on enlisting regional partners in a global campaign against terrorists and the networks that support them. They have an interest in the countries of the region acting as a stable bulwark resistant to encroachments or instability emanating from other parts of the broader Middle East, and preventing eastern Europe and central Asia from becoming a second vast space of turmoil abutting the tumultuous Middle East.

All told, the West's fundamental interests lie in stable, democratic societies integrated in the European mainstream, not a band of unsettled in-between lands that will continue to be a source of instability, conflicts and bad governance.<sup>2</sup>

These goals face several significant challenges. First, Russia's interest and political influence is much stronger and more pervasive in the common neighborhood than in central-eastern Europe or the western Balkans. Moscow regards the expansion of Western influence and insti-

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<sup>2</sup> Daniel S. Hamilton and Gerhard Mangott, eds., *The Wider Black Sea Region in the 21st Century: Strategic, Economic and Energy Perspectives* (Washington, D.C.: Center for Transatlantic Relations, 2008); F. Stephen Larrabee, "Western Policy Toward Wider Europe," Center for Transatlantic Relations/DGAP, January 2016; Ian Lesser, "Global Trends, Regional Consequences: Wider Strategic Influences on the Black Sea," Xenophon Paper No. 4 (Athens: International Centre for Black Sea Studies (ICBSS), November 2007).

tutions into the former Soviet space as a serious threat to its security and national interests. Second, the countries of the region are comparatively weaker and poorer than other countries of the former Soviet Empire. Third, festering conflicts threaten the ability of the region's societies to consolidate themselves as states, are obstacles to the integration of these countries into Western structures, and offer Moscow levers for manipulation, disruption and influence. Fourth, the common neighborhood lacks strong regional mechanisms that can promote cooperation and mitigate conflict.<sup>3</sup>

Despite these challenges and mutual hesitations, the United States and European governments have not worked so closely together on key security issues in quite a while. Russia's annexation of Crimea prompted a remarkable alignment of tactical responses by Western countries. They worked closely to lend economic support and secure an International Monetary Fund package for Ukraine. They reinforced the airspace and territory of NATO allies Romania, Poland and the Baltic states and tightened NATO partnerships with Sweden and Finland. They forged closer ties with the new Ukrainian government. They excluded Russia from the G8 and imposed targeted sanctions against a limited number of Russian officials, and on other individuals and commercial entities considered financially close to Putin, as well as on a number of Russian defense firms; placed restrictions on new financing to Russia's largest banks and energy companies; instituted stricter limits on the export of certain technologies to Russia; and put limitations on Russian access to certain U.S. facilities involved in developing cutting-edge technologies.<sup>4</sup> They have been united on the negotiations leading to the Minsk agreements, and have maintained their unity with regard to monitoring implementation of the accords. The United States has quadrupled the funding for its European Reassurance Initiative to increase the presence of U.S. forces in Europe and to improve the defense and security capabilities of allies, as well as partners Ukraine, Moldova and Georgia. The EU-Ukraine DCFTA came into force on January 1, 2016. The United States has also offered Ukraine \$1 billion in loan guarantees and technical assistance with financial, energy and political reforms. Several European countries have boosted their defense budgets.

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<sup>3</sup> Hamilton and Mangott, *op. cit.*; Larrabee, "Western Policy...", *op. cit.*

<sup>4</sup> Anne Applebaum, "Ukraine's war on two fronts," *The Washington Post*, October 30, 2015.

These tactics, however, have largely been ad hoc responses to Russian provocations. They are unlikely to be sustainable unless they are tied to a long-term Western strategy towards Russia and the common neighborhood.

The NATO Alliance has yet to develop a coherent strategy of projecting stability and resilience forward, beyond the bounds of NATO territory itself, to partner countries in wider Europe. NATO has acted to reassure nervous allies, but it is not prepared to engage militarily to protect Ukraine. Ukrainians have been left to doubt the credibility of commitments made by the United States and the United Kingdom in the 1994 Budapest Agreement to assure Ukraine's territorial integrity, and to the value of such instruments as the Partnership for Peace and the NATO-Ukraine Commission. U.S.-EU coordination has been patchy—and the transatlantic partners have yet to harness their assorted efforts to a more strategic effort to project stability and opportunities for integration to this region. The economic and technical assistance provided thus far to Ukraine is an important signal of support, but remains far below what Ukraine needs for success.

In short, Western instruments are out of tune with the times. There is a growing mismatch between the nature of our challenges, the capacity of our institutions, and the tools at our disposal. In this new era, Western societies must work differently with Russia, they must engage differently in the common neighborhood, and there is much they must do for themselves.

*Section II*

**What the West Must Do**



# 1. What the West Must Do with Russia

## A Realistic Western Russia Policy

The United States and its European partners need a realistic policy towards Russia and the common neighborhood that is based not on hopes or ideology but on a sober analysis of the nature of the Russian regime, the domestic challenges and foreign policy dilemmas of post-Soviet countries, and their own common and diverging interests. It should be guided by recognition that for the foreseeable future, Putin is here to stay, and that for the moment, a Europe whole, free and at peace is neither possible with or against Putin's Russia. Western policy thus must encompass short-term strategies to deal with Putin's Russia today, while laying the groundwork for a post-Putin Russia tomorrow. This calls for tactical flexibility and strategic patience. In this section we offer specific recommendations, a number of which are elaborated by our fellow authors in subsequent chapters.

Western policy toward Russia must be proceed along three mutually reinforcing tracks: deterring the regime where necessary; continuous communication and selective engagement with the regime where useful; and the broadest range of proactive engagement with Russian society as possible.

### Track One

The United States and Europe should make it clear that relations with Russia must be based on respect for international law, the UN Charter and the Helsinki principles, including respect for the sovereignty and independence of Russia's neighbors. The international community will hold the Russian leadership accountable for use of force to change borders, as in the case of Crimea; failure to meet agreements, as is currently the case regarding the Georgian and Ukrainian cease-fire arrangements; resorts to intimidation or attempts to assert any type of "privileged" sphere of influence that would undermine the integrity of another country.

Track One should encompass both clear signals to Moscow and independent measures that can reassure allies and partners concerned about Russian pressure and deter Russia from further intimidation. This should include steps to reinforce the credibility of NATO's own mutual defense commitment, invest more in the security of those states who feel threatened by Russia and who have both expressed interest and demonstrated commitment to draw closer to the EU and NATO, improve the resilience of Western societies to Russia's disruptive challenges and project resilience to weaker societies in the common neighborhood, diversify European energy resources, and other steps as we outline later.

The West must be alert to Kremlin initiatives and be prepared to address Kremlin responses to Western policies. Western efforts must be grounded in appreciation of the fact that as long as common neighborhood states are weak, dependent on Russia, and have no security guarantees, the current Russian leadership will not accept their sovereignty, and in fact would prefer their "Bozniazation" over their Europeanization.<sup>1</sup> Western states must reject any type of deal to negotiate the future of common neighborhood states over their heads. It is an illusion to believe that any such deal on the post-Soviet states would enhance Europe's security.

- ***Strengthen Western non-recognition of Russia's illegal annexation of the Ukrainian area of Crimea.*** The Ukrainian government has correctly focused its attention on resolving the conflict in eastern Ukraine and said that the issue of Crimea should be addressed in the longer term. That is a wise course, especially as it is difficult to see how Kyiv can muster the leverage in the near term to restore Crimea's status as part of Ukraine. While Crimea is not now the priority issue, it is important that the United States and the West not forget or move to "normalize" the question. Until such time as the status of the peninsula is resolved to Kyiv's satisfaction, the international community should sustain a policy of not recognizing Crimea's illegal incorporation into Russia. The West should:
  - maintain a strong policy of non-recognition of the illegal annexation;
  - continue to ensure the strict implementation of all possible measures aimed to address the legal consequences of the annexation, including

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<sup>1</sup> Meister, "Getting Putin right," op.cit.



those related to the economy, visa policy, trade, sports, transportation and finances;

- maintain Crimea-related sanctions regardless of developments related to the Donbas and Russia's compliance with the Minsk agreements;
- condemn violations of human rights and fundamental freedoms in Crimea by Russia and as appropriate increase sanctions as a consequence;
- press Russia to give international organizations, such as the OSCE, access to monitor the situation on the ground;
- continue to support Ukraine's economic and political transition, and, in the case of the EU, rapid delivery of a visa-free regime for Ukrainian citizens once Kyiv has met the relevant criteria.

This policy should be given content by, inter alia, maintaining official recognition of Ukrainian passports of the residents of the Crimean peninsula and ensuring that official maps do not show part of Ukraine belonging to another country. Crimea may appear a lost cause now, but the future may tell another tale.<sup>2</sup>

- ***Maintain Russian sanctions until full military and political implementation of the Minsk agreements has been secured, and be prepared to increase sanctions if Minsk is not fully implemented.*** Sanctions may not have altered Putin's calculus in Ukraine, but they have raised a cost to his actions, left Russia economically isolated, and underscored Western disapproval and resolve. As the Minsk process advances, the solidity of the sanctions front becomes more fragile. While the official line of both the EU and the United States is to insist on "full implementation" of Minsk, which has quite a number of components, political debate over maintenance of the sanctions is often being conducted in terms of whether there has been "enough progress" to warrant and end to the sanctions. Here Russian propaganda exploits Kyiv's political difficulties in passing legislation on special status for the separatist regions, with arguments that "Kyiv is not doing its part." It is therefore of great political importance that these complications do not erode prematurely the maintenance of the sanctions.

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<sup>2</sup> Steven Pifer, "Russian Aggression against Ukraine and the West's Policy Response," Testimony before the U.S. Senate Foreign Relations Committee, Subcommittee on Europe and Regional Security Cooperation, March 4, 2015; Amanda Paul, "Crimea one year after Russian annexation," European Policy Centre, March 24, 2015, [http://www.epc.eu/documents/uploads/pub\\_5432\\_crimea\\_one\\_year\\_after\\_russian\\_annexation.pdf](http://www.epc.eu/documents/uploads/pub_5432_crimea_one_year_after_russian_annexation.pdf); Paul Goble, "The West Needs a Non-Recognition Policy for Crimea Now," The Interpreter, April 21, 2014, <http://www.interpretermag.com/the-west-needs-a-non-recognition-policy-for-crimea-now/>

To avoid confusion over whether Minsk 2 is advancing adequately, Western officials should be clear about the bottom line condition, which is described as the final stage of the process, namely that Ukraine must regain control of its external frontier. This is surely a pre-condition for effective implementation of other provisions of Minsk 2. It is also here that there is greatest scepticism as to Russia's willingness to cooperate.

Instead of six-month reviews of sanctions, which generate recurrent strains on Western unity, the EU should keep the sanctions open-ended until conditions warrant change or additional review. Western actors should be prepared to ratchet sanctions up or scale them back in accordance with Russian actions in this regard. They should also clear that higher-end sanctions remain on the table, including expanded visa restrictions against key Putin allies, or sanctions targeting specialized imports important to Russia's defense industry or to entire sectors of the economy, as well as access to global financial networks, including through the SWIFT global electronics payments system.<sup>3</sup>

- ***Suspend Russia's membership in the Council of Europe.*** Russian membership in the Council of Europe, a body supposedly consisting of democracies, is an embarrassment. Russia has violated the convention of the Council's European Court of Human Rights numerous times since 2015. In the past, the argument that the Court has been an important tool for Russians to sue the Russian state has blunted discussion of Russian suspension from the Council. But in December 2015 Putin signed new legislation that gives Moscow a legal justification to defy verdicts by international courts—itsself a violation of Russia's obligations under the Vienna Convention on the Law of Treaties.<sup>4</sup> If Moscow refuses to accept decisions of the European Court of Human Rights, then Russia's membership in the Council of Europe should be suspended altogether. This same standard should be applied to other states, including Azerbaijan.

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<sup>3</sup> Bernstein, op. cit.

<sup>4</sup> Hannah Kozłowska, "Putin signs a law that allows Russia to ignore international court rulings that it doesn't like," Quartz, December 15, 2015; Human Rights Watch, "Dispatches: Russian Court Hopes to Thwart International Law Rulings," December 10, 2015, <https://www.hrw.org/news/2015/12/10/dispatches-russian-court-hopes-thwart-international-law-rulings>; Ivan Krastev and Mark Leonard, "Europe's Shattered Dream of Order," *Foreign Affairs*, May/June 2015.

- ***Prosecute Russian corruption*** where possible, cast a public spotlight on networks of influence, and target key figures of the Russian ruling elite if they participate in criminal business. A prominent opportunity is the July 2014 ruling of the Permanent Court of Arbitration in the Hague that Moscow's 2003 dismantling of the Yukos oil company violated international law, and that the Russian state owes former Yukos shareholders \$50 billion. The EU and the many other member states to the Court should insist that the Court's ruling be respected and that Moscow pay the compensation.
- ***Take action again Western enablers.*** Despite Western efforts to blunt Putin's aggression and tackle east European corruption, many Western institutions and countries enable those activities through legal loopholes, tax havens, shell companies and lax law enforcement of anti-corruption laws at home, or through their own activities in eastern countries. Western countries must crack down on the Western enablers of Kremlin operatives and eastern oligarchs.<sup>5</sup>

## Track Two

The United States and its European partners should make it very clear that they stand as willing partners with a Russia that decides to invest in its people, build a more sustainable economy grounded in the rule of law, tackle its health and demographic challenges, build better relations with its neighbors, and act as a responsible international stakeholder. They should set forth in concrete terms the potential benefits of more productive relations. They should also engage selectively in areas of mutual interest. Even during the tensest periods of the Cold War, communication channels were available and occasionally vital to prevent miscalculation and avoid escalation.

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<sup>5</sup> Confidential documents obtained by the International Consortium of Investigative Journalists, for instance, show that a clandestine network operated by Putin associates has shuffled at least \$2 billion through banks and offshore companies. Bank Rossiya, identified by the U.S. as Putin's personal cashbox, has been instrumental in building a network of offshore companies. Dozens of loans, some worth hundreds of millions of dollars, sold between offshore companies for as little as \$1 or less. See Bernstein, *op. cit.* For other examples, see Anne Applebaum, "Russia's Western Enablers," *Washington Post*, March 5, 2014, or Lucy Komisar, "Russian Sanctions Highlight Role of Western Enablers," 100 Reporters, May 21, 2014, <https://100r.org/2014/05/russian-sanctions-highlight-role-of-western-enablers/>.

- ***Continue non-corrupt transactional relations.*** In some cases this makes sense, for instance Western payments to Russian entities for space launch services, or reimbursement of Russian railways for logistical services in support of the NATO-led Resolute Support mission (and earlier, the International Security Assistance Force) in Afghanistan.<sup>6</sup>
- ***Engage selectively on geopolitical issues.*** Western actors should be prepared to engage with Russian interlocutors on a select range of issues, such as fighting terrorism and the so-called IS, stabilizing the situation in Syria, addressing potential nuclear provocations from North Korea, or possibly again Iran, working on issues of climate change or Arctic affairs.
- ***Revitalize the NATO-Russia Council as a regular channel of communication on security issues.*** Currently the Council is being treated as if its existence is a favor to Russia, yet it is in the interests of both parties to maintain communication, particularly at times of tension. A reconvened Council should begin by addressing ways to prevent dangerous incidents, as outlined below. If the relationship improves, practical cooperation could be resumed step by step. Contacts at military level might first be activated in politically uncontested areas of immediate benefit to both sides, such as maritime search and rescue.<sup>7</sup>
- ***Act to prevent dangerous incidents.*** Given the increased scale of military activities in the Euro-Atlantic area today, and the increased number of close military encounters, an agreement is needed between NATO and Russia to prevent accidental incidents or miscalculations leading to an escalation of tension and even confrontation. We endorse the proposal made by a high level Russian-Western task force, sponsored by the European Leadership Network, to use the NATO-Russia Council urgently to discuss a possible Memorandum of Understanding between NATO and its partners and the Russian Federation on Rules of Behavior for the Safety of Air and Maritime Encounters between the two sides. Such a memorandum of understanding would be modeled on a similar memorandum signed between the United States and China in November

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<sup>6</sup> See William Courtney's chapter in this volume.

<sup>7</sup> Margarete Klein and Claudia Major, "Perspectives for NATO-Russia Relations," Stiftung Wissenschaft und Politik, December 10, 2015, [http://www.swp-berlin.org/fileadmin/contents/products/comments/2015C49\\_kle\\_mjr.pdf](http://www.swp-berlin.org/fileadmin/contents/products/comments/2015C49_kle_mjr.pdf)

2014.<sup>8</sup> It would build on and expand two existing U.S.-Russia agreements, the 1972 Agreement on the Prevention of Incidents On and Over the High Seas and the 1989 Agreement on Prevention of Dangerous Military Incidents.

The agreement would:

- Set out the principles and procedures of communication that should be observed during encounters between military vessels and aircraft;
- Require each side to give timely hazard warnings if military exercises and live weapons firing are to take place in a vicinity where military assets of the other side are operational;
- Commit each side to communicate in a timely fashion about the maneuvering intentions of military vessels and military aircraft.

It would also contain a list of actions to be avoided, including simulations of attacks by aiming guns, missiles, fire control radar, torpedo tubes or other weapons in the direction of any military vessels and military aircraft encountered.<sup>9</sup>

Sweden and Finland, both of which are exposed to the dangers connected with increased military activities in the Baltic Sea region, should be included in the discussions. The agreement could be open to other members of the Partnership for Peace and OSCE.

- ***Review and upgrade where possible Europe's conventional arms control framework.*** All three pillars of the interlocking web of agreements that make up the European conventional arms control framework are either frozen or degrading. First, Russia has terminated its participation in the 1990 Treaty on Conventional Arms Control in Europe (CFE). Second, the 1990 Vienna Document, an agreement among 57 OSCE states that codified militarily significant and verifiable confidence- and security-building measures (CSBMs) to enhance transparency, exchange military information,

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<sup>8</sup> Memorandum of Understanding Between the Department of Defense of the United States of America and the Ministry of National Defense of the People's Republic of China Regarding the Rules of Behavior for Safety of Air and Maritime Encounters, Section 1, p.2. Available at: [http://www.defense.gov/Portals/1/Documents/pubs/141112\\_MemorandumOfUnderstandingRegardingRules.pdf](http://www.defense.gov/Portals/1/Documents/pubs/141112_MemorandumOfUnderstandingRegardingRules.pdf).

<sup>9</sup> For the original proposal and further details, see European Leadership Network, Task Force on Cooperation in Greater Europe, "Avoiding War in Europe: how to reduce the risk of a military encounter between Russia and NATO," <http://www.europeanleadership-network.org/medialibrary/2015/08/18/2f868dfd/Task%20Force%20Position%20Paper%20III%20July%202015%20-%20English.pdf>.

provide on-site inspections and notifications of certain types of military activities, is updated periodically to keep pace with changes in the European security environment, but has not been revised since 2011. Third, the 1992 Open Skies Treaty has been difficult to update to allow the use of modern equipment to reflect rapidly evolving technology.

- ***Rework the Vienna Document on Confidence and Security Building Measures (CSBMs).*** Many existing elements of the Vienna Document can be adapted readily to current conditions—if there is an interest to do so.<sup>10</sup>
  - At minimum efforts should be undertaken to reduce risks of accidents or incidents involving military forces and provide for military-to-military channels regarding prevention and management of such incidents. Such provisions could complement any NATO-Russia agreement in this area by broadening scope and country participation.
  - The current 13,000-troop threshold for automatic international observation of exercises should be reduced to a much lower level.
  - Consider new CSBMs for cyber, with a view to avoiding miscalculation and escalation.
  - Consider extending codes of conduct to spacefaring countries.
  - Western countries should press that the rules be amended to reflect Russia's snap exercises, which Moscow is using to sidestep the Vienna document transparency requirements.
- ***Review the CFE Treaty with a view to salvaging its confidence-building functions.*** A CFE Treaty review is slated for fall 2016. Although revitalization of the CFE Treaty appears unrealistic, its numerical limits on military forces have been undershot for some time. The more important CFE provisions, which bear reviewing with an eye to salvaging and updating, relate to verification, transparency and inspection provisions. Discussions on doctrine and defensive orientation of armed forces would also be useful.
- ***Review the Open Skies Treaty.*** The Open Skies Treaty calls for a review conference to be held every five years. The last such conference took place in 2010. A new review conference should be held.
- ***Reinforce the Architecture of Nuclear Security.*** Deteriorating NATO-Russia ties have the potential to threaten the architecture of nuclear security, built up over decades, that consists of an interlocking set of monitoring and verification procedures, communications channels and commitments to reduce nuclear stockpiles.

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<sup>10</sup>Ian Anthony, "Damage limitation for Vienna document," SIPRI, November 9, 2015, <http://www.sipri.org/media/expert-comments/anthony-november-2015>

The United States and NATO should review their policies for nuclear forces, missile defense, and arms control with the aim of putting in place stronger incentives to encourage Russia to cease nuclear intimidation and to return to INF Treaty compliance.

- **First is the New START Treaty**, which the United States and Russia should continue to implement.
- **Second is the challenge to the INF treaty system.** Washington asserts that Russia has breached the INF Treaty by testing a new medium-range, ground-launched cruise missile. Moscow has countered that U.S. long-range drones and missile-defense systems that are capable of launching cruise missiles also violate the treaty. In July 2014, the United States made known that Russia had begun testing in 2008 a ground-launched cruise missile that by 2011 the Obama Administration had concluded was prohibited under the 1988 Intermediate-Range Nuclear Forces Treaty.<sup>11</sup>
- **Third is the issue of missile defense.** Russia deems the deployment of U.S. missile defense systems to Europe as a threat to its ballistic-missile systems, putting them at a strategic disadvantage and thus destabilizing the region. Indeed, the threat of a missile defense system in eastern Europe is believed by some to have been the catalyst for the Russian development of the R-500 cruise missile for the Iskander system. This was the system initially suspected of violating the INF Treaty.
- **Fourth is the role of dual-use delivery systems and tactical nuclear weapons**, which remain unconstrained by international treaties, and information regarding their possible uses is scarce. Estimates are that about 200 US B-61 tactical nuclear systems are hosted by European NATO members, while Russia is estimated to have between 1,000-2,000 such weapons, a significant portion of which are deployed in European Russia, but whose precise location is unknown. U.S. and NATO efforts to engage Russia in information sharing and discussions of mutual verification mechanisms, both with regard to numbers and positioning of tactical nuclear weapons, have been rebuffed by Moscow. Still, the issue should be kept on the agenda.

### Track Three

The *Maidan* precepts are rooted in a belief in the agency of civil society and the power of societal transformation.<sup>12</sup> Western actors should sup-

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<sup>11</sup>“U.S. Says Russia Tested Cruise Missile, Violating Treaty,” *The New York Times*, July 28, 2014. [http://www.nytimes.com/2014/07/29/world/europe/us-says-russia-tested-cruise-missile-in-violation-of-treaty.html?\\_r=0](http://www.nytimes.com/2014/07/29/world/europe/us-says-russia-tested-cruise-missile-in-violation-of-treaty.html?_r=0)

<sup>12</sup>Constanze Stelzenmüller, “Transatlantic Power Failures,” Brussels Forum Paper, German Marshall Fund of the United States, March 2008.

plement the first two tracks of their approach, each of which is geared to the Russian regime, with a third track that engages as robustly as possible with the Russian people. It should supplement its communications with the regime with broad-based mechanisms of dialogue and exchange with alternative elites, civil society and opposition figures. Track Three efforts should help the Russian people maintain contacts with the West, have access to reliable information, and support civil society exchange between Russia and the West. Visa ease would be one important tool to improve people-to-people contacts and to send a strong signal that there is no conflict with Russian society. The West ought to

- sponsor more young Russians for education abroad and invest in exchange on all level of society and business, including entrepreneurs and innovators.
- employ Russian émigrés in various educational and information activities.
- help high-quality Russian journalists and experts in the West to develop various Russian-language media outlets, TV and radio stations, journals, newspapers and internet portals that can provide Russians and Russian speakers with reliable information and alternative viewpoints.
- expand opportunities for productive dialogue with influential elites in Russia, including at regional and municipal levels, as well for educational programs and for people-to-people exchanges.
- organize more roundtables with Russian civil society actors, journalists and experts and to learn more about domestic Russian developments
- support independent Russian-speaking journalists and media.

Track Three initiatives will be difficult as Moscow seeks to isolate its people from Western NGOs. But Russia is not the semi-autarkic Soviet Union. It is integrated in many ways in the global economy, and the digital age offers many points of access to Russian society. Over the past decade, a fledgling Russian middle class has begun to come of age that will invariably begin to demand political rights. Just as importantly, Russia has its digitally connected generation—what Richard Whitmore calls the “power horizontal.” While still in its infancy, over the long term it will make it very difficult for Putin’s “power vertical” to go on



with business as usual. Russian efforts to shut down such contacts should be met with persistent efforts at openness and engagement.<sup>13</sup>

Efforts along all three tracks of effort should be united by a vision of Russia as part of a new Europe, a Russia that embarks on a course of profound, systemic internal economic and political reform and modernization, a Russia that refrains from the use of force, a Russia that does not seek a sphere of influence but develops integration through cooperation and by increasing its own attractiveness.

Unfortunately, today's Russia is not that Russia. Yet it is important that Western interlocutors not engage in the zero-sum thinking that characterizes Kremlin policy, and to convey the consistent message that Western efforts to enhance stability in wider Europe are neither anti-Russian nor intended to expel Moscow from the region, and in fact have the potential to build a more secure and prosperous region that is a better partner for Moscow. Moscow decision-makers do not believe this, but there may be some opportunity at the margin to influence Russian thinking—if the message is clear and consistent, and matched by actions on the ground. While at any particular time Western policies are only likely to have marginal effect on Russian actions and on Russian society, the West should not discount its long-term influence in Russia, first by its example and second through its support for democratic governance and economic openness. Western policy ought to be resilient to political winds in Russia, but flexible enough to foster positive change if openings occur.

Keeping faith with our principles and holding true to our mutual commitments does not have to mean stumbling into a new Cold War. That is why all three tracks of a new Russia strategy are so important. For this overall approach to be effective, each track must be advanced via close transatlantic consultation. Inevitable differences will need to be addressed, and nations on each side of the Atlantic will need to make resource commitments and difficult political choices of their own to make the strategy work.

We have no illusions about the difficulty of such a strategy. The Putin regime today is in a self-confident and assertive mood. Putin's choices are his to make, but it is the West's responsibility to make the opportunities and consequences of those choices clear and credible—to him, and to the Russian people.

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<sup>13</sup> Richard Whitmore, "The Power Vertical vs. The Power Horizontal," Radio Free Europe/Radio Liberty, March 6, 2012, [http://www.rferl.org/content/the\\_power\\_vertical\\_vs\\_the\\_power\\_horizontal/24507183.html](http://www.rferl.org/content/the_power_vertical_vs_the_power_horizontal/24507183.html)

## 2. What the West Must Do with the Common Neighborhood

Pursuing an overarching Western policy towards the common neighborhood is difficult because of the region's great diversity. Each country is different and faces different problems. Nonetheless, some broad principles are relevant across the region. Western policymakers need to adopt specific policies for each of the individual countries in the region, within a broadly consistent short, middle-term and long-term approach that supports societal transformation.

This run is a marathon, but some quick sprints are necessary. The most pressing task for the West is to help Ukraine make its transition a success. Ukraine is a key state for the entire region. In the region more broadly, Western countries need to discourage Kremlin coercion of neighbors and encourage countries willing to make tough choices for reform. They will need to make more effective use of the tools they have, and acquire new ones relevant to current challenges. They need to tie short-term priorities to long-term perspectives. This will require persistence, patience, and consistent engagement.

A proactive policy along these lines might be best characterized as "Open Door, Straight Talk, Tough Love."

*Open Door.* The principle of the Open Door is affirmed in the foundational documents of NATO and the European Union. The Washington Treaty of 1949, which established NATO, states that "The Parties may, by unanimous agreement, invite any other European State in a position to further the principles of this Treaty and to contribute to the security of the North Atlantic area to accede to this Treaty."<sup>14</sup> The Treaty on European Union similarly states that any European state which respects the values of the Union and is committed to promoting them may apply to become a member.<sup>15</sup> The willingness and ability of EU and NATO members to act on these principles by bringing others

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<sup>14</sup>"The North Atlantic Treaty, Washington DC", NATO Official Text, April 4, 1949.

<sup>15</sup>Those values are defined as "respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities."Articles 49 and 2 of 'The Treaty on European Union', Lisbon, December 13, 2007.

into their fold counts as among their most significant achievements of the past 70 years.

The Open Door remains as valid and relevant today as it was in the past. The West must be clear that the door to the European and Euro-Atlantic space where democracy and market economies prevail, and where war does not happen, stands open to those prepared to create the conditions by which they, too, could walk through that door.

All countries of wider Europe that express interest and prove commitment to join European and Euro-Atlantic institutions should have a membership perspective. The Open Door is the only principle that can credibly underpin frameworks, conditions and incentives to improve governance and generate stability for Europe. Without this inclusive message, Western leverage to induce reforms will be low. Most of these societies do not want to remain in-between lands, but they do not know where their future lies. This uncertainty can be paralyzing. It reinforces anxieties and instabilities, and fuels those forces intent to blocking the types of reforms that could set these countries toward more promising futures.<sup>16</sup>

If countries are willing to make the hard choices necessary for reform to create the conditions by which they can join Western institutions, then we should stand with them. By affirming the right of others to choose their allegiances, we in the West also defend ourselves and our principles.

***Straight Talk.*** Affirming the principles of the Open Door should not mean lowering standards. Those who seek to join our institutions do so because our norms and values mean something. Neither we, nor they, are served by diluting those standards. Realistically, that makes a membership perspective for the countries of wider Europe a generational challenge. Moreover, even current aspirants for membership, such as Turkey, Serbia or Albania, will not join the EU in this decade. The issue is not whether there can be a consensus on membership for any particular candidate today, it is whether those who are determined to take their countries into the European mainstream can create conditions in which the question of integration, while controversial today, can be posed positively tomorrow.

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<sup>16</sup>See Judy Dempsey, "The EU's Benign Neglect of Eastern Europe," Carnegie Europe, January 16, 2016.

As they proceed, we in the West can be passive or active. Passivity gives little incentive to reform, and empowers those with narrow agendas. Activity can empower those who are prepared to implement the fastest and farthest reaching reforms. This calls for tailored efforts to help guide and support reformist nations along what could be a long and winding road. It also calls for Straight Talk.

**Point One:** The chief threats to the peace, stability and development of most countries in the region stem as much from their internal weaknesses as from external meddling.<sup>17</sup> Russia is an aggressor and a spoiler in most countries of the region, a role that those countries and their Western partners must resist. But Russia's role is magnified by each state's own internal challenges. Russia should not be held out by these countries as an excuse for not implementing reforms. Sustained economic and democratic development throughout this region is a function of the regional states' own capacity to provide human security to their citizens, in large part by improving their "stateness" through functioning institutions grounded in the rule of law.

**Point Two:** closer association with the West begins at home. Western countries will deepen their links with neighboring countries to the extent they see that leaders and their people are making tough choices for democratic reforms, not as a favor to others, but as a benefit to themselves. In most countries of the region, too many elites talk the talk of reforms, but still walk the walk of corrupt autocratic and patronage-based structures. The societies and elites of this region must decide whether they truly want to reform and Europeanize by fighting corruption and building the rule of law, democratic institutions and competitive economies, or whether they prefer to stagnate with weak governance, opaque decision-making and crony capitalism. They must stop the game of playing Russia and the West off against each other while blocking fundamental reforms. This only weakens them further. The West should not only focus on elites, they should actively engage alternative elites and civil society. In many cases these societal forces, not the current elites, are likely to be partners for modernization and transformation.

**Point Three:** closer integration is likely to be accelerated to the extent a country "acts like a member" even before it becomes a member.

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<sup>17</sup> See Svante Cornell and Anna Jonsson, "Expanding the European Area of Stability and Democracy to the Wider Black Sea Region" and Charles King, "The Wider Black Sea Region in the Twenty-First Century," both in Hamilton and Mangott, "The Wider Black Sea..." , op. cit.

Countries seeking closer association with the West need to articulate clearly and consistently to Western partners how their closer association would benefit the entire Euro-Atlantic community—and then they need to act accordingly.

**Tough Love.** Open Door and Straight Talk underscore that a long-term strategy for democratic transformation and enhanced security in the region will be more effective if its goals are tied to conditions rather than institutions. This sets up possibilities for Tough Love. Societies seeking to join the European mainstream must be prepared to create conditions by which ever closer relations can be possible. The West can and will help. That's the "love" part of the message. But the states themselves must lead the way, and will be held to account when and where they do not. That's the tough part. Benefits will only come if reforms are implemented, that is a tough condition. Holding states accountable also means working closely with alternative elites and civil society actors to monitor processes of reform and in communication with societies.

Such an approach has the advantage of prioritizing practical progress over institutional debates that can divert countries from their immediate challenges, push ambivalent EU members so hard that they stop being a positive force for active change, or elicit Russian opposition and intervention. It also provides an opportunity for the EU and each associated country to focus more squarely on that particular country's most urgent needs.

With these three principles in mind, Western strategy toward the common neighborhood should incorporate the following considerations.

**Revamp the Eastern Partnership.** The EU's Eastern Partnership, bringing together the EU and Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine, was launched in 2009 with the goal of creating "the necessary conditions to accelerate political association and further economic integration between the European Union and interested partner countries." It can demonstrate some achievements, such as its Association agreements, in particular DCFTAs with Ukraine, Georgia and Moldova.<sup>18</sup>

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<sup>18</sup>Other notable efforts include the Civil Society Forum, Pilot Regional Development Programs, a Neighborhood Investment Facility to support lending in neighboring partner countries, and engaging European financial institutions, such as the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) to provide significant loans for infrastructure projects and the development of small and medium enterprises.

But the Eastern Partnership has not provided the right kind of leverage to incentivize the countries in question to pursue demanding and wide-ranging reform programs. First, it has failed to distinguish more comprehensively between countries for whom political association, economic integration and eventual membership are goals (Ukraine, Moldova and Georgia), those who are interested in cooperation short of membership (Azerbaijan and Armenia), and Belarus under Lukashenko.<sup>19</sup>

Second, for those who do seek eventual membership, the Eastern Partnership does not offer that prospect—unlike the EU's Association Agreements with the states of the western Balkans. For that reason the Eastern Partnership is the very embodiment of the EU's debilitating ambivalence about its relationship to its eastern neighbors. It has become more about holding countries off than about bringing them in. Does the EU seek a compensatory regionalism intended to mollify neighbors who will never be offered membership? Or does it seek a truly transformative regionalism that would tackle priority challenges of the region and then work to align and eventually integrate these countries into the EU and related Western institutions? It doesn't really seem to know. By refusing to refer even to the Treaty of European Union's language that any European state which respects EU values "and is committed to promoting them may apply to become a member of the Union," the EU conveys the message that it does not want eastern countries as members and that this region is indeed one of "privileged interests" for Russia. As former Swedish Prime Minister Carl Bildt has said, "Putin makes you an offer you can't refuse; the EU makes you an offer you can't understand."<sup>20</sup>

Third, the Eastern Partnership was forged as a fair weather tool at a time when EU confidence was high and wider Europe seemed mostly stable. It became a process-heavy, unprioritized effort to export the EU's preferred model of society with insufficient carrots or sticks. It did little to tackle fundamental challenges, such as corruption, lack of education, poverty and high unemployment and proved ill-suited to stormier times.<sup>21</sup>

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<sup>19</sup>"Joint Declaration of the Prague Eastern Partnership Summit", EU document 8435/09 (Presse 78), May 7, 2009.

<sup>20</sup>See Ian Bond, "The Riga Summit: Enter, pursued by a bear," Centre for European Reform, May 18, 2015, <http://www.cer.org.uk/insights/riga-summit-enter-pursued-bear>.

<sup>21</sup>Steven Blockmans, "The 2015 ENP Review: A policy in suspended animation," CEPS, December 1, 2015, <https://www.ceps.eu/system/files/SB%20ENP%20Review%20CEPS%20Commentary.pdf>; Michael Leigh, "Rethinking the European Union's Neighborhood

Fourth, the Eastern Partnership was disconnected from conflict mitigation, crisis management or geostrategic considerations, as has been made evident by the ongoing Russia-Georgia conflict and Russia's intervention in Ukraine.

In 2015 the European Commission made some course corrections. It intends to streamline procedures and has recognized the need to distinguish among Partnership countries. Export of the Union's values is featured less prominently than attention to such "shared interests" as economic development, energy security, climate action, irregular migration, trafficking, conflict prevention, and border management. But it is still unclear whether EU institutions and members will be able to muster the extra resources and political will to implement such measures.<sup>22</sup>

We recommend the following considerations:

- ***Differentiate*** between those for whom political association, economic integration and eventual membership is a goal (Ukraine, Moldova and Georgia), those who are interested cooperation short of membership (Azerbaijan and Armenia, and Belarus). Economic, technical and financial cooperation with each country should relate to its specific needs and capacities.<sup>23</sup>
- ***Focus on the most urgent needs.*** Differentiation should enable the EU and each partner to prioritize a very limited number of urgent issues, some of which lie outside existing frameworks. EU association and free trade agreements are very comprehensive documents that include commitments to a broad range of reforms. They set forth long-term goal, but what is needed are short- and mid-term prioritization of efforts. Urgent needs should be tackled vigorously on their own merits, without tying them to an unwieldy mechanism that has little meaning in the countries concerned. Only when fundamental needs are addressed and capacity is built can both sides hope to address more comprehensive efforts to address all aspects of the EU's *acquis communautaire*.<sup>24</sup>

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Policy," in Aylin Ünver Noi and Sasha Toperich, eds., *Challenges of Democracy in the European Union and its Neighbors* (Washington, DC: Center for Transatlantic Relations, 2016)

<sup>22</sup>Joint Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, "Review of the European Neighbourhood Policy", JOIN(2015) 50 final, Brussels, 18 November 2015.

<sup>23</sup>Leigh, op. cit.

<sup>24</sup>Ibid; Kerry Longhurst and Beata Wojna, ed., *Asserting the EU's Mission in the Neighborhood: Ten Recommendations for an Effective Eastern Partnership* (Warsaw: Polish Institute of International Affairs, September 2011).

- ***Improve security.*** Insecurity is a major challenge to these countries' ability to sustain reforms. They are only likely to succeed at transformation when they are less vulnerable. The EU needs to invest more in institution-building in the security sphere, including training, border management and playing a more prominent role in addressing separatist conflicts. The Eastern Partnership's approach to transformation must be tied to other instruments of EU diplomacy and security policy.
- ***Offer a "European Perspective" to Partnership countries willing and able to create conditions by which this could be possible.*** The EU should get off the fence. It should not only affirm Article 49 of the Treaty on European Union, it should be clear that it will keep the door to membership open, however long it takes partners to get through it, and that Russia has no right to veto it. This will incentivize state bureaucracies and the private sector, while offering a lifeline to pro-EU civil societies and political parties operating under difficult circumstances. This must proceed step by step, and can at best be a distant goal. But without a clear membership prospect, EU demands and prescriptions find little resonance. The EU has a vital interest in the prospect of a space of stability, prosperity and democracy that extends as far across the European continent as possible. It should embrace it, not fear it, and work pragmatically to that end.<sup>25</sup>
- ***Build Institutions.*** In contrast to the situation facing central European states before their accession, the main challenge for Eastern Partnership countries is posed by weak institutions. A membership perspective alone will not be sufficient to change the rules of the game in these countries, especially in an environment in which key political forces and authorities are controlled by vested interests that hold vast veto powers against reforms. The competitive environment in which oligarchs fight for control over institutions requires external guarantees to ensure, even enable their independence. Therefore Western policies cannot be limited to cheerleading for reforms that the countries are expected to undertake essentially on their own, nor have conditionality and pressure proven to be very effective under current circumstances. New instruments are

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<sup>25</sup> Blockmans, op. cit.; Salome Samadashvili, *Building a Lifeline for Freedom : Eastern Partnership 2.0* (Brussels: Wilfried Martens Centre for European Studies, October 2014). Bond, "The Riga Summit...", op. cit.



needed that would allow EU and other authorities to participate directly with national authorities in implementing reforms, matched by the political will that will be necessary to accept co-responsibility for such efforts at transformation.

- ***Move Forward but Adjust DCFTAs.*** With neither NATO nor EU membership on the horizon, DCFTAs in the context of the Association Agreements are the primary vehicle for keeping open the prospect for closer ties between Georgia, Moldova and Ukraine to the European mainstream. Yet even though the DCFTAs liberalize 95 percent of bilateral trade, they offer few immediate trade benefits to partners, since the 5 percent of bilateral trade that remains protected covers precisely those sectors where partner countries are competitive. Efforts should be prioritized in favor of trade and assistance arrangements matching the real needs, capacities and intentions of each partner. Regulatory convergence should be limited initially to requirements affecting products and services actually traded between the two sides, even as the grinding yet important work continues regarding alignment and harmonization of economic legislation.<sup>26</sup>
- ***Create More Mobility Options.*** The migrant crisis is roiling European politics and rendering EU member states more restrictive and cautious with regard to the flow of people across their borders. Nonetheless, visa liberalization is the single most important initiative the EU could take to signal to ordinary people in wider Europe that deeper association with the West can make a difference in their lives. The EU should create additional possibilities for cultural, educational, business and local government exchanges and fellowship opportunities in the EU for students and young professionals. The scope and range of Local Border Traffic Zones (LBTZs) should be extended. These measures should be coupled with targeted visa bans and restrictions for officials in these states engaged in undemocratic or illegal activities.
- ***De-link the Eastern Partnership from Russia policy.*** The EU should emphasize that Eastern Partnership countries have a right to choose their own political destinies and to pursue integration with EU institutions. The Eastern Partnership should not become a function of policy toward Russia. The EU must reject Russian interference with its activities with Eastern Partnership countries.

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<sup>26</sup>See Leigh, op. cit., and Longhurst and Wojna, op. cit.

- **Consider new forms of association.** Given that the states of the common neighborhood on balance are weaker and more fragile than previous candidates for membership, that there is currently little appetite among Western governments for any effort to rush enlargement, and Russia is both more willing and able to block such efforts, Western support and outreach should supplement current mechanisms with new forms of association.
- **Consider new sub-regional associations.** New EU macro-regional strategies, for example with the Danube states, offer a potential model for engagement with Carpathian states. This special area is surrounded by four EU member states, namely Poland, Slovakia, Hungary and Romania. All four are attached to Transcarpathia and to each other by cultural, historical and ethnic ties. The Transcarpathian region could be developed into a real Ukraine bridgehead to integrated continental Europe. It is already linked by broad-gauge railway to Hungary and Slovakia, and its special location and multi-ethnic traditions are convenient for offshore zones and assembling factories. The support of cooperation between Ukraine, Moldova and the EU through common cross-border projects could improve civic engagement and exchange on regional and local levels.
- **Facilitate cooperative regional links.** The states of the common neighborhood should be encouraged to support each other's aspirations, rather than holding each other back in a zero-sum competition for Western favors in some sort of wider European beauty contest. Lessons can be derived from mutual support provided by Visegrad countries, regional cooperation under the Northern European Initiative, the support network created by the Vilnius 10, and cooperative regional mechanisms created by the Stability Pact for southeastern Europe.
- **Consider selective extension of the "variable geometry" principle** allowing for differing participation and overlapping organizational frameworks for various policy domains. A good example is Ukrainian and Moldovan membership in the Energy Community, which serves to align their energy sectors, and those of most southeast European states, with the EU's Energy Union, including its Third Energy Package. The EU might extend this principle by allowing participation by associated partners in other designated EU mechanisms, such as customs, border security and transport policies, or the civil components of European Security and Defense Policy.

Such efforts would simply recognize differing levels of European integration that are already European reality.<sup>27</sup>

- **Consider associate memberships and differentiated integration.** The ideal enshrined in the 1957 Treaty of Rome that EU members will seek ‘ever closer Union’—and its implicit premise that integration proceeds in lock-step or not at all—remains a goal for most EU member states. But EU members have also adapted EU mechanisms and procedures to account for many overlapping subsets of integration, from the euro and the Schengen zone to UK and Danish opt-outs of various policy areas, or special arrangements with Norway, Switzerland, Turkey and other countries. Reconciling Europe’s heterogeneity with the impulse toward integration, in short, is not alien to the European Union. With this in mind, consideration should be given to concept of associate membership, which could convey many but not all rights and obligations of full EU members, and tailor participation to areas of greatest progress and value. Legally, an associate member would be a member of the EU, with many, but not all, of the rights and obligations of EU membership. This approach could apply to a range of EU partners, and perhaps even be used by some existing members, such as the UK. This new form of EU membership could only be introduced by way of Treaty amendment, a prospect many member states dread. But some proponents argue that with the appropriate political will only a minor amendment to the Treaties would be needed to provide for the existence of the new concept, with the details to be worked out in the treaties with the countries concerned, supplemented perhaps by a general legal framework governing the new form of EU membership (to be adopted by the Council or European Council by unanimity, with the consent of the European Parliament).<sup>28</sup>

**Develop transatlantic complements to EU strategies.** In the end, only the EU can offer a conclusive framework anchoring east European countries to the West. But the United States can play complementary

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<sup>27</sup>The ENP Review has recommended consideration of cross-cutting partnerships between the EU, individual member states, accession countries like Turkey, other third countries and international organisations. Blockmans, *op. cit.*

<sup>28</sup>See, for instance, Andrew Duff, “The Case for an Associate Membership of the European Union,” <http://blogs.lse.ac.uk/euoppblog/2013/03/06/associate-eu-membership/>; Charles Grant, “Can variable geometry save EU enlargement?” Centre for European Reform, October 3, 2005, <http://www.cer.org.uk/publications/archive/bulletin-article/2005/can-variable-geometry-save-eu-enlargement>.

and supporting roles, not only via NATO but bilaterally and together with the European Union.

- **Consider U.S.-EU “Atlantic Accords”** with countries in the common neighborhood, joint political statements that can provide reassurance and greater substance to Western commitments to work with countries to create conditions drawing them closer, based on OSCE principles. As the sanctions with regard to Russian action on Crimea and the war in Donbas region have shown, U.S.-EU coordination gives Western policy more clout.
- **Consider a U.S. Black Sea Charter.** The United States might consider a Black Sea equivalent of the U.S.-Baltic Charter, the U.S. Adriatic Charter with Albania, Croatia and Macedonia, or elements of the Stability Pact for southeastern Europe. Such political framing documents can provide important reassurance to states in difficult transitions; affirm some basic principles that can guide efforts toward democratic transformation and regional cooperation; and widen the agenda of cooperation to such areas as health, environment, human rights, economic development good governance and resilience. A regional Charter could facilitate contacts among Ukraine, Moldova and Georgia, EU/NATO members Romania and Bulgaria, and NATO ally Turkey together with the United States.
- **Deepen NATO’s ties to the countries of the region via practical means that can advance reforms and project resilience forward, while affirming the Open Door principle.** The EU cannot replace the United States with regard to Europe’s security. NATO remains the main guarantor of European security, not only for its own members and partners, but as the most relevant actor with regard to stabilizing the security of countries within wider Europe. EU transformation policy with regards to democratization and reforms can only be successful if it is linked with security guarantees, and only NATO can provide such guarantees.

NATO’s invitation to Montenegro to join the Alliance in 2016 is an important affirmation that NATO’s door remains open. A similar effort should be made to unlock the political conflict among NATO allies that has prevented Macedonia from joining the Alliance. Looking further east, the situation is more difficult. Russian opposition is stronger, aspirants are weaker, and allies are distracted and divided. Allies remain divided in particular over membership prospects for Ukraine and Georgia, even though all

NATO allies have affirmed that the two countries will someday become allies.

With Ukraine in the midst of a turbulent transition and under siege, it would be a mistake to force the issue of membership now. More practical steps could be taken now to strengthen cooperation under the NATO-Ukraine Partnership in areas where there is mutual interest, while encouraging progress toward more open democratic institutions. Such activities include engaging on military reform; further developing crisis consultative mechanisms and ties in such areas as civil-military relations, democratic control of the armed forces, transparent military budgeting, armaments cooperation, joint exercises and defense planning. Through all the ups and downs since Ukraine's independence, Kyiv has consistently demonstrated an interest in working in partnership with NATO. It was the first CIS state to join the Partnership for Peace, has been one of the most active participants in its exercises, and the NATO-Ukraine Charter on a Distinctive Partnership gives Ukraine a unique status with the Alliance.

NATO should make the Partnership for Peace program as substantive as possible for reforming post-Soviet states. In making decisions about bilateral military assistance to post-Soviet states, NATO member states should be forthcoming, commensurate with foreseeable security threats.<sup>29</sup>

***Engage robustly within the OSCE.*** The Organization for Security and Co-operation in Europe (OSCE) occupies an important if often underrated place in Europe's security architecture. While groupings such as NATO and the EU gather countries in common cause, the OSCE gathers countries with disparate and conflicting claims and causes. At a time of military tension and growing possibilities for incidents, accidents and miscalculation, the OSCE can provide a common platform for mediation, dialogue, trust-building and verification measures and conflict prevention—if its members want it to.<sup>30</sup> Western countries should seek to make maximum use of the OSCE's possibilities, realizing that

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<sup>29</sup> See Herbst, *op. cit.*; Bond, *op. cit.*; Judy Batt, et al., *Partners and Neighbors: A CFSP for a Wider Europe*, Chaillot Paper No.64 (Paris: EU Institute for Security Studies, 2003).

<sup>30</sup> See Jaako Iloniemi, "Not Just Another Tea Party. The Lasting Value of the OSCE," in FIIA Finnish Foreign Policy Papers, No. 4, December 2015. Also Petri Hakkarainen and Christian Nünlist, "Trust and Realpolitik. The OSCE in 2016." Policy Perspectives Vo. 4, No. 1, January 2016, Center for Security Studies, ETH Zurich. ]

current tensions may make this difficult. Germany's 2016 as Chair-in-Office, followed by Austria, offer opportunities in this regard.

The OSCE is one of the international community's most important on-the-ground presences in the Ukraine crisis, through its Special Monitoring Mission, its Observer Mission at the Russian Checkpoints Gukovo and Donetsk, the Trilateral Contact Group, and the OSCE project coordinator in Ukraine.<sup>31</sup> It is likely to play a prominent role in the crisis' resolution or long-term management, much as it has done in the western Balkans.<sup>32</sup>

- OSCE members must provide adequate support for the OSCE's Special Monitoring Mission in Ukraine so it can focus both on security and humanitarian issues. The Special Monitoring Mission should, in keeping with its mandate, monitor and report on the entire territory of Ukraine. This requires the Mission to have unrestricted access to Crimea, which remains an integral part of Ukraine and the entire separatist regions. Unfortunately, Moscow continues to block the Observer Mission's efforts to fulfill its mandate to monitor and verify on both sides of the Ukrainian-Russian border and to create a security zone in the border areas of Russia and Ukraine. OSCE observers are denied access to the border because Moscow is still supplying troops, heavy weapons and ammunition across the Ukrainian-Russian border and does not want witnesses to these activities.<sup>33</sup>
- Local elections in certain areas of Donetsk and Luhansk under Ukrainian law and in line with OSCE standards must be monitored by the OSCE's Office for Democratic Institutions and Human Rights (ODIHR). As long as the conditions for free and fair elections under OSCE rules are not possible, OSCE should not be used to legitimize the separatists in any sense.

The OSCE can also be useful in addressing other issues.

- Western members should be vigilant to ensure that OSCE field missions, ODIHR, the Representative on Freedom of the Media, and the High Commissioner on National Minorities can effectively

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<sup>31</sup> Remler, *op. cit.*

<sup>32</sup> E. Wayne Merry, "Dealing with the Ukrainian Crisis. Transatlantic Strategy Dilemmas," IAI Working Paper 15/51. Rome. Istituto Affari Internazionali, December 2015.

<sup>33</sup> See "Russia 'still sending troops and weapons' to East Ukraine," AFP, February 2, 2016.

and independently perform the duties assigned to them by their mandates, and are provided with sufficient resources to do so.

- The OSCE plays a constructive role as a vehicle for civil society engagement. The German and Austrian Chairs-in-Office should encourage energetic expansion of such activities throughout eastern Europe. This could include efforts to strengthen OSCE monitoring of human rights and expand OSCE attention to minority issues to encompass newer minorities and refugees.
- The OSCE should make an effort to provide fresh impetus for the Nagorno-Karabakh peace negotiations in the OSCE Minsk Group, and establish a status-neutral field presence in Georgia with access to Abkhazia and South Ossetia.<sup>34</sup> These separatist conflicts should not be forgotten, they are fragile and new military conflicts can break out any time, as witnessed most recently by the resumption of hostilities between Armenia and Azerbaijan in April 2016.

*Encourage mentoring and good practice exchange.* Within or alongside these initiatives there is great scope for smaller groups of Western countries to ‘mentor’ regional partners. In fact, leadership by individual member nations or coalitions can be essential, since big institutions like the EU move slowly and operate by consensus. For instance, large-scale twinning between officials and agencies in Partnership and EU countries, as was done with earlier accession candidates, is important. The 3+3 initiative between the Baltic countries and the three South Caucasus states is another good precedent. These two groups of comparably-sized former Soviet republics, with much in common but great differences in experience, developed mechanisms to explore collaboration and build on lessons learned, using “lead nation” concepts within an informal common framework. The informal 8+1 format of the Enhanced Partnership in Northern Europe (EPINE) between the United States and its Nordic and Baltic partners offers orientation as another useful mechanism to engage on regional issues.

*Address the region’s festering conflicts.* An invigorated U.S.-EU strategy toward the common neighborhood must include active efforts to address the region’s festering conflicts — in Moldova (Transnistria), Georgia (Abkhazia and South Ossetia), and Armenia and Azerbaijan (Nagorno-Karabakh). The situation in the eastern Ukrainian regions of

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<sup>34</sup>Tiilikainen, et al., op. cit.

Luhansk and the Donbas could become a fifth such festering conflict. The West must be more engaged in conflict management and negotiations in all conflicts, and be attentive to Russian efforts to use these conflicts to influence or disrupt neighboring countries. The EU and the United States should not accept Moscow as the main broker in these conflicts. Doing so only serves to weaken the sovereignty of the post-Soviet states involved. Moreover, the pattern of Russian actions and tactics should cause Ukrainian, Moldovan and Western officials to consider that Transnistria in particular could become a further entry-point for Russian special forces and provocateurs into Mariupol and Odessa Oblast. It is conceivable that a combined Russian-Transnistrian force of 10,000-12,000 military personnel could be quickly mustered to threaten southwestern Ukraine.<sup>35</sup>

***Remain strongly engaged with the Balkan countries.*** Continued U.S. and European engagement remains essential if the Balkans are to continue along the path towards Europe's mainstream. The goal should be integration not only into the EU and Euro-Atlantic institutions, but also greater integration within the region. Croatia has joined the EU and NATO, and Montenegro has now received an invitation to NATO membership. But others are struggling. Serbia and Kosovo have made some progress in resolving their differences, but some EU member states do not recognize Kosovo's independence, damaging its ability to move forward and obstructing wider progress in the region. Greece continues to block progress with Macedonia due to issues surrounding its name. Bosnia and Herzegovina is mired in a swamp of corruption amidst squabbles among ethnically-based politicians; most reform efforts have gone nowhere. The Kremlin's influence in the area is strong and growing. The region still requires constant attention from both the EU and the United States to ensure that forward progress continues.

***Be strategic about energy.*** Energy is central to any coordinated Western strategy in and for the region. Russia is and will remain an important energy provider to Europe. The issue is not whether Russia

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<sup>35</sup> Robert Ledger, "Power, corruption and lies - the vortex of 'Frozen Conflict,'" Transconflict, November 11, 2015, <http://www.transconflict.com/2015/11/power-corruption-and-lies-the-vortex-of-frozen-conflict-111/>; Dumitru Minzarari, "Ukraine Taking Drastic Measures to Diminish the Risk of an 'Odessa People's Republic'", Eurasian Daily Monitor, August 14, 2014; Stefan Meister, "Reframing Germany's Russia Policy - An Opportunity for the EU," European Council on Foreign Relations, April 2014; Thomas Frear, "New Realities: The Ukrainian Approach to Transnistria," European Leadership Network, March 24, 2015, [http://www.europeanleadershipnetwork.org/new-realities-the-ukrainian-approach-to-transnistria\\_2569.html](http://www.europeanleadershipnetwork.org/new-realities-the-ukrainian-approach-to-transnistria_2569.html).



will continue to play this role, but under what conditions and to what extent Europeans want to be dependent on Russian supplies, and whether Russia is ready to accept the rules under which the European Energy Union and the 3rd energy package operates. Gazprom has been linking economic and political interests in the context of gas supplies for years, punishing some countries and favoring others pursuant to Kremlin policy directives.

- ***Enforce the EU's Third Energy Package and rules governing the Energy Community.*** We have seen some progress in this area over the past year. For example, Ukraine was able to purchase some gas via “reverse flow” of Russian gas sold to other European consumers; and suit has been brought against Gazprom for violating EU laws and statutes. Still, the EU has not insisted on full implementation of its energy policies, which would be useful to both Ukraine and Moldova. Gazprom must come to an agreement with the EU on competition. It cannot be given special carve-outs and exceptions. Russia must fully embrace market rules and the competition rules of the European Union as spelled out in the EU's Third Energy Package. Its plans to construct/export nuclear plants and its involvement in infrastructure development must not only correspond to EU technical requirements; contracts must be transparent, open, and void of graft.
- ***Facilitate greater U.S. energy supplies to Europe.*** Europe remains extremely interested in access to U.S. crude oil and LNG exports. In December 2015 the United States lifted a forty-year-old ban on exports of crude oil. Should the Transatlantic Trade and Investment Partnership, known as TTIP, be agreed and ratified, LNG exports would be liberalized. But that could take time. Washington should do what it can now to facilitate greater U.S. efforts to diversify Europe's energy imports. Licensing requirements for U.S. companies seeking to export LNG to NATO allies or EU member states should be eliminated. Investors and companies should be encouraged to examine possible participation in Europe's LNG infrastructure development, realizing that the private sector is likely to drive these activities.<sup>36</sup>

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<sup>36</sup>Skeptics point to higher Asian prices as a reason why such exports are unlikely. But such price differentials have narrowed and there is reason to believe they could narrow further. See Paolo Natali, Christian Egenhofer and Gergely Molnar, “TTIP and Energy,” in Daniel S. Hamilton and Jacques Pelkmans, eds., *Rule-Makers or Rule-Takers? Exploring the Transatlantic Trade and Investment Partnership* (London: Rowman and Littlefield, 2015)

- ***Invest in North-South and West-East infrastructure in Europe.*** The EU should develop its energy, telecommunications and transportation infrastructure along a North-South axis from the Baltic to the Adriatic Sea. Ukrainian gas storage capacity should be integrated into the corridor and the EU gas network. This North-South corridor would constitute the most strategically viable alternative to Russia's regional abuse of current energy supplies and supply routes, foster greater cohesion among central and east European states, undermine Russia's monopoly on energy pricing, and severely inhibit its ability to use energy as bargaining tool.<sup>37</sup> West-East interconnectors are also important to bring gas from Atlantic sources as well as from north Africa to central and eastern Europe.
- ***Help Ukraine.*** Russia must come to understand that its continued cooperation with Ukraine on gas transit is related to its ability to be a long-term partner for the EU. Brussels and Washington must support Ukraine in modernizing its pipeline infrastructure and to develop alternative sources of energy as well as energy efficiency. At the same time, Ukraine must become a transparent partner and introduce attractive conditions for competition and investment.
- ***Review Nord Stream 2.*** The European Commission should review plans for building a North Stream II pipeline for Russian gas to flow directly through the Baltic Sea to Germany and further via the OPAL pipeline to central and western Europe. If the pipeline violates basic principles underpinning the EU's 3rd energy package or the Energy Union, it needs to be stopped. If it fulfills all rules of unbundling and a competitive energy market, there is no reason to over-politicize it.
- ***Encourage Turkey to join the Energy Community.*** Turkey could take a significant step to further pan-European energy integration, grounded in EU principles and laws, as well as advance its own goals to accede to the European Union and to become a regional energy hub by becoming a full member of the Energy Community. Full membership is unlikely to be difficult. Energy Commu-

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<sup>37</sup>For more details and a comprehensive discussion of the EU's proposed North-South Corridor, see Atlantic Council, *Completing Europe: from the North-South Corridor to Energy, Transportation, and Telecommunications Union*, November 20, 2014, <http://www.atlanticcouncil.org/publications/reports/completing-europe-from-the-north-south-corridor-to-energy-transportation-and-telecommunications-union>; Jones, *op. cit.*

nity staff have judged Turkish compliance with the Energy Community Treaty already to be “legally synchronized.”<sup>38</sup> Remaining issues could be via phase-in periods and adaptations.

Turkey actively negotiated the Energy Community Treaty but joined only as an observer in November 2006. Ankara has been hesitant about full membership due to concern that it could delay the opening of the energy chapter in its EU accession negotiations. Yet full-fledged membership in the Energy Community would bring Turkey farther and faster, since membership entails not only full implementation of EU energy law, it includes full access to the EU internal energy market and would have a leverage effect on EU accession talks. Turkey’s membership would be another step diversifying Europe’s energy markets and linking the EU together with southeastern Europe to Black Sea partners Ukraine, Georgia and Turkey.<sup>39</sup>

- ***Facilitate the development of Caspian energy.*** In a global energy market that is becoming more competitive, the development and export of Caspian energy serves Western interests in increasing and diversifying sources of supply of energy. The West should encourage Caspian energy producers to offer more stable investment climates and pursue increased efficiency, such as by privatizing wasteful state energy companies. The international financial institutions and the West ought to find ways to increase the rewards for privatization of inefficient, corruption-prone state-controlled enterprises in the post-Soviet space and for offering more leeway for dynamic private sector development.<sup>40</sup>

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<sup>38</sup>Energy Community Secretariat, *Energy Governance in Turkey. Report on Compliance with the Energy Community Acquis*, October 1, 2015, [https://www.energy-community.org/portal/page/portal/ENC\\_HOME/DOCS/3894261/25824B882CF017E0E053C92FA8C0EE59.PDF](https://www.energy-community.org/portal/page/portal/ENC_HOME/DOCS/3894261/25824B882CF017E0E053C92FA8C0EE59.PDF)

<sup>39</sup>Ibid; Janez Kopac and Mehmet Ekinci, “Turkey as a member of the energy community,” *Daily Sabah*, February 17, 2015, <http://www.dailysabah.com/opinion/2015/02/17/turkey-as-a-member-of-the-energy-community>.

<sup>40</sup>Courtney, op. cit.

## Country-Specific Priorities

### *Ukraine*

Ukraine is the forefront of conflict with Russia and in the midst of a fundamental reorientation. The Ukrainian leadership faces several critical challenges. It must implement a coherent and sustainable domestic reform agenda, tackle rampant and widespread corruption, ensure its energy security, regain control over its eastern border and recover its eastern territories. Many Ukrainian elites and much of Ukrainian society have made a clear choice for change and reforms. This is an historic opportunity, but one that can be lost unless Western actors engage with Ukrainian partners to stabilize the country together.<sup>41</sup>

Ukraine must take the lead. While many reforms were introduced in 2015, much more work remains. Now that financial decentralization has been enacted, now more fundamental decentralization reforms are needed that give local and regional authorities more rights to solve their problems locally. This is not about “federalization”, as demanded by Russia with maximum autonomy for the separatist regions, it is about strengthening the principle of subsidiarity where it makes sense for the Ukrainian state.

A main priority is reform of the prosecution and courts. After the resignation of Prosecutor General Viktor Shokin in February 2016, a new start must be made, judges must be lustrated and new judges appointed in a reformed court system. Two major forces are blocking judicial reforms. The first are current judges, who widely oppose reform of the courts and have foiled many bottom-up efforts to reform the judiciary through self-governing bodies of judges. The second is the Presidential administration, which is not interested in judicial freedom, and is concerned that if it loses influence over judges, that influence could accrue to those who would use their control to target the President.

Energy reforms have advanced and must continue to enable a real market for gas and electricity to emerge.<sup>42</sup> The country's largely state-owned companies must be privatized where it makes sense in a competitive and transparent way. Civil service reforms must be implemented

<sup>41</sup> See Steven Pifer, “Taking Stock in Ukraine,” *The American Interest*, October 28, 2014, <http://www-the-american-interest.com/articles/2014/10/28/>; Anders Aslund, “Ukraine’s Old Internal Enemy,” *Wall Street Journal*, October 1, 2014;

<sup>42</sup> For specific recommendations, see Anders Aslund, “Securing Ukraine’s Energy Sector,” Atlantic Council Issue Brief, April 2016.

and budgets must be made transparent. Success in each of these areas is dependent on a serious anti-corruption campaign that involves civil society and stronger independent media. And in each area, Western assistance can make a difference.<sup>43</sup> Ukraine has been a member of the European Energy Community since 2011 and is integrating its energy market with the EU. It should abolish state control on transit pipelines, as have EU member states. Fees related to transit of Russian gas to the EU is an important source of corruption in Ukraine.

The war with Russia and its proxies produced 1.5 million internally displaced people, who have not received enough support. Western countries should provide immediately more serious support to meet their needs. They should also work with Kyiv to assess damage in the conflict zone with a view to reconstruction once the government reestablishes control in the Donbas.

Greater effort must also be made to reinforce Ukraine's capacity for self-defense. The United States has provided advanced radar systems, but more must be done. The West should provide Ukraine \$5 billion a year over five years for military equipment including anti-tank missiles, secure command and control communications, sophisticated drones, electronic countermeasures to jam enemy unmanned aerial vehicles, secure communications equipment, armored Humvees, medical support equipment, and anti-aircraft radar equipment to dissuade Moscow from using air power against Ukraine. The best way to support Ukraine in this field is to invest in its military industry, which has huge capacities from Soviet times but is lacking investment, modernization and clients. It could bring benefits to Ukraine in terms of labor and know-how and for Western companies if they would integrate Ukrainian companies in the production line. Ukraine can provide technology and help itself. Additional intelligence and surveillance capabilities should be deployed and additional training provided. NATO Trust Funds created at the Wales NATO Summit to focus on demining should be expanded to include training. None of these recommendations would present a territorial threat to Russia, but they would complicate Putin's ambitions regarding Ukraine.<sup>44</sup>

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<sup>43</sup> Herbst, *op. cit.*; Anders Aslund, "Seven Key Reforms for Ukraine in 2016," Atlantic Council, January 18, 2016, <http://www.atlanticcouncil.org/blogs/new-atlanticist/seven-key-reforms-for-ukraine-in-2016>.

<sup>44</sup> See Jones, *op. cit.*; Herbst, *op. cit.*; Ian Brzezinski, *op. cit.*; Steven Pifer, "Russian Aggression against Ukraine and the West's Policy Response," Testimony to the U.S. Senate Foreign Relations Committee, Subcommittee on Europe and Regional Security Cooperation, March

### *Moldova*

Moldova is one of Europe's poorest countries. It has been mired in a political crisis for most of the past decade, most recently by a spectacular scandal in which top politicians from the Alliance of European integration government was implicated in plundering the country's banks of \$1 billion, or roughly 15 percent percent of the economy. Endemic corruption has thoroughly infected business and politics and created fertile ground for criminal networks, many with Russian ties, that are engaged in a wide range of illicit activities, including efforts to provide the Islamic State and al-Qaeda with radioactive material.<sup>45</sup> Frustrated with leaders that called themselves pro-European and were supported by Brussels, civil society activists formed a Dignity and Truth movement in winter 2015 as the population's trust in "pro-European" forces has faded.<sup>46</sup> Media portrayals of the situation in Moldova as a clash between pro-European and pro-Russian factions are overly simplistic and ultimately misleading. Unfortunately, most Moldovan elites have tended to follow the political path that has promised greater opportunity for corruption and rent-seeking. Currently there is no serious partner for the West except for fragmented parts of the opposition and weak civil society.

Moldova's most recent scandal underscores that Western partners must support reforms rather than particular governments. There is a need for a much more strict conditionality. No additional financial support should be forthcoming without reforms. Western actors should invest more in building ties with a new generation of reform-oriented politicians. If a more credible partner emerges, Western partners should engage more directly, for instance through a rule of law mission to

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4, 2015; Ivo Daalder, Michele Flournoy, John Herbst, Jan Lodal, Steven Pifer, James Stavridis, Strobe Talbott and Charles Wald, *Preserving Ukraine's Independence, Resisting Russian Aggression: What the United States and NATO Must Do*, Atlantic Council/Brookings/Chicago Council on Global Affairs, 2015, [http://www.brookings.edu/~media/Research/Files/Reports/2015/02/ukraine-independence-russian-aggression/UkraineReport\\_February2015\\_FINAL.pdf?la=en](http://www.brookings.edu/~media/Research/Files/Reports/2015/02/ukraine-independence-russian-aggression/UkraineReport_February2015_FINAL.pdf?la=en).

<sup>45</sup> See Desmond Butler and Vadim Ghirda, "AP INVESTIGATION: Nuclear black market seeks IS extremists," October 7, 2015, <http://bigstory.ap.org/article/6fd1d202f40c4bb4939bd99c3f80ac2b/ap-investigation-nuclear-smugglers-sought-terrorist-buyers>; Kelly Davenport, "Illicit Traffickers Arrested in Moldova," Arms Control Today, January/February 2015, [https://www.armscontrol.org/ACT/2015\\_0102/News-Briefs/Illicit-Traffickers-Arrested-in-Moldova](https://www.armscontrol.org/ACT/2015_0102/News-Briefs/Illicit-Traffickers-Arrested-in-Moldova).

<sup>46</sup> See Igor Boțan, "Letter From Chisinau," Carnegie Europe, December 4, 2015, <http://carnegieeurope.eu/strategieurope/?fa=62180>; Richard Martyn-Hemphill, "Moldova's Maidan," *Politico Europe*, October 1, 2015, <http://www.politico.eu/article/moldovas-maidan/>.

monitor and assist in implementing reforms on the ground, direct participation in the selection process for the heads of key judicial, law enforcement, and regulatory bodies, financially supporting significant pay rises for higher officials in return for more objective selection, evaluation and promotion procedures; and employing professionals from the EU—through awarding the citizenship—as Moldovan officials in key functions. Civil society should not become part of the government but should maintain vigorous oversight. The EU should help civil society monitor the success and failure of reforms and improve communication with Moldovan society. This could strengthen the role of civil society actors vis-a-vis the government and give the EU more information about the real implementation of reforms. Perhaps the biggest boost to improved relations between Chisinau and the people of Transnistria, and the strongest argument within Transnistria against independence from Moldova, was their inclusion in the visa free travel under the Association Agreement with the EU.

The West should invest more in development projects in the ethnic region of Gagauzia. It should have an eye on how the Moldovan government treats its minorities, because the policy towards Gagauzia is important for how the Transnistrian conflict will be solved. It can either be treated as a good practice example or as a showcase of failed leadership.

### *Georgia*

The United States and the EU should give priority to encouraging the development of strong democratic institutions and strengthening civil society. Both NATO and the EU should state their commitment to the principle of the Open Door, underscoring that the most immediate focus should be political and economic reform to create conditions by which integration into the European and Euro-Atlantic mainstream may be possible. The United States and its European partners should continue to insist that Russia withdraw its troops from Georgian territory, as called for in the ceasefire that Moscow signed ending the 2008 war Five Day War. They should be prepared to respond with sanctions if and when Moscow decides to move the demarcation line separating South Ossetia and the rest of Georgia deeper into Georgia. They should consult with Georgia on its military needs, consider increasing training programs, plot out a regular stream of port visits in the Black Sea, including to Batumi and Odessa, and reassure Tbilisi that they will never accept Abkhazia and South Ossetia as independent states. At the

same time, they should also move away from the policy of total isolation of that has pushed both entities so deeply into the Russian orbit, and redouble their efforts at “engagement without recognition,” particularly with Abkhazia. Economic, political, and cultural engagement and societal connections have the potential to transcend political barriers, making them more permeable. The aim of EU and North American policymakers, together with Georgia, should be to encourage establishing a wide variety of contacts through which the Abkhaz can better understand Western priorities and political values while offering a real alternative to dependence on Russia. Over the medium term, the nature and degree of these contacts could be adjusted or even explicitly tied to an actual status process or certain reconciliation initiatives with Georgia. Once an array of international links has been created, the West will have considerably more leverage over Abkhaz actors in future status negotiations than they do now.<sup>47</sup>

- First, travel restrictions should be loosened and regulated in new ways. UN-sponsored, politically neutral travel documents should be issued to break the deadlock between each side over recognition of passports. The UNMIK Travel Document was used successfully in Kosovo from 2000-2008 to enable residents to travel who were unable to obtain a Yugoslav (Serbian) passport. The issuance of a similar UN-sponsored document to residents of Abkhazia, in combination with a coordinated recognition of the document by the EU and other Western actors, would give Abkhazians a valid travel option without the tacit acquiescence of Russian authorities. With such documents in hand, tourist visas should be possible for many countries. Abkhaz officials and civil society representatives should be able to visit Western capitals to participate in discussions relating to the future of their region. Abkhaz NGOs have played an important role in supporting the free press and in the creation of civil society within Abkhazia and must be able to sustain contacts with the outside world. Abkhaz students and young professionals should have opportunity to study and engage in professional exchanges.

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<sup>47</sup> See Alexander Cooley and Lincoln Mitchell, “Engagement without Recognition: A New Strategy toward Abkhazia and Eurasia’s Unrecognized States,” *Washington Quarterly*, Vol. 33, No. 4, 2010.



- Fewer travel restrictions for Abkhazians would open up the possibility of greater trade with the region, lessening the region's total reliance on Russia.

### *Armenia, Azerbaijan and Belarus*

The West's common neighborhood strategy must not forget these three states. Ongoing cooperation with Baku on energy and security matters is very much in the interests of the West but it needs to be much more balanced with human rights policy like in the case of Russia. The West cannot ignore human rights problems in Azerbaijan and not subsume its interests in human rights to its energy interests. Western credibility is threatened when vocal criticisms are made of Russian practices that challenge or threaten basic human rights but relative silence greets what arguably have been even more aggressive attacks on critics and opposition circles in Azerbaijan. While Belarus has recently released political prisoners after a wave of arrests in 2010, in Azerbaijan activists still getting arrested, disappear, or are tortured. A consequent human rights policy is in the interest of the West.

At the same time, energy relations and security in the region are also in the interest of the West. Recent tensions between Ankara and Moscow over Syria may mean that Turkey might be more willing to bolster Azerbaijani and Georgian security. There is already a practice of these countries meeting in a trilateral forum. The United States and NATO should encourage this and explore with Ankara what additional measures it might be willing to take in this area. Such cooperation could remind Moscow that there might be additional costs to further aggression in the south Caucasus.

The West should also underscore its interest in better relations with Armenia, including progress toward a new Partnership and Cooperation agreement with the EU. The EU and Armenia have initiated negotiations on a new framework agreement for their relations, which may provide an opportunity to deepen relations. Although Armenia has decided for integration with EEU, there is an ongoing interest by the elites and broader society for good relations with the EU. Armenia was a forerunner in many reform areas in the context of Eastern Partnership.<sup>48</sup> Armenia has a developed and Europeanized civil society. The

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<sup>48</sup>C.f the results of the EaP-Index of the Renaissance foundation of the last years: <http://eap-index.eu/armenia2014>. See also John Herbst's chapter in this volume.

EU should invest more in social ties and needs a long-term strategy to overcome the isolation of the country.

Turkey is crucial as the main partner of Azerbaijan in the Karabakh conflict. The growing authoritarian tendency under president Recep Tayyip Erdogan makes any solution of the conflict less likely. A growing interest and engagement of the EU in Turkey could help to strengthen those groups who are interested in the “Europeanization” of Turkey. Therefore the refugee crisis and Turkey’s key role might help to increase the rapprochement with the EU.

### *Belarus*

Belarus is the most problematic case in the common neighborhood because it is the most isolated country from the West and depends very much on Russian subsidies. At the same time the current improvement of Belarusian-European relations, caused by the Ukrainian crisis and geopolitical tension between the West and Russia, has reopened a dialogue between Minsk and Brussels entitled the “Interim Phase” of cooperation (or “Dialogue on Modernization”). As Russia’s economic problems have intensified and threatened to drag down Belarus’s economy, Lukashenko has sought to distance himself from Moscow and cultivate closer ties to the EU. The EU agreed to suspend most sanctions against Belarus in an attempt to encourage further gestures toward liberalization on Lukashenko’s part. Whether this approach succeeds remains to be seen. Lukashenko’s record does not give cause for optimism. Yet there is little to be lost and perhaps something to be gained by further improving the dialogue with the Belarusian authorities on relations with the West and the situation in the region. Lukashenko would welcome that as at least a small card to play as he tries to fend off Kremlin plans to establish a military base in his country.

- ***Create a ‘Shadow’ Eastern Partnership for Belarus.*** Informal efforts to demonstrate what the EU could bring to Belarus are dated and lack appropriate detail. The time might be right for developing a more precise and content-focused document to spell out more courageously what the EU can offer to Belarusian citizens and what would be involved in taking cooperation forwards. Belarus will be a test case for a revitalized Eastern Partnership and in particular for the European Endowment for Democracy and its

mission to offer support for civil society groups with pro-democracy credentials banned by the governing regime.<sup>49</sup>

- ***The economy offers the biggest opportunity to reduce the dependency of the Belarusian economy from Russia and increase Western influence***, because Belarus is in a deep economic crisis and needs a change of the system. There is a need for expanding investment opportunities in key sectors of the Belarusian economy to drive growth and innovation; providing technical and fiscal assistance to reform and modernize the main branches of industry; intensifying and deepening bilateral trade and economic cooperation and creating favorable conditions for small and medium-sized enterprise; developing the transport and logistics sectors; promoting a sustainable low-carbon economy and energy efficiency; strengthening cooperation in the areas of innovation and advanced technology, R&D and space; ensuring the judiciary's effective functioning and fighting corruption; developing people-to-people contacts; and strengthening civil society dialogue to promote the participation of individuals and businesses.

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<sup>49</sup>Leigh, op. cit.

### 3. What the West Must Do for Itself

Eastern policy begins at home. The best way the United States and its European partners can act together vis-a-vis Europe's east is by getting their respective acts together in the West. The EU's seeming inability to deal with challenges to its unity and its vibrancy threatens to drain U.S. confidence in Europe and its institutions and derail American support for major transatlantic policy initiatives. Similarly, if the United States proves unable to revive its economy and break its debilitating political deadlocks, Washington is unlikely to be the type of consistent, outward-looking partner that Europeans need and want. Economic and political turmoil at home also undermines the influence of the United States and Europe elsewhere, since the normative appeal and continued relevance of Western models for others depends heavily on how well they work for their own people.

Andrey Kortunov makes the point:

...long term Russian attitudes towards Europe and even the West at large will, to a large extent, depend on the success or failure of the European project. For centuries, educated Russians looked to the West in search of modernisation patterns, best social practices, and intellectual inspiration. Today many critics of the EU in Russia argue that the European project is doomed, that Europe is losing its competitive edge, and that the future belongs to other regions and continents. I hope that Europeans can prove these critics wrong.<sup>50</sup>

That is why Putin's challenge is as much about the West as it is about Russia. If we stand up for our values and give fresh life to our mutual commitments, Putinism will fade. The more people in Western societies feel secure about their own prospects, the more confident they will be about reaching out to those in Europe's east. And the more robust our community, the better the chance that the people of the common neighborhood will find the courage they will need to make hard choices for reform.

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<sup>50</sup>Andrey Kortunov, "How not to talk with Russia," European Council on Foreign Relations, April 1, 2016, [http://www.ecfr.eu/article/commentary\\_how\\_not\\_to\\_talk\\_with\\_russia\\_6053](http://www.ecfr.eu/article/commentary_how_not_to_talk_with_russia_6053).

In short, while we must deal with Russia realistically, and craft more proactive efforts with the countries of the common neighborhood, there is also much we must do for ourselves.

***NATO: In Area or In Trouble.*** NATO's old mantra was "out of area or out of business." Today's mantra must be "in area or in trouble." Collective defense is back.

***Build "full spectrum" deterrence.*** Deterrence has become more complicated and its scope much broader than during the Cold War. NATO allies and partners face an authoritarian challenge from Russia to their east and extremist challenges to their south. As Russia has challenged the West, it has used its full spectrum of integrated tools to invade neighboring countries, annex their territory, intimidate them via energy cutoffs and nuclear saber-rattling, generate insurgencies abroad via irregular forces, initiate surprise conventional force exercises, wreak havoc on air traffic; and exploit societal differences and generate political and economic instability within NATO member and partner states. Deterrence south of NATO is in many ways even more complicated when it comes to threats posed by Iranian missiles, attacks on Turkey by Syria, barbaric practices of the Islamic State, mass migration, and the instability that flows from failing and failed states. Many of these challenges are not NATO's alone, but they are NATO's as well.

NATO has been unprepared to deal effectively with many of these interrelated issues. Russia's actions have exposed gaps in NATO deterrence and highlighted potential new gaps to come. Crimea-style tactics, which are localized, low-intensity and quick, are designed to be just below the threshold of triggering the commitment of NATO Allies to mutual defense in response to armed attack, as provided in Article V of the North Atlantic Treaty. NATO is neither structured militarily nor disposed politically to handle such challenges. Moreover, new doctrinal and technological challenges could further impair NATO's physical ability to defend NATO members under attack.<sup>51</sup>

If Russia can poke a hole in Article 5, it would like to do so. The Alliance must adjust by expanding the way it has come to think about deterrence in the Cold War and by reemphasizing its importance. Strengthening deterrence and assurance requires NATO to raise the

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<sup>51</sup> For a critique, see Edward Lucas and A. Wess Mitchell, "Central European Security After Crimea: The Case for Strengthening NATO's Eastern Defenses," Center for European Policy Analysis, March 25, 2014.

costs to Russia for bad behavior, establish a more robust military posture in NATO's center and east, develop strategies to counter Russia's approach to conflict, and help non-NATO states on Russia's periphery improve their resilience to Russian pressure and efforts at destabilization.<sup>52</sup> What NATO Secretary General Jens Stoltenberg has referred to as "Full Spectrum Deterrence" must be designed to deal with the full panoply of Russian provocations from low level hybrid warfare through nuclear blackmail. It requires a mix of new and old deterrent and defense instruments that can be applied 360 degrees around NATO's borders. It will require the Alliance to be able to dissuade and deter threats to its members, from whatever source, while also reassuring allies and being prepared and to defend all parts of the Alliance. NATO needs to become more agile, flexible, mobile, and creative. This will require cultural change.

The Obama administration's intention to quadruple its funding for Washington's European Reassurance Initiative<sup>53</sup> represents a significant upgrade of U.S. engagement in European security and will expand persistent rotational presence of U.S. air, land and sea forces in central and eastern Europe, enable more extensive U.S. participation in exercises and training, enhance prepositioned equipment stocks to reduce force deployment times and facilitate rapid response to potential contingencies, improve infrastructure, and further build the capacity of allies and partners to defend themselves and join with U.S. forces in responding to crises in the region. NATO has already taken a series of significant military steps since the Wales Summit to move in this direction. More are needed.

*Enhance defense and deterrence in NATO's east.* In the 1997 NATO-Russia Founding Act, "NATO reiterates that in the current and foreseeable security environment the Alliance will carry out its missions" through means other than "by additional permanent stationing of substantial combat forces." Russia's takeover of Crimea and intervention in Ukraine alter the security environment foreseen in 1997.<sup>54</sup> Russia is

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<sup>52</sup> Bernstein, op. cit.

<sup>53</sup> In June 2014 President Obama announced the ERI to increase U.S. force presence in Europe, expand exercises and training with NATO allies and partners, and augment prepositioned equipment for use in joint exercises. See "Fact Sheet: The FY2017 European Reassurance Initiative Budget Request," The White House, <https://www.whitehouse.gov/the-press-office/2016/02/02/fact-sheet-fy2017-european-reassurance-initiative-budget-request>.

<sup>54</sup> "Founding Act on Mutual Relations, Cooperation and Security between NATO and the Russian Federation signed in Paris, France," NATO website May 22, 1997.

doing nothing to create a Europe “without dividing lines or spheres of influence limiting the sovereignty of any state.”<sup>55</sup> Measures beyond NATO’s Readiness Action Plan can be implemented which would further enhance deterrence, not violate the letter of the Founding Act and not give Russia any pretext for taking further counter-measures.

Numerous steps have been taken since Russia’s annexation of Crimea to reinforce NATO’s will to implement its Article 5 collective defense clause, reassure NATO’s eastern allies, and deter Russia from taking aggressive steps on NATO territory. They range from creation of a so-called “Spearhead Force” (Very High Readiness Joint Task Force, VJTF) able to deploy on short notice at the head of a more capable NATO Response Force (NRF), boosting the size of the NRF from 19,000 to 40,000 soldiers; the adaptation and expansion of NATO’s German-Danish-Polish Multinational Corps Northeast in Szczecin (Poland), stockpiled military equipment in front line states, reinforced Baltic Air Policing and NATO AWACS missions over Poland and Romania, as well as deployment of eight permanent multinational reception bases (NATO Force Integration Units) in the Baltic states, Poland, Romania, Bulgaria, Hungary and Slovakia to facilitate VJTF operations and coordinate delivery of reinforcements, Enhanced Standing Naval Forces and persistent naval deployments in the Baltic and Black Seas, and ambitious NATO exercises.<sup>56</sup> At present, the United States provides one company in each of the Baltic states and Poland on a persistent rotational basis. Germany and the United Kingdom have also committed to deploying rotational forces in the Baltic states and Poland for longer periods and on a regular basis. European allies have been deploying rotational forces on an ad hoc basis, for one- or two-month drills.<sup>57</sup>

Nonetheless, stronger measures must be adopted, including at NATO’s Warsaw Summit in July 2016.

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<sup>55</sup> *Ibid.*

<sup>56</sup> For a recent review, see Rainer L. Glatz and Martin Zapfe, “NATO Defence Planning between Wales and Warsaw. Politico-military Challenges of a Credible Assurance against Russia,” *Stiftung Wissenschaft und Politik*, January 2016, [http://www.swp-berlin.org/fileadmin/contents/products/comments/2016C05\\_glt\\_Zapfe.pdf](http://www.swp-berlin.org/fileadmin/contents/products/comments/2016C05_glt_Zapfe.pdf)

<sup>57</sup> Piotr Szymanski, “Between continuation and adaptation: The Baltic states’ security policy and armed forces,” *OSW Commentary*, November 24, 2015, <http://www.osw.waw.pl/en/publikacje/osw-commentary/2015-11-24/between-continuation-and-adaptation-baltic-states-security>.

- ***Forward deploy NATO multinational forces in the Baltic region on a rotational basis, starting with a Multinational Battalion in each of the Baltic states and in Poland.*** Those Multinational Battalions might be composed of the one U.S. infantry or armor company already deployed rotationally in each of these nations, a second company from a major European ally (e.g. UK, Germany, France), and a third company drawn from the host country, combined with a host nation battalion headquarters elements and multinational logistics. Such a multinational force would have sufficient fighting capabilities to remove any Russian doubt that the full Alliance would respond to any provocation, ranging from the ability, in conjunction with national defense forces, to counter a limited incursion to the ability, in the unlikely event of a robust attack, to be able to delay the opposing forces until allied reinforcements arrive.<sup>58</sup> At the same time, the relatively modest size of these forward deployments and the fact that they would be rotational rather than permanent makes the initiative completely consistent with the NATO Russia Founding Act. These three multinational battalions should be commanded by a multinational brigade headquarters in an appropriate location in one of these four states.
- ***The United States should move towards the deployment of four Brigade Combat Teams (BCTs) in Europe.*** That was the deployment profile a decade ago. The United States is already moving in this direction. Two BCTs are stationed permanently in Europe today, the 173rd Airborne Brigade Combat Team (ABCT) in Italy and the 2nd Cavalry Regiment in Germany. A third BCT will now be deployed from the United States to NATO states in eastern Europe on a continuing 'heel-to-toe' rotational basis for the foreseeable future. A fourth U.S. Army heavy BCT equipment set is slated to be prepositioned in Europe within the next few years. It will be placed in operational-ready storage for short notice contingencies. Progress towards this last mentioned requirement must stay on track over several budget cycles. It will need to be kept a high priority.
- ***Enhance NATO's current framework nation approach*** by prepositioning, development of reception and other logistics requirements, and the establishment of an additional maritime framework for the Baltic.

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<sup>58</sup>A combat brigade of 3,000 troops is basically comprised of multiple battalions, three of which are fighting battalions of either infantry or armor. A battalion is comprised of companies, three of which are its fighting infantry or armor companies.



- ***Empower the SACEUR*** to make rapid troop deployments. Russia's reliance on strategic surprise and hybrid warfare poses acute risks for NATO allies. They fear a Russian snap exercise that could potentially result in encroachment on their territorial sovereignty. To counter this threat, NATO must empower the SACEUR to employ his best military judgment and order rapid troop deployments in the interest of Alliance security.<sup>59</sup>

***Strengthen NATO's Conventional and Special Operations Forces (SOF)***. At Warsaw, the Alliance should set specific and higher goals for deployable and sustainable European conventional forces. European conventional forces have been badly depleted by budget cuts and stability operations in Afghanistan. Now there is a greater demand for higher intensity capabilities. The number of European ground forces now available for NATO operations can be measured in brigades rather than divisions.

NATO's SOF mission is more important than ever, both for hybrid threats from Russia and to deal with instability in the south. Nations should be encouraged to sustain their investment in SOF capabilities as a priority even with tight budgets. This has to include funding participation in NATO as well as bilateral and multilateral SOF exercises.

***Meet the anti-access area denial challenge.*** A major element in deterring Russian aggression against NATO will be the Alliance's ability to deal with the so-called anti-access area denial (A2/AD) problem without creating disunity in the alliance. A2/AD relates to the fact that forward deployed Russian missiles and aircraft can control areas along the NATO-Russian border in ways that would make initial defense and subsequent reinforcement of occupied NATO territory very difficult.<sup>60</sup> The steps needed to counter this Russian capability could be seen by some allies as provocative and make a consensus NATO response difficult. Nonetheless, NATO must take the steps that are necessary to defend its territory. Russian bases in Kaliningrad, Crimea, and on Russia's northern periphery provide Moscow with the opportunity to make NATO access to parts of the Baltic, Black and Arctic Sea difficult. Actually executing such a plan would ultimately prove folly for Russia, however, since it would surely lead to conflict with unpredictable conse-

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<sup>59</sup>Jones, op. cit.

<sup>60</sup>For more, see Lucas and Mitchell, op. cit.

quences. Designing a viable response to the Russian A2/AD problem will need to be a priority item for NATO.

*Design new NATO maritime capabilities.* NATO's maritime flanks, stretching from the High North, through the Baltic Sea, and down to the Black Sea and the Mediterranean, have become direct friction zones between the alliance and an assertive Russia. In 2015 Russia also demonstrated its growing maritime power by firing cruise missiles from surface warships in the Caspian Sea against targets in Iraq and launching missiles from a submarine in the Mediterranean against targets in Syria. While conducted in the context of Russia's intervention in the Middle East, the potential of these capabilities should not be lost on NATO's members. Russia's vastly increased naval activity is underpinned by an ambitious naval modernization program, which is part of Moscow's long-range modernization effort that was begun in 2008. In the maritime context, the northern fleet (where Russia's submarine-based nuclear deterrent can be found) and the Black Sea fleet have received the bulk of new and future investments, including new submarines and guided missile surface warships. Russia also recently released an updated maritime strategy charting a further build up in the Arctic, as well as access to the Atlantic Ocean. Moreover, much of Russia's new assertiveness is expressed in the maritime domain, with close and dangerous encounters, shows of force, harassment of civilian ships, A2/AD capabilities, and probable submarine incursions deep into the territorial waters of NATO allies and partners.<sup>61</sup>

While maritime challenges are clear and urgent, NATO has to date found itself poorly equipped and oriented to deal with them. Its 2011 Allied Maritime Strategy places a strong emphasis on crisis management and counter non-state challenges that threaten commerce and flows across the global maritime domain. It says comparatively little about maritime forces' contribution to collective defense and deterrence, and what the alliance needs to do to safeguard its interest in the maritime domain made more competitive and contested by regional and global powers. In order to better prepare the alliance and its members for a contested, congested, and competitive maritime domain NATO and its leaders should consider the following:

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<sup>61</sup> For more on these and related recommendations, see The Washington NATO Project, *Alliance Revitalized* (Washington, DC: Center for Transatlantic Relations, Atlantic Council, Center for a New American Security, German Marshall Fund of the United States, Center for Strategic and International Studies, 2016).

- Revise the Alliance Maritime strategy to better focus alliance efforts on collective defense and deterrence in the maritime domain.
- Focus on high-end maritime capabilities including anti-submarine warfare, surface warfare, strike from the sea, and amphibious operations.
- Consider how maritime forces can become more survivable and contribute to breaking A2/AD capabilities.
- Create a NATO Black Sea fleet composed primarily of regional allies and perhaps an American contribution.
- Create a NATO consortium to enhance maritime domain awareness that would draw together and pool national assets.
- Organize frontline maritime powers in order to provide a “first response” capability in case of a crises or war.
- Serve as an advocate for good order at sea.

***No excuses burden-sharing.*** East European NATO members have taken the lead in defense spending increases, and Poland has announced plans to double the size of Poland’s army. Other NATO countries are also turning their defense expenditures around. Germany approved a 4.2 percent increase in defense spending for 2016. Britain reversed its planned cuts to stay roughly at the 2 percent pledge and will maintain its armed forces at 82,000. France’s President has pledged to increase French defense spending by 12 percent by 2019. Overall, however, the United States continues to account for the lion’s share of NATO’s defense expenditures. Increased contributions from member states is essential for NATO to have the resources to meet its challenges.

***Make use of Partnerships.*** Russian actions in Ukraine have intensified Sweden and Finland’s interest in closer cooperation with NATO, and given new impetus to the debate regarding possible Swedish and Finnish membership in NATO. Each country signed a host-nation support agreement with NATO at the Wales summit, indicating the readiness to receive assistance from Allied forces and to support them with their military assets, such as ships and aircraft, and NATO deepened its partnership with each country through an Enhanced Opportunities Program. The two countries have also solidified their own defense and security cooperation. Sweden and Finland are increasingly important to NATO’s defense planning and offer critical links for operations involving the Baltic states. Moscow has stepped up efforts to undo this coop-

eration, including through tactics of harassment and intimidation. If Moscow's effort is successful, it would not only decrease security in the Nordic-Baltic region but weaken NATO's credibility more broadly. Thus, there is an important linkage between Nordic-Baltic security and the broader security challenge posed by Russia's actions in Ukraine.<sup>62</sup>

- ***NATO should consider a further step by designating both countries as Premier Interoperable Partners (PIP)*** that could bring each into the Readiness Action Plan, include them in the VJTf, and provide for structures and regular consultations at the political military and intelligence levels with the North Atlantic Council, the Military Committee, the International Staff and the International Military Staff. This would occur routinely on all levels, including ministerials and summits. These would not be plus-one models, but a practical and regular part of doing business at NATO headquarters, the Supreme Headquarters Allied Powers Europe (SHAPE) and at the Allied Command Transformation (ACT) in Norfolk.
- ***Extend Nordic Baltic Defense Cooperation (NORDEFCO) to the Baltic states.*** This would cement the prominent role of Sweden and Finland as premier partners of NATO, strengthen the NATO aspect of Nordic-Baltic security, and facilitate security cooperation with the United States. The focus would be on defense planning, professional military education cooperation and training facilities, exercises, and defense capacity building.

***Maximize Resilience.*** Transboundary arteries criss-crossing countries to connect people, data, ideas, money, food, energy, goods and services are essential sinews of open societies, daily communications, and the global economy. Yet they are also vulnerable to intentional or accidental disruption. Each in their own way, terrorists, energy cartels, illicit traffickers, cyber-hackers, internet trolls and “little green men” all seek to use the arteries and instruments of free societies to attack or disrupt those societies. Governments accustomed to protecting their territories must now also focus on protecting their connectedness. New approaches are needed that blend traditional efforts at deterrence and defense with modern approaches to resilience—building the capacity of societies to anticipate, preempt and resolve disruptive challenges to their critical functions. the networks that sustain them, and the connections those networks bring with other societies.

<sup>62</sup> See Andrew Michta, “Putin Targets the Scandinavians,” *The American Interest*, November 17, 2014; Larrabee et. al, op. cit.

- ***NATO allies should each make a Pledge on National Resilience*** at the 2016 Warsaw Summit pursuant to Article 3 of the North Atlantic Treaty, whereby allies commit to “maintain and develop their individual and collective capacity to resist armed attack.” This pledge would encompass protection of civilians and infrastructure; maintaining essential government functions and values; protecting and defending cyberspace; modernizing resilience capacities; and promoting transatlantic resilience across the Alliance.
- ***Make Resilience a Core Task of NATO.*** A key element of Russia’s strategy is the use of strategic surprise and hybrid threats to take advantage of weak states. Extremist threats from the south also challenge the fabric of Western societies. Greater societal and defense resilience can be an important component of an effective response. Creating a higher degree of resilience in vulnerable societies makes it more difficult for state or non-state actors alike to disrupt and create the instability they need for their success. Societies deemed indefensible in traditional defense terms can be rendered indigestible through resilience. Adding resilience as a core task would complement NATO’s current core tasks of collective defense, cooperative security, and crisis management. Initial activities could include the following:
  - ***Allies focused on the east should establish a working group*** to coordinate critical overlapping civil authority functions with an initial focus on the development of resilience to hybrid threats and strategic communications.
  - ***Develop Resilience Support Teams,*** small operational units that could offer support to NATO member national authorities in such areas of emergency preparedness including assessments; intelligence sharing, support and analysis; border control; assistance to police and military in incident management including containing riots and other domestic disturbances; helping effectuate cross-border arrangements with other NATO members; providing protection for key critical infrastructures including energy; and, in the cyber arena, support to and enhancement of NATO’s Cyber Response Team. In certain countries, Resilience Support Teams could be collocated with NATO Force Integration Units, and help national responses with NATO military activities including especially special operations activities.
  - ***Increase support to NATO’s Cooperative Cyber Defense Center of Excellence*** in Estonia, assist potential targets of cyber warfare in increasing their individual cyber security, and lead NATO in drafting a clear policy on responding to cyber attacks.

- *Develop a more robust strategic communications strategy* to address Russia's information operations, particularly where Moscow seeks to exploit social and political differences in allied states, including those with sizable ethnic Russian or Russian-speaking populations.
- *Reinforce NATO's pledge with a U.S.-EU Solidarity Pledge*, a joint political declaration that each partner shall act in a spirit of solidarity — refusing to remain passive — if either is the object of a terrorist attack or the victim of a natural or man-made disaster, and shall work to prevent terrorist threats to either partner; protect democratic institutions and civilian populations from terrorist attack; and assist the other, in its territory, at the request of its political authorities, in the event of a terrorist attack, natural or man-made disaster.
- *Project resilience forward.* The United States and its European partners share a keen interest in ensuring the societal resilience of other countries, particularly in wider Europe, since strong efforts in one country may mean little if neighboring countries, with which they share considerable interdependencies, are weak. Russia's hybrid efforts to subvert Ukrainian authority are but the latest examples of this growing security challenge. The U.S. and its partners should share societal resilience strategies with allies and partners, and

Through a strategy of 'forward resilience,' the United States and its partners would identify—very publicly—their resiliency with that of others, and share societal resilience approaches and operational procedures with partners to improve societal resilience to corruption, psychological and information warfare, and intentional or natural disruptions to cyber, financial and energy networks and other critical infrastructure, with a strong focus on prevention but also response. Forward resilience would also enhance joint capacity to defend against threats to interconnected domestic economies and societies and resist Russian efforts to exploit weaknesses of these societies to disrupt and keep them under its influence.

*Engage Turkey.* Any effective strategy for wider Europe will have to include a special track for Turkey, an important Black Sea state and NATO ally, which is part of the West but not of the EU, and which has its own particular perspectives on the desirability and feasibility of transatlantic approaches to wider Europe, including the wider Black Sea region. Traditionally, Turkey has been skeptical of initiatives to extend

Western presence in the wider Black Sea area. It has preferred to protect maritime security in the region through Black Sea Harmony, its own multilateral initiative, than through NATO. It is particularly concerned that such activities could undermine Ankara's claims of (limited) Turkish jurisdiction over the Turkish Straits as outlined by the Montreux Convention. Turkish-Armenian animosity is a further roadblock to enhanced regional cooperation. Moreover, there are many neuralgic aspects to Turkey's accession negotiations with the EU that could easily affect Ankara's willingness to be a constructive force for change in the broader region. Turkey could easily be a spoiler unless and until it is convinced that it has more to gain than lose from more vigorous Western engagement in the region. One relatively easy yet important step, as we have suggested, would be for Turkey to join the Energy Community as a full-fledged member.

## Chapter 10

# Forsaken Territories? The Emergence of Europe's Grey Zone and Western Policy

*John E. Herbst*

Over the past two years, the security situation in Europe has deteriorated sharply. The Kremlin's seizure and "annexation" of Crimea, followed by its not-so-covert hybrid war in the Donbas, has prompted the United States and the EU to level economic sanctions on Russia and to provide some military assistance to Ukraine. It has also prompted NATO to deploy fighters and armor to the Baltic states and other eastern members of the alliance and to deploy to the Baltic a battalion on a rotating basis. These last steps were designed to bolster deterrence against any Russian aggression or further provocations in the eastern states of NATO.

The sanctions and the strengthening of NATO in the east have not been lacking in controversy. A number of member states opposed sanctions by the EU and cautioned NATO against "overreacting" to Putin's aggression in Ukraine. Some Western observers accept the Kremlin argument that the West "provoked" Russia by expanding NATO to include former Warsaw Pact members and even parts of the Soviet Union (the Baltic states), and by considering NATO membership for Ukraine and Georgia (at the NATO summit of 2008). In that same spirit, some have criticized the EU for its Eastern Partnership Program and particularly for the trade deal with Ukraine (and Georgia and Moldova) that first sparked the crisis in Ukraine in November 2013.<sup>1</sup>

Two years into this crisis, it is apparent that NATO is taking steps to protect its eastern members from—and to deter—Kremlin aggression. It is also clear that NATO nations are not going to send their troops to protect countries outside of NATO facing Kremlin aggression.

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<sup>1</sup> For instance, see Richard Sakwa, "The Death of Europe? Continental Fates after Ukraine" in *Chatham House*, May 2015, Volume 91, Number 3, <https://www.chathamhouse.org/publication/ia/death-europe-continental-fates-after-ukraine>; Peter Van Ham, "The EU, Russia and the Quest for a New European Security Bargain," *Clingendael Institute Report*, November 2015: [http://www.clingendael.nl/pub/2015/eu\\_russia\\_rapport](http://www.clingendael.nl/pub/2015/eu_russia_rapport).



But neither is the West giving Moscow a free pass in Ukraine. Moscow was expelled from the Group of 8; sanctions were levied multiple times and renewed; Ukraine has been offered limited military assistance, and substantial but not sufficient economic aid. Still, the policy toward Ukraine has been developed ad hoc; and no effort has been made to develop a consistent policy for Ukraine and certainly not for all six nations of the “grey zone” between NATO and the EU on the western side and Russia on the eastern side; or even for the three states in the grey zone that would like to establish open societies and integrate into the Western world—Georgia, Moldova and Ukraine. Armenia, Azerbaijan and Belarus are the other three countries.

This chapter takes a look at the post-Cold War emergence of the grey zone, the clash between Russia and the West in this area, Moscow's policy instruments to dominate the region, and how the West should respond.

### **The Emergence of the Grey Zone and the Western Vision**

There was no grey zone in Europe during the Cold War. NATO and the Warsaw Pact bordered each other: Norway and the Soviet Union in the north; West and East Germany in the center of Europe; and Bulgaria/Greece and Turkey/the Soviet Union in the south. In between there was neutral Austria—neutralized by the 1955 agreement between the Soviet Union and the West—and also Yugoslavia, which escaped Kremlin influence under Marshal Tito also in the 1950s. In the north, democratic Finland bordered the Soviet Union; while not formally neutral, Finland never sought NATO membership and pursued a cautious security policy designed not to provoke the Kremlin, while also focusing its self-reliance defense efforts on vigilance and “total defense.”

The grey zone emerged at the end of the Cold War when fifteen countries appeared following the implosion of the Soviet Union. Nine of them lay between NATO and Russia: the three Baltic states of Estonia, Latvia and Lithuania; the three Caucasus states of Armenia, Azerbaijan and Georgia; and then Belarus, Moldova and Ukraine. The three Baltic states carried out rapid and successful internal transformations and joined the EU and NATO. Not so with the other six. They became and remain to this day an area in which the West and Russia vie for influence, an area in which there are no clear rules or

understandings, a grey area ripe for tension, confrontation and even conflict.<sup>2</sup>

This was not understood 25 years ago when the Cold War ended, not in Washington, West European capitals and perhaps not even at the highest levels in Moscow.

At that time, it was not just the 15 states of the former Soviet Union that were newly independent; the nations of the Warsaw Pact, tightly under Soviet control, likewise found themselves truly independent. Europe entered an unprecedented era of peace and prosperity and the West naively played with the notion that “history had ended” and liberal democracy had triumphed.

Western statesmen looked forward to integrating the new nations that arose from the Soviet Empire, Russia among them, into the liberal institutions that they had established—the UN, the International Monetary Fund, the World Bank, the World Trade Organization and, for some, the EU and NATO. It was an inspiring vision; and one that has been partly achieved. Every country that emerged from the Soviet yoke or Warsaw Pact are members of the UN, most have joined the three international economic organizations, and most of the Warsaw Pact states and the three Baltic states have joined NATO and the EU.

It is not too early to conclude that every nation that made it into the EU and NATO over the past 25 years has benefitted greatly. All have established a working democracy and made substantial economic progress. To take a few examples, Poland and Latvia's GDP per capita in 1991 were \$6,513 and \$5,965, respectively. In 2014 they were \$25,247 and \$23,793. On the low end, Bulgaria's numbers are \$8,397 and \$17,925.

This achievement is substantial even as the Greek economic crisis tests the limits of the single currency and the massive immigration from the Mediterranean tests the tolerance and absorption capacities of individual EU states. All this was a realization of the Western concept of a “Europe whole and free” from the Bay of Biscay eastwards to Russia; or, in the more ambitious variant, from Vancouver east to Vladivostok.

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<sup>2</sup> This is not an historic anomaly, at least for the territory of Belarus, Moldova, and Ukraine which have traditionally been in the borderlands between major powers in Central Europe and Russia. See: Timothy Snyder, *Bloodlands: Europe Between Hitler and Stalin* (New York: Basic Books, 2010).

The Western vision was to spread the benefits of democracy, a tolerant and open society, and a market economy across the whole post-Soviet space. Substantial assistance was part of this. Most of this aid came in the form of technical assistance for creating the institutions of a free society. This included advisers for transforming a socialist economy to a market one; for building an honest judiciary free of political pressure; for creating an independent and free media; to facilitate the emergence of civil society; to develop honest law enforcement. The United States spent \$12,038,178,734 in assistance on the countries of the grey zone from 1991 to 2013.<sup>3</sup> Through TACIS the EU spent 7.3 billion euro between 2000 and 2006.<sup>4</sup>

In 2014 that assistance was \$458,944,520 and €587,250,000 respectively. (The United States and the EU also spent \$18,136,627,196 and €2,475,190,000 on similar aid to Russia in the period 1991-2013.)<sup>5</sup>

The West also offered interim arrangements to develop institutional ties for the post-Soviet states, including Russia, with NATO and the EU. NATO in 1997 established the NATO-Russia Council and the NATO-Ukraine Commission.<sup>6</sup> More broadly NATO developed the Partnership for Peace as a program for former Warsaw Pact states and the Newly Independent States to enhance cooperation, and as it turned out, to Moscow's great dissatisfaction, as a way station on the road to NATO membership. The EU developed its Eastern Partnership program.

## Moscow's Alternate Vision

This, however, was not the only vision to emerge in the years following the Cold War. While Russian President Yeltsin was the man who proposed the Belovezhiya Agreement that dissolved the Soviet Union,

<sup>3</sup> U.S. Agency for International Development, "Data Query," <https://explorer.usaid.gov/query>.

<sup>4</sup> Welcomeurope, "Eurofunding tools", [http://www.welcomeurope.com/european-funds/tacis-270+170.html#tab=onglet\\_details](http://www.welcomeurope.com/european-funds/tacis-270+170.html#tab=onglet_details).

<sup>5</sup> Anders Aslund, *Building Capitalism* (Cambridge, Cambridge University Press: 2001); European Commission, International Cooperation And Development, "Annual Reports 2001-2015 on the European Union's Development and External Assistance Policies and their Implementation:" [https://ec.europa.eu/europeaid/search/site/annual%20report%20external%20assistance\\_en?solrsort=ds\\_created%20asc&f\[0\]=sm\\_field\\_type\\_comm%3Ataxonomy\\_term%3A5827](https://ec.europa.eu/europeaid/search/site/annual%20report%20external%20assistance_en?solrsort=ds_created%20asc&f[0]=sm_field_type_comm%3Ataxonomy_term%3A5827).

<sup>6</sup> For more on the NATO-Russia Council see: [http://www.nato.int/nrc-website/media/59451/1997\\_nato\\_russia\\_founding\\_act.pdf](http://www.nato.int/nrc-website/media/59451/1997_nato_russia_founding_act.pdf). For more on the NATO-Ukraine Commission see: [http://www.nato.int/nrc-website/media/59451/1997\\_nato\\_russia\\_founding\\_act.pdf](http://www.nato.int/nrc-website/media/59451/1997_nato_russia_founding_act.pdf).

Moscow never abandoned the idea that it should sit at the center of a Eurasian political and economic bloc. Instead of Russia and the states of the former Soviet Union becoming part of a “Europe whole and free,” Moscow wanted to somehow and in some way restore its influence over the territory of the former Soviet Union and beyond into eastern Europe.

This was apparent in the Kremlin's efforts to establish the Commonwealth of Independent States (CIS) as a major international organization on par with the EU, and to provide it with a major military function through an agreement to coordinate and cooperate on responses to threats towards any member's security or sovereignty. The CIS also featured an economic component, with member states agreeing to coordinate trade policies, open up borders, and coordinate development projects. This first effort to establish a Eurasian counterweight to NATO and the EU failed as only some of the states of the former Soviet Union joined the economic arm and fewer the military arm of the CIS, and the EU and NATO and major Western states essentially ignored the CIS.

As the CIS floundered, Moscow presented other concepts to bind the states of the former Soviet Union: the Single Economic Space, the Customs Union and finally the Eurasian Economic Union (EEU). The Customs Union became a reality in 2010 as Russia, Kazakhstan, Belarus, Armenia, Kyrgyzstan and Tajikistan agreed to a single unified customs and tariff code.

The Eurasian Economic Union appeared after the Customs Union (CU) and subsumes it. The EEU has the goal to create a free space of goods, capital, services and people. The economic justification for creating the Eurasian Union is dubious. The two strongest economies in it—Russia and Kazakhstan—are based on hydrocarbons. The other actual and would-be members in Central Asia and the Caucasus are among the world's poorest countries. Membership in the Eurasian Union would make it harder for each national economy to integrate into the global economy—the proven path to prosperity. The Eurasian Economic Union is in reality a political project.

Moscow's war on Ukraine is an offshoot of this political project. The “Ukraine crisis” began when the Kremlin decided it was unacceptable for Ukraine to sign a trade agreement with the EU that would complicate the effort to pull it into the Eurasian Economic Union.

The war was also the culmination of a policy that Moscow adopted early in the post-Soviet era. The FSB (the successor organization to the KGB that focuses on internal security) and the GRU (military intelligence) began operations to exploit ethnic conflicts in the Near Abroad to give Moscow leverage over the policies of the Newly Independent States. In this effort, Moscow supported the grievances of ethnic Armenians in the Azeri province of Nagorno-Karabakh; Ossetians, Abkhaz and Armenians in South Ossetia, Abkhazia and Ajaria in Georgia; and Slavs in Transnistria, Moldova. This was the policy of frozen conflicts. While the West, particularly through the OSCE, has spent much time trying to resolve these conflicts, it has never challenged the pre-eminent Russian role in them; indeed it has often allowed Moscow serve as mediator and in some cases “peacekeepers;” subsequently, no progress has been made towards resolving any of these disputes.

The origins of this policy are not clear. It may be that the FSB and the Ministry of Defense (two of Moscow’s power ministries) pursued these operations and President Yeltsin chose not to reign them in. The alternate possibility is that this policy came from the top.

Throughout Yeltsin’s Presidency and in the first years of Putin’s Presidency, the Kremlin’s main concerns were to restore domestic political stability and to stabilize and grow the economy. Russia was weak and Western assistance and investment were critical. Moscow could not afford a foreign policy that challenged the West directly. So it pursued its frozen conflict policy far from prying Western eyes; it complained, but took no serious counter measures as NATO and the EU took in former Warsaw Pact members; and it did the same as the West intervened militarily in the Balkans against Serbia in the Bosnian and Kosovo crises.

## **The Clash of Visions**

### *The Role of Russian Domestic Policy*

These two visions for the same real estate were bound to clash. But it was not just Russian weakness that delayed the confrontation. There was also the matter of Russia’s domestic political development.

Throughout the Yeltsin years at least, Moscow was on a democratic trajectory. Under President Yeltsin, Russia conducted largely honest elections; opposition parties were organized; the media were free from government control. There were, naturally, major problems. Corruption

and crime were rife; oligarchs owned the major media. In the Presidential elections of 1996, Yeltsin did use administrative resources of the state to enhance his prospects. The economic crisis of 1998 sent the Russian economy into a tailspin just as it was recovering from economic impact of the fall of the Soviet Union.

With Russia striving to build democracy, its leaders did not see Western democracy promotion as a threat. In 2002, Moscow analyst (and former intelligence agent) Dmitri Trenin wrote ‘The End of Eurasia,’ which predicted that Russia would put aside its imperial history and seek to integrate into the global, liberal order.<sup>7</sup>

Trenin did not reckon with the instincts of President Putin, a former KGB officer who said, significantly, that one never leaves the KGB. At the point that Trenin’s book was released, Putin was still in the early phase of his Presidency; he was focusing on establishing order—economic and political—in the wake of the messy Yeltsin years. In this period he, like Yeltsin, was interested in good relations with the West.

But Putin was never interested in democracy. During his first year in office, he began to take control of the major television station owned by the oligarchs; and he next moved against the major print media. With the takeover of the oil company Yukos in 2003 and then the arrest of its owner, the politically active Mikhail Khodorkovsky, Putin sent a clear message to the oligarchs that their independent participation in politics would not be tolerated. Putin’s distrust of an open society at home was matched by his distrust of it in his neighborhood.

The point is that the domestic and national security reasons for a clash between Russia and the West were growing in the early 2000s. Russia’s period of strong economic growth—2000 to 2008—turned the economy into the world’s sixth largest and gave Putin the confidence to challenge the West.

Even early in his tenure, Putin spoke like the KGB veteran that he was of Moscow’s right and duty to protect ethnic Russians and Russian speakers in neighboring countries. This “doctrine” was used to justify Moscow’s frozen conflict policy in the Transnistria area of Moldova; it would loom large in Russia’s aggression in Ukraine.<sup>8</sup>

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<sup>7</sup> Dmitri Trenin, *The End of Eurasia: Russia on the Border Between Geopolitics and Globalization*, (Washington: Carnegie Endowment for International Peace, 2002).

<sup>8</sup> For an outline of this doctrine see: Vladimir Putin, “Russia: The National Question,” *Nezavisimaya Gazeta*, January 23, 2012.

### *The Crisis Emerges*

Contrasting policies pursued by the West and Moscow since the first days of the Post-Cold War period set the scene for the East-West clash in Ukraine. But the actual clash required a third factor. That factor was the determination of the people in several states of the post-Soviet space to rid themselves of corrupt and authoritarian leaders and to establish democratic political institutions. The first example occurred in Serbia (in the former Yugoslavia). The second, the Rose Revolution in Georgia, occurred in the late fall of 2003. The next was Ukraine's Orange Revolution in November/December 2004.

Putin played a large, but limited (in retrospect) role in the effort by then Prime Minister Yanukovich to steal the 2004 Presidential election in Ukraine. That role included extensive Russian media support for Yanukovich; political advisers; billions of dollars of campaign funding.<sup>9</sup> Putin also reportedly urged then-President Kuchma to crack down on the massive demonstrations against the falsified second round of Presidential elections.<sup>10</sup> Furthermore, the Kremlin was a suspect in the September 2004 poisoning of opposition candidate Yushchenko.

In the wake of Yushchenko's victory in the extraordinary third round of Ukraine's 2004 presidential elections, Moscow identified a new threat to its security: "colored revolutions." It had come to the conclusion that the tossing out of authoritarian leaders in Serbia, Georgia and Ukraine was the result not of popular revulsion, but of ingenious efforts by Western intelligence services in cahoots with Western and local NGOs to mobilize mobs to overthrow legitimate authority. These were "coup d'états" designed by the West to spread its influence at the expense of Moscow.<sup>11</sup>

Moscow's approach toward the West hardened in the aftermath of the Orange Revolution, as did its determination to act against the beneficiaries of the "colored revolutions" in Kyiv and Tbilisi. In the winter of 2005-06, the Kremlin shut off the gas supply to Ukraine to compel the

<sup>9</sup> For more on Putin's electoral support for Yanukovich see: Nathaniel Copsey, "Ukraine," in Donnacha O. Beachain and Abel Polese, eds., *The Color Revolutions in the Former Soviet Republics*, (Routledge: Abingdon, 2010), pp. 30-44.

<sup>10</sup> Interviews with senior officials from the Kuchma Administration, Kyiv, September 2014.

<sup>11</sup> For a full account of the Kremlin's interpretation of the color revolutions as coups d'état see: Yulia Nikitina, "The 'Color Revolutions' and 'Arab Spring' in Official Russian Discourse," *Quarterly Journal*, (Winter 2014).

Yushchenko government to pay a higher price for gas. At the Munich Security Conference in February of 2007, President Putin delivered a sharp indictment of Western and especially U.S. policy and its alleged transgressions against Russia.<sup>12</sup> And in August of 2008, despite a clear decision at the Bucharest NATO summit earlier that year to put off indefinitely a Membership Action Plan for Georgia, Moscow launched a war against Tbilisi that led to South Ossetia and Abkhazia declaring “independence” from Georgia.

The West’s response to Russian aggression in Georgia was loud, but weak. Western leaders condemned the aggression; then-President Sarkozy rushed to Moscow to negotiate a ceasefire that left Russian troops in South Ossetia and Abkhazia, but removed the threat of Russian troops marching on Tbilisi; and quickly returned to business as usual with Moscow. President Sarkozy even agreed, after the dust had settled, to sell Mistral warships to Russia; and when Barak Obama became President in 2009, he launched his ineffectual re-set in relations with Russia. The point the Kremlin drew was clear: the West did not want Moscow’s “indiscretion” in Georgia to alter its relations with Russia.

At the same time, there was no lessening of the numerous EU and U.S. programs designed to promote good governance, rule of law and a free press and to empower civil society. And U.S. and EU diplomacy in the post-Soviet space continued to promote democratic values and growing cooperation with the EU, as evidenced by the Eastern Partnership program and the trade agreement with Kyiv (and other Eastern Partnership members) that provided the initial spark to the crisis in Ukraine. This too was noticed by the Kremlin.

The Western response to the first phase of Moscow’s aggression against Ukraine—the seizure by force and “annexation” of Crimea—was similar to its reaction in Georgia. There were loud condemnations and even some weak sanctions; but nothing to suggest that the West saw a need to deter Moscow from further aggression.

When Moscow struck next with its hybrid war in Ukraine’s east, it seemed like the West would repeat the same pattern. Initially the West limited itself to sanctions against individual Russians. But as Ukraine

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<sup>12</sup>Vladimir Putin, “Prepared Remarks at 43rd Munich Conference on Security Policy,” speech delivered at Munich Conference on Security Policy, February 12, 2007, <http://www.washingtonpost.com/wp-dyn/content/article/2007/02/12/AR2007021200555.html>.



launched a successful counteroffensive in June of 2014, the Kremlin was compelled to send in “volunteers” (the Vostok battalion of Chechens) and more and more advanced military equipment (tanks and missiles). One of those missiles, the Buk system, shot down Malaysian Airliner 17 with two hundred passengers aboard in July. The next month, Moscow had to send in regular army troops to stop the Ukrainian counteroffensive.

These two measures finally prompted the EU to follow the U.S. lead and impose serious sanctions—especially sanctions on the financial sector—in July and September of 2014.<sup>13</sup> Those sanctions were renewed in June of 2015 despite the two Minsk ceasefires (September 2014 and February 2015) that were regularly breached, especially by Moscow’s proxies. A July 2015 report by the International Monetary Fund suggests that “sanctions and counter-sanctions could initially reduce real GDP by 1 to 1.5 percent.”<sup>14</sup> What is more, the United States and other Western nations have begun to provide Ukraine limited military support.

### **The Kremlin Challenge in the Grey Zone**

Since early September 2015, the Kremlin has reduced the violence in the Donbas as it has begun a new intervention in Syria. But its intentions in Ukraine and the broader neighborhood remain problematic and Moscow has made them clear in numerous statements. Putin and other senior Russian officials claim the right and duty to intervene on behalf of ethnic Russians and Russian speakers wherever their interests are threatened.<sup>15</sup> This gives Moscow a pretext for intervention that they have used in Moldova and Ukraine.

Moscow has declared a sphere of influence on the territory of the former Soviet Union, which certainly includes the six states situated between NATO and Russia—Armenian, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. The Kremlin has also declared its intention to establish new rules for the international order—or there will be no

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<sup>13</sup>This is based on conversations with numerous European officials in Berlin, Brussels and London July and October 2014.

<sup>14</sup>“Russian Federation: Staff Report for the 2015 Article IV Consultation,” International Monetary Fund, July, 2015. <http://www.imf.org/external/pubs/ft/scr/2015/cr15211.pdf>.

<sup>15</sup>“Vladimir Putin Promises to Stand Up for the Rights of Ethnic Russian Abroad,” RT, July 1, 2014. <https://russian.rt.com/inotv/2014-07-01/Vladimir-Putin-poobeshhal-otstoyat-prava>.

rules.<sup>16</sup> Its explicit objective is to overturn the post-Cold War order established in Europe. No Europe, whole democratic and free for Putin.

## **The Kremlin's Instruments**

The Kremlin has a variety of tools to establish and maintain control in its “sphere of influence.” They include Russia’s information apparatus, cultural and religious institutions, intelligence services, criminal networks, business community and military.

The heavily subsidized Russian media have been conducting a virulent anti-Western and particularly anti-American campaign for years. At home, this campaign has been part of Putin’s effort 1) to reduce the chance that the Russian people are attracted to democratic and other “subversive” ideas, and 2) to mobilize the Russian people for his adventurism in neighboring countries. Abroad, Russian Television and other media operate to promote specific Russian objectives. In the grey zone, it is used to demonize the West and to undercut politicians, NGOs and other actors that support moving their countries toward an open society and a Western orientation.

Culture features in Moscow’s efforts to expand its influence especially to ethnic Russians and Russian speakers. The Moscow Patriarchy of the Orthodox Church has worked closely in support of Moscow’s goals in Belarus, Moldova and Ukraine, where its hierarchs openly sided with Victor Yanukovych during the Orange Revolution in 2004 and its clerics were conspicuous by their absence among the many Orthodox and other clergy trying to prevent violence on the streets during the Euro-Maidan in the winter of 2013–14. The Moscow Patriarchy is of limited use in Muslim Azerbaijan, Coptic Armenia or even, albeit to a lesser extent, Orthodox Georgia, which enjoys its own Patriarch.

Over the past several years the Kremlin has developed the concept of the “Russkiy Mir” or “Russian World.” This concept suggests that the “Russian World” is apart from the West, a distinct civilization with different values: traditional, communalistic and religious as opposed to ever-changing (if not unstable), individualist (if not egotistical) and secular.

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<sup>16</sup>Nikolai Litovkin and Nikolay Surkov, “Time to Establish a New World Order, Says Putin,” *Russia Behind the Headlines*. October 29, 2014. See: [http://rbth.com/international/2014/10/29/time\\_to\\_establish\\_a\\_new\\_world\\_order\\_says\\_putin\\_40973.html](http://rbth.com/international/2014/10/29/time_to_establish_a_new_world_order_says_putin_40973.html).

Given its use of ethnic Russians and Russian speakers—Russian compatriots—as a pretext for intervention in the grey zone, Moscow has devoted a great deal of attention and ingenuity to magnifying their attachment, real or alleged, to Russia. Kremlin efforts start with the soft power exerted by the Russian media and Russian culture, and then humanitarian policies that lobby for improving the lot of Russian compatriots in target countries. It expands to information warfare, sharply criticizing the treatment of Russian compatriots in these countries and proceeds to the distribution of Russian passports. The idea is to create a situation where “Russian citizens” call for Moscow’s protection. This becomes the justification for Moscow’s military intervention. Moscow handed out these passports in South Ossetia and Abkhazia for years before its 2008 war with Georgia; it did the same in Crimea before its seizure of the peninsula and “annexation.” Moscow’s passport operation is currently underway in Latvia and Estonia, two NATO allies.<sup>17</sup>

Russian intelligence services and connected criminal networks play an important part in Putin’s efforts to undermine the post-Cold War order. The very organization of Moscow’s intelligence agencies provide a clue about its intentions. The Soviet Union’s intelligence service (the KGB) was split in half. The Federal Security Service (FSB) was given responsibility for domestic security. The External Intelligence Service (SVR) was given responsibility for foreign intelligence. The fact that the independent states of the former Soviet Union have been the responsibility of the FSB indicates what Moscow thinks of their independence.

A main purpose of the FSB—and the GRU, Russian military intelligence—is to penetrate the security organs of the neighboring states to ensure that they will promote Russian interests as defined by the Kremlin. That includes, as we have seen in Ukraine, making sure that Ukraine’s military, police and intelligence will not mobilize against a Russian-led insurrection or even an invasion.

A major feature of Putin’s Russia is corruption, an important tool for the Kremlin in promoting its influence in the Near Abroad. The Kremlin understands that corrupt foreign officials are more pliant. Cooperation between Russian intelligence services and criminal organizations figure here. For instance, a huge scandal in Russia and Ukraine has been the siphoning off of huge resources from the gas sector into private

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<sup>17</sup> Agnia Grigas, *The Rebuilding of the Russian Empire* (Yale University Press, New Haven, CT, 2016).

hands. Shadowy companies were created to manage this —EuroTrans-Gas, RosUkrenergo — and the man who first put this together was major Russian crime boss Semion Mogilevich.

While consolidating his power in Moscow, Putin made clear that Russian companies were subject to Kremlin control to promote objectives abroad. The heart of the Russian economy is its gas and oil production. Putin has used these assets to promote his foreign policy in a number of ways. He has built gas pipelines to western Europe around Ukraine and even ally Belarus so that he can use gas as a weapon against these countries while maintaining access to his wealthy western European customers. The North Stream pipeline from Russia to Germany in the Baltic Sea is already in operation. Germany and Russia are now looking at a second North Stream pipeline despite the fact that the current pipeline with a capacity of 55 billion cubic meters per year is only carrying half that amount because of the unbundling policy of the EU with regard to OPAL pipeline (3rd energy package) not because of the lack of demand.<sup>18</sup> Moscow spent years trying to develop a South Stream pipeline across the Black Sea and when that failed in 2014, it began negotiations with Ankara on a Turkish Stream to perform the same service, which is now less likely with the Russian-Turkish crisis.

Moscow has also been quick to boycott exports from grey zones states that displease it. Shortly after reformer Mikheil Saakashvili became president of Georgia in late 2003, Moscow banned Georgian wine and other products. Moscow likewise signaled its unhappiness with Ukraine's intention under President Yanukovich to sign the trade agreement with the EU by threatening a boycott of Ukrainian products in the summer of 2013. As a last resort, of course, former Minister of defense Serdukov has modernized and rebuilt the Russian military; and he has not hesitated to use it in pursuit of his revisionist objectives in Georgia and Ukraine.

## **The Vulnerability of Georgia, Moldova and Ukraine**

Putin's muscular assertion of a sphere of influence and the clear limits of Western support place Georgia, Moldova and Ukraine in a vulnerable

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<sup>18</sup>Dennis Pinchuk, "Gazprom Mothballs Extension of Nord Stream Pipeline," *Reuters*, January 28, 2015. <http://www.reuters.com/article/russia-gazprom-nordstream-idUSL6N0V71HO20150128>.

position. Russian troops are in all three countries. All three face economic sanctions from Moscow and all are subject to an omnipresent Russian media that promotes a picture of events supporting Moscow's policy goals. In Georgia, with a small Slavic population, the Russian media have limited impact; in Ukraine the Russian media's impact was formidable up until the war in the East; even now in the East and South it is influential. In Moldova, the nearly 50 percent of the population that is Slavic receives most of its news from the Russian media.

Chisinau, Kyiv and Tbilisi recognize that they can expect only limited Western support, as described above, as they face assertive Kremlin policies. Despite this, all three countries are pursuing policies that the Kremlin finds objectionable.

The Georgian government has pursued better relations with Moscow since Saakashvili stepped down as President in 2013, but Tbilisi has continued to seek closer association with NATO with membership as its avowed goal. Numerous NATO officials have told Tbilisi that there is no prospect for a MAP at the NATO summit set for Warsaw in the summer of 2016.<sup>19</sup> Georgia has likewise been passing the legislation needed to put the DCFTA with the EU into practice.

While its military is fighting in Syria and leading its proxies in the Donbas, the Kremlin is still committing provocations in Georgia. It has moved the internal demarcation line in Georgia (between South Ossetia and the rest of Georgia) a few hundred meters further into Georgia.<sup>20</sup>

In Chisinau the "reform government" was in crisis for most of 2015 because of a major scandal in which over \$1 billion disappeared from Moldovan banks. The country had four Prime Ministers in 2015 and the last two were interim appointments. While weakened, the government remains on a pro-Western course and enjoys a visa free regime under the DCFTA with the EU. Moscow is meanwhile maintaining an embargo against many Moldovan products, with the exception of course of products from Transnistria and Gagauzia. Moldovan authorities fear that the Kremlin might create a frozen conflict in Gagauzia to match the one in Transnistria.<sup>21</sup>

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<sup>19</sup> Conversations with numerous Georgian senior officials in Tbilisi May 13-14 and November 12, 2015.

<sup>20</sup> According to Western diplomats in Georgia, November 12, 2015, the Russians have claimed the area now covered by the "new demarcation line" according to old Soviet maps.

<sup>21</sup> Conversations with senior Moldovan officials in Chisinau, May 10-12, 2015.

Ukraine of course is where the Kremlin threat currently looms largest. Beginning in September 2015, fighting in the East dropped to its lowest tempo since the war began in April 2014. Still, there were an average of over 35 shooting incidents a day, and starting in late November the number of incidents increased. Large numbers of Russian troops remain in the occupied areas of Ukraine and there has been only partial withdrawal of Russian tanks, artillery and missiles.<sup>22</sup> Russia also has stationed tens of thousands of troops on its border near the Donbas. In short, Moscow can conduct a new offensive at any time.

At the same time, Kremlin efforts to subvert Ukraine continue. The Security Services of Ukraine cracked down on a major Kremlin plan of sabotage and assassinations to be followed by demonstrations calling for a People's Republic in both Odessa and Ukrainian Bessarabia in spring 2015. The Security Services brought in forces from outside the area—due to Kremlin penetration of the local service—and arrested scores of people.<sup>23</sup>

### **Relative Quiet in the Grey Zone: Armenia, Azerbaijan and Belarus**

In Belarus illiberal President Lukashenko anticipated Moscow's turn away from democracy well before Vladimir Putin came to power. To date this has made him a pariah in Europe, which limited his ability to seek Western help in 2011 when Moscow made a successful bid to take ownership of the country's gas pipelines, and again now when Moscow seems set on establishing a military base in Belarus close to its northern border with Ukraine.<sup>24</sup>

Armenia's reluctance to negotiate with Azerbaijan a serious compromise on the status of Nagorno-Karabakh has rendered it dependent on Moscow for security and political support. So when Moscow objected in fall 2014 to Yerevan's plan to sign the Deep and Comprehensive Tree

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<sup>22</sup>The information on firing incidents comes from conversations with senior Ukrainian officials October 22–24, 2015. They also put the number of Russian troops in the Donbas at approximately 10,000. The information on Russian hardware comes from both Ukrainian and OSCE officials.

<sup>23</sup>Conversations with Ukrainian and Western officials in Kyiv and Washington in May, October and November of 2015.

<sup>24</sup>Alan Cullison, "Russia Tightens Its Grip in Belarus," *The Wall Street Journal*, November 26, 2011. <http://www.wsj.com/articles/SB10001424052970203764804577060312640356138>.

Trade Area agreement with the EU, the Armenian government decided not to proceed.

Azerbaijan is the exception in this group. While as illiberal as Belarus, Azerbaijan has been a good partner of the West and particularly the United States on both energy and security issues. In the late 1990s it joined with Georgia, Moldova and Ukraine to create GUAM—for a time this group included Uzbekistan, making it GUUAM—a grouping of Newly Independent States that did not want close integration with Russia in any of the Commonwealth of Independent States structures. Azerbaijan has also been zealous in protecting from Moscow its control over the production and transit of its hydrocarbons. These interests make Baku's relations with Moscow more difficult than those of either Yerevan or Minsk.

The Azerbaijani government's authoritarian characteristics, however, have complicated its relations with the United States and even more with the EU. Since countries must pass liberalizing reforms as part of the process to establish a DCFTA, Baku decided against negotiating such an agreement with the EU. These obstacles to a truly close relationship with NATO or the EU have thus far spared Baku the heavy hand that Moscow has extended to Kyiv and Tbilisi. Still, pressure is mounting on Baku to join the Eurasian Economic Union.

### **Current Western Policy Towards the Grey Zone**

There have been at least two dimensions to Western policy in the grey zone. The first has been constant since the fall of the Soviet Union. It is driven by our values, supports our national interests and is carried out under the headlines by the foreign policy bureaucracies of the United States, the European Commission and the European External Action Service. It is the daily interactions, diplomatic exchanges and billions of dollars and euros of assistance in numerous small projects promoting an open society. This is a basic activity of our national security apparatus in the grey zone. It occurs largely without reflection at the political level.

The second dimension concerns the highly political responses to crises that have broken out partly as a result of the success of our first dimension policy. It is when grey zone countries decide that they want an open society and closer association with the West—and when they start to undertake the necessary reforms to achieve those goals—that Moscow

plays rough. Western policy towards the grey zone becomes a headline issue and the subject of debate when the states make a determined effort to get closer to the West or when Moscow resorts to coercion.

The debate comes because there are interests, both economic and political, that see value in cooperation with Russia, and they would like to avoid the emergence of issues threatening such cooperation. By 2012, the Russian economy was the world's ninth largest economy in dollar terms and its trade with the EU in 2014 totaled €284.6 billion.<sup>25</sup> Business communities in countries like Germany, the Netherlands, France, Italy and Spain had developed lucrative ties with Russian counterparts that they do not want to see disrupted. This is particularly true in the energy sphere. These interests have either opposed or reluctantly accepted sanctions on Russia for Moscow's aggression. (Today, thanks largely to the drop in hydrocarbon prices, but also to sanctions, Russia's economy is the world's tenth largest and its trade with the EU in the first half of 2015 was \$274 billion.)<sup>26</sup>

There are also political interests at stake in the current strained relationship with Moscow. Contrary to President Obama's assertions about Russia being a declining power, Russia is a global power with a veto in the UN Security Council, a large, if under stress, economy, one of the world's two great nuclear arsenals and a strong military capable of operating far from the homeland. Recognizing all of this, there are some Western politicians and scholars (the realist school) that claim the West would be better served by accommodating Moscow in its neighborhood—not contesting its self-proclaimed “sphere of influence”—in order to secure its cooperation on “greater” issues such as Iranian denuclearization talks and defeating the Islamic State of Iraq and the Levant (ISIL). These thinkers are amenable to the Kremlin argument that the West has “provoked” this crisis by expanding NATO, and now the EU, into its neighborhood.

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<sup>25</sup> For GNP data see: Knoema, “World GDP Ranking 2015 | Data and Charts”, <http://knoema.com/nwnfkne/world-gdp-ranking-2015-data-and-charts>; <http://knoema.com/atlas/ranks/GDP>. For Trade data see: European Commission, “European Union, Trade in goods with Russia,” [http://trade.ec.europa.eu/doclib/docs/2006/ september/tradoc\\_113440.pdf](http://trade.ec.europa.eu/doclib/docs/2006/ september/tradoc_113440.pdf).

<sup>26</sup> Central Bank of Russia, “Merchandise Trade of the Russian Federation (per Balance of Payments Methodology),” <http://www.cbr.ru/Eng/statistics/?PrId=svs>.



## Main Western Schools of Thought on Russia and the Grey Zone

There is a distinguished group of American foreign policy thinkers and practitioners who espouse this “realist” view that Russia is a great power that has historically had a sphere of influence in Eastern Europe that we should acknowledge. It includes Henry Kissinger,<sup>27</sup> Harvard Professor Graham Allison,<sup>28</sup> former Council on Foreign Relations President Les Gelb,<sup>29</sup> Ambassador Jack Matlock,<sup>30</sup> former Senator Bill Bradley, University of Chicago Professor John Mearsheimer,<sup>31</sup> and journalist Marvin Kalb.<sup>32</sup> Some of these thinkers number the late George Kennan in their ranks because in the late 1990s he warned that NATO expansion to the East would spark a new period of tension with Moscow.

In Europe, particularly on the Continent, there are influential diplomats and thinkers likewise uneasy with the current state of East-West tensions. They stress the importance of stable political and close economic relations with Moscow. They believe that growing interaction with Moscow will move Russian policies closer to the European norm. A number of prominent former statesmen belong to this group—ex-French President Sarkozy,<sup>33</sup> ex-Italian President Berlusconi, and former German Chancellors Schroeder and the late Helmut Schmidt.

<sup>27</sup>Jacob Heilbrunn, “Henry Kissinger: The Interview,” *The National Interest*, August 19, 2015, <http://nationalinterest.org/feature/the-interview-henry-kissinger-13615>.

<sup>28</sup>Allison Graham and Dimitri K. Simes, “Russia and America: Stumbling to War,” *The National Interest*, April 20, 2015, <http://nationalinterest.org/feature/russia-america-stumbling-war-12662>.

<sup>29</sup>Leslie H. Gelb, “Russia and America: Toward a New Détente,” *The National Interest*, June 9, 2015, <http://nationalinterest.org/feature/russia-america-toward-new-detente-13077>.

<sup>30</sup>Barbara Hollingsworth, “Former Ambassador: U.S. Should Not Risk ‘Spiraling Confrontation’ With Russia Over Ukraine,” *CNSNews.com*, February 13, 2015, <http://www.cnsnews.com/news/article/barbara-hollingsworth/former-ambassador-us-should-not-risk-spiraling-confrontation>.

<sup>31</sup>John J. Mearsheimer, “Why the Ukraine Crisis Is the West’s Fault. The Liberal Delusions That Provoked Putin,” in *The New Global Context, Foreign Affairs Anthropology Series*, September/October 2014 Issue, <https://www.foreignaffairs.com/articles/russia-fsu/2014-08-18/why-ukraine-crisis-west-s-fault>.

<sup>32</sup>Martin Kalb, *Putin, Ukraine and the New Cold War* (Brookings Institution Press, 2015), 230 p; Kalb, Martin, “Putin won his war in Ukraine,” *The Washington Post*, September 7, 2015, [https://www.washingtonpost.com/opinions/putin-won-in-ukraine/2015/09/07/02a0283c-5341-11e5-933e-7d06c647a395\\_story.html](https://www.washingtonpost.com/opinions/putin-won-in-ukraine/2015/09/07/02a0283c-5341-11e5-933e-7d06c647a395_story.html).

<sup>33</sup>Ukraine Today, “Former French President Sarkozy visits Moscow, tells Putin ‘Europe needs Russia,’” <http://uatoday.tv/politics/former-french-president-sarkozy-visits-moscow-tells-putin-europe-needs-russia-524345.html>; also see footnote 1 in this chapter). Much of the European Left has also laid the blame for East-West tensions at the door of the West and especially Washington.

In the United States, there has been widespread sympathy for Ukraine in the face of Moscow's aggression. It is manifest on Capitol Hill, where both parties favor substantial support for Ukraine and strong measures against the Kremlin. Not surprisingly, both neoconservatives (such as Senator Marco Rubio, the editorial page of the *Wall Street Journal*), and liberal interventionists (Hillary Clinton, Madeleine Albright, Ambassador Samantha Power, the *Washington Post* editorial page) have favored such policies. This groups argues that:

- Russia is a great power with revisionist objectives in Europe and has twice changed borders by wars of aggression.
- This is a great national security danger requiring an American-led response.
- The best way to stop a revisionist Russia is to stop it where it is currently committing aggression: Ukraine.
- Sanctions did not stop Moscow from helping in achieving the Iran nuclear deal and Russia's intervention in Syria has not been helpful in moving toward a resolution of the civil war.
- At the time of Russia's war with Georgia and with Ukraine, there was no prospect of NATO or EU membership for either one.
- The NATO and EU expansion that has occurred is the result not of conquest or coercion, but of attraction.
- The peoples of the grey zone should not be sacrificed to the imperial fantasies of the Russian power ministries.

President Obama has tried with limited success to prevent Kremlin aggression from becoming a distraction to the major focus of his foreign policy, which he sees as reducing U.S. military interventions in the Middle East and pivoting U.S. focus to East Asia. He famously and naively stated that Russia is a "regional power" and the Ukraine crisis a "European crisis." While advocating a strong sanctions policy on Russia, he has handed Western leadership in the crisis to Chancellor Merkel and has been reluctant to provide military assistance to Ukraine.

But the political debate has not been kind to President Obama, the American "realists" or the European left. Thanks largely to the Putin's actions—the invasion of and "annexation" of Crimea, the war in the Donbas, the shooting down of MH-17, the introduction of regular Russian troops into the Donbas, the seizure of an Estonian intelligence officer from Estonia, numerous violations of NATO airspace—Washington and Brussels have adopted stronger policies designed to deter and punish the Kremlin for its aggression: sanctions against Russian leaders and sec-

tors of the Russian economy, a larger military presence in NATO's east, increased assistance to Ukraine including military supplies.<sup>34</sup>

To sum up, Western support for grey zone countries facing Kremlin aggression is substantial, but cautious. In response to the war in Ukraine the West has demonstrated a willingness to impose costs on Russia through sanctions. It has also provided limited military assistance, although at the moment lethal equipment is off the table. The much weaker measures taken against Moscow for the Georgian war may have been due to the fact that the Georgian war came first; and it was the pattern of Kremlin aggression that led to the sharper reaction in Ukraine. The sharper reaction may also be explained by the fact that Ukraine is a much larger country and borders the EU.

The West has also provided substantial economic support to reforming countries facing Russian aggression. On a per capita basis, Georgia has received substantially more aid than Ukraine. This may be explained by the fact that the Georgia war occurred just before the Great Recession and the EU's very expensive bailout of Greece. Western assistance is also prudently dependent on the commitment of the respective government to reform (Georgia has pursued reform more thoroughly than Ukraine and Moldova).<sup>35</sup>

Over the past decade the West has established a mixed record of meeting its commitments to the countries of the grey zone in a confrontation with Moscow. On the plus side, while dawdling on the implementation of the DCFTA with Ukraine, the EU has decided to implement it in January 2016. It is ready to do the same with Georgia and it

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<sup>34</sup>In the spring and summer of 2014, the Obama Administration was refusing to send even body armor to Ukraine. By February 2015, the Administration reacted to the debate on arming Ukraine by announcing that it would not provide Ukraine with even defensive lethal weapons. See: The Chicago Council on Global Affairs, "Preserving Ukraine's Independence, resisting Russian Aggression. What the United Nations and NATO Must Do," [http://www.thechicagocouncil.org/sites/default/files/UkraineReport\\_February2015\\_FINAL.pdf](http://www.thechicagocouncil.org/sites/default/files/UkraineReport_February2015_FINAL.pdf). Yet a few weeks later it provided Humvees to Ukraine. In September of 2015, the same week President Obama met with President Putin, the U.S. announced that it would send counter battery radar for missiles to Ukraine.

<sup>35</sup>From 1991 until 2013, the U.S. provided \$3.6 billion in aid to Georgia. See: Jim Nichols, "Armenia, Azerbaijan, and Georgia: Political Developments and Implications for U.S. Interests," *Congressional Research Service*, April 2, 2014, <http://www.fas.org/sgp/crs/row/RL33453.pdf>. In that same period U.S. assistance to Ukraine totaled over \$10 billion. See: Katie Sanders, "The United States Spent \$5 Billion on Ukraine Anti-Government Riots", *Politifact*, March 19th, 2014, <http://www.politifact.com/punditfact/statements/2014/mar/19/facebook-posts/united-states-spent-5-billion-ukraine-anti-governm/>.

has done so with Moldova. Moreover, it has provided Moldova (including the separatist area of Transnistria) visa-free travel, and is offering the same for Georgia and Ukraine.

On the negative side of the ledger was the failure of the United States, the UK and France, in spite of the assurances of the Budapest Memorandum and related statements, to aid Ukraine quickly and strongly in the face of Moscow's aggression. In addition, the West is not ready at this moment to consider the possibility of Georgia or Ukraine joining NATO. As described above, it is not even willing to consider offering either country a Membership Action Plan (MAP), an interim step to NATO membership.

It is likewise true that the EU at the present time is not willing to broach the subject of EU membership for Georgia, Moldova or Ukraine. In the wake of Moscow's invasion of Ukraine, the original decision to offer the DCFTA to grey zone countries has been criticized as naïve in certain EU circles. Still, the EU has reaffirmed its commitments under the DCFTA while making clear that EU membership is not a fit subject to discuss.

### **Crafting a Realistic Western Policy for the Grey Zone**

It is safe to say that Western policy toward the grey zone should be consistent and flow from an agreed set of objectives. The original objectives were set in the early 1990s. The United States and the EU sought to help all the countries of the former Soviet Union and Warsaw Pact transform from totalitarian or authoritarian states into democratic societies with market economies. While those goals may not have initially included membership in NATO and the EU, they came to include that, at least for most of the Warsaw Pact states, and the Baltic states.

These social transformation objectives have driven nearly all Western aid projects and most Western daily diplomacy ever since. Even when, out of deference to an increasingly authoritarian and belligerent Russia, Western leaders consciously decide that NATO or EU membership is a bridge too far for "grey zone" countries, they do not review or revise the open society policies of our assistance programs, or our overall diplomacy. This suggests that democratic, tolerant societies remain our objectives in Europe and perhaps even in Eurasia. The pause regarding NATO and EU membership is not a matter of principle. It is largely a

reaction to the Kremlin's strong objections. It is true that some governments say privately that they would never support membership for Georgia and Ukraine in NATO or membership in the EU for those two countries and Moldova, but that is not in any sense an agreed position (It is also true that, particularly in the wake of the Greek crisis, some in the EU are concerned about the economic costs of further expansion).

This, however raises some difficult questions for the current period. Kremlin leadership is on an imperial march. President Putin has developed principles that seek to justify a Kremlin zone of influence in the post-Soviet space; has at hand a full array of instruments to exert that influence on weaker neighboring countries; and has shown a willingness to use all of those instruments, including his military, even in violation of Russian commitments and international law. At this dangerous moment, how does the West protect the grey zone countries that want to establish open societies and much closer relations with the West?

The first order of business is to help Georgia, Moldova and Ukraine address their internal weaknesses that Moscow exploits to keep them under its influence. These weaknesses include prominently corruption, a weak banking system, compromised and incompetent security organs and ethnic tensions.

### *Corruption and the Banking System*

Widespread, systematic corruption is arguably the greatest obstacle to development in all the post-Soviet states. The countries that have made the greatest progress over the past 25 years, the Czech Republic, Poland and the Baltic states, took comprehensive steps against corruption—starting with lustration and transforming the police, procurator general's office and judiciary—early into their independence. Georgia also took this on during the Rose Revolution; but Ukraine and Moldova have yet to address this problem in a serious way (Ukraine, however, has taken major steps to address corruption in the gas sector and is in the process of creating honest traffic police in major cities).

Both the EU and the United States spend significant political capital and run technical aid programs to address this in Ukraine. They should continue to make clear that the large assistance Ukraine needs from the international community to meet its international financial commitments is at least in part dependent on progress in this area. The large assistance package that Ukraine receives is an important tool for the West.

Unfortunately, there is no such tool in Moldova. The current government in Chisinau, however, is anxious for closer and more frequent engagement with Washington and Brussels. Establishing a high level anti-corruption task force—led at the Minister level—would be attractive to the Western-leaning leaders in Moldova for its promise of regular high level contact with the West. Badly tarnished by the 2014 banking scandal, they might find this proposal worth pursuing to reduce the stain of the scandal and to enhance their political prospects.

A poorly regulated banking system is a perfect vehicle for both corruption and laundering criminal money. Georgia fixed this problem over a decade ago. Since the Euro-Maidan, Ukraine too has made great strides towards a clean banking system by closing a third of its banks. Moldova is once again the outlier.

The United States and the EU should include the banking sector in the high level corruption task force. At the same time, the West could make an immediate impact by establishing a bank in country subject to international standards. In the wake of the banking scandal, the appearance of a “Western bank” would be very popular. It would attract enormous business and by that fact alone spur the major banks in the country to develop the same clean standards in order to ensure their profitability and even survivability.

### *Loyal Security Organs*

Perhaps the most immediate danger to reform-interested governments in the grey zone are their own security organs: the Ministry of Defense, the Ministry of Interior, the secret police, the border guards and, in some countries, the Ministry of Emergency Situation. Throughout the zone, with the exception of Georgia, much of the senior leadership in these ministries were trained in the Soviet Union. The FSB and the GRU have paid great attention to placing agents, retaining contacts and exerting influence in these organs.

At the start of Moscow's hybrid war in Ukraine's east, Ukrainian officials assessed that among the hundreds of thousands of soldiers, policemen, secret policemen and border guards, they had just 6,000 who were politically reliable, trained and equipped to participate in a counter-offensive.<sup>36</sup> In the Donbas, a good number of the police and secret

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<sup>36</sup>Conversation with senior security officials in Kyiv, June 30–July 2, 2014.

police joined the Russian-organized military operation. One and a half years of war and training from the United States (first of Ministry of Interior Units, then of the military) has greatly improved the reliability and competence of Ukraine's security forces, but more help vetting out Kremlin agents would still be useful.

Georgia, too, has done good work in these areas. From the start of the Rose Revolution, it began to root out Russian agents in its power ministries. Its enthusiastic participation in coalition operations in Afghanistan and Iraq honed the Georgian military, as has its participation in numerous training programs with the United States.

Moldova is once again the country that most needs Western assistance to ensure the reliability of its security organs. Washington should offer a program to vet its officials in the Ministries of Defense and Interior and in its secret police. Needless to say, such a program cannot be effective unless it occurs alongside or following a program to go after corruption.

### *The Ethnic Factor*

Ethnic differences and ethnic tensions have been the essential element in Moscow's frozen conflict policies. Moscow takes the side of the minority as a means to exert pressure on the governments of Georgia, Moldova, Ukraine and also Azerbaijan. Western policy on this matter is to do what comes naturally—to urge the governments in question to practice tolerance and fair treatment for all; but also to provide practical advice as issues arise in this area; and to offer incentives for all parties in grey zone countries to get along.

In Georgia, the EU and the United States should consider assistance programs that promote reconciliation with Abkhazia. Tbilisi, for example, has built a hospital not far from the internal demarcation line with Abkhazia; this has drawn patients from Abkhazia and in the process promoted goodwill. The EU and the United States should consult with Tbilisi about building other projects that could serve the process of reconciliation.

Ethnic relations in Moldova can also profit from greater interaction with the West. Perhaps the biggest boost to improved relations between Chisinau and the people of Transnistria was their inclusion in the visa free travel under the DCFTA. This highly valued right is perhaps the strongest argument within Transnistria against independence from

Moldova. Regular visits by senior officials from the West would also be useful to keep an independent eye on what is happening in Transnistria and to encourage nationalist forces in the country to be mindful of the needs and sensitivities of the Slavic population.

Despite massive Russian propaganda to the contrary, authorities in Ukraine have been rather sensitive to the needs of ethnic Russians and speakers. The one clear error made in this area—the passage of legislation shortly after President Yanukovich fled Ukraine mandating that only Ukrainian would be a state language—was quickly reversed. But Ukraine has two large problems in this area resulting from the war: 1) 1.5 million internally displaced people; and 2) massive destruction in the areas currently and previously controlled by Moscow's proxies.

The UN has not provided enough assistance to the IDPs. Ukraine's GNP is likely to have fallen in 2015 by approximately 10 percent. The EU and the West should provide immediately \$250 million to meet IDP needs. They should also send a mission to analyze the needs of the IDPs and to study whether some portion of them should be settled permanently outside the conflict zone. Left unaddressed, the humanitarian crisis could undermine the stability of the reform government. The U.S. and the EU should also join with the government in Kyiv to begin the process of assessing damage in the conflict zone. This would provide hope that the people of that area have not been forgotten and that once Ukraine reestablishes control in the Donbas reconstruction will begin.

### *Economic Opportunity and Energy*

While complaining that the West's sanctions against Russia have no place in modern international life, Moscow has been quick to halt imports from Georgia, Moldova and Ukraine to pressure them to back away from the DCFTA (and for other purposes). The DCFTA has of course helped Moldova diversify its trade away from Russia and will help Georgia and Ukraine do the same. Despite Kremlin protests, the EU must proceed with the implementation of DCFTA with Georgia and Ukraine.

The United States could make its own contribution by signing a Free Trade agreement (FTA) with each of the three. This idea, unfortunately, is not likely to happen soon. There is no political impetus for it. Passing new FTAs can be politically difficult; and the U.S. Trade Representative Office has limited personnel to devote to new FTAs. If this is not possi-



ble, the United States and the EU should agree to include the three countries in the Transatlantic Trade and Investment Partnership. This would give the three much better access to the U.S. market.

Energy is another area where the West can strengthen the grey zone. Gazprom has been playing politics with gas supplies for years, punishing some countries (especially Ukraine, but even Belarus at one point) and favoring others pursuant to Kremlin policy directives. There is a relatively easy way to fix this. The EU needs to complete its energy market integration, reinforce its energy *acquis* and build a robust energy union that extends beyond the borders of the EU. We have seen significant progress in this area over the past year. For example, Ukraine was able to purchase some gas via “reverse flow” of Russian gas sold to other European consumers; and suit has been brought against Gazprom for violating EU laws and statutes. Full implementation of EU energy policies with financial support for energy sector modernization would be a big boon for Ukraine and Moldova.

At the same time, the EU should disapprove plans for building a North Stream II pipeline for Russian gas to flow directly to Germany. The North Stream I pipeline’s capacity has not been fully used (because of the 3rd energy package and the 50 percent rule for the OPAL pipeline, not because of the lack of demand); Ukraine is cleaning up its gas sector; and the real purpose of additional undersea pipelines is to give Moscow the option of punishing Ukraine, Belarus and Poland by not shipping gas through their pipelines.

### *Security Assistance, Power Projection and Political Engagement*

Ukraine is currently fighting a defensive war against Russia, and Georgia fought in 2008. Both countries are in clear need of U.S. training and Western military equipment. Georgia has been the beneficiary of many training programs over the past 12 years and the United States has provided training to Ministry of Interior units and now military units in Ukraine. This should continue.

But the United States and its European allies have been slow to give Georgia and especially Ukraine the equipment they need to fight a much larger aggressor. This must change. There was a time when the West understood that it was both right and strategically sound to provide weapons to nations invaded by larger neighbors; and when it understood that it was the invasion, and not the provision of weapons,

that was a “provocation.” The single best thing that the United States could do right now to support freedom in the grey zone would be to give Ukraine the weapons it needs to deter a Russian offensive deeper into Ukraine.

The West should provide Ukraine \$1 billion a year for five years for military equipment. It should include anti-tank missiles, secure command and control communications, sophisticated drones, anti-aircraft radar for missiles that could also detect incoming fire from Russia, and some anti-aircraft equipment to dissuade Moscow from using air power against Ukraine. It is true that Moscow has “escalation dominance” (a fancy way of saying that the Russian military is stronger than that of Ukraine) but providing this equipment means that either Moscow is deterred, or it pays a much higher price for its additional aggression, which is politically risky.

Under the same logic, the United States should consult with Georgia on its military needs. At the same time, the United States, with its NATO allies, should consider increasing its training programs in Ukraine and Georgia, and plot out a regular stream of port visits in the Black Sea, including to Batumi and Odessa.

It is critical that NATO come up with some formula and plan regarding its relationship with Georgia and Ukraine that keeps open the path to membership. It must avoid summit statements and outcomes that highlight the vulnerability of grey zone countries to Kremlin aggression. This can be done, for instance, by scheduling NATO exercises for the months immediately after the summit, and arranging visits by the Secretary General or the Deputy Secretary General for the months following the conclave.

Increased political engagement with individual NATO countries, especially the United States, is also an important instrument. Kyiv sees plenty of high-level Americans and Europeans. Tbilisi and Chisinau do not. Regular visits at the Deputy Minister level and up would remind these countries that the West is not leaving them alone with Putin and help persuade them to make the difficult changes on various domestic issues outlined above. Also, the West should be prepared to respond with sanctions if and when Moscow decides to move the demarcation line separating South Ossetia and the rest of Georgia deeper into Georgia.

*Armenia, Azerbaijan and Belarus*

The West's grey zone strategy must not forget these three states. Ongoing cooperation with Baku on energy and security matters is very much in the interests of the West. It is essential that the United States step up its political engagement with Baku to offset the pressure from Moscow to join the Eurasian Economic Union.

The West cannot ignore human rights problems in Azerbaijan, but they should be one item on the agenda. We should not forget that if Baku moves closer to Moscow, the prospects for human rights in Azerbaijan drop sharply. The recent tensions between Ankara and Moscow over Syria meant that Turkey might be more willing to bolster Azerbaijani and Georgian security. There is already a practice of these countries meeting in a trilateral forum. The United States and NATO should encourage this and explore with Ankara what additional measures it might be willing to take in this area. Such cooperation could remind Moscow that there might be additional costs to further aggression in the Transcaucasus.

Those regular visits to Baku should include stops in Yerevan. The message there is that the West is interested in better relations and would be delighted if the Armenians decided to proceed with the DCFTA. Also, if Armenia was able to show more flexibility on Nagorno-Karabakh, that would open up relations with Turkey and reduce its dependence on Moscow.

Belarus is the most problematic case in the grey zone. Before President Putin's clear turn to authoritarianism, President Lukashenko was aptly labeled the last dictator in Europe. The West's policy of minimal contact with the government of Belarus has yielded little fruit. There is little downside and plenty of possible upside of initiating a dialogue with the Belarusian authorities on relations with the West and the situation in the region. Lukashenko would welcome that as at least a small card to play as he tries to fend off Kremlin plans to establish a military base in his country.

## **Final Thoughts**

The West cannot be true to its values or its interests by letting an authoritarian Kremlin mark off a sphere of influence in Europe's backyard. If the West accepts the limitations Moscow proposes for its activities, the progress toward an open society in Georgia, Moldova and Ukraine will be reversed. Moscow's revisionist agenda, which challenges the current European order, will be enhanced.

Principled support for democracy and a market economy, economic and technical assistance, security support and active political engagement would greatly increase the odds that these fragile democracies will survive the reactionary wind blowing from the north. None of these require military confrontation with the Kremlin. But it does require the confidence to stand up for one's principles and the empathy to embrace those who, under duress, would still like to live by them.

## Chapter 11

# A Bridge Too Far? How to Prevent the Unraveling of Western Policies toward Wider Europe

*Hiski Haukkala*

The question of Western unity of purpose vis-à-vis eastern Europe is as vexing as it is old. During the Cold War the issue was framed in terms of Western solidarity in the face of potential Soviet military aggression as well as the unity of overall approaches concerning the Soviet Union and wider European security. In its crudest form the question was put in binary fashion; the West was seen as having two options—either hanging together or hanging separately. During the post-Cold War era the question lost most of its salience and was replaced with a perhaps more technocratic question concerning the mutual complementarity of visions and actions: is the West more—or perhaps less—than the sum of its parts in terms of effecting positive change beyond its boundaries, and how do the different actors and policies relate to and interact with each other? In the final analysis the question boiled down to the West's ability to guide and support the transition of the eastern part of the continent towards liberal democracy and market economy.<sup>1</sup>

It goes without saying that wider Europe (the set of countries that have come to reside between the enlarged NATO/EU and Russia) has been an integral part of these developments. Yet I would maintain that it makes no sense to speak of the region in isolation from Russia. In fact, it can be argued that it has been precisely the West's stubborn attempts at decoupling the two that have resulted in the current conflict in Ukraine and the wider impasse in relations with Russia. Indeed, since the early 1990s the West's propensity to view the region through the lens of 'Russia First'<sup>2</sup> has created a situation where in most instances the other countries in the region have been treated almost as an afterthought, with Russia's nationalistic and post-imperial tendencies being strengthened in the process.

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<sup>1</sup> Journal of Democracy (2014) "Reconsidering the Transition Paradigm," Special Section, *Journal of Democracy*, 25 (1): 86–100.

<sup>2</sup> Peter Truscott (1997) *Russia First. Breaking with the West* (London: I. B. Tauris).

This is not to say that the West should accept at face value Russia's claim at a privileged sphere of influence—or interests, for that matter,<sup>3</sup> it is simply an assertion that to devise and execute policies void of the wider context that includes the Russia factor are bound to remain problematic, to say the least. This is also the message that Russia itself has tried to convey with its actions in and over Ukraine: certain key developments in the region will simply not be tolerated if they go against the grain of Russia's essential interests, almost no matter what the associated price tag may be.

This article discusses the role that the West—the U.S./NATO and the EU—have played in the developments in eastern Europe, widely understood. Although the main focus of the article is on recent events, background concerning earlier post-Cold War strategies is necessary. The discussion proceeds in three stages. First, earlier post-Cold War settings and strategies are briefly discussed. The following section analyzes more recent developments. The third and final section draws some conclusions about the future of relations between the West and Russia over and in wider Europe, while pondering what the necessary ingredients to arrive at a more effective strategy should be. The main conclusion of this article nevertheless is that the West is in dire danger of losing its ability to shape wider Europe for the better.

### **The Post-Cold War Setting and Western Policies toward Wider Europe**

The end of the Cold War division and the dissolution of the Soviet Union that soon ensued opened up the political space in Europe. The rigid bipolar confrontation gave way to a much more fluid setting where fresh opportunities and challenges rapidly mushroomed. This called for new policies on part of both the United States and the emerging European Union. For the United States, the four main objectives were: (i) managing the transition to a new post-Cold War order in a peaceful and orderly fashion; (ii) facilitating the emergence of Russia as a successor state of the Soviet Union as a responsible and constructive player, including the development of cooperative threat reduction with Russia

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<sup>3</sup> Dmitri Trenin (2009) "Russia's Sphere of *Interest*, not *Influence*," *Washington Quarterly*, 32 (4): 3–22.

to deal with the toxic assets left behind by the Soviet Union; (iii) ensuring the primacy of NATO—and consequently also the United States—in European security, first of all by ensuring the continued viability of NATO while downplaying the potential of the EU to emerge as a fully independent security actor; while (iv) still continuing to use that very EU as a proxy to organise the political and economic integration and consequent transition in the emerging wider Europe.<sup>4</sup>

This is not the occasion to give a thorough analysis of whether and to what extent the United States has succeeded in these tasks. Suffice it to say, that by and large, the United States was successful. It was able to secure an unrivalled position at the top of the international hierarchy but was also able to stabilize the conflicts on European territory in the 1990s and to lock the majority of the continent into its preferred security structure through the expansion of NATO.<sup>5</sup> Even if Russia made some dissatisfied noises at the time, there was an expectation that these could be successfully placated by offering Russia some privileged forms of partnership with the West and the United States in particular.<sup>6</sup> The countries eventually residing in the common neighborhood between the enlarged Alliance and Russia—wider Europe—were mainly an afterthought and were given the status of ‘partners’ through the Partnership for Peace (PfP) program.

Turning to the EU, the most significant aspect of developments in the early 1990s was the fact that the EU started to express ambitions and develop capacities for increased willingness and ability to have its own indigenous views about international affairs and to develop them into its own policies and actions on the world stage. In this respect the adoption of the Common Foreign and Security Policy (CFSP) in the Maastricht Treaty of 1991 was of particular significance, as it created fresh instruments of external action and institutionalized a cooperative culture that over time have resulted in impressive (although perhaps needlessly cumbersome) finesse and complexity in today’s European

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<sup>4</sup> For a discussion of key U.S. tenets, see James M. Goldgeier and Michael McFaul (2003) *Power and Purpose. U.S. Policy toward Russia after the Cold War* (Washington, D.C.: Brookings); Strobe Talbott (2002) *The Russia Hand. A Memoir of Presidential Diplomacy* (New York: Random House); and Angela Stent (2014) *The Limits of Partnership. U.S. –Russian Relations in the Twenty-First Century* (Princeton and Oxford: Princeton University Press).

<sup>5</sup> Michael Mastanduno (1997) “Preserving the Unipolar Moment: Realist Theories and U.S. Grand Strategy after the Cold War”. *International Security*, 21 (4): 49–88.

<sup>6</sup> Ronald D. Asmus (2002) *Opening NATO’s Door. How the Alliance Remade Itself for a New Era* (New York: Columbia University Press).

Union.<sup>7</sup> Primarily this stage was one where the EU was effectively thrust into assuming a leading role in responding to the economic effects of the dissolution of the Soviet empire. Initially the EU also sought to assume, and failed, to play a role in stabilizing the violent tendencies unleashed by the dissolution of Yugoslavia. Indeed, the EU's inability to respond to the escalating crisis in Bosnia-Herzegovina in any meaningful and effective manner resulted in a general disillusionment over the EU's general ability to act as an effective force in stabilizing its own backyard.<sup>8</sup> It also underlined the still indispensable role that the United States played, and continues to play, in European security.

The objectives of the nascent European foreign policy and those of the United States in the early 1990s were largely compatible with and even complementary to each other. Therefore, the EU's Eastern enlargement was clearly in the U.S. interests while the expansion of NATO was seen as the key in stabilising central and eastern Europe with a view to smoothing and paving the way for the eventual and in certain respects much more demanding EU accession.<sup>9</sup> At the same time the fact that these two institutions did move and enlarge in lock-step created the expectation, perhaps even fear, in Moscow that this would be the case also in future. Whether this perception was justified is a moot point as it seems evident that Russia has taken it as a starting point in its own foreign and security policy becoming increasingly paranoid about the Western penetration of its 'near abroad' in the process.<sup>10</sup>

One way to characterize the role the two played and the relationship they enjoyed is to think of two concentric hegemonies. U.S. global primacy set the liberal and benign overall framework in which the EU's own attempts at hegemonic ordering of the European continent and beyond took place.<sup>11</sup> In this respect, the policies of the United

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<sup>7</sup> See Stephan Keukeleire and Tom Delreux (2014) *The Foreign Policy of the European Union*. Second edition (Basingstoke: Palgrave Macmillan).

<sup>8</sup> Elfriede Regelsberger and Wolfgang Wessels (1996) "The CFSP institutions and procedures: A third way for the second pillar". *European Foreign Affairs Review*, 1 (1): 29–54, p. 29.

<sup>9</sup> Michael Baun (2004) "The Implications of EU Enlargement for the United States," *Perspectives*, No. 21 (Winter 2003/04): 27–38; Steven McGuire and Michael Smith (2008) *The European Union and the United States. Competition and Convergence in the Global Arena* (Basingstoke: Palgrave Macmillan), pp. 222–225.

<sup>10</sup> See, for example, Stefan Meister (ed.) (2013) *Economisation versus Power Ambitions: Rethinking Russia's Policy towards Post-Soviet States* (Berlin: Nomos).

<sup>11</sup> Hiski Haukkala (2008) "The European Union as a Regional Normative Hegemon: The Case of European Neighbourhood Policy," *Europe-Asia Studies*, 60 (9): 1601–1622.



States/NATO and the EU were mutually reinforcing and suggested a natural division of labour on the European continent. The United States would guarantee security (through the expansion of NATO) and through its primacy set global parameters, while the EU would take the main responsibility for stabilizing the European setting through the enlargement of its institutions and/or projection of its policies through modes of external governance<sup>12</sup> in directions where a rapid and full immersion into the EU was not viewed as an option.

Having established this, one should be wary of assigning too much strategic intentionality on the part of either the United States or the EU. On the contrary, an analysis of the evolution of their responses to the unfolding events in the 1990s has shown that both were proceeding on the basis of trial and error and that the hegemonic underpinnings of their policies were arrived at in a piecemeal, almost haphazard manner. In a word, both NATO's and the EU's eventual *Sprung nach Osten* were more reactions and responses to events and demands beyond their control or initial appetite rather than preconceived programs to order or subjugate eastern Europe to their will.<sup>13</sup> That said, none of this necessarily detracts from the eventual effects and ramifications of these policies, and even if it did, the fact remains that Russia, as will be discussed below, has chosen to frame the issue increasingly in this manner.

In hindsight, and regardless of its origins, this two-pronged approach proved remarkably successful: the transition to a new post-Cold War order in Europe, although fraught with dangers, was achieved in a largely peaceful and orderly fashion. The conflicts particularly in the former Yugoslavia were pacified and the region was steered towards the path of eventual EU accession. Although a set of 'frozen' conflicts were left simmering in the east, both the EU and NATO were successful in answering the calls for accession from central and east European countries, resulting in an increasingly hegemonic, even unipolar setting in Europe. Even in cases where full immersion into Western structures was not in the cards, as in Russia and the rest of the Newly Independent States (NIS) in the former Soviet Union, the objective was to eventually tie them as well into this new Western-centric architecture.

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<sup>12</sup> Sandra Lavenex (2004) "EU External Governance in 'Wider Europe,'" *Journal of European Public Policy*, 11 (4): 680–700.

<sup>13</sup> For a discussion, see Asmus, op. cit.; Karen Elizabeth Smith (1999) *The Making of EU Foreign Policy: The Case of Eastern Europe* (Basingstoke: Macmillan).

## **A Bridge Too Far? The Russian Challenge to Western Policies toward Wider Europe**

If history had really ended in lockstep with the 20<sup>th</sup> century our story would probably have a happy ending. But since the early 2000s a series of developments have taken place that have both aggravated the situation on the European continent while also increasingly putting the notion of Western transatlantic harmony into doubt, especially when it comes to wider Europe. Paradoxically, the root cause for the mounting problems seems to be a host of unintended consequences of the very successes of the West, particularly the rapid and successful expansion of its key institutions towards the east as well as the handling of the crises in the Balkans in the 1990s. These issues had the combined effect of aggravating relations between Russia and the West, and the United States in particular. As such, wider Europe has increasingly turned into a theatre where increased Russian–Western rivalries are played out.

First and foremost, the question of NATO enlargement(s) to the east has proven an object of bitter contention between Russia and the West. The Russian contestation to NATO's enlargement has taken mainly two forms. On the one hand, Russians argue that the United States and the West have betrayed a promise given to Gorbachev already at the end of the Cold War that NATO would not expand beyond the boundaries of unified Germany. Although U.S. officials at the time did perhaps exercise some ambiguity in terms of wording, not a rare occurrence in the world of diplomacy, it seems safe to conclude that no such explicit pledge was ever given.<sup>14</sup> The second strand of criticism stems from the perceived threat of a Western military alliance moving closer to the Russian heartland. Western policymakers probably do not recognize the bogey man that Moscow has been painting of their intentions and actions. But once again we are faced with a situation where this need not matter: Russia has chosen to frame the issue in these terms and has shown that it will act accordingly. Russia's framing and consequent reactions, not the hopes and intentions of Western policymakers, have become the main driving force on this occasion as well.

Related to this is the wider Russian complaint concerning the role the United States has played globally. U.S. post-Cold War primacy in gen-

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<sup>14</sup>Asmus, *op. cit.*, pp. 3–7; Mark Kramer (2009) "The Myth of a No-NATO-Enlargement Pledge to Russia." *Washington Quarterly*, 32 (2): 39–61.

eral and the way Washington chose to respond to the 9/11 terrorist strikes in particular accentuated the Russian impression of a rampant United States bent on dominating Russia and the world unilaterally. In Vladimir Putin's spectacular and resentful words, uttered already in 2006–07, "the wolf knows who to eat... and is not about to listen to anyone" and that, as a consequence, the United States had "overstepped its national borders in every way."<sup>15</sup> Indeed, positioning itself as a counterforce to a reckless and overly domineering United States has become the leitmotif of Putin's rhetoric and Russian foreign policy in recent years.

Although not felt as keenly at the time, EU enlargement has also created frictions between Russia and the West. In particular, the question of a 'common neighbourhood' (a term never accepted by Russians, by the way) created in the aftermath of the 'Big Bang' eastern enlargement of 2004 has proven to be a source of problems. In particular, Ukraine's Orange Revolution—which took both the EU and Russia by surprise—changed Moscow's tack concerning the role the EU played in the region. Moscow's previous indifference subsided and it began to view the EU's growing role and the Western orientation of CIS countries with increasing suspicion.<sup>16</sup> Although it was not appreciated at the time, the Orange Revolution was the starting gun for the preparation of operations and practices witnessed first in Georgia in 2008 and then in Crimea and eastern Ukraine since 2014.<sup>17</sup>

Finally, the Kosovo war in 1999 and its diplomatic aftermath proved to be highly disruptive. For Russia, the Kosovo case drove home at least two lessons that made a lasting impact on its subsequent relations with the West, the EU included.<sup>18</sup> The first lesson was that the United States, and to a lesser degree also the EU member states, were prepared to use military intervention to effect regime change in cases where they

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<sup>15</sup>Vladimir Putin (2006) *Annual Address to the Federal Assembly*, Moscow, May 10, 2006, available at [http://archive.kremlin.ru/eng/speeches/2006/05/10/1823\\_type70029type82912\\_105566.shtml](http://archive.kremlin.ru/eng/speeches/2006/05/10/1823_type70029type82912_105566.shtml), last accessed 28 October 2015; and Vladimir Putin (2007) *Speech and the Following Discussion at the Munich Conference on Security Policy*, February 10, 2007, available at <http://en.kremlin.ru/events/president/news/page/552>, last accessed 28 October 2015.

<sup>16</sup>Igor Gretskiy, Evgeny Treshchenkov and Konstantin Golubev (2014) "Russia's perceptions and misperceptions of the EU Eastern Partnership." *Communist and Post-Communist Studies*, 47, 3–4: 375–383.

<sup>17</sup>Ulrike Franke (2015) *War by non-military means. Understanding Russian information warfare*. FOR-R-4065-SE, March 2015 (Stockholm: FOI).

<sup>18</sup>Derek Averre (2009) "From Pristina to Tskhinvali: The Legacy of Operation Allied Force in Russia's Relations with the West." *International Affairs*, 85 (3): 575–591.

see fit. The second lesson was that unilateral military intervention can take place without an explicit mandate from the UN Security Council and against the voiced objection of the Russian Federation in particular. This is a pattern Russia has continuously perceived in other color revolutions in the post-Soviet area, including recently in Middle East and North Africa. Taken together, the Kosovo affair had the wider implication of distancing Russia from the West, the EU included, paving the way for the galvanization of a much more hard-nosed realist foreign policy consensus during the Putin era.<sup>19</sup>

These tensions have been exacerbated by the fact that countries in wider Europe have presented the West with their own challenges. To begin with, countries in the region are usually weak states with limited administrative capacity. Corruption is entrenched. They are often divided states, either physically, as is the case with Georgia or Moldova, or mentally and politically when it comes to their place in Europe, as is the case with Ukraine. As a consequence, these countries have faced severe limitations in their ability and even basic willingness to engage in the kinds of reforms propagated by the West.<sup>20</sup>

In addition, the element of competition between the EU and Russia has not gone unnoticed by the countries residing in-between. In fact, this constellation has invited and enabled a recurring political pattern where the states in the 'common neighborhood' have alternated their allegiances between the EU and Russia, always looking for a better political and economic deal. Therefore, instead of fully Europeanizing or falling loyally into Russia's orbit, the countries have used the two protagonists as bargaining chips and sources of political leverage to buttress their own sovereignty and freedom of maneuver.<sup>21</sup>

As a result, neither the West nor Russia has managed to achieve its aims, and both have been played off one another by the countries-in-between. Moreover, this process has fed a feeling of latent competition

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<sup>19</sup>Dmitri Trenin (2007) "Russia Redefines Itself and Its Relations with the West," *Washington Quarterly*, 30 (2): 95–105.

<sup>20</sup>See Elena Gnedina and Evghenia Sleptsova (2012) *Eschewing Choice: Ukraine's Strategy on Russia and the EU*, CEPS Working Document No. 360, January 2012, <http://www.ceps.eu/book/eschewing-choice-ukraine%E2%80%99s-strategy-russia-and-eu>, last accessed 29 October 2015.

<sup>21</sup>Nicu Popescu and Andrew Wilson (2009), *The Limits of Enlargement-lite: European and Russian Power in the Troubled Neighbourhood* (London: European Council on Foreign Relations).

in the region, eroding trust and hindering the development of cooperation further afield, in effect acting as an important backdrop to the current conflict between Russia and the West.

The challenges for the EU are further complicated by the strong Russian presence in the region. Russia has on its own initiative been excluded from the European Neighborhood Policy (ENP), but it is nevertheless a player (in one form or another) in all of the conflicts in the region, and has remained far from disinterested when it comes to the development of these countries' ties with the West.

The conflict in Ukraine can be seen as a culmination of all of these unhappy trends. This is not the place to discuss the conflict in any detail.<sup>22</sup> Suffice it to say that it has unearthed a set of divergences within the Western camp as well as between the West and Russia that account for the gestation of the conflict as well as point out to some future challenges for the West, both in terms of handling the negative tendencies and in preserving unity.

Starting with the United States, it would be erroneous to argue that Washington is a disinterested party to events in wider Europe. On the contrary, the strong role the United States has played in fostering Western unity over the conflict in Ukraine shows that Washington is anything but disinterested. At the same time, U.S. interests are mainly geostrategic, i.e., to deal with the wider security setting in Europe and the potential military challenge posed by Russia. This leads to two consequences related to the role the United States can be expected to play in the region. First, since the war in Georgia in 2008 and the reset that followed a year later, the significance of wider Europe on its own merits has been downplayed by the United States—a development that has not gone unnoticed in Moscow and one that can be seen as a potential background factor influencing Russia's growing willingness to make its claim for a recognized sphere of influence in wider Europe increasingly public and the eventual decision to back this claim by resorting to violence in reacting to the events in Ukraine.<sup>23</sup>

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<sup>22</sup>For useful works in this respect, see Rajan Menon and Eugene Rumer (2015) *Conflict in Ukraine. Unwinding of the Post-Cold War Order* (Cambridge, Mass: The MIT Press); Andrew Wilson (2014) *Ukraine Crisis: What it Mean for the West* (New Haven: Yale University Press).

<sup>23</sup>See Bobo Lo (2015) *Russia and the New World Disorder* (London and Washington D.C.: Chatham House and Brookings), pp. 171–72.

Second, the United States needs to balance its role and commitments in wider Europe, and indeed in wider European security, with developments and challenges elsewhere in the world, including the volatile Middle East and the dynamics in Asia. On the one hand this accentuates U.S. stakes in Europe, as Russia's challenge and the U.S. response can be seen as a test case concerning U.S. resolve and ability to handle regional security challengers in general. On the other hand, notwithstanding its recent increase in relevance the European theatre can still be envisaged as of being secondary importance, an unnecessary drain on scarce U.S. resources that could be better spent elsewhere. From a Russian perspective this opens up potential avenues for probing whether an understanding with the United States about the future of wider Europe could be reached. One way to read the role Russia has played in Iran and Syria is to signal to Washington that, depending on the case and the context, Moscow can be either an asset or a liability, and that if the two could reach agreement over Ukraine and the rest of wider Europe, Russia might be willing to act more in the former capacity. Whether this is an offer the U.S. or the wider West could ever trust or accept is an entirely different matter, of course.

Turning to the European Union, since its eastern enlargement in the early 2000s the region has been one of the main issues on its external agenda. For example, one of the three strategic objectives in the 2003 Security Strategy was building security in the EU's neighbourhood.<sup>24</sup> Geographical proximity alone ensures that the EU needs to address the issues much more seriously and in a more comprehensive manner than the United States. In addition, due to its own nature as a value-driven regional integration project, the EU's essential objectives and tools have differed somewhat from those of the United States. Therefore, instead of adopting a geostrategic perspective, the EU has pursued a values-driven approach where good governance and economic reforms have been promoted with a view of tying Europe's east, Russia included, into a wider European economic and political area. These differences have not shielded the EU from Russian criticism, as it was long hoped or believed, as the EU has, whether it intended it or not, started to challenge and even erode the viability and legitimacy of Russian approaches in wider Europe.

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<sup>24</sup>European Council (2003) *A Secure Europe in a Better World—European Security Strategy*, Brussels 12 December 2003, p. 7.

Russia considers wider Europe to be of primary, even overriding geopolitical interest. With its actions Russia has made abundantly clear that it views the region a no-go zone for both the EU and NATO and that is willing to use all the means at its disposal to enforce this policy and pay a high price in terms of economic hardship and international, although mainly Western, opprobrium in doing so. The reasons for this are myriad and stem mainly from Russia's own domestic development; they need not be discussed on this occasion.<sup>25</sup> The main point worth stressing here is that the near-existential nature of Russian interests in and over wider Europe create an asymmetry that is unfavorable to the West: no matter how hard the West pushes its policies in the east, Moscow is always willing to push back a little harder. This has been reflected in the efficacy of Western responses to the conflict in Ukraine, where instead of capitulating—as was perhaps hoped by the West—Russia insisted both on its own objectives and the chosen hybrid modus operandi of continued destabilization of Ukraine. The combined effect of differences in stakes and Russia's acumen to play to its relative strengths sub-regionally have resulted and will continue result in significant hardships for the West if and when it hopes to continue keep pushing for its policies in wider Europe.

## Conclusions

The present situation finds the key Western actors in a paradoxical situation. On the one hand, a great deal has been accomplished: key institutions have enlarged successfully and as a consequence the geographical heart of Europe has been stabilized. On the other hand, Russia's angry response to the continued eastward drift of these policies and institutions tests the continuation of these practices as well as some successes we have already been accustomed to take for granted. This will spell continued challenges and even hardships for the West in and over wider Europe.

The tragic turn of events in Ukraine in early 2014 was a wake-up call to Western assumptions. Russia decided to check the growing presence of both NATO and the EU in the East and launched a wide-ranging hybrid conflict against Ukraine, and by extension the EU and the West.

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<sup>25</sup>For a wonderful exposition of this issue, see Fiona Hill and Clifford Gaddy (2015) *Mr. Putin—Operative in Kremlin*, Second edition (Washington, D.C.: Brookings).

These developments have in effect nullified the EU's approach towards the region as well as forced the United States to become much more engaged in European security and the EU's neighborhood yet again. Although it is clear that the U.S. role is indispensable in stabilizing the security situation in Europe, the fact that such a posture is once again required is hardly a welcome development. On the contrary, the whole Europe, including Russia, risks losing most of the co-operative security gains achieved during the post-Cold War era.

Yet the Western record is not entirely negative. To a degree, the 2000s had already showcased the potential for a fruitful division of labor between the EU and the United States. By accentuating the EU's role especially in its eastern neighborhood adjacent to Russia, the ENP offered a way for developing a mutually beneficial division of labor over the Atlantic Ocean.<sup>26</sup> For the EU, this offered a chance to make good on its earlier rhetoric about 'the hour of Europe' in the early 1990s. For the United States this offered an opportunity to divert attention and resources away from the region that could be put to a better use in other troubled hot spots of perhaps greater strategic importance to the United States than eastern Europe. A theatre where this approach has worked has been the Western Balkans, where the EU has relieved the United States from both peacekeeping and crisis-management duties as well as taken the lead in the civilian management and stabilization of the region through the stabilization and association process since November 2000.

By assuming greater responsibility over the Balkans, the EU has carried its own share of the transatlantic burden. At the same time it has manifestly failed to repeat the feat and act as an engine of stability in wider Europe. To a large degree this stems from the fact that, and unlike in the western Balkans, the EU has had to operate in an environment where a regional hegemon has actively sought to challenge and undermine its policies. But the EU itself is also to blame, as its current and, as it seems growing, immersion in successive and overlapping crises is in danger of creating highly unstable dynamics also within the EU itself. The slowly simmering crisis within the EU risks becoming a systemic malaise, potentially overshadowing the future development and even the very viability of the European project itself. This is, or at least

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<sup>26</sup>For a discussion, see Hiski Haukkala (2008) "The European Neighborhood Policy". In Sven Biscop and Johan Lembke (eds.), *EU Enlargement and Transatlantic Alliance: A Security Relationship in Flux* (Boulder, Colo: Lynne Rienner): 159–172.



should be, a cause for concern not only for the EU and its member states but for the United States as well, which has sought to use the EU as a tool for stabilizing the European continent. A failure of the EU is a risk that neither EU member states nor the United States can afford. The only party that would seem to gain from such a turn of events would be Russia, although it is hard to see how an increasingly dysfunctional EU could be in its long-term interests, either.

The fact remains that the West is in for a very difficult time in and over wider Europe. The countries themselves will pose a set of difficult challenges and will be anything but easy partners. Russian belligerence is not likely to disappear in the nearest future, either. On the contrary, Russia is more likely to seek to challenge Western policies in the region as well as question and seek to undermine the domestic cohesion and solidarity of these countries. This leaves the West with the unenviable task of managing these challenges in a situation in which the essential interests of the United States and the EU are anything but identical. For the EU in particular a time of trials and tribulations seems to be in the offing, as it will have to try to deal with these issues while combating increased dysfunctionality and sclerosis at home. One is indeed hard pressed to remain optimistic about any of the issues discussed in this article.

In the final analysis, the main challenge for Western actors across the board is to adopt a more coherent and thoughtful response to wider Europe. As was argued previously, a great deal of the evolution of Western policies towards the area can be explained by happenstance. In the current and tense situation this will no longer suffice. For the moment the only actor that has a comprehensive view and approach to wider Europe is Russia. This enables Moscow to control the essential conflict dynamics as well as ensure that it can play to its own strengths. The West, by comparison, remains stuck in a reactive mode, (over)burdened by a host of other issues and crises and slowed down by the cumbersome process of internal coordination and negotiation as well as by institutional rivalries.

This applies in particular to the EU, but the United States does not escape reproach either. As a consequence Western policy remains adrift, with Russia controlling the pace of events. In the process Moscow has been able to desensitize the West into accepting things that were seen as entirely unacceptable only a while ago. For example, the West's initial nightmare scenario in Ukraine, namely a frozen conflict in Donbas, seems more recently to have become the preferred scenario. This strate-

gic drift in Western objectives, if continued, will ensure that Russia will eventually reach its objectives in Ukraine, as to a degree it already has. Moreover, if it manages successfully to call the Western and perhaps in particular the EU bluff over sanctions, it seems safe to conclude that Russia will not only be able to achieve its immediate aims in Ukraine but that a larger challenge and an eventual roll back of Western policy towards wider Europe could be around the corner.

This does not need to entail that the Western policy towards wider Europe need remain a bridge too far. To avert this eventuality a serious re-think of Western policies is required. If the West is to play its game more successfully it must, firstly, learn the right lessons from its earlier policies. Pointing these out has been the aim of this chapter. Second, the key Western actors need to acknowledge that the challenge is and will remain strategic and will require some head-on collisions with Russia in certain issues while avoiding conflict in others. It also means strategic patience and the ability to assess and decide when the stakes are too high for overall European security. A game of chicken, which at times seems to have been in the offing in the East, is not a particularly safe sport. Indeed, the underlying concern is that the auto pilot mode of Western responses—ambitious on surface, timid in implementation—to the current crisis may result in further sleepwalking into another and potentially much bigger clash with Russia. It is high time for the West to acknowledge the radically altered nature of the game in wider Europe and to start to act accordingly, carefully weighing possibilities and risks, options and dangers. This will pose demands on both sides of the Atlantic: the EU must come of age as a strategic, although not necessarily a fully-fledged security actor, and the United States, and by extension NATO, must remain intimately involved in European security. It seems likely that the question of Western unity of purpose and vision of eastern Europe is set to remain relevant for quite some time.

## Chapter 13

# Western Policy toward Wider Europe

*F. Stephen Larrabee*

The fall of the Berlin Wall in November 1989 marked the end of the Cold War. In the two and a half decades since then the former communist states in central and eastern Europe have been integrated into Euro-Atlantic institutions. Today they enjoy a degree of economic prosperity, political stability and external security exceeding anything most of them have experienced in their history.

However, two regions—the western Balkans and the states on Russia’s western periphery (often referred to as “wider Europe”) are part of the “unfinished business” left over from the end of the Cold War. wider Europe includes six states—Ukraine, Georgia, Azerbaijan, Armenia, Moldova and Belarus—three of which want to join NATO.

The United States and the European Union share a common interest in extending democratic stability into the wider Europe region and promoting greater security there. As Daniel Hamilton and Nikolas Foster have noted, failure to deal with wider Europe’s problems risks destabilizing competition and confrontation among its regional and external actors, leading to festering separatist conflicts, greater international challenges and dysfunctional energy markets, the negative consequences of which could spill over into Europe and Eurasia.<sup>1</sup>

However, projecting stability and democracy into wider Europe poses a difficult challenge for several reasons.

First, Russia’s interests and political influence are much stronger and more resilient in wider Europe than was the case in central/eastern Europe or the western Balkans. The states in wider Europe are seen by Russian officials as part of Russia’s sphere of “privileged interest”<sup>2</sup> Moscow regards the expansion of Western influence and institutions,

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<sup>1</sup> Daniel Hamilton and Nikolas Foster, “The Obama administration and Europe,” in Alvaro de Vasconcelos and Marcin Zaborowski (eds.), *The Obama Moment* (Paris: The EU Institute for Security Studies, 2009), p. 52.

<sup>2</sup> See George Friedman, “Geopolitical Diary: The Medvedev Doctrine,” *Stratfor*, 2 September 2008.

particularly NATO, into the former Soviet space as a threat to its national security, and Russia is determined to defend its interests in this region, with force if necessary, as Russia's war against Georgia in August 2008 and its military intervention in eastern Ukraine have underscored.

Second, the wider Europe region lacks strong regional institutions that can promote regional cooperation and mitigate conflict. Efforts have been made to foster closer regional cooperation, such as the establishment of the Black Sea Economic Cooperation (BSEC) organization. However, BSEC lacks strong mechanisms for policy coordination and it is not well-equipped to deal with security issues.

Third, the wider Europe area contains a number of potentially explosive unresolved or "frozen" conflicts. These conflicts include the dispute between Armenia and Azerbaijan over Nagorno-Karabakh, the Transnistria conflict between Russia and Moldova, the secessionist conflicts between Georgia and Abkhazia and South Ossetia and the separatist struggle in eastern Ukraine. These conflicts pose a threat to regional stability and are obstacles to the integration of the countries of wider Europe into Euro-Atlantic institutions.

Fourth, many European members of the EU and NATO have reservations about whether countries like Georgia and Ukraine—not to mention Azerbaijan, with its Muslim population and historical and cultural ties to Iran—are really part of Europe and European culture. This ambivalence about the "Europeanness" of the countries in wider Europe is an important obstacle to the integration of these countries into European and Euro-Atlantic institutions. In the case of central Europe, many European officials had reservations about the wisdom of inviting them to join NATO and the EU, but no one questioned whether these states were part of Europe.

Finally, many EU officials have concerns about EU's capacity to absorb new members at a time when the EU is still wrestling with demands imposed by the enlargements of the EU 2004 and 2007. These concerns have been reinforced by growing worries about a host of new challenges posed by terrorism, immigration, the influx of refugees from the Middle East, and the sovereign debt crisis. European officials fear that EU institutions, already facing a growing pile of challenges, may become "overwhelmed" and prove incapable of managing all these mounting challenges simultaneously.

## **NATO Enlargement**

The difficulty of projecting stability into wider Europe is compounded by the fact that the political and strategic context for eastern enlargement today differs significantly from the political and strategic context that existed in the mid 1990s and early 2000s when the first rounds of enlargement occurred.

The most important difference is that Russia's hostility to the expansion of the NATO and the EU into the post-Soviet space is much stronger today. As noted earlier, Russia regards the post-Soviet space as an area of "privileged interest"—that is, an area of special strategic importance for Russian security—and it views the expansion of NATO and the EU into post-Soviet space as a direct threat to its national security.

Within NATO, there are strong reservations about any further enlargement of the Alliance in the near future. The NATO summit in Bucharest in April 2008 represented an important turning point in the process to further enlarge the Alliance. At the summit, President Bush pushed for offering Georgia and Ukraine a Membership Action Plan (MAP)—a program designed to prepare aspirants for NATO membership. However, the proposal to award MAP to Georgia and Ukraine was blocked by France and Germany, who feared such a move would exacerbate tensions with Russia. However, in order to reassure Georgia and Ukraine and assuage their disappointment at having been denied MAP, the communiqué issued by the heads of state and governments of the Alliance at the conclusion of the summit stated that Georgia and Ukraine would be admitted to the Alliance, but without specifying a specific date for their entry.

In short, the Bucharest summit sent a confusing and ambiguous message. On the one hand, NATO refused to award Georgia and Ukraine MAP, which was considered to be an important step toward membership. On the other, the two countries obtained an unprecedented written promise that they would at some undefined time in the future become members of the Alliance. In effect, Alliance leaders tried to square the circle—to have their cake and eat it too—by reassuring Georgia and Ukraine that they would be become members at some unnamed point in the future while saying indirectly to Russia "But don't worry it won't happen soon."

The Russian invasion of Georgia in August 2008 underscored the dangers of giving an Article 5 security guarantee unless NATO members are fully committed and able to implement that guarantee. Prior to the Russian invasion of Georgia, NATO members, especially the new aspirants for membership, had focused primarily on the security benefits of NATO membership. The Russo-Georgian war was a sharp reminder that membership also entailed obligations as well.

This delicate balancing act, which had worked in the past, failed at Bucharest. It did not reassure Georgia and Ukraine because the timetable for membership was too vague. And it did not reassure Russia because the communiqué was seen by Moscow as meaning that NATO would enlarge sooner rather than later. Indeed, the summit not only failed to deter Russia but, as Ron Asmus has suggested, it may actually have emboldened Moscow to step up pressure on Georgia and contributed to the outbreak of the Russo-Georgian five-day war in August 2008.<sup>3</sup> It also threatened to slow down the transformation and reform process in wider Europe because without a strong sense of security these states would have difficulty introducing a coherent and effective reform program.

While the invasion was aimed at punishing Georgian President Mikheil Saakashvili for his pro-Western course, especially his pursuit of NATO membership, it was also designed to send a broader message to the West, especially the United States, that Russia regarded the post-Soviet space to be part of its sphere of influence, and that it was prepared to defend its these interests, with force if necessary

The invasion was thus a sharp reminder—to the countries in the West as well as those in wider Europe—that Russia was still a power to be reckoned with and that any attempt to establish close security ties to countries located on the former Soviet space would need to take Russian security interests more prominently into consideration. At the same time, it made clear to the Russian leadership that there would be no military response by NATO if Moscow took military action against a post-Soviet state that was not a member of NATO (or the EU)—a lesson that may have influenced President Putin to use military force against Ukraine in 2014.

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<sup>3</sup> Ronald D. Asmus, *A Little War that Shook the World* (New York: PalgraveMacmillan, 2010), p. 138.

## **EU Enlargement**

The momentum behind enlargement has significantly slowed within the EU as well. The global financial crisis forced a shift in the EU's priorities and outlook. Today the emphasis in Europe is on internal retrenchment, not external expansion. European governments are concerned with the continuing sovereign debt crisis in the EU, the social impact of the largest influx of refugees since World War II, the growing threat from terrorism, and reducing the costs of maintaining the social welfare systems built up in the decades since World War II. EU members have little enthusiasm for—and are less ready to underwrite—expensive policies aimed at integrating the EU's eastern neighborhood.

Within the EU a feeling of “enlargement fatigue “ has emerged in recent years. There is a strong sense among EU members that the EU needs to strengthen its institutional capacity to absorb the new members that were admitted during the latest rounds of negotiations—the most recent being Croatia, which was admitted in 2013—before considering a further “widening” of its ranks. In particular, there has been growing discontent and disillusionment among European publics with the process of enlargement. Right-wing political groups opposed to enlargement have gained ground in many European countries, especially France, Netherlands, Denmark, Finland, and Greece, and have made EU enlargement one of their prime targets.

Today there is little support in the EU for new initiatives aimed at further enlargement to the east. The Eastern Partnership—the EU's main policy instrument for dealing with countries on its eastern periphery—emphasizes trade and soft power as instruments for promoting closer ties with the countries on the EU's eastern periphery. However, unlike the association agreements with the states of the western Balkans, the Eastern Partnership does not offer the prospect of membership. Membership is the “golden carrot.” Without the incentive of membership, many of the countries in the Eastern Partnership are not likely to be willing to undertake the risks of introducing meaningful reform programs.

## **The Eastern Partnership**

In addition, since 2009, Russia's views regarding the EU have hardened. Initially Russia did not see the EU as a threat. Moscow's main concern was focused on trying to block the enlargement of NATO. However,

Russian attitudes began to change with the development in 2009 of the EU's Eastern Partnership. A joint Polish-Swedish initiative, the Eastern Partnership was designed to increase cooperation with six states in wider Europe: Ukraine, Belarus, Moldova, Armenia, Azerbaijan and Georgia. However, the Eastern Partnership never had the full support of the strongest EU member states, particularly Germany, which feared that the initiative could have a negative impact on its effort to deepen relations with Russia.

However, EU and Russian perspectives about the goals and benefits of the Eastern Partnership differed significantly. The EU saw the Eastern Partnership as a win-win situation for all concerned. EU officials believed the initiative could forge closer ties to Russia's neighbors in the post-Soviet space and simultaneously maintain good relations with Moscow—a view which proved to be naive and misguided. Russia, EU officials argued, would benefit from greater stabilization of its periphery and the members of the Eastern Partnership could act as a bridge between Russia and the EU.

Russia, however, saw things quite differently. To Russian officials the Eastern Partnership looked more like a “hostile takeover.” Russia envisaged the Eurasian Customs Union as a counter-initiative to the Eastern Partnership and confronted members with a stark either/or choice. Membership in the Eurasian Union was incompatible with the deep and comprehensive trade agreements that the EU sought to sign with the members of the Eastern Partnership.

## **The Western Policy Agenda**

The Ukrainian crisis marks an important watershed in relations with the West and raises a number of important questions and challenges regarding Western policy in the future. What should Western policy toward wider Europe be in the aftermath of the Ukrainian crisis? How can Western goals be achieved in the face of a more assertive Russia? What adjustments in Western policy need to be made in light of recent developments?

Pursuing an overarching Western policy towards wider Europe is difficult because of the region's great diversity. Each of the countries in the region is very different and faces very different problems. Thus a one-



policy-fits-all approach won't work. Western policymakers will need to adopt specific policies for each of the individual countries in the region.

### *The Eastern Partnership*

This is particularly true in the case of the EU's Eastern Partnership. The Partnership was launched in 2009 with goal of creating the necessary conditions to accelerate political association and further economic integration with the countries of wider Europe. In terms of their interest in promoting closer contacts to and greater integration with the EU, the countries of wider Europe can be divided into two groups. The first group consists of Belarus, Azerbaijan and Armenia. Belarus has shown little serious interest in forging close ties to Europe and is currently under EU sanctions; Azerbaijan has also shown little serious interest in close ties to the Eastern Partnership, particularly those elements of the Partnership that would require Baku to improve its dismal human rights record; Armenia was on the verge of initialing an Association Agreement with the EU in September 2014, but under strong Russian pressure put its plans on hold and joined the Russian-led Customs Union instead.

Thus, only three countries—Moldova, Georgia and Ukraine—subscribe wholeheartedly to the Eastern Partnership. And Moscow is fundamentally opposed to the Partnership and sees it as a threat to its basic interests. Thus as the Centre for European Reform has argued, rather than trying to keep all six partners in a single framework as they increasingly move along diverging paths, the EU should accept reality and try to structure its relations with the six countries on an individual basis that recognizes this diversity.<sup>4</sup>

In addition, the geopolitical context has significantly changed in the last several years. The Ukrainian crisis has resulted in a sharp deterioration of the EU's economic and political relations with Moscow. Russian and EU policy are out of sync. Since the annexation of Crimea Russia has pursued an assertive policy that that emphasizes "hard security" while the EU continues to give priority to "soft security." This discrepancy in basic goals and behavior makes an attempt by the EU to seriously engage Russia in a meaningful way very difficult and has sparked a

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<sup>4</sup> <http://centerfor European reform.blogspot.de/2013/12/the-eastern-partnership-the-road-from.html>

wide-ranging debate within the EU regarding the future of the Eastern Partnership.<sup>5</sup>

In a thoughtful contribution to this debate, two German analysts, Kai-Olaf Lang and Barbara Lippert, argue that the countries to the EU's east are caught between a vague "wider Europe" proposal from Brussels and Russia's increasingly forceful idea of a "wider Russia." The Ukrainian crisis has forced the EU into a permanent crisis management mode in which security issues and the search for diplomatic compromise dominate the political agenda. The EU can only succeed in achieving its goals in this new phase, they contend, if it faces up to the Russian factor and realigns its relations with Russia on an Eastern policy of what they term "cooperative confrontation," which gives priority three goals: stability, cooperation and norm-driven transformation.

The problem is that Russia has shown by its recent actions in eastern Ukraine and Crimea that it is not interested in the three goals of their proposed Eastern policy—stability, cooperation and norm driven transformation—and that it is wedded to the pursuit of a policy based on hard power and maintaining political dominance over the states in wider Europe. Thus the policy of cooperative confrontation (an oxymoron if there ever was one) has little chance of being accepted as a basis for a new EU policy toward wider Europe.

### *Ukraine*

As far as Western policy is concerned, top priority should be given to stabilizing Ukraine and preventing the country's economic collapse. All the lethal weapons in the world will not help Ukraine if its economy collapses—and there is a danger that it could unless the West makes a stronger commitment to ensuring that Ukraine embarks upon a serious program of economic reform.

Some important steps in this direction were taken in the late summer of 2015. In August Ukraine secured an agreement to avert default and restructure billions of dollars of government debt. A group of Ukraine's largest creditors accepted an immediate 20 percent write-off on \$18 billion of the country's bonds.<sup>6</sup> The deal also includes a freeze on debt

<sup>5</sup> For a useful contribution to this debate, see Stefan Meister, "Rethinking the Eastern Neighborhood," <https://ip-journal.dgap.org/en/ip-journal/topics/rethinking-eastern-neighborhood>

<sup>6</sup> Elane Moore and Neil Buckley, "Ukraine secures debt deal for war ravaged economy," *Financial Times*, August 28, 2015.

repayments for four years. The restructuring allows Ukraine to maintain access to capital markets and provide the stable economic platform that will help the country to restore growth.

The agreement came at a crucial time, with tentative signs that the Ukrainian economy is beginning to stabilize. While output is still falling, the hryvnia has stopped its steep decline and inflation, which had reached 60 percent earlier in the year, is moderating.

Ukraine, however, is far from being out of the woods. The Ukrainian leadership faces several critical challenges. The first is to implement a coherent and sustainable domestic reform agenda. Ukraine finds itself in a highly vulnerable situation today largely due to bad decisions by its political leadership.<sup>7</sup> The previous leaders put off needed economic reforms because they feared that reforms would undermine their own political power and interests.

A second related challenge is posed by rampant and widespread corruption. Corruption reached alarming dimensions under President Viktor Yanukovich. Prime Minister Yatsenyuk accused Yanukovich of stealing \$37 billion from the state—equal to one fifth of Ukraine's GDP in 2013—during his four years in office.<sup>8</sup>

Energy security represents a third critical challenge. Ukraine needs a viable energy policy. It is one of the most energy-inefficient countries in the world. Ukraine needs to reduce its high level of energy wastage. It pays fuel subsidies equivalent to 7.5 percent of its gross domestic product (GDP). Its energy intensity—the ration of energy used to economic output—is twice that of Russia and ten times the OECD average.<sup>9</sup> A reduction in subsidies and higher fuel bills are unavoidable if Ukraine is to solve its energy problems.

A lot will depend on whether the United States and Europe can maintain a strong united front regarding the sanctions imposed on Russia in July 2015. In December 2015, the EU voted to extend the sanctions for another six months. But as the deadline for the extended sanc-

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<sup>7</sup> See Steven Pifer, "Taking Stock in Ukraine," *The American Interest* /<http://www.the-american-interest.com/articles/2014/10/28>.

<sup>8</sup> For a detailed discussion of the disruptive impact of corruption on Ukrainian economic and social life, see Anders Aslund, "Ukraine's Old Internal Enemy," *Wall Street Journal*, October 1, 2014.

<sup>9</sup> *Ibid.*

tions to expire approaches, pressure is likely to increase for repealing the sanctions and returning to "business as usual" is likely to mount.

However, lifting the sanctions before Russia fulfills its obligations under the Minsk agreement would be a mistake. The sanctions are beginning to have an impact and intensify Russia's economic problems. The decline of price of oil and signs of a deepening recession have caused a cutback in on Russia's Russian defense spending. The draft defense budget for 2015-2017 calls for a cut in defense expenditures by 5.3 percent in 2016—the first cut in defense spending since 2008.<sup>10</sup> Russian government officials have warned that the Russian budget can be balanced in the next three years only if oil prices remain above \$100 per barrel. Most projections expect the price of oil to be well below that figure—closer to \$60 or \$70 per barrel. Some economists believe that oil prices could drop even lower, depending on events.

Russia's military intervention in Syria is likely to exacerbate the economic the growing economic strains. As the economic costs of Russia's military intervention in Syria mount, Putin may be more open to a Ukrainian settlement. Indeed, one of the motivations behind Putin's decision to launch the military intervention in Syria appears to have been to deflect attention from Ukraine. Militarily the conflict with Ukraine is a stalemate. Given its larger and better-equipped armed forces, Russia would win an all out military conflict with Ukraine. But the costs—financial, military and diplomatic—of such an intensification of the conflict would be very high.

Putin appears to believe that he can achieve his goals without engaging in an overt conventional invasion. Ukraine faces serious economic challenges. Its economy is expected to contract by 9 percent. Russia has threatened to eliminate all trade preferences if the EU-Ukraine free trade deal signed by the Ukrainian government in July 2015 goes fully into effect in January 2016, as planned. However, the impact of these restrictions will be significantly reduced because in the last several years Ukraine has systematically shifted its pattern of trade away from Russia.

In 2012, Russia accounted for one-quarter of Ukrainian exports and one-third of its imports. However, since then its share of trade with Russia has more than halved.<sup>11</sup> Ukrainian exports to Russia fell sharply in

<sup>10</sup>Katherin Hille, "Russia to cut defense spending," *Financial Times*, October 13, 2014.

<sup>11</sup>"Ukraine adjusts commerce ties as trade war with Russia deepens," *Financial Times*, November 23, 2015.

2015, while the proportion of its trade going to the EU jumped from below 25 percent in 2012 to nearly 35 percent in the first seven months of 2015.<sup>12</sup> In addition, trade with China jumped from 5 percent to 8 percent in the same period.

In short, Russia's ability to inflict economic pain on Ukraine is declining. Imports of Russian natural gas have sharply fallen to nearly a bare minimum not only because of the sharp contraction of the Ukrainian economy and disputes over unpaid bills, but because Ukraine has responded by increasing energy efficiency and diversifying sources of gas supply.

However, Ukraine's economic situation remains precarious. A number of other steps could be taken that would contribute to the stabilization of Ukraine. Western leaders should press Ukraine to

- reduce its dependence on Russian energy, particularly natural gas and oil;
- diversify its sources of supply by concluding deals with alternative energy suppliers such as Norway, Nigeria and Algeria;
- adopt measures aimed at increasing energy efficiency;
- develop new markets for food and agricultural products;
- strengthen political ties to the Visegrad group, especially Poland, which serves as Ukraine's "Gateway to Europe;"
- implement a serious anti- corruption campaign.

While the door to NATO membership should be kept open to Ukraine, the issue of membership should be kept on the back burner for the near future. Raising the membership issue at this juncture would be a mistake. It would simply antagonize Moscow and make improvements in other important areas more difficult.

### *Georgia*

The United States and the EU should give priority to encouraging the development of strong democratic institutions and strengthening civil society. The door to NATO membership should be left open. But the issue of NATO membership should not be actively pushed for the time being. As in Ukraine, the emphasis instead should be on intensifying political and economic reform.

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<sup>12</sup>Ibid.

In the foreign policy area, the United States and the EU should insist that Russia withdraw its troops from Georgian territory, as called for in the ceasefire that Moscow signed ending the Five Day War. However, given the disparities in power between Georgia and Russia, achieving a Russian agreement to withdraw its troops will require firmness of purpose and a closely coordinated approach on the part of the United States and the EU.

The issues of Abkhazia and South Ossetia present a much more difficult problem. Here too the United States and EU need a firm, coordinated policy. The United States and the EU should encourage Georgia to increase economic, political and human contacts with Abkhazia and South Ossetia. The goal of these contacts would be to weaken the dependence of both entities on Russia and prevent their *de facto* annexation by Russia.

### *Moldova*

Moldova presents a difficult challenge for Western policymakers. The country is on the verge of political and economic collapse. Multiple government changes—including 3 interim governments in 16 months—have left Moldova without effective governance. The current government—a coalition of three major parties who advocate closer ties to Europe—is an interim government with limited constitutional powers. The parliament is splintered into a number of antagonistic parties and has been unable to pass any major legislation since the November 2014 legislative elections. All ministerial government and prime ministers since the summer of 2014 have essentially been lame ducks.

Economically, Moldova stands on the brink of financial insolvency. It has been unable to pass a state budget for 2016 or to amend the 2015 state budget following the depreciation of the national currency. Moldova's currency has been devalued by 25 percent since 2015. It is also under a Russian trade embargo, and the reforms it is being asked to introduce by the IMF and EU involve raising utility bills and reducing state spending, which if implemented would almost certainly result in the collapse of the pro-European government and its probable replacement by a coalition of pro-Russian parties, led by the Communist Party, which is the most popular party in Moldova.

Moldova's political and economic woes have been compounded by a \$1 billion banking scandal that could have far-reaching political and

economic repercussions for Moldova's political future. In October 2015, the Moldovan parliament lifted the immunity of Vlad Filat, the former prime minister (2009-April 2013) and leader of the Liberal Democratic Party of Moldova (PLDM), the largest non-communist party in the parliament (31 parliamentary seats in the 101-seat parliament) and the most important party in the three party ruling coalition. As prime minister, Filat pursued a strong pro-European course and oversaw the signing of an Association Agreement (AA) and Deep and Comprehensive Free Trade Area (DCFTA) as well as a visa-free travel agreement for Moldovans within the Schengen area.

However, the PLDM is dependent on the support of the second member of the coalition, the Democratic Party (DP), led by billionaire oligarch Vlad Plahotniuc, who controls key positions in the court system, law enforcement agencies and business community. Plahotniuc has little interest in European integration. His main preoccupation has been to negotiate the spoils of governance in favor of the DP and he has continually threatened to withdraw its support from the government unless the government conceded key positions or business opportunities to Plahotniuc-related interests. The party has been responsible for much of the governmental paralysis and increase of corruption in Moldova over the last several years.

Moldova faces a double challenge: (1) It needs a comprehensive restructuring and overhaul of the basic institutions of the state, particularly the judiciary and party system; and (2) to reverse the process of state capture by local and Russian business interests. The two challenges are closely interlinked. Democratic Party leaders have continually frustrated the reform of the Justice and law enforcement agencies and used them as a means to pay back old (and new) political debts to friends and cronies.

As a result of the signing of the Association Agreement (AA) and Deep and Comprehensive Free Trade Area (DCFTA) with the EU, Moldova stands to receive broad access to EU grants and credits and EU markets in the future. This will make Moldova more attractive to foreign investors. It also will make Moldovan passports significantly more attractive to citizens of Transnistria compared to Russian or Ukrainian passports.

However, unless the EU takes a stronger hand in helping Moldova to ensure a more open and transparent business environment and legal

framework, key local industries could be bought up by Russian oligarchs and Moldova could find itself deeply entangled in a web of non-transparent economic ties that restrict its economic freedom of maneuver and its political independence.

In addition, the conflict between Moldova and Russia over Transnistria poses a potential threat to Moldova's security. While the dispute is not of the same dimension as the conflicts between Azerbaijan and Armenia over Nagorno-Karabakh or the conflicts between Georgia and the breakaway provinces of Abkhazia and South Ossetia, it provides a convenient means for the Kremlin to exert pressure on Moldova.

### *Belarus*

Together with Azerbaijan, Belarus has shown little interest in significantly intensifying ties to the Eastern Partnership. However, in the past several years Belarus has shown some small but important signs of change. These changes have been forced on Belarus by shifts in Russian policy. After 2004 Russia began to push for a restructuring of its economic relations with Minsk, especially energy ties. The loss of Russian energy subsidies posed an existential threat to the regime in Minsk and forced Belarus President Alexander Lukashenko to seek a controlled opening to the EU after January 2007.<sup>13</sup>

The controlled opening resulted in a growing divergence between U.S. and EU policy. Prior to 2007, both the United States and the EU sought to isolate the Lukashenko regime and use coercive diplomacy to force Minsk to liberalize. However, after 2008 this unity began to crack. The EU increasingly pursued a policy of greater engagement with Belarus while the United States continued to pursue a policy of 'hard conditionality' designed to isolate the Lukashenko government.

After the December 19, 2010 presidential elections in Belarus, Lukashenko adopted a harder line. The elections, which were characterized by ballot-rigging and repression of the democratic opposition, marked a sharp rebuff of the EU's engagement strategy. The brutal crackdown in the aftermath of the December 19 election dashed hopes

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<sup>13</sup> For a detailed discussion of the reasons for the shift in Belarusian policy, see Margarita M. Balmaceda, "At the crossroads: The Belarusian-Russian energy-political model in crisis," in See Sabine Fischer (ed.), "Back from the Cold? The EU and Belarus in 2009," *Chailot Paper no. 119*, EU Institute for Security Studies, Paris, November 2009, pp. 79-91.



of any meaningful liberalization in Belarus and left the EU's policy of engagement in tatters.

Belarus depends heavily on Russian gas and oil and loans from Moscow. However, as Russia's economic problems have intensified and threatened to drag down Belarus' economy, Lukashenko has sought to distance himself from Moscow and cultivate closer ties to the EU. In August 2015, with an eye on the upcoming presidential election on October 11, 2015 he released some political prisoners. He also added a surprising bit of political theater to the electoral campaign, going out of his way to bluntly deny publically that there was any truth to reports that Russia would open an air base in Belarus.<sup>14</sup>

But Washington and Brussels have good reason to be skeptical that the leopard has changed his spots. Before the 2010 election, Lukashenko also made a few liberal gestures designed to convince Western officials that he wanted better relations with the West. But soon after the polls had closed he sent in the riot police who violently crushed a protest and arrested many of his political opponents, ending all talk of a "new" more moderate Lukashenko.

Lukashenko easily won the October 11 election, gaining 83.5 percent of the vote. While there was no repeat of the brutal crackdown that followed the December 2010 election, the U.S. State Department noted that the elections were far from free and fair, and criticized the inability of the international and domestic monitors to observe the vote count and the almost complete lack of opposition party or independent members on election commissions. However, the EU agreed to suspend sanctions against Belarus for four months in an attempt to encourage further gestures toward liberalization on Lukashenko's part.

The likelihood that this approach will generate serious change, however, is slim. In the past Lukashenko has made small tactical gestures toward relaxing repression (usually before elections) These were usually followed by a crackdown after the election was over. There is little reason to think that this time will be any different.

In the future, the United States and EU should closely coordinate their policies toward Belarus in order to prevent Lukashenko from playing one side off against the other. Economic assistance should be closely tied to support for a coherent program of economic and political reform.

## **Whither Wider Europe?**

With the exception of Ukraine, the prospects for the stabilization and democratization of the countries of wider Europe remain highly uncertain. All the countries in the region face major political and economic challenges due to their underdevelopment, lack of strong democratic traditions and structures, and the legacy of Soviet rule. Russia continues to see the region as a part of its sphere of “privileged interests” and remains intent on preventing the expansion of Western democratic ideas and norms into the post-Soviet space. Finally, and perhaps most importantly, the political and strategic context in Europe has significantly changed. Hostility to further enlargement of the EU has gained considerable ground in the last decade. At the same time, the EU faces a number of new challenges—the sovereign debt problem, growing pressures related to immigration and refugees, terrorism and the growth of right-wing extremism, which will increasingly preoccupy European leaders in the coming decade, leaving less time, interest and resources for stabilizing wider Europe.

*Section III*

**Perspectives on Russia, the West,  
and Europe's Grey Zone**



### *Chapter 3*

## **Russia's Putin and Putin's Russia: How They Work and What We Should Expect**

*Vladislav L. Inozemtsev*

Many years ago Sir Winston Churchill said that Russia “is a riddle wrapped in a mystery inside an enigma.” These days, many Western analysts are still trying to uncover this mystery and to understand how the country works. They are particularly interested in the motives of Russia’s paramount leader, Vladimir Putin, who has become another life-long ruler of the nation so unfamiliar to any kind of democratic governance. The famous question “Who is Mr. Putin?” posed by the *Philadelphia Enquirer’s* Trudy Rubin in 2000, looks today much less important than the question “What does Mr. Putin want?” and what direction he is now taking not only his own country, but presumably the whole world.

I argue that what happens these days in Russia is explicable and in a great degree even predictable—but that to understand, one must forget about traditional norms and logic as they that exist in democratic nations. One must analyze Putin’s moves as they are, not interpret them “as if”.

We should start by assessing Putin’s primary goal, which is two-fold. Russia’s leader concentrates on money and on power. To put it bluntly, from the very beginning of his meteoric rise in the late 1990s he wanted to become Russia’s (and presumably the world’s) richest man, and he wanted to stay in power indefinitely. These two aims are closely interconnected, since to become rich in Russia one should have direct access to public funds and state property, and to stay safe one should control the rules of the game as long as possible. All along the way, Putin combined these two goals—whether by looting the St. Petersburg budget in the early 1990s, restoring state (but in fact his personal) control over Gazprom in the early 2000s, or appointing new “oligarchs” to manage all state assets and quasi-state corporations.

Putin succeeded in building a system that is based on a free exchange of power for money and money for power,<sup>1</sup> a system that is not rooted in traditional corruption, but one in which administrative power is little more than a form of business.<sup>2</sup> This system was completed in the mid-2000s, as Putin and a close circle of friends realized the enormity of Russia's oil windfall. Since that time the decision to stay forever was never debated. When I first mentioned that Putin wanted to become his country's leader for life (in an op-ed published in Moscow in September, 2006),<sup>3</sup> I was criticized by every possible political camp as someone who does not understand either his intentions or how Russia's political system functions. But now this is sour reality.

I would add that Putin, now being one of the richest, if not the richest man in Russia,<sup>4</sup> actually never ran a competitive business, so he does not believe in the market economy. He relies on state capitalism, where the last word is his own. As long as he is in charge, there is no hope for liberal economic reforms in Russia. Even falling oil prices will not change this course, because Putin simply doesn't know how any other system works.

The same applies to the political sphere. Until Putin appeared from nowhere to be elected President of Russia in March 2000, he had never before run for any elected office. He considered democracy to be a danger, not the natural order of things. Recall that he first saw his country crumble because of democratic transformation in the early 1990s, and he later witnessed the fall of his St. Petersburg boss Anatolyi Sobchak in

<sup>1</sup> Vladislav Inozemtsev, "Neo-Feudalism Explained," *The American Interest*, 2011, Spring (March—April), Vol. VI, No. 4, pp. 73–80.

<sup>2</sup> Ivan Krastev and Vladislav Inozemtsev, "Putin's Self-destruction," *Foreign Affairs*, [www.foreignaffairs.com/articles/139442/ivan-krastev-and-vladislav-inozemtsev/putins-self-destruction](http://www.foreignaffairs.com/articles/139442/ivan-krastev-and-vladislav-inozemtsev/putins-self-destruction), posted June 9, 2013.

<sup>3</sup> Иноземцев, Владислав. "Вся надежда — на третий срок," *Независимая газета*, 1-2 сентября, 2006, с. 3 (Inozemtsev, Vladislav. "All the hopes are on the third term," *Nezavissymaya Gazeta*, Sept. 1-2, 2006) (Dutch translation: Vladislav Inozemtsev, "*Laat Poetin zijn karwei afmaken*," *NRC Handelsblad*, October 25, 2006, p. 7.

<sup>4</sup> In 2007 Stanislav Belkovsky estimated Putin's fortune at \$40 billion ([www.ilgiornale.it/news/ex-consigliere-accusa-putin-l-uomo-pi-ricco-d-europa-html](http://www.ilgiornale.it/news/ex-consigliere-accusa-putin-l-uomo-pi-ricco-d-europa-html)). Bill Browder put the figure at \$200 billion in 2015 (<https://russian.rt.com/inotv/2015-02-16/Brauder-uveren-Putin-samij>). Andrei Piontkovsky estimates the sum at \$250 billion ([www.sobesednik.ru/politika/2015-04-15-sostoyanie-putina-ne-7-millionov-rublej-a-250-milliardov](http://www.sobesednik.ru/politika/2015-04-15-sostoyanie-putina-ne-7-millionov-rublej-a-250-milliardov)). I doubt the latest figures, but one might assume that he controls directly Surgutneftegaz (with a cash pile of \$34 billion), and some parts of Gazprom and Rosneft, not to mention several companies formally owned by his friends. I would say that \$100–120 billion is a very realistic estimate.

the 1996 mayoral elections. With these experiences in mind, ever since his first term he has worked continually to secure his power position for decades. It is true that he strengthened the role of the state, but for Putin the state is the instrument by which he can own the whole country and keep his money machine running.

In short, there is no hope for genuine liberal economic and political transformation in Russia as long as Putin rules the country. Putin allowed Medvedev to stay as President for four years since he was sure Medvedev would remain loyal to him, and at that time Putin wanted to be considered as a rule-abiding guy. But he immediately foreshadowed his comeback by extending the presidential term from 4 to 6 years. Medvedev's time was a time of possible change, but Putin secured all the necessary levers to return to the Kremlin. The "windows of opportunity" that were widely open in the 1990s, and again briefly during Medvedev's time, are now firmly shut and securely locked with the support of the majority of the Russian people.

### **The Primacy of Domestic Politics**

To retain and secure his power position, Putin needs to control popular moods and to adjust his policies in ways that match the hopes of the vast majority of the population. He doesn't believe in electoral democracy (presumably thinking about it as about a senseless Western invention unsuitable for Russia), but he pays considerable attention to popular opinion and does not go against it. His main method to rule the country is to consolidate public opinion around a particular focus point, and then to characterize all other points of view as "dissenting" rather than as "opposing." In Putin's system there cannot be an opposition, there can only be dissidents. The difference is clear. "Opposition" connotes those who wish to correct the way the country is going by proposing more effective or alternative policies. "Dissidents" connote those who want to derail the nation's rise, presumably since they do not understand and share people's wishes.<sup>5</sup> Putin is a populist, not a democrat, which means that domestic, rather than foreign, policies are, and will remain, his primary focus.

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<sup>5</sup> Иноземцев, Владислав. "Страна, подавляющая большинством" на сайте slon.ru: [www.slon.ru/posts/51273](http://www.slon.ru/posts/51273), размещено 7 мая 2015 г. (Inozemtsev, Vladislav. "The Country Which Suppresses By Majority (in Russian)," [www.slon.ru/posts/51273](http://www.slon.ru/posts/51273), posted May 7, 2015.

This point should be understood quite clearly—once again because Putin is very interested in Russia's history and its spiritual uniqueness. Both of these factors support his attention to domestic issues, since he understands well that during the past 700 years Russia was never conquered by any foreign power, and that after every aggression the country appeared even stronger and more influential than it had before. At the same time, however, Russia was often plagued by internal unrest and conflicts that destroyed its state power, diminished its administrative capacities, and even put the country on the brink of collapse. The strife of the early 17<sup>th</sup> century, the revolutionary wave of 1917–1921, and then the collapse of the Soviet Union and the “horrible 1990s”—all of these terrible times were generated by mistakes—and, potentially, acts of treason—that originated at home. That is why Putin believes that domestic politics are much more important than everything else. His actions in the “wider world” are primarily driven by his efforts to shape and consolidate public opinion inside his own country.

### **Agenda-Shifting**

How does Russia's President act to achieve his goals on the domestic front? His tactics are quite sophisticated and developed to a degree of perfection. First, he identifies and then inflames a particular aspect of the public agenda in ways that make it the headline issue for popular opinion at any given moment. He employed this tactic for the first time in 1999, when the bombing of two apartment houses in Moscow turned Russians' attention away from political struggles among different Kremlin factions toward the danger posed by Chechen terrorists. The episode provided Putin with *carte-blanche* support to wage a victorious war, after which he became president. Periodically since then a new topic is chosen (the “fight with the oligarchs” in 2003–2005, the priority of economic growth over political freedoms in 2005–2008, national unity in the face of efforts to undermine stability in 2011–2012, combating Western influence in 2012–2013, the war for the “Russian world” in 2014, saving the world from U.S. dominance, etc.). These headline issues are changing ever more quickly because incessant day-and-night coverage of an “overheated” topic can exhaust popular attention. But there is no doubt that as soon as one issue goes away, another will arise, and the cycle will begin anew.



This kind of propaganda proves to be extremely effective due to one crucial feature. Putin acts very fast, changing the agenda well before his opponents adjust their positions and consolidate to criticize his approach. He stakes out a seemingly mainstream position (who will oppose combating Chechen terrorists, fighting oligarchs or securing Russians' rights in Crimea?) while cautioning the public that such approaches could have costs (tolerating Kadyrov's de facto independent state in Chechnya, enduring tougher economic times as a result of Western sanctions, budget crises and tough business conditions in the wake of the annexation of Crimea, and so on). By the time the consequences appear, however, Putin has moved on to the next topic, taking public opinion with him. Kadyrov may neglect federal laws in Chechnya, but now the biggest problem is to defend Russian kids from gay propaganda coming from the decadent West. Capital and thousands of young professionals are fleeing Russia, but that is less urgent than the need to "retake" the "holy" Crimea from "fascist" Ukraine. There is chaos in Donbas, the ruble is falling and the economy is faltering. Yet all this may need to wait until we finish with ISIS somewhere in the Arabian deserts. As soon as one "crucial" issue wanes, another comes to replace it. That makes the system in some sense immune to significant criticism, since no one wants to hear about topics that are not longer top priority, and very few will disagree with Putin on those that still are headline issues. Putin is betting that he can manipulate this whirling kaleidoscope of issues to stay in the center of public attention for as long as he wishes.

## **Strategic Goals**

Given all this, one may ask whether Putin has a long-term strategy for his country. The question is provocative and the answer is complicated. The right answer is "no and yes," or more precisely, "no, since yes."

To understand this, one should completely forget the context of the 21st century globalized information world to which contemporary Westerners are accustomed. German Chancellor Angela Merkel was definitely right to say that "Mr. Putin lives in another world," but few really understand how different this world is. The Russian President perceives the new realities as some disturbing deviation from the "normal world" of the 19<sup>th</sup> or 20<sup>th</sup> centuries with their great armies, contested territories, industrial might, and all that was important to policy-

makers a century or more ago. He praises the world system as it emerged, if not from the Congress of Vienna, then from the Potsdam Conference (and he really believes it would be better to restore the Yalta system, which, as he noted when speaking at the UN in September 2015, was designed “in our country”). He used to describe himself as “a conservative,” but he is not so much conservative as befuddled, refusing to accept the world as it is. Putin does not use the internet, his administration orders new typewriters to be secure from any leaks on the web, he trusts the reports his aides present to him, and he believes in the power of television. He sees in every popular movement a conspiracy organized by his adversaries, and he believes that Russia needs to seize more lands from its neighbors to consider itself again a great power. Moreover, Putin does this all simply because he believes the “good old world” will soon be back and “history will resume.” Herein lies the answer to the main question of strategy.

Putin has stated many times that his primary goal is to maintain “stability,” by which he means no domestic change at all. It’s like the Second Coming: those who are buried closer to the East will resuscitate first—so if Russia does not change too much, it will be better able to adjust to the old world when it returns. Every change in today’s Russia is seen simply as an anomaly—just look at the regime’s economic strategy, which is only about how to survive until the oil price will “inevitably” rebound. Putin’s strategy is to “preserve” the current Russia until the time the world recognizes that the country’s conservative path was the only true course. This approach presupposes no strategic moves, since the only goal is to resist change. Any actions that may in fact generate change are mainly viewed as tactical adjustments within this broader strategic frame of preservation. This may seem incredulous, but I can offer no other explanation for Putin’s political course. Only a strategy that encompasses a belief in the “eternal return” can explain what he is doing in both the economic and political realms. He strongly—and willingly—rejects the contemporary world, and centers his entire strategy on outliving it. The sad side of this story is that Putin has little chance to succeed, and when he is gone, perhaps in a decade or two, his country is likely to face enormous challenges, even as the postmodern world hurtles forward with little prospect of turning into a new Middle Ages.

Another issue often debated in the West is whether Putin is good or bad at cost-benefit analysis—in other words, does he take the principle of effectiveness seriously enough? Many signs suggest that he does not,

but one should take into consideration his extremely specific sense of “rationality”.

For Putin these days, specific goals and tasks simply do not exist. His rationale is built on the long-term goal of possessing Russia, and its wealth, for the rest of his life. This has provided him with tremendous returns many years in a row. Windfall profits from rising oil prices have been at least \$2 trillion since Putin's first term in the Kremlin began. Even more important is that these profits were increasing consistently over the course of his tenure in top leadership positions. These “excessive” annual earnings peaked in 2012–2013 at \$400 billion, surpassing those Russia received in 2000.<sup>6</sup> Given this flows of funds, Putin's cost-benefit assessments of such projects as construction of the Olympic venues in Sochi, building new launching sites in the Far East or a high-speed railway between Moscow and Yekaterinburg<sup>7</sup> are made less in terms of money than in terms of influence on public opinion and their role in elevating his personal approval ratings.

The same may be applied also to some purely economic projects. In 2013, for instance, Rosneft, the leading state-controlled oil company, acquired TNK-BP for \$53 billion in cash and equity just before the start of a downward wave in the Russian stock market, and now the united company is valued less than the amount it spent on the acquisition. In a normal market economy the CEO would be immediately fired, but Igor Sechin remains the president's closest ally, not least because he controls the state-owned oil assets that provide such huge tax revenues for the federal budget.

Putin does not care about shareholder value because he believes he is the main, if not the sole, proprietor of the whole country. This explains his “cost-benefit” analysis. He is not so interested in assessing special investment projects, since he sees Russia as a huge corporation that can

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<sup>6</sup> Vladislav Inozemtsev, “Russia's European Home,” Project Syndicate, January 5, 2015, [www.project-syndicate.org/commentary/sanction-putin-not-russian-people-by-vladislav-inozemtsev-2015-01](http://www.project-syndicate.org/commentary/sanction-putin-not-russian-people-by-vladislav-inozemtsev-2015-01).

<sup>7</sup> See for more details: Zubov, Валерий и Иноземцев, Владислав. “Белые слоны! российской экономики: на что государство тратит деньги,” РБК, 2015, 1 сентября 2015, с. 11; “Почему государству надо перестать инвестировать” в: РБК, 2015, 14 сентября, с. 7; “Экономика «чудес»: почему государственные компании так неэффективны” в: РБК, 2015, 29 сентября, с. 9 (Zubov, Valery and Inozemtsev, Vladislav, “The ‘White Elephants’ of the Russian Economy,” *RBC Daily*, September 1, 2015, p. 11; “Why the State Should Stop Investing,” *RBC Daily*, September 14, 2015, p. 7; “The Economy of ‘Miracles’: Why State Corporations Are So Ineffective,” *RBC Daily*, Sept. 29, 2015, p. 9.

afford some “branding” projects such as those that are channeled into sport and infrastructure projects. Putin is well aware that such efforts are in fact extremely effective compared to other, often more expensive, means of securing popular support.<sup>8</sup> In this regard Putin may be considered very effective since he does not take into consideration any small and insignificant points. He prefers to concentrate on the big picture. To some degree this explains his changing attitude towards Soviet history, and in particular to Stalin’s personality: the late tyrant is now openly praised as an “effective manager.” This means that if you leave the country stronger in military means, bigger territorially and more “respected” in the world, any economic inefficiencies and even vast loss of human lives may well be considered justified and reasonable. I am not arguing that Putin may become another Stalin in a decade or so, but many aspects of his thinking resemble those of Soviet leaders.

What ways and means does Putin have at his disposal to achieve his goals? This may be the most crucial question facing Russia today. Putin’s toolbox is very limited, and it is the result of what he has done with Russian society.

For more than quarter of a century Russia has been turning into a country where only money matters. As Putin went about constructing his system, he eliminated any other means of appealing to the people for getting things done. The so-called “vertical of power” that he established was, and still is, a sophisticated system for securing loyalty, based at every level on sufficient bureaucratic autonomy to organize “business schemes” for self-enrichment. During the first ten years of Putin’s reign the system worked quite well, since there was a growing pool of money from rising oil income available both for social spending and “investment needs” from which bureaucrats could profit. In these years the Kremlin was ready to boost spending on almost anything reliant on growing oil revenues. The result was rather predictable—infrastructure

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<sup>8</sup> According to 2013 federal budget outlays, Russia spent 1.084 trillion rubles on its federal government, which equaled \$34 billion at the average 2013 exchange rate of \$1.00 = 31.848 rubles. The U.S. federal budget for the same year allocated to “general government” totaled \$28.1 billion ([www.usgovernmentspending.com/federal\\_budget\\_detail\\_fy13bs12015n](http://www.usgovernmentspending.com/federal_budget_detail_fy13bs12015n)). On the figures for road construction see the interview with the head of the State Road Construction Agency of the Russian Federation at [www.rbc.ru/interview/business/20/07/2015/559d5f049a79470cc3c8a450](http://www.rbc.ru/interview/business/20/07/2015/559d5f049a79470cc3c8a450). Also Иноземцев, Владислав. “Дешёвая пропаганда. Как оценить эффективность государственных инвестиций в СМИ” на сайте slon.ru: [www.slon.ru/posts/54993](http://www.slon.ru/posts/54993), размещено 11 августа 2015 г. (Inozemtsev, Vladislav. “The Cheap Propaganda: How One May Assess the Effectiveness of State’s Investment into Media,” [www.slon.ru/posts/54993](http://www.slon.ru/posts/54993), posted on August 11, 2015.

project costs shot up, as did the costs of keeping the state machine working (in 2013, Russia spent 20 percent more on the state apparatus [at market exchange rates] than did the United States federal government).<sup>9</sup> These days the country spends around 15 percent of what China spends on road construction, but annually delivers only around 2 percent as many new roads as China. The state is forced to pay more and more every year to get things done, lest the principles of loyalty be violated, since local and federal bureaucrats are not accustomed to tighten their own belts. This is the main problem for Putin today, because he has no other means to make the bureaucracy work. All other motives have been largely downgraded, and no one would do anything she or he should out of regard for ideological principles, patriotic feelings, or sense of duty or honor. If this were not true, the government would have found some means to reduce the budgetary spending during the crisis—but it was unable to do so in 2015 compared to 2014, and is also unlikely to cut the budget deficit in 2016.

### Searching for an Ideology

The topic of ideology must be investigated in greater detail. Of course, ideological issues are widely debated in Russia these days, but I would not say that there exists something that may be understood as ideology in the strict sense of the term. The “search for ideology” (or “national idea”) that had been underway within Russia since the fall of the Soviet Union has never resulted in any meaningful concept—and this may be explained by the fact that Russia is currently a nation-state, not the “ideological empire” the USSR sometimes was. Nevertheless, the search for ideology continues, largely because it is considered a crucial element of the “glory” once possessed by the Soviet Union.

The problem with ideology in today's Russia is even more profound, since any possible kind of ideological doctrine for the country would be entirely particularistic, whereas ideology should have a strong universalist dimension. Russian political elites want to invent an ideology not only because they look to the Soviet Union as an ideal they want to resemble, but also because they are trying to challenge the United

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<sup>9</sup> ноземцев, Владислав. “У государства имущества на 100 триллионов, а оно залезает в карман пенсионеров” в: Комсомольская правда, 2015, 2 октября, с. 7 (Inozemtsev, Vladislav. “The State Controls 100 Trillion [rubles] In Assets, But Tries to Take the Last from the Pensioners,” *Komsomol'skaya Pravda*, Oct. 2, 2015, p. 7.

States, which might be considered less an “historical” than an “ideological” nation. It seems that the only possible option for the Russian political class, however, is to adopt an exceptionalist ideology based on the religious uniqueness of Christian Orthodoxy. This explains why there is such a huge religious revival underway in the country—a revival that by no means originates from the grassroots, but is actively propagated and even imposed by the state. One may even say that the Orthodox version of Christianity is now becoming the new Russian ideology, based on belief in the special path of the country, in the superiority of the Russian people, and in the unique, almost sacred role of the state. This factor becomes even more important because Putin presents himself as a deeply faithful person for whom issues of religion and “morality” are more important than those of politics or economics.

This may be seen clearly in the case of Russia's so-called “pivot to Asia”—its turn away from the West towards China and Central Asia. This shift has forceful religious-ideological causes and dimensions. To explore them, one must turn to 13th century Russian history, notably the story of Count Alexander of Novgorod, who became the ruler of a northwestern Russian county at the time of the Mongol invasion, by far the most devastating period for the country in centuries. The Mongols had not advanced towards Novgorod, but the Teutonic knights emerged from the West, trying to impose Catholicism on Russian lands. Count Alexander engaged in war with them, defeated Germans and Lithuanians in several battles, and then went to Saray and Karakorum where he proclaimed himself the vassal of the Mongols and subsequently was appointed the sovereign of Kiev, Vladimir and other Russian domains. The Count was canonized by the Orthodox Church in 1547.

Why is this story so important? St. Alexander fought for the Orthodox faith (i.e., ideology), which was threatened from the West, and later requested the union with the Mongols, who wanted subjugation but were oblivious to religious issues. Today, it seems that Putin would rather become a junior partner of China and hand over to the Chinese some of Russia's natural wealth than, in his view, “surrender” to an immoral and virulent West that wants to deprive Russia of its unique spirituality. Putin's particularistic “ideology,” therefore, has become a significant roadblock to rapprochement between Russia and the West, as well as to Russia's adoption of contemporary human rights doctrine. Whatever ideology Russia seeks to adopt, across the centuries it appears to be unalterably anti-Western.

When discussing ideology, one should not forget the idea of the “Russian world” that is often seen to be a part of the new Russian ideology. I would disagree with such an assumption, because the “Russian world” doctrine is ill-suited to serve as either an internal or external ideology. In the first case, it is very dangerous to exploit nationalistic ideas inside a multicultural and multiethnic country. In the second case, a doctrine that seeks to unite all Russians, including those who live outside the current borders of the Russian Federation, may be seen, understandably, as dangerous for neighboring nation-states.

The “Russian world” idea serves a very local purpose. Putin uses it to convince his core electorate that he is willing to help compatriots who live abroad and who, presumably, are being oppressed by local authorities. This was applied in Crimea and Donbas, but it seems likely to fade since it cannot be applied successfully anywhere else (unless Putin wishes to destabilize northern Kazakhstan, which seems unlikely). It may also become harder for Putin to employ the “Russian world” theme since a quite different Russian world is now emerging—a world of successful Russians who leave Putin’s Russia and settle in Europe and in the United States, where they can build their future much more effectively than in their own homeland.<sup>10</sup> Since Putin dislikes this group and has adopted a series of measures preventing its members from being civil servants in Russia or to run for elected office, it will be harder and harder for him to present himself as the protector of a united “Russian world.”

To conclude, I will reiterate some of the most important points. First, Putin’s Russia is a country where the political class seeks both power and money, and one doesn’t exist without the other. Second, Putin is a talented populist who has designed a sophisticated system of seducing the crowd. This system continues to work well and gives his opponents little chance to succeed. Third, the Russian leadership seems not to care about strategic goals since, on the one hand, it believes that its strategic goal consists in preservation of the country in its current state, and, on the other hand, no one looks beyond his own lifespan. Fourth, the emerging Russian ideology (or identity) is extremely confabulated and full of religious or quasi-religious elements that make it incompatible with the 21<sup>st</sup> century post-modern world. The Russian leadership definitely lives in another world, but this world is calculable and predictable.

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<sup>10</sup>For more details see Wladislaw Inosemtzew, “Wer gehört zur „russischen Welt“?” in *Internationale Politik*, 2014, no. 6 (November-December), pp. 94–101.

It is important not just to understand how Putin's world works, but to explore how stable it is and how long the "normal" world may be forced to coexist with Putin's world. This is a huge problem. I submit that the "normal" world should prepare for a cohabitation that could last for decades.

### **How Long Can Putin's Regime Last?**

Putin's Russia can neither develop nor modernize.<sup>11</sup> This simple fact, however, says nothing about how stable it may be (I reiterate that stability in today's Russia means the absence of change, and therefore non-development is actually desirable). Moreover, such non-development may now easily be "sold" to the public, and therefore one can expect Putin's regime to last as long as its leader is alive. I will mention just a few reasons for such an assumption.

First, there is the effect of state propaganda and the specific nature of the Russian people. The vast majority of Russians these days believe that Russia is rising from its knees and is on the right path to redeem Soviet "glory". They have already forgotten about the hardships of past times, and instead have become inspired by the late country's political and military might. The state has been very successful in convincing the people that the Soviet Union broke down because of Western conspiracy. This "explains" the current showdown between Russia and the West, since according to this narrative the West doesn't want Russia to become sovereign and strong once again. This line of argument inculcates two feelings: on the one hand, Russia should not embrace the new realities, but rather try to restore the world that existed earlier—which Putin and his inner circle represent; on the other hand, all Russians should unite lest they fail to win the "final battle" with their opponents, the implication being that they should not demand any improvement in living standards in coming years. This "defending" and "backward-looking" consciousness ideally secures the regime.

Second, one should admit that the quality of life in Russia has improved dramatically during Putin's years in power. Real incomes now exceed 2000–2002 levels by at least three times, if not more. Russia has

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<sup>11</sup> Vladislav Inozemtsev, "Dilemmas of Russia's Modernization" in Ivan Krastev, Mark Leonard and Andrew Wilson (eds.), *What Does Russia Think?* London: European Council on Foreign Relations, 2009, pp. 46–52.



turned into a modern consumer society, and given all the forces of destabilization, the economy could be doing much worse than it is doing now. By the end of 2015, the real disposable incomes of an average Russian may have been down 8–9 percent from a year earlier, but this type of decline is definitely not enough to change the mood of the people. In my view, even current levels of well-being must decline by at least 25–30 percent to provoke real disillusionment in the public's mind. Such a tremendous downturn does not seem very probable, due to significant financial reserves that can keep the economy afloat for at least two years; to some degree of import substitution that reduces the price (and, of course, also the quality) of many daily consumable goods; and, of course, due to inertia within the entrepreneurial community (many businesses now run in the red, but their owners do not close them because they hope for the better and understand how hard it would be to get back into business if they were out of it for some time).

Third, Russian society has changed a lot in recent years—and the major result of Putin's policy is that it is now too “individualized” and atomized to be an agent of change. For more than a decade the current power elite designed a system in which a person can achieve almost everything if he or she individually bribes officials, secures special conditions for his or her business, neglects some rules, etc. At the same time, any kind of collective action was crushed, and its participants never achieved anything they desired.<sup>12</sup> Authorities in Russia are quite open to individual negotiations, but they fiercely oppose any collective claims. Therefore, no protest movement has ever achieved any significant result for which it has fought (the last success dates back to 2005, when pensioners organized protests aimed at increasing compensation for the loss of their right to use public transport and to acquire some medical support free of charge). Faced with economic difficulties, some people take on additional jobs, while others prefer to emigrate. Russia today is a country where there are only individual, not collective, paths out from its systemic contradictions. This is not fertile ground for transformation.

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<sup>12</sup> See: Vladislav Inozemtsev, “Russie, une société libre sous contrôle autoritaire” in: *Le Monde diplomatique*, 2010, No. 10 (Octobre), pp. 4–5.

## How May the Current Regime End?

Two options are now the most realistic. The first option presents itself if Putin dies or becomes incapacitated for some reason (it is unlikely that this would happen as a result of a *coup d'état* or a conspiracy). As was seen clearly in 2011–2012, Putin's regime is not a systemic regime, such as ones established in Mexico in the early 20<sup>th</sup> century or in China after Mao's death.<sup>13</sup> It is purely dependent on just one particular person. Those in Putin's circle owe their positions and wealth only to him, and they have no basis to claim that they somehow are a better fit or more qualified for the top job in the country. Therefore, one may expect either a quarrel that could destroy the "power vertical," or a change in political course that could allow the Russian political/financial elite to renegotiate its relationship with the rest of the world to secure its wealth and avoid an unnecessary showdown. Putin's disappearance is unlikely to bring to power even more conservative people, since the current break with the West could be orchestrated only by such a charismatic figure as Putin himself (and it took even him more than a decade to turn from a "Russian European" into the foe of the Western world). Any other politician would not be as argumentative, and thus less likely to exacerbate or continue current trends.

A second option may be considered if the current economic crisis becomes more aggravated, oil prices dip under \$35/bbl and Western sanctions continue to ruin Russia's financial sector. Since Russia these days appears more like a big corporation that delivers quite healthy profits and benefits for the politicians and bureaucrats who own it, this option may be considered if the "corporation" goes into the "red" and begins to generate constant losses. If you are a governor of a particular region and you profit from the construction company that belongs to your son; if you are Putin's close friend and build bridges or railroads funded from the budget, pocketing half of the money; or if you are the minister for agriculture and at the same time Europe's biggest landlord—everything goes well as long as people buy the apartments you build, the budget has funds for the bridges you construct, and the land you own constantly grows in value. But if there are no buyers, the budget is deep in the red, and everybody wants to sell land rather than

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<sup>13</sup> See: Иноземцев, Владислав и Павловский, Глеб. "Иноземцев vs. Павловский" в: *The New Times*, 2010, 22 марта, сс. 14–17 ("Inozemtsev vs. Pavlovsky (in Russian)" in: *The New Times* [Moscow, Russia], March 22, 2010, pp. 14–17)

buy it, things look different. You may take a few million dollars from your Swiss accounts and cover the losses for a year or two, but you cannot do this indefinitely. And if the state has no money, it will press even oil and commodity companies and take away their profits. With no investment there would be no perspective—and at this point the government would lose its attractiveness. As the Soviet elite just disappeared in late 1991, the new Russian elite might render up their positions one by one and settle abroad, where everything is ready to accommodate these “devoted patriots.”<sup>14</sup>

The system Putin created in Russia should be studied further, and in a deeper way, since it is one of the most sophisticated authoritarian systems that ever existed. It possesses enormous reserves to confront any changes and any challenges, and it is headed by a highly talented populist who has every chance to rule the country for the rest of his life. What this system cannot do, however, is sustain itself after Putin leaves office. And nobody today can say with any certainty how Russia may look “after Putin.”

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<sup>14</sup>See for more details: Как рухнет российский режим. Возможный сценарий” на сайте slon.ru: [www.slon.ru/insights/1202339](http://www.slon.ru/insights/1202339), размещено 5 января 2015 г. (Inozemtsev, Vladislav. “How the Regime May Fall: A Prospective Scenario (in Russian)”, [www.slon.ru/insights/1202339](http://www.slon.ru/insights/1202339), posted on January 5, 2015.

## *Chapter 4*

# **Russia and the West: What Went Wrong and Can We Do Better?**

*Marek Menkiszak*

Unsuccessful attempts by Russia to push Ukraine to join the Moscow-led Eurasian Economic Union and successful Russian pressure on the country to drop its Association Agreement with the EU led to political protests in Kyiv in fall 2013. In spring 2014, while revolution brought pro-European regime change in Ukraine, Russia occupied and annexed Crimea and started a war in Donbas, violating international law, various bilateral and multilateral agreements as well as undermining the foundations of the post-Cold War order in Europe. It led to the most serious crisis in Russian–Western relations since the end of the Cold War, involving mutual sanctions by the United States, the EU and some other Western allies on one side and Russia on the other.

However grave the crisis is, these events are yet another in a whole series of crises between Russia and the West over the 25 years since the breakup of the Soviet Union. On the other hand we also witnessed periods of quite positive, pragmatic cooperation between the two during that time. Unfortunately, none of these lasted long, nor was able to create a critical mass allowing for a positive breakthrough in mutual relations.

This chapter is a modest attempt to offer some interpretations which may be helpful in answering questions: why it has happened and where we should go from here? In the first part it assesses differences between Russia and the West<sup>1</sup> related to perceptions, political cultures, values and interests. In the second part it provides several conclusions based on analysis of past periods of both cooperation and conflict between the two sides. In the third part it gives recommendations on Western policies towards Russia: what approaches should be avoided and why, as well as what policies should be pursued.

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<sup>1</sup> Meaning essentially the U.S., Canada, EU/EFTA Europe, Australia and New Zealand.

## Russia and the West: What Keeps Us Apart?

Current Russia differs considerably from what is considered to be a Western model of liberal democracy. The nature of the current authoritarian political regime in Russia, where a very small group of people tend to participate in decision-making processes, while sharing a very peculiar mentality and world perception, seriously and adversely influence Russian policy and Russia's relations with its neighbors and the West. The following—mutually reinforcing—systemic problems seem to play an especially negative role:

### *Clash of (Mis)Perceptions*

The biggest problem of Western analysis of and policy making toward contemporary Russia is a habit of projecting those elements of political and strategic culture, ways of thinking or understanding institutions that are dominant within the developed West. This tendency carries with it the risk of underestimating differences between the formal and real power systems in Russia and various political, economic and social mechanisms peculiar to Russia. This habit of analysis also risks misunderstanding various paradoxes associated with modern Russia, for instance the Russian government may simultaneously recognize serious weaknesses and deficits of the state, including its limited capabilities, yet do nothing to abandon or scale back ambitious policy goals and bold policy actions. The same may be seen in Russian society. For instance, according to opinion polls the majority of Russians simultaneously believe in state propaganda claims yet also believe that the government is lying to them. They overwhelmingly participate in elections, yet at the same time they do not believe elections are fair or influence the government. They declare their trust in President Putin, while simultaneously stating that he doesn't represent the interests of the common people.<sup>2</sup>

Russia's narrow ruling elite (and sometimes, but not always, broader circles of Russian society) suffers from a similar tendency to project Russian ways of thinking onto the political and strategic culture of the West. This problem can be illustrated by the approach taken by mem-

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<sup>2</sup> On peculiarities of opinion poll results in Russia, see reports made by Levada-Center's experts Denis Volkov and Stepan Goncharev on democracy [http://www.levada.ru/sites/default/files/report\\_fin.pdf](http://www.levada.ru/sites/default/files/report_fin.pdf) and media <http://www.levada.ru/old/sites/default/files/levadareportmedia.pdf>.

bers of the Russian ruling elite towards the so-called “color revolutions.” Various public statements of such persons<sup>3</sup> clearly suggest they believe that so-called “color revolutions” (occurring in some post-Soviet states: Georgia 2003, Ukraine 2004 and 2013–14 and Kyrgyzstan in 2005 and before also in Serbia in 2000) as well as the so-called Arab Spring in North Africa and Middle East, which began in 2010 (especially events in Tunisia, Libya, Egypt and Syria), were in fact elements of a U.S.-led Western conspiracy aimed against Russia. They tend to believe these were “special operations” conducted by U.S. secret services through active use of local NGOs, trained activists and modern communication technologies (internet, social networks). Occasionally (as in Serbia and Libya) these were supported by Western military interventions, all aimed at regime change, and perceived as elements of the West’s geopolitical advance at the expense of Russia and its regional influence.

Some statements suggest members of the ruling elite also believe that political protests in Russia (2011–12) were a sort of a failed U.S.-sponsored attempt at coup d’état and regime change.<sup>4</sup> Since these people predominantly draw their background from Russia’s secret services, the influence of their peculiar training and mentality on their analysis is clearly visible. They don’t believe in any genuine social, grassroots movements, instead they treat societal groups as mere objects of actions conducted by hidden actors. They also project their own “professional experience” (provocations, manipulation and other forms of “active measures”) and threat perception onto Western policies. The consequences of such perceptions are far-reaching. Since members of the Russian ruling elite genuinely believe that they are under “Western attack,” various aggressive anti-Western actions are perceived by them as justified as measures of “self-defense.” The problem is exacerbated by the fact that there are no effective means for the West to influence such perceptions. Western denials, in fact, only serves to reinforce such notions and are perceived as signs of Western hypocrisy and deceit.

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<sup>3</sup> President Vladimir Putin, head of the presidential administration Sergei Ivanov, secretary of the Security Council Nikolai Patrushev, former deputy prime minister and head of Rosneft’ state oil company Igor Sechin, deputy prime minister Dmitri Rogozin or FSB head Nikolai Bortnikov in particular could be named.

<sup>4</sup> Vladimir Putin stated on December 8, 2011, that organizers of the protests acted “according to a well-known scenario,” that hasty critique of the Russian parliamentary elections by U.S. Secretary of State Hilary Clinton “set the tone for some activists” and “gave them a signal; they heard that signal and started active work, with the support of the State Department.” <http://ria.ru/politics/20111208/510441056.html>.

*Clash of Political/Strategic Cultures*

But it is not only perception that is mutually projected between the West and Russia. Western (especially western European) analysts and decision makers tend to project onto Russia their own pragmatic, liberal policy approaches, their culture of seeking compromise, finding win-win solutions and negotiating rationally-defined interests, all of which project Western rationality criteria and its liberal-democratic political/strategic culture onto a different political entity. This can lead to confusion when the Russian side responds with boldness, deception, or zero-sum game approaches. In fact however brutal, radical or irrational some Russian actions may appear, they are in fact perfectly rational, logical and justified within specific perceptions and the political/strategic culture embraced by the Russian ruling elite.

This phenomenon can be illustrated by the “symmetric beatings” incident of 2013. On October 5, 2013 the Dutch police broke into the flat of the Deputy Chief of Mission in the Russian embassy in The Hague and detained him for several hours on charges of harassment towards his children. The Russian side maintained he was beaten by the police during the incident. On October 8, President Vladimir Putin publicly demanded apologies, explanations and for those responsible to be brought to account. Apologies were delivered by the Dutch authorities. However, on October 15, 2013, unidentified perpetrators (dressed as maintenance workers) stormed the flat of the Deputy Chief of Mission in the Dutch Embassy in Moscow and beat him up. Obviously there is a high probability there was no coincidence for the Moscow beating to happen and that it was allowed, if not directly ordered, from a high political level in Moscow. Such suppositions are reinforced by the fact that such cases have also happened before in Russia (as was the case with Polish embassy employees in summer 2005).<sup>5</sup> Why? We can assume the Kremlin believed that maltreatment of the Russian diplomat in the Netherlands was in fact intentional and connected with an incident two weeks earlier in the Arctic, where a Russian assault took place

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<sup>5</sup> On July 31 2005 four children of 3 Russian diplomats and one Kazakh diplomat in Warsaw were beaten and robbed by a group of Polish hooligans in a park. On August 1 President Putin called the attack a crime and ordered his staff to find what Polish authorities were doing to investigate it. Apologies were delivered by Warsaw (later the perpetrators were arrested, trialed and sentenced for imprisonment). Yet, between 5-11 August 2005 four persons (3 Polish citizens and 1 Russian citizen) working in or connected with the Polish Embassy in Moscow (1 diplomat, 2 technical workers, 1 journalist) were severely beaten by unknown perpetrators in a series of incidents in Moscow.

on the Greenpeace ship *Arctic Sunrise*, which was sailing under a Dutch banner, and which caused a spat between the two governments.

The second part of an answer pertains to the problem of Russia's political/strategic culture and values, or rather the peculiar version of it embraced by members of Putin's regime. It can be illustrated by Vladimir Putin's own words from December 2012: "...I am, for that matter, a bad Christian. When someone smites you on one cheek, you should turn to him the other. I am not morally prepared to act in this way. If we are slapped, we must respond. Or otherwise we'll be constantly slapped..."<sup>6</sup> The message is clear: any actor who takes any action perceived as aimed against Russia (or even more against the personal interests or the image of its leader) has to be punished, ideally by a symmetric Russian response. This is so because, among other things, the prestige of the state and the image of its leadership are at stake. This appeals to those elements of Russian culture that traditionally cherish such values as masculinity, toughness, relentlessness, endurance—all attributes of being a "true man" (*nastoiashchiy muzhik*). Within such an (tendentious) interpretation of Russian culture, such behavior as restraint, pacifism, risk-aversion, readiness for compromise or even good manners are despised as signs of weakness or "femininity." The first approach is obviously especially (but not exclusively) popular within both the criminal world and the institutions of force in Russia (to which the overwhelming majority of members of the current Russian ruling elite belong).

### *Clash of Norms and Values*

What can be observed over the past decade is also an increasing discrepancy between Russia and the West in terms of attitudes towards, and preferences for, some important norms and values. In the sphere of international relations this discrepancy is particularly visible with regard to tension over two issues. The first has to do with perceived limits on the principle of state sovereignty. The second is the freedom to choose alliances.

The West (especially Europe) proclaims adherence to the idea that state sovereignty, however crucially important, can no longer be seen as absolute. In particular, it cannot serve as an excuse for committing mas-

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<sup>6</sup> News conference of Vladimir Putin, 20 December 2012, <http://en.kremlin.ru/events/president/news/17173>.



sive violations of basic human rights. These matters are no longer solely the preserve of the internal affairs of any given state. But Western debates lead even further to proclaim that the international community is obliged to react in cases when an individual government is unwilling or unable to protect its own citizens from such occurrences (or especially when it is responsible itself for such occurrences). This concept, known as humanitarian intervention or the responsibility to protect (R2P), hasn't yet been incorporated into universal international law (mainly due to resistance of various non-democratic governments), but was in fact partially applied (not without controversies) in international practice, for instance by the UN, the United States and some African states in Somalia since the end of 1992, by NATO in Bosnia-Herzegovina in 1995, in Yugoslavia in 2000 and in Libya in 2011). In all these cases humanitarian reasons were important as justification for military action.<sup>7</sup>

In contrast, Russia, especially under Putin, has increasingly resisted this approach. Sovereignty as an unconditional principle of international relations is often reiterated by Moscow. President Putin regularly has been accusing the West (especially the United States) of violating or misusing international law for aggressive purposes, treating references to humanitarian reasons as mere pretexts, often denying R2P's legality. Russia has vehemently opposed humanitarian intervention in most cases.

The classical example of Russia's approach has been Moscow's ongoing political and military support for Assad's regime in Syria, despite the crimes against humanity committed by the regime. While Russia did not formally come out against R2P during UN debates, it did insist that any application of the principle would require UNSC authorization and consent by the government of the state in question.<sup>8</sup> One can attribute the Kremlin's approach to its fear of possible Western military intervention geared to regime change should a serious political crisis emerge within Russia, and/or of any resistance to its ability to have a free hand

<sup>7</sup> For more on R2P, see *The Responsibility to Protect. Report of the International Commission on Intervention and State Sovereignty*, <http://responsibilitytoprotect.org/ICISS%20Report.pdf>.

<sup>8</sup> See Gennadiy Gatilov, *Opyt krizisnogo reagirovaniya, ili kogo obyazano zashchishchat' mezhdunarodnoye soobshchestvo? Rossiya v globalnoy politike* 6 November 2012, <http://interaffairs.ru/read.php?item=8883>; Olga Labyuk, "Otvetstvennost' po zashchite" i pravo na vmeshatelstvo," *Mezhdunarodnye Processy*, vol. 6, No.3 (18)/2008, <http://www.intertrends.ru/>. Interestingly enough Russia has annexed Crimea, partly justifying it, among other, by humanitarian reasons (alleged necessity to protect Russian and Russian-speaking population from potential threat).

to crush any potential internal opposition by all means (including use of military force against the civilian population).

Another important norm underlined by the West (and reflected in CSCE/OSCE documents) is the freedom of any nation to choose its alliances, to become or not become a member of any international structures and communities, whether they be political, economic or military. Such an approach was at the core of the process of accepting of new members by NATO (including in subsequent waves of enlargement in 1999, 2004 and 2009) and the EU (e.g. in 2004, 2007 and 2013). Neither NATO nor the EU pushed any country to join. On the contrary, both have imposed difficult conditions on any country aspiring to membership.

From the very start Russia vehemently opposed NATO's eastward "expansion," maintaining that it was aimed against Russia and its interests. To counter the principle that countries were free to choose their alliances, Russia often referred to the principle of "indivisibility of security," i.e., the security of any given state should not be pursued at the expense of security of other state. Russia tends to over interpret this principle, however, as its *de facto* right to veto further NATO enlargement. Moscow has also tried to hamper EU enlargement. In the case of central European states, Russia tried to establish some conditions and receive some degree of economic "compensation." Russia has also sought to derail EU Association Agreements with individual post-Soviet states. It was successful in the case of Armenia, but unsuccessful elsewhere.

Behind all of these efforts was in fact another principle strongly supported by Moscow: the right of Russia to a sphere of influence. Numerous political statements by Russian leaders and elite members, as well as various Russian official documents since the breakup of the Soviet Union, have left no illusion about Moscow's systematic efforts to (re)create and uphold its sphere of influence, at least in the post-Soviet area, and make the West, recognize it, either formally or tacitly. Conceptual frameworks and labels may have changed (whether the "near abroad" of the Yeltsin era, the "belt of good neighborliness," Medvedev's "regions of privileged interests" or Putin's "historical Russia")<sup>9</sup> the essence remained the same. Russia's ruling elite believes that possessing an area of strategic control, where states are not free to choose their

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<sup>9</sup> See <http://www.nytimes.com/1994/05/22/magazine/on-language-the-near-abroad.html> ; <http://news.bbc.co.uk/2/hi/europe/7591610.stm>; Vladimir Putin, Russia: The National Question, *Nezavisimaya Gazeta*, 23.01.2012; <http://rt.com/politics/official-word/migration-national-question-putin-439/>.

policies and cannot decide anything that may harm Russia's self-perceived interests,<sup>10</sup> is simultaneously a basis, condition and reflection of Russia's great power status.

### *Clash of Interests*

It would be difficult to enumerate all of many conflicting interests between Russia and the West. Instead one may focus on two of them which seem crucial, both related to Europe: European security architecture and Europe's political-economic space.

Following the end of the Cold War and the collapse of the Soviet Union, the West has proclaimed and adhered to the idea of a "Europe whole, free, and at peace." In the security arena it was meant to expand the zone of stability to the east of the continent by accepting gradually new members to NATO following the adoption of required standards (in military but also in political, legal and economic terms). From the very beginning one of the challenges was to define Russia's place in that process. Despite Moscow's perception, Russia has never been automatically denied the possibility to participate. It was difficult however, not only due to Russia's size, potential and location, but mostly due to its growing reluctance to accept Western rules and models. Russia felt too proud as a self-perceived great power simply to adjust. Instead, it decided early on to tread other paths, trying desperately to recreate its sphere of influence and stop enlargement of Western structures to the east. Nevertheless, the West was relentless in offering Moscow a security partnership: examples included the creation of NACC (1991/92), privileged dialogue with NATO (since 1995), the NATO-Russia Founding Act and establishment of the Permanent Joint Council (1997), special military cooperation arrangements in the Balkans (1995/1999), the NATO-Russia Council (2002) and EU-Russia security dialogue and arrangements (2000/2001).

Yet Russia was repeatedly frustrated, since none of these arrangements has offered what Russia really wants (and what could not and cannot be accepted): mechanisms that enable Russia to be a *de facto* co-decision maker in European security, with effective veto power over

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<sup>10</sup>One of the recent examples of such an approach was the Russian foreign minister Sergei Lavrov's statement in his address in the State Duma (parliament) on November 19, 2014: "Every state has a sovereign right to choose its economic partners, provided it doesn't harm legitimate interests of its neighbours."

NATO (and the EU in security matters) without being a member of Western security institutions. Even if Russia's leadership has occasionally suggested (as in 1991, 1995, 2000 or 2001) that Moscow could seek membership in NATO's political structure, it has never seriously demonstrated the will to follow the path of transformation required in such case. Instead, Russia keeps proposing alternative models of European security, some of them based on CSCE/OSCE, some on new bodies with NATO or the EU. Their labels and institutional details have varied (be it "all-European partnership", a CSCE Executive Committee/European Security Council, US-EU-Russia concert, NATO-CSTO partnership, an EU-Russia Council or a Treaty on European Security).<sup>11</sup> They all, however, reflect the tension between two approaches: gradual integration of Russia into expanding Western institutional security arrangements vs. the creation of new and more "even" arrangements between Western structures and Russia/Russia-led structures.

The same patterns may be observed in the political-economic sphere. On one hand we have witnessed the gradual enlargement of the EU's normative space in eastern Europe via the process of successive EU enlargement, creation of European Stabilization and Association mechanisms, the European Neighborhood Policy and the Eastern Partnership. EU Commission President Romano Prodi's concept of a "ring of friends" (2002) reflected an ambitious goal to establish a zone of stability and prosperity around a growing EU, based on EU norms and standards and their voluntary acceptance by interested neighboring states of eastern Europe and the southern Mediterranean. Here again, Russia was not excluded. Flexible offers were passed on also to Moscow, with whom the EU has been developing privileged partnerships at least since 2000 (including proposals for new institutions such as a Permanent Partnership Council and documents charting "road maps" to develop four EU-Russia "common spaces" in 2005). But in this case as well, Russia has chosen another path. Despite occasional signals of entering into a process of "legal harmonization/approximation" with the EU, Russia has pursued an increasingly anti-European model of internal development and started actively to undermine EU policies in the Eastern neighborhood, and tried to develop alternative models of Eurasian inte-

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<sup>11</sup> On the Russian approach to its NATO membership and Russian proposals of European security architecture cf. M. Menkiszak, *Russian Policy Towards NATO in a Broader European Security Context*, in: Roger N. McDermott, Bertil Nygren, Carolina Vendil Pallin (eds.), *The Russian Armed Forces in Transition: Economic, Geopolitical and Institutional Uncertainties*, Routledge, December 2011.

gration (the recent manifestation of which has been a Customs Union in 2011 and the Eurasian Economic Union in 2015).

### **Lessons from the Modern History of Russian-Western Relations**

The abovementioned clashes have been clearly evident in the history of the last 25 years of Russian—Western relations. During that period we can distinguish four periods of generally positive Russian-Western relations: the “romantic period” of early Yeltsin (1992); a “pragmatic period” of late Yeltsin (1996–98); the “pro-Western-turn” of early Putin (2001–02); and the “Reset” with Medvedev (2009–11). However, we can also point out four periods of conflictual relations: the Chechen and Bosnian crises (1994–95); the Kosovo crisis (1999); the period of “cold peace” and the Georgian crisis (2007–09); and finally the “‘revolutions’ crisis” (since 2012 and continuing). When we take a closer look at these periods of cooperation and crisis, we can find certain regularities. In all we can sum them up in four lessons:

#### ***Lesson 1: The Political Vector in Russia is Key***

The periods of best relations between Russia and the West coincided with those when Russian leadership strived to reform the country towards models that in principle would be compatible with the ideals of liberal democracy and the market economy, and when it actively tried to encourage the West to support such efforts politically but especially economically. That was the case in 1992, when radical market economic reforms were introduced in Russia under the guidance of Deputy Prime Minister Yegor Gaidar, based on Western models and central European experiences. The pattern was essentially repeated in spring 1997, when a new government of liberal-minded “young reformers” was nominated, headed by Prime Minister Sergei Kiriyenko and Deputy Prime Minister Boris Nemtsov. Some also tend to forget that Vladimir Putin started his first presidential term in spring 2000 as a reformer. Quite radical economic market reform plans were prepared then by a team of experts headed by German Gref (a young Putin aide and head of the Kremlin-supported Center for Strategic Analyses—CSR, who was then nominated to be minister of economic development after Putin assumed power). Finally when Dmitri Medvedev assumed presidential office in spring 2008 he also tried to advance cautious liberal reforms under the slogan of modernization, supported by a liberal-minded group of

researchers at the Institute of Contemporary Development—INSOR (some of whom became government officials). Medvedev’s manifesto “Go, Russia!”<sup>12</sup> published in fall 2009 raised hopes among parts of Russian society that not only economic but political reform could be possible in Russia.

In all these cases, changes away from this pro-democratic and pro-market course either cooled Russian relations with the West or provoked open crisis. That happened when the communist and nationalist-dominated parliament at the end of 1992 hampered reforms and blocked the nomination of Gaidar to the post of Prime Minister. Problems were exacerbated after a conflict between president Yeltsin and parliament culminated in bloodshed in Moscow in September 1993 and led to the establishment of a new system of strong presidential rule in Russia. The dismissal of Kiriyenko’s cabinet and the nomination of conservative Yevgeniy Primakov for Prime Minister in the wake of the August 1998 financial collapse offers another example. The gradual decline in influence of liberal-minded members of the government and the de facto sabotage of the Gref reform plan eventually culminated in a conservative turn in fall 2003 (with arrest of oligarch Mikhail Khodorkovsky as a symbolic event) and the rise of the so-called “Petersburg chekists,” who came to dominate the ruling elite in the Putin’s second term (beginning in 2004). Finally, Putin’s fall 2011 decision to return to the presidency—and not allow Medvedev to run for a second term—led to political protests. Open Western sympathy for the protesters and disappointment with Putin’s return, along with the developments of the Arab Spring and NATO intervention in Libya caused Putin and his conservative-minded collaborators to accuse the West (especially the United States) of anti-Russian conspiracy. Putin’s crackdown on independent NGOs and media, political repression of liberal activists, as well as the Kremlin’s conservative ideological project that has followed Putin’s return in spring 2012 were in large part consequences of that perception. The “reset” was killed and tensions were then further by the Ukrainian crisis.

### *Lesson 2: Russia’s Sense of Insecurity is Key*

Without a doubt Russia’s ruling elite interpreted some Western decisions and actions during this period as detrimental to Russia’s interests

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<sup>12</sup> September 9, 2009, <http://en.kremlin.ru/events/president/news/5413>.

or to its security. Except for the Iraq war in 2003, however, all of these Western actions were largely unavoidable due to Western interests and values. Nonetheless, they played an important role in the genesis of the crises in Russia-Western relations.

Western critique of Russia's brutal war in Chechnya at the end of 1994, but especially NATO's bombardment in Bosnia-Herzegovina in September 1995 (an aftermath of the West's "hangover" over its passivity during 1994 genocide in Rwanda and July 1995 Srebrenica massacre in Bosnia-Herzegovina) were direct causes of brief crisis in mutual relations. Other contributing factors possibly included Russia's unsuccessful attempts to block NATO enlargement to central Europe or, between mid-1993 and 1995, to persuade the West to create an alternative CSCE-based European security architecture. Russia, striving for affirmation of its great power status, felt ignored and humiliated.

This pattern was repeated even more strongly in spring 1999 with NATO's bombardment of Yugoslavia over the humanitarian crisis in Kosovo (an attempt to repeat Western success in Bosnia) and NATO's adoption of a new Strategic Concept, which were strongly criticized by Moscow, which feared new NATO military operations without UNSC authorization. In addition, NATO's first eastward enlargement at that time was perceived in Moscow as a symbol of adverse geopolitical change in Europe. The 1999 Kosovo crisis shocked the Russian ruling elite, revealing again Russia's weakness and probably generating a sense of insecurity in Moscow. The Western critique of the second Chechen war (beginning in fall 1999) added to that and angered Moscow.

A series of bold moves by the administration of George W. Bush strongly contributed to the end of the so-called "pro-Western turn" in Russia's foreign policy—especially U.S. withdrawal from the ABM Treaty (December 2001/effective May 2002); its decision to develop ballistic missile defenses in Europe; and the U.S.-led military intervention in Iraq without clear UNSC authorization in spring 2003. These actions were perceived by Russia's ruling elite as symbols of U.S. adventurous unilateralism. Finally, recognition of the independence of Kosovo, as well as setting a date for debate on NATO Membership Action Plans for Ukraine and Georgia—both in early 2008—provided Moscow with pretexts for aggressive moves.

What really made the Kremlin worry, however, was the series of "color revolutions" in the post-Soviet area (2003-2005). In the eyes of

Russia's ruling elite these were mainly the result of Western subversion and part of Western geopolitical advances. EU debate on and development of its neighborhood policy (partly addressed to the EU's east) in 2002–04 was also perceived in Russia as part of this Western geopolitical advance and strongly criticized by Moscow.

During this time, Russian efforts to communicate red lines to the West (BMD, Kosovo, NATO enlargement) and to suggest some geopolitical bargain that would include tacit recognition by the West of Russia's sphere of influence in the post-Soviet area did not work. So after issuing a final warning to the West (Putin's speeches in Munich in February 2007 and in Bucharest in March 2008),<sup>13</sup> Putin decided to demonstrate Russian resolve in the brief Russian-Georgian war of August 2008 (the plans of which Putin accepted in late 2006/early 2007—as he publicly admitted)<sup>14</sup> and temporary disruption of Russian gas flows to Europe during the Russian—Ukrainian “gas war” of January 2009. From Moscow's point of view these actions brought success: they put an end to the NATO debate on offering membership to Georgia and Ukraine; they prompted the Obama administration to initiate a “reset” with Russia; and they led the EU to propose a “partnership for modernization.”

This pattern of Russia's “offensive defense” was repeated again when Putin and his conservative collaborators felt threatened by the Arab Spring and especially protests in Russia, both of which they perceived to be sponsored by the West. So when the Kremlin perceived that the West was continuing its provocations by helping to derail Russian efforts to bring Ukraine into the Eurasian Union and “organizing” another revolution and regime change in Ukraine, Moscow responded again with a “counter-offensive.” It shocked the West in Spring 2014 by occupying and annexing the eastern Ukrainian region of Crimea and bringing war into Ukraine's Donbas area, clearly underestimating the West's unity and will to respond.

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<sup>13</sup> See Speech and the Following Discussion at the Munich Conference on Security Policy, 10 February 2007, [http://archive.kremlin.ru/eng/speeches/2007/02/10/0138\\_type82912\\_type82914type82917type84779\\_118123](http://archive.kremlin.ru/eng/speeches/2007/02/10/0138_type82912_type82914type82917type84779_118123); Speech of the President of the Russian Federation Vladimir Putin at the NATO Summit in Bucharest, 2.04.2008 (translated into English). UNIAN newswire 18.04.2008. <http://www.unian.net/eng/news/news-247251.html>.

<sup>14</sup> Pavel Felgenhauer, “Putin Confirms the Invasion of Georgia was Preplanned,” *Eurasia Daily Monitor*, vol.9, Issue 152, 8 September 2012, <http://www.russialist.org/archives/russia-putin-admits-russian-invasion-georgia-preplanned-814.php>.



### *Lesson 3: Russia's Weakness Fosters Cooperation*

As indicated earlier, Russia's self-perceived weakness has also been an important factor in its relations with the West. When new Russia was making its big opening towards the West following the break-up of the Soviet Union, it was in deep economic and social crisis. During 1992 not only Western financial help but even food deliveries were on the agenda of the Russian-Western political dialogue. It was much less a problem in the 1990s, but events in Bosnia-Herzegovina in 1995 revealed how politically weak Russia still was at that time. The country's weakness was further underscored by its deep financial crisis in 1998 and its political humiliation during the Kosovo crisis in 1999 (with two and a half months of NATO bombardments of Yugoslavia despite fierce Russian protests)—elements highlighted by Prime Minister Putin in his "Millennium speech" of December 1999. Russia's leadership basically realized then that Moscow was too weak to openly confront the West, so it decided to focus on internal strengthening and seeking, at least temporary, a *modus vivendi* with the EU and the United States (after a brief unsuccessful attempt to revive "old" anti-Western partnerships). Obviously the 9/11 terrorist attacks strongly contributed to the new trend, providing Moscow with a perceived window of opportunity to influence Western thinking and policies through its offer of a pragmatic anti-terrorist alliance. When Medvedev started his presidency in May 2008, Russia felt quite confident and strong. This changed dramatically only few months later, when economic crisis struck Russia in September. Therefore, not only the U.S. "reset" initiative, but also internal Russian crisis (the bottom of which was reached in Russia in Spring 2009) contributed to a thaw in Russian-Western relations.

Some signs of a repetition of this pattern can be observed today. Since September 2014 Russia has been confronted with another wave of economic crisis, due mostly to a combination of growing longer-term systemic problems of the Russian economy and the immediate effect of a slump in oil prices. But Western sanctions—and, even more, Russian counter-sanctions—have played a role as they have gradually exposed the Russian economy's very high level of import dependence. As Russian society suffered, the Kremlin realized that agricultural and industrial import substitution was largely a failure, while China was not eager to provide Russia with financial relief (contrary to Moscow's apparent expectations). This overall situation clearly helped to change Moscow's tactics since late summer 2015, which have included de-escalation in the Russian-Ukrainian war in the Donbas and attempts to re-engage with

the West, especially the EU, to persuade it to start relaxing sanctions against Russia.

#### ***Lesson 4: Personalities Matter***

The history of modern Russian-Western relations suggest that the role of individual leaders is difficult to overestimate. This is especially the case with Russia. Boris Yeltsin was not a naturally-born democrat, but he understood the Soviet system couldn't work. He needed a democratic movement to be his springboard to power and an instrument in his political struggles, first with Gorbachev and the Soviet federal center, and then with the communist and nationalist opposition. His strong personality and readiness for bold action helped in the early years of the new Russia to provide political cover for economic reforms and the development of generally positive relations with the West. Yet in his late years his personal weaknesses opened the way for an oligarchic system and then created social demand for more authoritarian rule, which was soon over satisfied by his chosen successor, Vladimir Putin.

Even Putin initially played a moderately positive role in fostering cooperation with the West, while he was focused on creating a strong power center and advancing some economic reforms early on in his presidency. Unfortunately, the more unchecked power he assumed and the more he benefited from growing economic prosperity based on rising oil prices, the less inclined he was to bring Russia closer to the West. His deeply rooted traumas and grievances towards the West (partly related to his personal experiences in the dramatic events in East Germany and the breakup of the Soviet Union) became more and more visible and were fueled by his growing suspicion. He fell victim to anti-Western conspiracy theories, partly due to his secret service background, partly probably due to information filtered for him by those services.

Medvedev's presidency was a brief interlude. He also wasn't "liberal" in the Western sense, but his background was different than that of Putin and he had around him people who believed in the necessity of gradual economic and political modernization. He was too weak, however, both personally and politically, as Putin created enough checks to stop him whenever he wished and to a large extent remained a key decision maker. Medvedev never decided to fight for real power. His decision to give up and not resist Putin's return was detrimental for Russia both internally and externally. It not only compromised him in the eyes

of liberal-minded Russians, it killed hope for Russia's peaceful gradual modernization and long-term pragmatic cooperation with the West.

As the Russian regime changed from authoritarian to almost autocratic under Putin's third term, with a high level of centralization and personalization of the decision making processes, Putin himself determined the course of Russian-Western relations. He felt personally offended by the West's open preference for Medvedev. He also felt personally threatened by what he believed was a U.S.-led Western policy of regime change and geopolitical advance. In addition, he has seemed to cherish a real desire to rebuild Russia as an empire, and he wants to make history. These attributes, together with his inclination toward high-risk, bold actions, have put Russia on an open collision course with the West and played an important role in generating the deepest crisis in post-Cold War relations between Russia and the West.

The personality factor obviously has played a role also with regard to the West—for instance the cowboy-style boldness of U.S. President George W. Bush and the interventionism embraced by his neo-conservative collaborators; Barack Obama's belief in dialogue and compromise, his indecisiveness and aversion to foreign military interventions; and German Chancellor Angela Merkel's cautious yet illusion-free approach to Russia definitely have all had an impact on Russian-Western relations.

## Conclusions

### *Preconditions for Positive Russian–Western Relations*

This analysis suggests that there is a way for Russia and the West to build a positive, constructive long term relationship or even create a truly common space, be it Greater Europe or something else. But there is one important precondition for that: Russian policy and Russia itself should profoundly change. This means a Russia that embarks on a course of profound, systemic internal economic and political reform and modernization, a Russia that refrains from the use of political, economic, energy coercion and threats to use, and actual use of military force, a Russia that does not seek a sphere of influence but develops integration through cooperation and by increasing its own attractiveness. This Russia should be fully supported by the West, politically and economically and invited to integrate with the European space or joining European or Euro-Atlantic structures if it wished to do so. Unfortu-

nately, today's Russia is the opposite of that Russia. And since any perspective of change along these lines is perceived by Russia's current narrow ruling elite as a mortal threat, any movement in this direction is highly unlikely until this elite—not only Vladimir Putin but also his like-minded collaborators—are no longer in power in Russia.

***Policy Responses: What Should the West NOT Do?***

For the West not only to recognize but to engage Russia “as it is,” and to develop intensive political and economic cooperation with it, would be a strategic mistake.

First, such an approach would suggest to the Russian leadership that an aggressive, adventurous, anti-Western foreign policy that violates principles and norms really works with the West, advances Russia's policy goals and is rewarded. It would be an open invitation for Russia to continue such policies and create a great danger of a repetition of crises comparable to those surrounding Ukraine, or even something much larger.

Second, such a stance would give the Russian leadership arguments vis-a-vis its own society about the effectiveness of its actions, and would be likely to increase its legitimacy. At the same time such a policy, being a betrayal of values and principles proclaimed by the West, would compromise Western policy in the eyes of the liberal-minded minority within Russian society and prove to them and others the hypocrisy of the West, essentially validating claims made to this effect by Russian state propaganda.

Third, by developing even deeper and unconditional economic cooperation with large Russian companies closely linked to the members of ruling elite, especially by providing significant capital and advanced technology, the West would in fact be helping to prolong Russia's current economic system, and would be providing members of the Russian elite with opportunities for self-enrichment at the expense of the Russian state. Such actions would decrease the chances of a real improvement in the investment climate in Russia, make economic reforms less likely, and eventually undermine the long-term prospects for Western companies in the Russian market. Above all, they would increase the risk of transferring Russian shadow economic practices to the West in general and Europe in particular, and exporting corruption through the development of corruption networks—a phenomenon that is already under way.

Another mistake would be to offer a geopolitical “grand bargain” between the West and Russia. One variant of this approach would be to suggest that “guarantees” of Ukraine’s non-aligned status (in essence, a ban on NATO membership) would lead to a certain “Finlandization” of this country, allowing it to expand its links with the EU without Russia’s opposition, and thus ultimately solving the conflict and stabilizing Russian-Western relations. A related assumption is that forging formal ties or even possible economic cooperation between European Union and Eurasian Economic Union would stabilize the situation and persuade Russia to develop a constructive approach.

Such propositions are both unrealistic and counterproductive. It is true that Russia demanded guarantees of Ukraine’s non-aligned status in the course of the current crisis, yet it is clear that Moscow did not start a war with Ukraine solely because of the prospects of Ukraine’s NATO membership (which was totally unrealistic), but because it failed to bring Ukraine into the Eurasian Economic Union. Russian moves suggest not only that Moscow is unable to accept Ukraine’s future EU membership (which is perceived in Moscow as a low probability), it is unable to accept any kind of integration of Ukraine into the EU’s normative space. In fact, the Putin regime considers the perspective of the successful European transformation of Ukraine as a mortal threat. Therefore any comparison between current Ukraine (regarded by Russia’s elite as natural part of “historical Russia”) and Cold War Finland (used to be treated by Moscow as peripheral buffer zone) are simply divorced from reality.

The same goes with relations between the EU and the EEU. The latter, despite its formal resemblance to EU’s institutional model, offers a completely different model of integration. The EEU is based on Russian norms and standards, largely incompatible with those of the EU. The EEU is asymmetric and politically dominated by Russia. Unlike in the EU, new EEU member states are blackmailed (Armenia) or bribed (Kyrgyzstan) to join. In addition, EEU integration is largely unsuccessful; trade conflicts erupt regularly among its members. Moreover, Russia’s current economic crisis puts a question mark over the EEU’s future. Above all, the EEU is in fact Russia’s geopolitical project. It is the current institutional form of Russia’s effort to rebuild a sphere of influence in the post-Soviet space. EU cooperation with it is therefore economically unfeasible and politically doubtful.

It may be tempting to think that a realistic policy for the West that could bring stability would be to recognize tacitly Russia's sphere of influence in the post-Soviet area and abandon any ambitions to help those eastern neighbors of the EU who wish to integrate into its normative space. In fact, however, such a policy would be detrimental for all actors. Social frustration in such neighboring countries as Ukraine, Moldova and Georgia would grow, leading to political instability. Russia would be strongly tempted to exploit such situations and try to lure or force these countries to join the EEU, which could contribute to even more chaos or even provoke new bloody crises. One cannot exclude the possibility that Moscow, emboldened by Western retreat, would be also encouraged in such cases to raise the stakes vis-a-vis the West by demanding "Finlandization" of the Baltic states, causing another large European crisis.<sup>15</sup> Finally such a Western policy would have adverse effects on Russia itself. By derailing processes of European transformation and integration in neighboring states, Russian society will not be provided with precedents or role models for itself, which would lower the chances that sustainable reform processes could also occur in Russia.

### *Narrow Windows for Cooperation*

Yet another option is to decouple the "Ukrainian problem" (or broadly "common neighborhood problem") with other issues, put it aside and focus on areas of prospective mutual cooperation between the West and Russia. Three such fields of cooperation should be assessed in that context: energy; the fight against radical Islam/terrorism; and regional crises.

Energy is perceived as a natural field for Russian-Western cooperation, since Russia is dependent on its energy exports and many EU countries are dependent on energy imports, are close geographically to Russia and already have developed infrastructure links with Russia. Russian-European gas relations, however, have been subjected to regular conflicts (unlawful practices, political pressures, gas disruptions of supply etc.). On the other hand, development of the EU's internal gas market and infrastructure links have forced a reluctant Gazprom to make partial adjustments to European regulations. As this process is

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<sup>15</sup> It is worth mentioning in this context that until the mid-1990s even relatively weak Russia tried to retain its influence in central Europe, offering "security guarantees" and multilateral economic cooperation mechanisms. Even in 2002 president Putin demanded that the EU guarantee that it would honor Russia's "traditional" economic links with central European states in the process of EU enlargement.

likely to continue, Russia may participate or even expand its presence in an increasingly competitive European market on a purely market basis. There is no reason, however, for the EU or its member states to grant Russia any “special arrangements” or concessions. Prospects for additional Western investment in Russia’s energy sector (where some large Western companies have operated for many years, despite the worsening investment climate) will depend primarily on economic incentives or guarantees from the Russian government, such as tax policy, ownership safety, full gas export liberalization etc.) as well as economic profitability. Yet current low oil price levels are likely to render development of the most investment-intensive prospective oil and gas fields in Eastern Siberia and the Russian Arctic as economically unfeasible. In all, Russia will remain the West’s energy partner to the extent it will be ready to play according to market rules and it increases its attractiveness.

Radical Islam and terrorism related to it clearly present challenges to both the West and Russia. Cooperation in that field, however, faces important hurdles. Moscow accuses the West of a selective and instrumental approach to Islamic radicalism and terrorism, or even of sponsoring it, even as it pursues such policies itself. Examples include Russia’s clandestine support for Turkey’s PKK in the 1990s and its open political (and clandestine military) support for Lebanon’s Hezbollah. Brutal Russian policies in the Northern Caucasus contributed to the rise of Islamic radicalism in the region. Moreover, recent reports have charged Russian secret services with facilitating the flow of Islamic radicals from Northern Caucasus to join ISIS in Syria and Iraq.<sup>16</sup> Finally, Russian bombardment in Syria, which the Kremlin proclaims to be aimed mostly against ISIS, in fact has been directed predominantly against other anti-Assad groups, indirectly helping ISIS. In such circumstances one can cast serious doubt on the future development of Russian-Western anti-terror cooperation.

Prospects for Western cooperation with Russia over regional conflicts also seem overestimated. In some cases Russia’s approach was indeed cooperative, as in the talks on the North Korean nuclear problem, Israeli-Palestinian conflict or fighting piracy in the Horn of Africa. However in all these cases Russia’s role was in fact rather marginal, either

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<sup>16</sup>See Yelena Milashina, Khalifat—primanka dla durakov, *Novaya Gazeta*, 29 July 2015, <http://www.novayagazeta.ru/inquests/69364.html>; Michael Weiss, “Russia is Sending Jihadists to Join ISIS,” *The Daily Beast*, 23 August 2015, <http://www.thedailybeast.com/articles/2015/08/23/russia-s-playing-a-double-game-with-islamic-terror0.html>.

because of objective reasons or because Moscow chose to limit its engagement. In various other conflicts, Russia's role was dubious, partly helpful and partly harmful. That was the case with the wars in the former Yugoslavia (support for Bosnian Serbs and Milosevic vs. participation in NATO peacekeeping), with Iran (energy and military cooperation with Tehran vs. support for limited sanctions and participation in the Western nuclear agreement with Tehran) and partly with Afghanistan (helping in transit vs. pressure on the United States to leave Central Asia). Russia also has been undermining Western policies in Syria with its unconditional political and military support for the Assad regime, which has been responsible for massive atrocities. In short, the West's past and current experience of cooperation with Russia on regional conflicts is at best mixed, which should cause caution with regard to future expectations. We can expect limited cooperation only in cases when Russia feels directly threatened or has no important interests.

***Policy Responses: What Should the West Do?***

Three directions are the most important:

*Engage not Russia but the Russians.* The West should continue pressure Russia with sanctions, until the reasons for their adoption disappear. This is especially important given Russia's current economic crisis, which makes Moscow more susceptible to such pressure and creates incentives for it to fulfill the most important obligations of the Minsk agreements. As has been said, however, only positive regime change in Russia can open up perspectives for closer, productive cooperation. Despite the Kremlin's paranoid accusations, the West has not assisted such a regime change in Russia before and it could not and should not try it in the future. It is up to the Russian people alone to decide their future. What the West should do, however, is to pursue an active, positive policy aimed at helping the Russian people maintain contacts with the West, have access to reliable information, and develop civil society in Russia based on democratic values. To that end, the West should increase its political, technical and financial support through various official and non-governmental channels to develop programs of humanitarian contacts, exchanges (including youth), especially aimed at education about the West, its institutions (NATO, EU) and democratic civic education. In doing this it is important not to allow the Russian government to control and direct such cooperation or use it to pursue its goals (e.g. to influence Western public opinion to accept current Russian poli-



cies). However, since the Russian government actively suppresses such activities within Russia and trying to close almost all channels of Western support, focus should be made, on the one hand, on at least maintaining political-free contacts and cooperation schemes and on the other hand—on activities outside the Russian borders. Especially Western non-governmental structures should make use of large and growing communities of Russian fresh émigrés (scientists, journalists, NGO activists or entrepreneurs), engaging them in various educational and information activities. High quality Russian journalists and experts in the West should be helped to develop various Russian-language media outlets, TV and radio stations, journals, newspapers and internet portals—all providing Russians and other Russian speakers with reliable information and alternative viewpoints. In the long term such efforts can help to build abroad alternative, democratic Russian elites who could return to the country should regime change take place.

*Put our own home in order: increase the resilience of the West towards negative Russian policies.* The West has no instruments to change Russia directly, but it can stop Russia from changing the West. Russia's provocative military activities aimed against individual NATO member states and non-aligned countries in Europe, its attempts to exert political or economic pressure on some of these countries, its aggressive state propaganda aimed at Western audiences in various languages, its support for radical parties and groups of both the far right and the far left in Europe, its corruption networks and shadow business practices in the West—all of these tactics are part of the Russian challenge towards the West.

The West should respond with concerted actions aimed at building resilience against Russian negative policies and influences. There are many ways to do this. In the security sphere NATO should adapt strategically. It should increase its military capabilities and its effectiveness, especially on its eastern flank, thus creating credible deterrence against Russia. Here strong U.S. leadership is indispensable and no "power outsourcing" would be feasible. On the other hand, European NATO members, both individually and collectively, should embark on a serious increase of their defense capabilities. In the economic sphere the EU should improve business transparency, if necessary with additional legislation. EU member states should engage in concerted actions to fight corruption and execute European law more effectively. They should build a truly common EU energy market with expanded infrastructure

links and storage and solidarity mechanisms in case of crises, and actually implement the EU's declaratory policy of diversification of energy imports. The EU and the United States should engage in more robust transatlantic cooperation both in trade, through signing and implementing the Transatlantic Trade and Investment Partnership, and in energy, through U.S. energy exports to Europe.

*Create positive precedents by supporting democratic transformation in the Eastern neighborhood.* While the West cannot change Russia directly, it may help to do it indirectly by changing the EU's and Russia's neighborhood. Despite serious deficits and mixed results to date, the West should increase its engagement in promoting democratic and market transformation in individual states of eastern Europe and the southern Caucasus. If the process of transformation based on European standards fails in countries like Moldova, Georgia and above all in Ukraine, it will not only bring more instability to that region, but it will contribute to increased challenges coming from Russia.

The West should pursue a proactive policy towards those Eastern neighborhood countries that demonstrate their commitment to democratic and market transformation and European integration. Part of this policy should be pressure on full implementation of the EU's Association Agreements with Ukraine, Moldova and Georgia, including their Deep and Comprehensive Free Trade Agreements (DCFTAs). Russian efforts to influence such processes adversely should be denied. Both the United States and the EU, as well other willing Western allies, should provide those countries with substantial technical and financial support, subject to strict conditionality that agreed policies and reforms are implemented. Western and Western-dominated international economic structures such as the IMF, World Bank, OECD and EBRD play a crucial role here. In the military and security sphere the supportive role of NATO and its individual member states is crucial. Western support should be also directed more towards civil society structures in Eastern neighborhood countries to help NGOs and local watchdogs hold their respective governments accountable for introducing European standards and pursuing declared and agreed policies. Russian attempts to derail such processes (e.g. by using trade embargoes or energy blackmail) should be met with even greater Western support for these countries. The West should eventually realize that what is at stake here is not only future of individual neighboring countries but in fact the future of Europe, Russia and relations between Russia and the West.

## *Chapter 5*

# **The West and Russia: From Acute Conflict to Long-Term Crisis Management**

*Marie Mendras*

Russia entered a period of acute crisis the day it occupied and annexed Crimea. In history textbooks, it might well mark the beginning of the end of Putin's rule. It will also read as a turning point in European and transatlantic policies toward Russia's leadership. Much of the change in paradigm was triggered by Moscow's intrusive and subversive methods in the "in-between" states, the states that remained stuck between Europe and the Russian Federation after 1991.<sup>1</sup> Moscow's unswerving support of Assad's dictatorial military rule is, to a large extent, the consequence of Vladimir Putin's fear of "regime fall" and rule-of-law aspirations in several prominent east European and Mediterranean countries.

In 2014–15, the pace of change was momentous. In 2016–17, it might accelerate even further, as we see no sign of serious appeasement in Russian domestic and foreign conduct. At the same time, Western governments need to be ready for long-term crisis management, and not just urgent conflict containment, as tensions and confrontations with Moscow will continue on a regular basis. Even if Ukraine becomes a low-intensity conflict, European countries will be facing the challenge of long-term insecurity in their immediate vicinity.

Economic recession, authoritarian protectionism, and rising confrontation with most neighbors, west and south, are driving Russia onto a very uncertain path. Confrontational policies are bound to be less safe and less controllable than negotiation and conflict-resolution strategies. It is always easier to fall into conflict and violence than to end war, and to put the lid back on the Pandora's box of nationalist, xenophobic hysterical war scares.

This chapter makes three major observations pertaining to Russia and Vladimir Putin's future policies, and offers three prospective sug-

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<sup>1</sup> Ukraine, Belarus, Moldova, Georgia, Armenia, and Azerbaijan.

gestions about how Western governments might want to tackle rising challenges.

## Russia's Unreasonable Bets

### *The High Costs of the Ukrainian Adventure Were Unforeseen by the Kremlin*

Since 2013 costs have been rising for Putin's regime, and for Russians. Economic costs are obvious: Western sanctions and Russian counter-sanctions burdened an already slipping economy. Diplomatic and military costs continue to rise: Moscow will not regain minimal trust from such key capitals as Washington, Berlin, Paris, London, or even Beijing. Putin's image as a potent and reliable partner is gone for good. The military now has the upper hand in decision-making and in revenue spending. This is never good news for a leadership that becomes hostage to its own military adventures.

It is important to follow the narrative of Russia's miscalculations, rather than to view two years of blunders as a success story. Donbas is a failure for Russia, even if it also is a failure for Ukraine. Putin had to get much more involved than he had planned. After the easy fall of Crimea, he was hoping for a second quick victory in Donbas. But Crimea always remained a Russia-controlled territory, even after 1991, with more Russian military than Ukrainian law enforcement forces, and with a largely Russian population. It was a much softer spot than the Donetsk and Luhansk regions.

The Russian leadership did not expect such a strong Western response, and was taken aback by the determination of Ukrainian society. They displayed arrogance about the "low status" of Ukrainians and Ukraine, and about the "weakness" of the EU. Hence, they had to go much further than they had originally thought to support "rebels," and became directly involved in armed struggle and the all-out destabilization of eastern Ukraine. They made a number of mistakes that forced them to engage in full-scale military fighting, and they eventually had to stop denying direct Russian involvement.

The Russian president is making his country an outcast in regional and international affairs. Without Russia's efforts to subvert Ukrainian domestic affairs, Ukrainians could have completed a peaceful and remarkably constitutional change of government in the winter of

2013–14. This point needs be restated at every stage of Ukraine’s bumpy road.

Paradoxically, Moscow’s intrusive policies may bring the age of spheres of influence to an end. In desperately seeking to keep the “inherited sphere” under exclusive control, the Kremlin is losing not only capacity and power, but also networks and attractiveness. It no longer offers good deals to Ukrainian oligarchs, nor does it extend a helping hand to the population. Before the Maidan, Russia failed to retain influence; now it fails to exert *post-imperial control*, for nowhere in eastern Europe is Russia seen as a recipe for future prosperity.

### ***Putin Is Putting Russia at Risk***

Russia has entered a new time of trouble. The economy is plunging into recession with a negative growth rate, double-digit inflation, slumping purchasing power, a crippling lack of investments, and no improvement in sight. The oil curse has struck a country of 140 million people that had grown accustomed to living off rising hydrocarbon exports revenues without reforming or working very hard.

Elites and upper middle classes have much to lose, and Western sanctions are raising the stakes. The rest of society is struggling to save a way of life that brought them more comfort and prospects than at any previous time in Russian history. In the 2000s, Russians became consumers, enjoyed it, and thanked Vladimir Putin for that. Now, they are petrified and caught up in the Kremlin’s war scare and “fifth column” propaganda against Ukraine and the West. They are told that they had better get used to living in a besieged fortress.

### ***The System is Growing More Precarious***

Notwithstanding blunt autocratic rule, there are reasons to believe that the regime is less legitimate in the eyes of average Russians and of economic and scientific elites, because it is less effective, less predictable, and more prone to risk.

Russian society’s prospects look somber. Economic recession and social distress are on the rise, while insecurity shows no sign of abating, especially in the north Caucasus republics. The public mood echoes the dark and abrasive language of official television. As a result, people feel insecure and unsafe, and live in diffuse fear of the future and of the outside world. Maybe this sense that there is no end to the tunnel generates

a new fear, the fear that Putin is no longer capable of solving issues and ending armed conflicts. Undoubtedly, this is a major question that Western governments and experts should investigate in order to anticipate future developments. Is Putin really popular? Will a majority support his warmongering policies, no matter what negative consequences such policies may hold for them?

Putin needs to trap his population in debilitating xenophobic nationalism. Tightly controlled media propagate extremely negative emotions, served by blatant lies and a frightening coverage of news in Ukraine. Many Russians feel nervous and angry, and indulge in the narrative of “the Motherland threatened by enemies outside and traitors inside.” In such an atmosphere, polls no longer measure opinion, they measure emotion. People say they support Putin, but do so in a context in which they are deprived of an alternative. In the same polls, Russians respond they do not trust the government to fight corruption, which ranks high on their long list of complaints.<sup>2</sup> Emotions are volatile and may backfire. Russians do not want to fight a war against Ukrainians.

Elites are preoccupied, as they see no easy way out of recession and uncertainty. Political, economic, scientific, cultural elites know that war and being a big power (*derzhavnost'*) cannot replace reform and growth. Many of them probably observe with concern an aging leader who lacks strategic vision for domestic development. However, if they wish to stay in Russia, they must accept compromises and contraction of their revenues and assets. Hundreds of thousands have made another choice, leaving their country and now working abroad. A significant number of them state openly that they are in temporary exile and prepare to return when the Putin group is out.

In a context of recession and rising political and security confrontation with the West, no one knows how sustainable the current system is. European and American sanctions did not deter Vladimir Putin from further destabilizing Ukraine, but they sent shockwaves through elite and business circles, which are so dependent on Moscow's good will and budgetary benevolence. Sanctions create anxiety, uncertainty, and probably muffled hostility to the Kremlin's confrontational strategy. Sanctions are also effective in delivering a message of Western solidarity for Ukraine, which dampens hopes of renewed business deals for Russian companies.

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<sup>2</sup> Levada Institute, [www.levada.ru](http://www.levada.ru).

## **Urgent Tasks in Transatlantic Strategic Thinking**

In the face of Moscow's intrusive armed policies in eastern Europe, the European Union did relatively well. Since the Maidan popular protest started in November 2013, and throughout the years 2014 and 2015, EU governments have acted consensually and with determination. They have worked in close consultation with the United States, Canada, Australia, New Zealand, Turkey and Japan. Sanctions were agreed and imposed by most Western countries. This was an unexpected and promising moment of transatlantic and "like-minded" solidarity.

However, Ukraine is not pacified, and Moscow continues to support "separatists." Given front-burner issues such as the Syria war, ISIS terrorism, and the refugee crisis, Ukraine no longer makes the headlines. But it remains a central disruptive issue in Europe.

In 2016, the challenge will be to reinforce Western solidarity and to sustain policies implemented by Western countries and Western multilateral institutions, first and foremost the EU and NATO. One cannot overrate dissenting views inside European countries about what Putin can do, and cannot do, and how we should deal with him.

The Syrian tragedy confronts Western governments and multilateral organizations with huge challenges: how to respond adequately to mounting terrorism in Europe; how to contain Assad's troops and Islamists' power; how to save civilian lives in Syria and Iraq; and how to prepare a post-Assad, post-U.S.-occupied Iraq, without relying heavily on Russian political will and military capabilities. Our task is made even more difficult by the fact that the Kremlin does not seem to be pursuing clear aims in the Middle East.

We will probably not act as effectively together in this next phase, a phase of lasting conflict, in some cases low-intensity conflict (Ukraine), in other cases still highly militarized battles (Middle East, ISIS, and terrorism). Russia cannot be dismissed as a power that counts, but cannot be treated as a partner.

## Recommendations

### *Adjust the Explanatory Toolbox of Why Putin Does What He Does*

The exceptionally complex challenge for Western allies is to deal with sharpening risks in the very short term, but also to look beyond current crises and prepare for a post-Putin Russia that will be dysfunctional and divided. As long as ruling clans and *siloviki* (power structures) remain unchecked, economic lawlessness and political violence will grow inside Russia. In a few years, the country will be in dire conditions. By 2025, almost two generations will have been lost. Without even modest reforms, Vladimir Putin will be closing all chances of a rebound. This is the darkest, but most probable scenario in the event of no change of leadership and methods of rule.

Confrontation between Russia and the West has reached new heights and our policies need be reassessed. Now it is Russia alone versus the West, not the old East-West confrontation. The EU, the United States and other Western governments and multilateral organizations must consolidate a consensual discourse and coordinated policies toward the Kremlin.

Vladimir Putin is our one and only interlocutor. Only he has authority to negotiate with Kiev, with Western governments, and with the armed commandos in Donbas. The challenge for us is precisely that he is the lonely leader of an unaccountable and militarized regime; he lives retrenched in an inner circle, probably “self-disinformed” about realities in Russia and outside, and has isolated his country on the continent and in the world more widely. Even China does not support the military destabilization of eastern Ukraine.

### *Prepare for the Post-Putin Reality*

We also need to take a longer-term perspective, so as to better define the direction in which to make progress in coming months, and the desired results in a few years. There is no doubt that in a not-so-distant future, Russia will no longer be ruled by Vladimir Putin. And we will want to have good and stable relations with our Russian neighbor and its 140 million inhabitants.

Western governments must develop channels of communication and relations with as many Russian individuals, organizations, companies as



we can, and in the most vigorous manner. This has become very difficult because of abundant repressive legislation and harsh crackdown on all forms of criticism and dissent. However, it must be done, so that we can convince Russian economic, political, intellectual, and even administrative elites of our determination to work in favor of Russia's peaceful and prosperous future, after the current leadership has left the scene.

***Think Europe's Continental Security Anew, Including Eastern Countries***

Whether they are engaged in a long process of joining the EU and NATO, or not, the six countries that are sandwiched between western Europe and Russia must get out of their "in-between" predicament.

Ukrainians demonstrated that they cannot be forever a weak state, stuck between Europe and NATO on one side, and an authoritarian revisionist Russia on the other. Ukraine cannot be a convenient "bridge" between Moscow and us. In recent years, our standby position, by which we let Ukraine be a misruled buffer state under Moscow's unwritten yoke, was a dangerous illusion. Ukrainians paid, and continue to pay, a high human price for this mistake. So let us not repeat this wrong message that Ukraine is "naturally" closer to Russian political culture and Russia's economic space than to the European space. There is no "third way" for Ukraine or Georgia, but a choice to make between democratization along with Europeanization, or unaccountable, weak government *à la russe*. Ukrainians expressed their will on the Maidan, and later with their ballots in May and October 2014.

Coordinating EU and NATO policies, and defining the division of labor between the two organizations, in order to restrain Russia's actions and negotiate from a position of strength, is an urgent matter. The EU cannot dismiss the security urgency, and must address it, in connection with NATO and the United States. We need to be prepared for a long standoff with Moscow. Therefore, we must better contain Russian actions that would trigger confrontation and raise risks. At the same time, we need to get ready for the post-conflict period with both current and alternative elites.

Western governments and organizations have one substantial advantage over the Kremlin: the capacity to engage in serious long-term planning, and to revise and adjust our policies when need be. And we have one unredeemable obligation: not to let Ukraine be again a large

misruled country of eastern Europe. We simply can no longer afford it. The risks are too high, in political, economic, and security terms. Full support of the Ukrainian population, with effective accountability enforced on business and administration, in good intelligence with Ukrainian institutions, is the only reasonable *feuille de route*.

## *Chapter 6*

# **Western Strategy toward Russia**

*Sergei Guriev*<sup>1</sup>

I am a Russian citizen. It is therefore not my job to advise Western governments on how to develop or implement specific policies, including policies towards Russia. I also strongly believe that only Russians, and not outsiders, can turn Russia into a more peaceful, democratic and prosperous country. On the other hand, I think that a more informed policy debate would be in everyone's interest. This is why I offer a few arguments that may be useful for Western policy-makers and policy advisors to take into account when developing their policies and strategies.

Everything we know about today's Russian regime is consistent with the following simple theory. This regime has neither an ideology nor a global vision. Its domestic and foreign policy choices are dictated by the logic of its political survival. The regime does not want to rely on mass repression and so prefers "hybrid strategies:" propaganda, censorship, cooptation of the elites, and limited repression against opposition. Its foreign policy should be understood as part of this continuing struggle to survive. Foreign policy adventures make propaganda narratives more convincing; the external conflicts justify the need to rally around the leader whatever his internal failures.

Previously, the regime's legitimacy was based on its economic performance. After the growth slowdown in 2012–14 and the respective decline in its popularity, the regime started looking for alternative sources of legitimacy. The annexation of Crimea came up as an excellent opportunity to boost approval ratings. As the Russian economy entered recession, foreign policy became a critical means to maintain popularity. However, some time in the fall of 2014 the government understood that further aggression could result in catastrophic economic consequences, so it decided to freeze the conflict in Ukraine and started to look for an alternative foreign policy agenda, in this case, Syria.

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<sup>1</sup> This chapter was written in fall 2015.

Recent events suggest that, on the one hand, sanctions work and the threat of future sanctions does constrain potential aggressive behavior. On the other hand, there is also a reason to worry. As the economy is unlikely to return to fast growth, eventually the regime will face the existential risk of losing popularity and therefore may continue its foreign policy experimentation.

Whatever the immediate risks, in the long run the situation is even more worrisome. Eventually, the regime will run out of cash and will collapse. It is not clear when such regime change will take place, but given Russia's unsatisfactory economic performance, regime change will certainly happen. I am optimistic about Russia's economy and political system in the long run, but the regime change may be very turbulent. It is not at all clear that Putin's immediate successor will be better than Putin. Given that Russia is a nuclear power, there is a need for a strategy for handling future regime change. A major commitment to a kind of "Marshall Plan" supporting and re-integrating Russia into the world may increase the odds of a more peaceful and predictable transition.

### **Interaction between Domestic Politics and Foreign Policy in Russia**

The key to understanding Russia's recent foreign policy moves is to remember that the Russian government's main objective is stay in power. This motivation is certainly not unique to the Russian government. However, it has been extremely effective in using heterodox political instruments and very innovative in developing new tools to maintain its legitimacy and popularity among the Russian public. Initially, the main source of the regime's legitimacy was its economic performance. In 1999-2008, Russian GDP grew 7 percent per year. This growth trickled down to every part of Russian society, resulted in a consumption boom and a dramatic fall in unemployment and poverty, and brought about solid support for Putin. In the 2004 presidential elections, Putin received 71 percent—much more than in his first election in 2000 (53 percent). Constitutional limits did not allow Putin to run in 2008, so he nominated Dmitri Medvedev, who obtained 70 percent of the vote—on par with Putin's own 2004 result.

Eventually, however, this growth ran out of steam. After an 8 percent decline in 2009, the Russian economy only managed to recover to pre-crisis levels by 2012, after which it again started to slow down. This was

not surprising, as the sources of the 1999-2008 growth—low initial base, rise in oil prices, cheap labor, unutilized production capacity, growth in retail lending, and the liberal reforms of the early 2000s—were exhausted. Further growth would only come from growth of productivity and new investment. To tap these sources of growth, the government should have reformed the business and investment climate, reduced government ownership and intervention in the economy, and curbed corruption. While such reforms have been drafted and announced—in particular, in Putin’s 2012 presidential campaign—they have not been implemented. This has resulted in stagnating productivity and investment, capital outflows, and in a slowdown in growth. Even before the Crimean crisis, Russia’s economic growth was close to zero.

Not surprisingly, this was accompanied by the fall in Putin’s popularity. The regime responded with increased propaganda, censorship and repression against opposition activists, and tried to raise xenophobic and homophobic sentiment. This did not help, however. Only the annexation of Crimea produced the desired effect. The regime understood that foreign policy can replace economic growth as the basis of popularity and legitimacy and has been focusing on foreign policy ever since.

### **Economic Dead End**

Russia’s GDP is likely to have declined by 4 percent in 2015 and to decline by an additional 1-2 percent in 2016. This is all the more striking as the previous recession in Russia happened during the Great Recession of 2008-09, which hit the entire global economy. Currently, however, the global economy is growing, which makes it impossible to attribute Russian recession to external circumstances. Moreover, unlike 2009 (when reserves helped to support Russians’ real incomes), this time—for the first time in Putin’s 15 years in power—real incomes of Russians have declined by almost 10 percent relative to the end of 2013.

There is no reason to believe that Russia will return to growth any time soon. The three main factors contributing to the recession are (i) the lack of reforms and the poor business climate, (ii) low oil prices and (iii) sanctions and counter-sanctions. Given that the regime is unlikely to give up Crimea and fully withdraw from eastern Ukraine, sanctions are likely to stay.

Will there be any economic reforms? Given the cost of recession, why wouldn't the government undertake pro-growth reforms to improve its domestic legitimacy and its ability to grow its military capacity? The answer is very simple. Pro-growth reforms require protection of private property rights, enforcement of contracts and protection of fair competition. These reforms collide with the interests of key constituencies of the regime: corrupt bureaucrats, politically connected business people, and employees of the government and of state-owned companies. The regime cannot afford losing their support.

Finally, given the increased supply in the oil market and slowdown in China's growth, it is unlikely that oil prices will recover any time soon.

The government understands this very well, and has already embarked on an austerity path. In real terms, 2016 spending will be cut by about 9 percent. The Finance Ministry has proposed to end the inflation indexing of pension payments, which would be illegal under Russian law. Other major cuts will also be undertaken, especially in health and education. This will of course result in lower popularity, leading to more extensive propaganda and potentially to new foreign policy moves.

Even with these unprecedented (and strictly speaking, illegal) cuts foreseen in 2016, there is no consistent economic plan for the years thereafter. While the Reserve Fund is sufficient to fund the budget deficit in 2016 and possibly in 2017, the numbers for 2018 do not seem to add up. Not surprisingly, the government has stopped producing 3-year budgets, sticking only to annual ones.

### **Why Don't Russians See the Risks? Russia as an Informational Autocracy**

Together with Professor Daniel Treisman of UCLA we have developed a theory of informational autocracies—modern non-democratic regimes that are based on manipulating information (through propaganda and censorship) rather than on violence.<sup>2</sup> These regimes pretend to be democratic, to have elections and to allow some free press. In such regimes,

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<sup>2</sup> See Sergei M. Guriev and Daniel Treisman, "How Modern Dictators Survive: Cooptation, Censorship, Propaganda, and Repression." CEPR Discussion Paper No. 10454. Center for Economic Policy Research, London.

the leader's goal is to maintain his popularity with the public and to convince the public that this popularity is genuine. The leader wants to prevent protests rather than suppress them. Using mass violence would therefore be a problem in this case, as the very need for repression would reveal that the regime's popularity is based on force.

Our theory shows that even a rational public may—at least for a while—support such informational autocrats. Given that the only source of information is official propaganda (the other sources are shut down through cooptation or censorship), Russians cannot infer how incompetent and dangerous the current government is, as propaganda attributes all problems to bad luck and external enemies.

While Russia is not the only example of informational autocracy, it has probably gone further than others in terms of developing comprehensive and sophisticated propaganda and censorship. It has also relied on silencing elites and potential opponents through cooptation. Overall, it has so far succeeded in convincing the public that there is no alternative to today's regime—which is even more striking given the economic difficulties facing Russia today.

Our theory predicts that this cannot last forever. As Lincoln once said, "You can fool all the people some of the time, and some of the people all of the time, but you cannot fool all of the people all of the time." However, a more important implication of our work is that informational autocracies should be confronted first and foremost in the informational battleground. Whatever economic, political or social challenges they may face, these regimes may remain popular if they can control information flows.

Propaganda as shameless as in today's Russia can only be convincing if there are no objective and high-quality alternative news sources. Given that only a few per cent of Russians speak foreign languages, the effective alternative must be in Russian. There is no reason to believe that the Russian government will welcome such alternative news sources into Russia. However, in today's connected world, censorship is never perfect. Also, there is an important additional informational battlefield: the hearts and minds of Russian-speaking Europeans. Currently, they receive official Russian programs and are therefore vulnerable to the propaganda. They then translate it further to their non-Russian-speaking fellow residents, and to Russians back home. In both cases, this reinforces propaganda, as their counterparts trust the

views of Europe-based Russian speakers more than that of Russian TV anchors.

It is important not to counter Russian propaganda with “anti-Russian counter-propaganda”. The response will be effective only as long as it is consistent with Western values of professional and objective reporting. Part of Russia’s official message is that the West is hypocritical and dishonest. Sticking to the West’s fundamental values will undermine this view and will show the strength rather than the weakness of the West.

### **The Critical Importance of Ukraine’s Success for Russia**

One of the key tenets of Russia’s official propaganda is that Ukrainian reforms are doomed to fail. Given that Ukraine is close and similar to Russia, the success of the Ukrainian revolution would disprove the Russian government’s key argument—that any alternative to the current regime would bring chaos. Given high initial corruption and the inefficiency of the economy, successful reforms in Ukraine will be difficult. However, their importance goes well beyond Ukraine. They will create an important precedent for many neighboring countries including Russia. This, in turn, may contribute to peace not only in the region but also in those parts of the world which Russia may target for further foreign policy moves.

### **The Role of Sanctions**

Sanctions are not the main driver of Russia’s recession. Other factors, such as lack of reforms and the fall in oil prices, have been much more important. But sanctions have reinforced the impact of the drop in oil prices. In the absence of sanctions, Russia would have been able to borrow to smoothen the impact of the oil shock. Given its low level of sovereign debt, that would not have been impossible.

However, the most important effect of sanctions is the proof they offer of the West’s credibility—and thus the proof that further aggression may result in more serious sanctions. This has had major impact on the regime’s behavior. During the annexation of Crimea, the Russian government assumed that “the West is weak,” and did not expect sanctions to follow. The events in eastern Ukraine started already after the introduction of the first sanctions—and there annexation never hap-



pened. Crimea became part of Russia right after the so-called “referendum.” As for Donetsk and Luhansk, neither the May 2014 “referendum” nor the fall 2014 “elections” had any implications. Russia continues to confirm that Donetsk and Luhansk (unlike Crimea!) are parts of sovereign Ukraine.

Another important indication of the effectiveness of Western sanctions is the Russian government’s continuing fight to have them removed. Both openly and behind the scenes, the Russian government works with Western business, politicians and NGOs lobbying to end the sanctions. Finally, in Russia’s domestic debate, the “we do not care about the sanctions” stance has been retired; even official propaganda acknowledges that sanctions have had a major effect.

### **The “Pivot to China” that Wasn’t**

The Russian government expected to replace the West with China as its main economic partner. While China claimed to be interested (and is certainly able) to invest in Russia, so far we have only seen (many) non-binding declarations. No tangible investments or loans have taken place. There may be several reasons. First, China may be waiting for better terms when Russia becomes more desperate. Second, China may understand that its relationship with the United States and with the West in general is much more important than the one with Russia. Third, individual Chinese companies take into account the multibillion dollar fine paid by BNP Paribas for violating U.S. sanctions. Finally, the domestic anti-corruption agenda in China may make it risky for individual Chinese business people to deal with the Russian government and state companies, as the latter are too corrupt.

Whatever the reason, it is clear that at least so far Russia’s hopes for pivot to China have not materialized. The volume of trade between Russia and China has actually declined, which of course is natural, given the fall in oil prices and the weaker ruble.

### **Should the West be Blamed for Crimea?**

Another important part of the debate in the West is that the West should have behaved more carefully in talking to Ukraine and should have avoided provoking Russia. This argument may have some truth to

it—it may have been the case that American and European foreign policy makers should have paid more attention to the growing desperation of Russia's regime in its search for legitimacy. The experience of 2014 probably also implies that the West must develop a strategy of dealing with Russia both in the immediate future and in the long run. This strategy should be clearly articulated both to the Russian government and—as much as possible given the censorship—to the Russian public.

However, even if the West has made some foreign policy errors, these are mistakes, not crimes. Therefore, whoever apportions blame for what has happened equally to Russia and to the West (or even to Ukraine) is wrong. Such arguments—whether made intentionally or unintentionally—are tantamount to blaming the victim for the crime. However imperfect the victim of a crime may be, it is the criminal, not the victim, who is responsible for the crime.

### **The Need for Strategy**

The previous Cold War ended in a regime change that was relatively smooth and peaceful. This time, it may be more turbulent. For members of the outgoing elite, the stakes are much higher. They have strong incentives to stay in power whatever the cost. It is also not clear that those who may be able to remove the current regime will be committed to peace and democracy, since the task of removing stubborn autocrats may require ruthlessness rather than peacefulness. And even if peaceful protesters take over, it is also not clear whether they would stay for long, given that economy is likely to be in very bad shape at that moment.

The West cannot change the regime—and should not even try to set such an objective. Nobody knows when and how the current regime ends. When it does, it may be unexpected. At that point, having a well-thought strategy agreed by Western countries and articulated to publics inside and outside of Russia will certainly raise chances of a less turbulent transition to a democratic and peaceful Russia. This strategy should include a roadmap for re-integrating Russia into European and global institutions, for rebuilding Russia's economy and in particular Russia's infrastructure, for reforming Russian public administration and the judiciary. Most importantly, this strategy should make sure that the post-regime-change transformation does not take place at the expense of Russia's poor and vulnerable; otherwise, these reforms will backfire and we will be back where we started.

## *Chapter 7*

# **Western Strategy toward Russia and the Post-Soviet Space**

*William Courtney*

For nearly a quarter century, Western strategy toward the post-Soviet space has enjoyed substantial accord between Europe and America, and much bipartisan backing in the United States. Central to the strategy has been support for the sovereignty, independence, and territorial integrity of the new states, for their integration into the global economy, and for democratic and economic reform. (The three Baltic states are members of the European Union and the North Atlantic Treaty Organization; with a few exceptions they are not considered in this discussion.)

The West has substantial interests in the post-Soviet space. Peaceful development across the vast region will enhance Western security, economies, and cultural life. The post-Soviet space is a bountiful source of hydrocarbons, metals, and other minerals, a major transport route between Europe and Asia, and a repository of human talent. The West has special interests in Russia because of its nuclear weapons and energy resources, propensity to coerce neighbors, and “great power” capacity, enabling it to influence global issues and intervene in distant locales.

Western interest is higher in post-Soviet states that make democratic reforms, respect human rights, and improve economic performance. Democratic advances in Georgia and Ukraine are notable. Shared security interests, such as nonproliferation and countering violent extremism and narcotics flows, buttress Western ties with Kazakhstan and other Central Asian and South Caucasian states. Caspian energy resources and export routes in Azerbaijan, Georgia, Kazakhstan, and Turkmenistan are important. Links with diasporas in the West, such as Ukrainian and Armenian, have salience.

Post-Soviet relations with the West are undermined by strains with Russia over its aggression in Ukraine and the wider risks posed by the conflict in its east, by illiberal governance and human rights abuses in such places as Azerbaijan, Belarus, Tajikistan, Turkmenistan, and Uzbek-

istan, and by unstable “frozen conflicts” in Abkhazia, Nagorno-Karabakh, South Ossetia, and Transnistria. Without more progress in the post-Soviet space, the risk of Western retrenchment will grow. Where governments repress their people, the West tends to lose interest and criticize bad behavior. Interests are sometimes at odds with each other, and Western strategy must adapt. Despite energy wealth in Azerbaijan, the West criticizes its human rights abuses, such as the imprisonment of recently released Leyla Yunus. The post-Soviet space lags in competing against other global regions for investment and trade.

Although authoritarian rule in most of the post-Soviet space is a frustration, the West does too little to nurture positive change and productive ties. The West will best serve its interests by encouraging reform, building links with civil society, fostering economic opportunity, and assisting states with geopolitical challenges that they are less able to manage on their own, such as security threats, frozen conflicts, and regional power shifts.

## The Post-Soviet Space

### *U.S.–European Alignment*

U.S.–European strategic alignment in the post-Soviet space is a source of Western strength, but it will be tested, e.g., sustaining sanctions on Russia if it does not withdraw from eastern Ukraine. When Europe and America act together, they are effective and leverage complementary strengths. Except in the military arena and upstream energy development, Europe is more important than America in the post-Soviet space. Europe is proximate, trade and investment are greater, and post-Soviet elites send their children to study in Europe and travel and buy property there. Europe’s importance is sometimes under-estimated, in part because Russia’s leadership obsesses on the United States and its alleged threat. Too many Americans think in terms of U.S.–Russian relations when the scope of issues is wider.

U.S.–European cooperation on the Russia-Ukraine crisis, and on Russia’s military intervention in Syria and the associated diplomatic process, are models for the future. So, too, was U.S.–European collaboration with Russia in the P5+1 format to achieve the Iran nuclear deal. Europe and America have cooperated in international diplomacy to address frozen conflicts, but results have been discouraging.

In the Soviet period and since, Moscow has sought to split Europe from America. It has rarely succeeded. An exception was European refusal to accede to the U.S. desire at the May 2008 NATO Summit in Bucharest to put Georgia and Ukraine on a path to membership in the Alliance. The disagreement may have caused Moscow to believe it could invade Georgia without eliciting a strongly negative Western response. This proved to be the case when the invasion took place the following August.

*Recommendation: America and Europe should give priority to intensive consultations and policy alignment in dealing with the post-Soviet space.*

### ***European Leadership***

After a failed diplomatic mission in 1991 to avert the breakup of Yugoslavia, an exasperated U.S. Secretary of State James Baker said, “We got no dog in this fight.”<sup>1</sup> He meant that Europeans ought to have the capacity to deal with the issue. Europe was not then ready, but today it is stronger. In the Russia-Ukraine crisis, Europe for the first time is leading the West in negotiating with Moscow on a major international security issue. Germany and France, and especially Chancellor Angela Merkel, are Russia’s interlocutors in the Normandy format talks that produced the Minsk ceasefire accords. America’s absence from this forum is reminiscent of its “leading from within” (or “behind” as critics claim) in the 2011 British-French-led military intervention in Libya.<sup>2</sup>

*Recommendations: Europe should exercise stronger leadership on post-Soviet security issues. America and NATO ought to bear responsibility for projecting military power; if needed, to avert or ameliorate security crises, and to this end they should posture and exercise their forces. The United States ought to seek to join the Normandy format.*

### ***Eurasian Economic Union***

In 2012 then-Secretary of State Hillary Clinton called Russia’s push for a Eurasian Customs Union “a move to re-Sovietize the region,” and

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<sup>1</sup> Michael Dobbs, “A War That Could Have Been Prevented,” *Foreign Policy*, May 9, 2012. <http://foreignpolicy.com/2012/05/09/a-war-that-could-have-been-prevented/>.

<sup>2</sup> *Senator John McCain on Libya*, Real Clear Politics, August 22, 2011. McCain stated, “the fact is that young Libyans were wounded and were killed because of that, quote, ‘leading from behind.’” [http://www.realclearpolitics.com/articles/2011/08/22/senator\\_john\\_mccain\\_on\\_libya\\_111061.html](http://www.realclearpolitics.com/articles/2011/08/22/senator_john_mccain_on_libya_111061.html).

warned, “we are trying to figure out effective ways to slow down or prevent it.”<sup>3</sup> The Eurasian Economic Union (EEU), successor to the Customs Union, is now a reality, but Russia may not allow it to become an open, rules-based entity that treats all members fairly. An effective EEU would facilitate substantial trade and investment. Exporters in Kazakhstan, for example, could ship goods across Russia to Europe without undue hindrance. The EEU’s relatively high external tariff will hinder economic links with China and Europe unless special arrangements are made. Russia’s economy will benefit more from closer ties with wealthy countries than with other post-Soviet states.

*Recommendations: Consistent with other policies (e.g., sanctions), the West should encourage economic ties with post-Soviet states. The West ought not to oppose the existence of the EEU, but it should seek to ensure that members’ activities comply with World Trade Organization obligations. The EU ought to engage the post-Soviet states, the EEU, and China to facilitate trade across Europe and Eurasia.*

## Russia

Although some contend otherwise, Russia is both European and Eurasian. As former Russian Ambassador to the United States Vladimir Lukin points out, “most successful steps in building Russia were taken by Western-oriented rulers, such as Catherine the Great and Alexander II,” whereas “major isolationist projects,” such as undertaken by Nicholas I and the Stalinist-style Soviet system, “ended either in military failures or in decay.” Thus, the “path toward a united Europe...is far more realistic than nostalgic neo-imperial dreams of Russian grandeur.”<sup>4</sup>

Despite Russia’s armed incursion in Georgia in August 2008, many Western elites did not grasp that Moscow was becoming more assertive. In early 2009 a prestigious, bipartisan U.S. group said both governments were to “blame for the decline” in relations, and lamented that an “effective set of structures” for dialogue did not exist. The group urged that America show “greater willingness to consider Russian perspec-

<sup>3</sup> “Clinton Vows To Thwart New Soviet Union,” *Financial Times*, December 6, 2012. <http://www.ft.com/intl/cms/s/0/a5b15b14-3fcf-11e2-9f71-00144feabd0.html#axzz3v5BmbhtH>.

<sup>4</sup> Vladimir Lukin, “Looking West from Russia,” *The National Interest*, Number 140, November-December 2015, pp.64-65. <http://nationalinterest.org/feature/looking-west-russia-the-eurasianist-folly-14105>.

tives.” In retrospect, a lack of structures was not a primary source of problems in U.S.-Russian relations. The group was on the mark, however, in calling for partnership with Russia to deal with the Iran nuclear problem, cooperation to strengthen supply routes for NATO operations in Afghanistan, a further reduction in strategic nuclear weapons, and support for bringing Russia into the World Trade Organization.<sup>5</sup>

### *Russian Relations*

The invasions of Georgia and Ukraine, threatening behavior toward the Baltics, and attacks on Western-backed rebels in Syria have sapped momentum from Russia’s relations with the West. They are now largely transactional. In some cases this makes sense, e.g., the West pays for space launch services in support of the International Space Station, and for railway services to transport supplies to the NATO-led Resolute Support mission (and earlier, the International Security Assistance Force) in Afghanistan.

In 2011–12, peaceful anti-government protests surged in Moscow and some other cities following a falsified Duma election. Since then the Kremlin has accelerated a crackdown on internal freedoms. Russia’s rulers seem concerned that popular uprisings of the kind that occurred in Georgia and Ukraine (“color revolutions”) might take place. To abate this risk and build legitimacy, the Kremlin has employed nationalistic, irredentist, and “great power” policies and themes. Moscow’s assertive stance abroad appears motivated more by political dynamics in Russia than by Western actions. The West has little capacity to influence the slide toward authoritarian rule. Government-controlled media are founts of anti-Western, especially anti-U.S., propaganda. The authorities are suppressing many independent media and journalists.

Even people-to-people dialogue is difficult as Moscow seeks to isolate its people from Western influences. For example, in late 2015 the authorities added to the list of “undesirable organizations” The U.S.-Russian Foundation for Economic Advancement and the Rule of Law.<sup>6</sup> In 2014 Russia halted participation in the Future Leaders Exchange

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<sup>5</sup> Commission on U.S. Policy toward Russia, *The Right Direction for U.S. Policy toward Russia*, March 2009, Washington, DC, pp. i-5. [http://belfercenter.ksg.harvard.edu/publication/18909/report\\_from\\_the\\_commission\\_on\\_us\\_policy\\_toward\\_russia\\_the\\_right\\_direction\\_for\\_us\\_policy\\_toward\\_russia.html](http://belfercenter.ksg.harvard.edu/publication/18909/report_from_the_commission_on_us_policy_toward_russia_the_right_direction_for_us_policy_toward_russia.html).

<sup>6</sup> “Statement by the USRF Board of Directors,” USRF website, December 4, 2015. [http://www.usrf.ru/news\\_feed/general\\_eng/news\\_article\\_1449481649.html](http://www.usrf.ru/news_feed/general_eng/news_article_1449481649.html).

(FLEX) program, which sends high school students from former Soviet states to study in America. This unfortunate step was one of a number, including the banning of U.S. adoptions of Russian children. Such actions diminish cooperation and trust. Foreign broadcasting and internet outreach substitute only to a limited extent for face-to-face, people-to-people contact.

*Recommendations: The West, by example and support for democratic governance and economic openness, should not discount its long-term influence in Russia. Western policy ought to be resilient to political winds in Russia, but flexible enough to foster positive change if openings occur. The West should expand the flow of truthful information to Russian audiences. Where feasible, the West ought to sponsor more young Russians for education abroad.*

### ***Ukraine***

Russia's quick, bloodless seizure of Crimea in February-March 2014, a stunning tactical gain, may have led the Kremlin to think that it could achieve similar success in eastern Ukraine. But there Russian proxies lacked strategic surprise, and local support for rebellion was weaker than Moscow expected. After early, feckless military responses, Ukraine forged effective defenses and fought the proxies and, beginning in August 2014, Russian regular forces to a stalemate. It is enshrined in the Minsk accords.

In the 1997 NATO-Russia Founding Act "NATO reiterates that in the current and foreseeable security environment the Alliance will carry out its missions" through means other than "by additional permanent stationing of substantial combat forces." Russia's intervention in Crimea and eastern Ukraine arguably alters the security environment foreseen in 1997.<sup>7</sup> The United States has announced plans to add a U.S. Army Brigade Combat Team (BCT) to Europe (there are two now). An armored BCT will be rotated through Europe on a persistent basis. In addition, equipment will be pre-positioned for an additional armored BCT.

The West's refusal to supply defensive lethal weaponry to Ukraine (and to Georgia after Russia's 2008 invasion), combined with NATO's

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<sup>7</sup> "Founding Act on Mutual Relations, Cooperation and Security between NATO and the Russian Federation signed in Paris, France," NATO website, May 22, 1997. [http://www.nato.int/cps/en/natohq/official\\_texts\\_25468.htm](http://www.nato.int/cps/en/natohq/official_texts_25468.htm), and "NATO-Russia Pact Mired In Mistrust Amid Ukraine Fallout," RFERL website, June 16, 2015. <http://www.rferl.org/content/nato-russia-pact-ukraine-fallout-mistrust/27075857.html>.



reluctance to base forces permanently in the territory of eastern NATO member states, may lead Russian leaders to underestimate Western will.<sup>8</sup> The Kremlin might also wrongly perceive that the Baltic states are vulnerable to the kind of hybrid warfare employed in Ukraine.

Ukraine's major port, Odessa, depends on sea lines of communication that pass close to Sevastopol, where the Russian Black Sea Fleet is based. This could increase their vulnerability to interdiction.

*Recommendations: In light of Russia's interventions in Georgia and Ukraine, the West should be more assertive in seeking to reduce security risks in the post-Soviet space. To augment persistent presence in NATO's eastern area, a full U.S. Army brigade combat team ought to be based or rotated in Poland and another in the Baltics. NATO member states should provide Ukraine and Georgia with anti-armor and anti-air weaponry, and increase military assistance and training. NATO member states ought to rotate more warships through the Black Sea consistent with the Montreux Convention.*

### **Syria**

In fall 2015 Russia deployed military forces to Syria, including fighter aircraft and anti-air missiles that could threaten U.S. and coalition aircraft. In early 2016 Russia announced a reduction in these forces. Although Moscow and Washington have agreed on air safety protocols, Russia does not coordinate air operations with U.S. and coalition forces.

U.S. President Barack Obama has signaled restraint, declaring, "We're not going to make Syria into a proxy war between the United States and Russia."<sup>9</sup> Despite Russian air attacks on Western-backed rebels fighting against the Bashar al-Assad regime, Washington has refused to supply them with anti-air missiles, although it has increased supplies of TOW anti-armor missiles. Russian combat aircraft have pounded rebel positions with impunity.

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<sup>8</sup> Steven Pifer, Strobe Talbott, et al., *Preserving Ukraine's Independence, Resisting Russian Aggression: What the United States and NATO Must Do*, The Atlantic Council, February 2015. This group of distinguished foreign policy experts recommended that light anti-armor missiles be supplied to Ukraine. [http://www.brookings.edu/~media/research/files/reports/2015/02/ukraine-independence-russian-aggression/ukrainereport\\_february2015\\_final.pdf](http://www.brookings.edu/~media/research/files/reports/2015/02/ukraine-independence-russian-aggression/ukrainereport_february2015_final.pdf).

<sup>9</sup> "U.S. Will Not Directly Confront Russia in Syria, Obama Says," *The Washington Post*, October 2, 2015. [https://www.washingtonpost.com/world/national-security/2015/10/02/44c1f7fc-6932-11e5-9223-70cb36460919\\_story.html](https://www.washingtonpost.com/world/national-security/2015/10/02/44c1f7fc-6932-11e5-9223-70cb36460919_story.html).

The United States and Russia play leadership roles in the Syria peace process, involving the International Syria Support Group. Since the vast majority of Russia's Muslims are Sunni, Russia has an interest in being part of political solutions that include Sunni as well as Shia. Moscow is skeptical of Western ideas for a democratic transition in Syria. It backs Assad's regime but doubts its long-term viability.

As Moscow's vituperative reaction to Turkey's shoot-down of a Russian SU-24 combat aircraft in November 2015 shows, military challenges to Russia can impose political and economic costs.

*Recommendations: The West should join with coalition partners to establish a safe zone in northern Syria, with America leading the no-fly component, and Turkey the ground component. The U.S.-led coalition ought not to scale back its air operations against the Islamic State out of fear that Russian military aircraft might interfere. The United States should be prepared to neutralize any Russian drone targeting of Syrian moderate rebels. If Russian forces cease attacking them, the West ought to work closely with Moscow in the search for compromise political solutions to the Syrian crisis. The West should support its NATO ally Turkey, but urge restraint on both sides so as to reduce the risk of another incident that could impede work in the Syria peace process.*

### ***Arms Control***

In recent years Russian authorities have employed intimidating rhetoric about nuclear weapons, and altered some nuclear force deployments and policies.<sup>10</sup> Putin has said that during the seizure of Crimea, "we were ready to put into play" nuclear weapons.<sup>11</sup> In May 2012 Russian Defense Minister Anatoly Serdyukov warned that short-range Iskander surface-to-surface missiles could be used to counter planned U.S. missile defenses in eastern Europe.<sup>12</sup> (The Iskander missile can carry nuclear or conventional warheads.) In December 2013, the Kremlin-friendly newspaper *Izvestiya* reported that Russia's military had deployed Iskander missiles in the Kaliningrad region. Days later, however, Putin

<sup>10</sup> "How World War II Became Possible: A Nuclear Conflict with Russia is Likelier Than You Think," Vox website, June 29, 2015. <http://www.vox.com/2015/6/29/8845913/russia-war>.

<sup>11</sup> "Russia Was Ready to Put Nuclear Forces on Alert over Crimea," Putin Says, *CNN*, March 16, 2015. <http://www.cnn.com/2015/03/16/europe/russia-putin-crimea-nuclear/index.html>.

<sup>12</sup> "Russia Hints at Use of Short-Range Missiles on NATO Missile Shield," *Global Security Newswire*, May 14, 2012. <http://www.nti.org/gsn/article/russian-minister-hints-use-short-range-missiles-against-nato-missile-shield/>.

denied this.<sup>13</sup> Deployment of this missile, if it took place, may have had the purpose of intimidating Poland and Lithuania, which border on the region.<sup>14</sup> Two months later Prime Minister Dmitri Medvedev publicly touted the capabilities of the Iskander.<sup>15</sup>

Negotiating experience with Moscow has shown that progress is more likely when balances of power or interests exist. The 1987 Intermediate-range Nuclear Forces Treaty was made possible because both sides were willing to eliminate comparable weaponry. Several strategic arms control accords were achieved because the sides accepted rough equality in capabilities. Since both Russia and the West face threats from nuclear proliferation and terrorism, cooperation in this area has been robust, e.g., Nunn-Lugar cooperative threat reduction activities, the Iran nuclear deal, the Proliferation Security Initiative.

Where imbalances exist or verification capacities are inadequate (e.g., non-nuclear missile defense, cybersecurity, space arms), meaningful accords are less likely. To no evident avail, the West has made intensive efforts to persuade Moscow to accept the deployment of Iran-oriented missile defenses in NATO'S east. Moscow sees the Conventional Armed Forces in Europe (CFE) Treaty as "anachronistic" and "out of sync with present realities."<sup>16</sup>

In July 2014, the United States made known that in 2008 Russia began testing a ground-launched missile that by 2011 the Obama Administration concluded was prohibited under the INF Treaty.<sup>17</sup> In 1994, Moscow, London and Washington signed the Budapest Memorandum of Security Assurances, in which they pledged to respect the independence, sovereignty and existing borders of Belarus, Kazakhstan

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<sup>13</sup> "Putin Says Iskander Missiles Not Yet on NATO's Border," *Global Security Newswire*, December 19, 2013. <http://www.nti.org/gsn/article/putin-says-no-iskander-missiles-have-been-sent-enclave-bordering-nato-land/>.

<sup>14</sup> "Russia Has Stationed Iskander Missiles in Western Region: Reports," *Reuters*, December 16, 2013. <http://www.reuters.com/article/2013/12/16/us-russia-missiles-idUSBRE9BF0W020131216>.

<sup>15</sup> "Medvedev Touts Russian Iskander Ballistic Missile," *Global Security Newswire*, July 23, 2012. <http://www.nti.org/gsn/article/medvedev-urges-quicker-iskander-ballistic-missile-production/>.

<sup>16</sup> "Russia Completes CFE Treaty Suspension," *Arms Control Today*, April 2015. [https://www.armscontrol.org/ACT/2015\\_04/News-Briefs/Russia-Completes-CFE-Treaty-Suspension](https://www.armscontrol.org/ACT/2015_04/News-Briefs/Russia-Completes-CFE-Treaty-Suspension).

<sup>17</sup> "U.S. Says Russia Tested Cruise Missile, Violating Treaty," *The New York Times*, July 28, 2014. [http://www.nytimes.com/2014/07/29/world/europe/us-says-russia-tested-cruise-missile-in-violation-of-treaty.html?\\_r=0](http://www.nytimes.com/2014/07/29/world/europe/us-says-russia-tested-cruise-missile-in-violation-of-treaty.html?_r=0).

and Ukraine, and refrain from the threat or use of force against them. Russia's 2014 invasion of Ukraine violates its Budapest pledge.

*Recommendations: The West ought to give priority to security diplomacy with Russia where balances of power or interests exist, and lower expectations where negotiated accords seem less likely. The United States and NATO should review their policies for nuclear arms, missile defense, and arms control—such as force modernization and posturing, and negotiating stances—to strengthen deterrence and incentives for Russia to cease nuclear intimidation and return to INF Treaty compliance. The West should seek to maintain international pressure on Russia over its Budapest violation until it comes into compliance.*

### **Russia's Economy**

Low energy prices, sanctions, and rising structural barriers combine to weaken Russia's economy. In 2009–2014, growth averaged only 1.5 percent per year, sharply lower than in preceding years. In 2015 the economy declined by about 4 percent.

About half of the economy is state-controlled. The dominance of inefficient and corrupt state-controlled enterprises reduces Russia's economic potential. Sanctions hurt private businesses more than state enterprises, which enjoy favored access to official resources.<sup>18</sup> Demographic decline, health problems, and brain drain do further harm.

The economy may remain stagnant for a prolonged period absent new sources of growth.<sup>19</sup> Some could be created by policy changes, e.g., privatization of state enterprises, reduction of monopolies, subsidies, or excessive government regulation. In the view of the World Bank, “without deep and sustained structural reforms Russia will remain at serious risk of falling into a medium-term low-growth trap.”<sup>20</sup>

Since Russia is determined to be a great power, it may be willing to offset the cost of rising defense spending by imposing stringencies in other areas. Expensive military ambitions, however, could weaken Rus-

<sup>18</sup> Simeon Djankov, *Russia's Economy under Putin: from Crony Capitalism to State Capitalism*, Peterson Institute for International Economics, Number PB15-18, September 2015, p. 3. <http://www.iie.com/publications/interstitial.cfm?ResearchID=2844>.

<sup>19</sup> *Ibid.*, p. 5.

<sup>20</sup> The World Bank in the Russian Federation, *Russia Economic Report: Balancing Economic Adjustment and Transformation*, Number 34, September 2015, p. 39. [http://www-wds.worldbank.org/external/default/WDSContentServer/WDS/IB/2015/10/09/090224b083135111/1\\_0/Rendered/PDF/Russia0economy0t0and0transformation.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDS/IB/2015/10/09/090224b083135111/1_0/Rendered/PDF/Russia0economy0t0and0transformation.pdf).

sia's overall correlation of forces. As Lukin has cautioned, attempts to achieve "global greatness with no resources beyond willpower are strategically deficient."<sup>21</sup>

In 2011, after long negotiations and despite occasional Kremlin ambivalence, Russia joined the World Trade Organization. The West supported this move, which will yield benefit to Russia to the extent it integrates further into the global economy. Gains will be less if sanctions remain in force or the Kremlin pursues economic autocracy, as at present.

The post-Soviet states (except the Baltics) are not included in the Transatlantic Trade and Investment Partnership now under negotiation. The post-Soviet space is not part of the just-concluded Trans-Pacific Partnership. These absences will restrain some international trade and investment in the post-Soviet space. If China is later brought into TPP, Russia and several Central Asian countries may seek to join. As the rest of the world liberalizes its economies and trade, the post-Soviet space risks falling further behind.

*Recommendations: The West should maintain sanctions on Russia as long as it occupies part of Ukraine, but be ready to lift them when the reasons for the measures no longer exist. Consistent with other policies (e.g., sanctions), the West ought to encourage Russia's integration into the global economy and avoid actions that might do long-term or irreversible damage to Russia's economy. In designing sanctions on Russia, the West should take account of the potential for collateral damage to neighbors and trading partners. In coordination with international financial institutions, the West should encourage economic reforms in Russia and open trading and investment policies.*

## **Other Post-Soviet Republics**

### *NATO Relations*

Except for the Baltics, which are members of NATO, all of the countries in the post-Soviet space participate in NATO's Partnership for Peace. It furthers practical cooperation in defense, such as military exercises, and in other spheres. Russia has long opposed the expansion eastward of NATO's membership. The Alliance has gone ahead anyway, and the result has been to improve security for the Baltics and other new members.

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<sup>21</sup> Lukin, op. cit., p. 64.

At its 2008 Bucharest Summit, NATO declined to offer Membership Action Plans—which provide a path to joining the Alliance—for Georgia and Ukraine. The Summit did promise that they “will become members.” Europeans prudently deflected the U.S. push for Membership Action Plans. Georgia and Ukraine have strengthened their democracies, but remain too poor, and their politics too uncertain, for membership at this time. Frozen conflicts on an applicant’s territory should not be an obstacle to joining NATO; this would give Russia a *de facto* veto. Georgia’s commitment of forces in Afghanistan merits considerable NATO gratitude.

For security, Georgia or Ukraine will have to rely largely on their own defenses, augmented by bilateral military assistance from the United States and other NATO member states.

*Recommendations: NATO should make the Partnership for Peace program as substantive as possible for reforming post-Soviet states. NATO ought to consider for admission any interested post-Soviet state when it has the capacity and readiness to assume membership responsibilities. In making decisions about bilateral military assistance to post-Soviet states, NATO member states should be forthcoming, commensurate with foreseeable security threats.*

### **EU Relations**

The appeal of the rich, liberal EU as a partner for post-Soviet states is strong. For most of them the EU, having a comprehensive character, will be of greater importance than NATO.

The EU has entered into Partnership and Cooperation Agreements (PCA) with most post-Soviet states (not Belarus and Turkmenistan, or the Baltics, which are members of the EU). The purpose of PCAs is to strengthen democracies and develop economies.<sup>22</sup> The EU’s Eastern Partnership encompasses six post-Soviet states lying west of the Caspian Sea: Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine. The purpose is to encourage and support reforms.<sup>23</sup> PCAs and the Eastern Partnership have built confidence in such countries as Georgia and

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<sup>22</sup> EUR-Lex, “Partnership and Cooperation Agreements (PCAs): Russia, Countries of Eastern Europe, the Southern Caucasus and Central Asia.” <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=URISERV%3Ar17002>.

<sup>23</sup> European Union External Action, “Eastern Partnership: Bringing Eastern European Partners Closer to the EU.” [http://eeas.europa.eu/eastern/index\\_en.htm](http://eeas.europa.eu/eastern/index_en.htm).

Ukraine, but failed to spur liberalization in Azerbaijan and Belarus. Association Agreements, including Deep and Comprehensive Free Trade Areas, are framework accords for the conduct of bilateral relations with the EU. In certain cases they help prepare a country for future admission.<sup>24</sup> Georgia, Moldova, and Ukraine have concluded Association Agreements, and their citizens are set to enjoy visa-free access to the EU.

Perhaps Russia's greatest strategic misstep in the post-Soviet space has been to use military force in a futile attempt to halt Ukraine's further integration with the EU. Ukrainians outside the occupied areas now have a stronger consensus to move westward. Aid to Ukraine from international financial institutions and the West is critical, but should go forward only if Kyiv deepens economic and governance reforms, essential to reducing the burden of corruption and improving the investment climate.

The EU's core concept is of a foreign policy "organized in concentric circles reaching at its outermost point Central Asia."<sup>25</sup> The eastern edge of the Eastern Partnership ought not to be defined by the Caspian Sea. The performance of a state and its commitment to European values should count more than geographic boundaries in determining the potential scope of EU cooperation and integration.

Kazakhstan is part of the EU's Central Asia Strategy. An Enhanced Partnership and Cooperation Agreement is planned. Kazakhstan has become important to the EU, and made more economic reforms than several countries in the Eastern Partnership. Kazakhstan is a key country in the emerging Silk Road network of transport routes between China, Europe, and the Middle East.

*Recommendations: The EU ought to consider for admission any interested post-Soviet state when it has the capacity and readiness to assume membership responsibilities. The West should provide more aid to Ukraine and other reforming post-Soviet countries. The EU ought to reconsider the Eastern Partnership and make it performance- rather than geography-based. The EU should intensify cooperation with Kazakhstan, reflecting economic ties and reforms.*

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<sup>24</sup> European Union External Action, "Association Agreements." <http://eeas.europa.eu/association/>.

<sup>25</sup> Stefan Meister, "Geo-economics of Eurasia: A View from Europe," Astana Club, September 2015. <https://dgap.org/en/article/getFullPDF/27387>.

### *Caspian Energy*

Soon after the collapse of the USSR the West began to encourage the development of Caspian energy resources, controlled mostly by Kazakhstan, Azerbaijan, and Turkmenistan. Supplies of Caspian energy serve Western interests by increasing and diversifying global energy sources. A Chevron-led team developed the huge onshore Tengiz deposit in western Kazakhstan, and a BP-led consortium, the large Shah Deniz deposit offshore in the Caspian Sea. More troubled is the Kashagan offshore project in Kazakhstani waters of the Caspian Sea, still a year or more away from exporting oil despite years of work and massive investment.

Multiple export routes for Caspian energy have increased competition and lowered costs. The West supported the construction of two major oil export pipelines, one from Tengiz to the Black Sea port of Novorossiysk and another from Baku through Tbilisi to Turkey's Mediterranean Sea port of Ceyhan. More recently, China has built an oil pipeline from Western Kazakhstan and a gas pipeline from Turkmenistan to western China. Over time, the development of other global deposits and new technologies may diminish the relative importance of Caspian energy, but for decades to come it will remain a significant source of world supply. The Iran nuclear agreement may spur Kazakhstan and Turkmenistan to ship more energy to and through Iran.

Russia's Caspian Flotilla, which dates to the time of Peter the Great, is far more powerful than the maritime forces of other littoral states. The Flotilla's launch in fall 2015 of dozens of medium-range cruise missiles aimed at Middle Eastern targets showed the Fleet's enhanced capability.

*Recommendations: The West should encourage Caspian states to offer better investment climates and privatize inefficient state energy companies. The West ought to support even more export channels for Caspian energy, and not oppose shipments to and through Iran. The West should assist Caspian states to develop their maritime and coastal defenses and awareness.*

### *Central Asia*

Beyond Caspian energy, the West has a number of important interests in Central Asia, e.g., counter violent extremism, WMD proliferation, and narcotics and other criminal activities. At the same time democratic shortcomings, except to some extent in Kyrgyzstan, restrain Western interest. A fall 2015 trip by John Kerry was the first time in nearly a quarter century that a U.S. Secretary of State visited all five Central Asian states.



The temporary Taliban seizure in fall 2015 of Kunduz, just south of Tajikistan, heightened fears in Central Asia and Russia that threats of violent extremism from Afghanistan might increase as NATO forces draw down. In October, Putin warned that 5,000–7,000 people from the post-Soviet space had joined Islamic State forces.<sup>26</sup> Russia's troubled North Caucasus region and Central Asian states are among the sources of fighters.

The International Crisis Group warns that the poverty-ridden, authoritarian-ruled region is “a sitting duck for the Islamic State.”<sup>27</sup> Kerry has cautioned, “When the pathways to nonviolent change are closed, the road to extremism becomes more inviting.”<sup>28</sup> The U.S. Deputy Secretary of State has pointed to the “potential in a number of these states for that kind of extremism to emerge within them.”<sup>29</sup> Better and more inclusive governance in Central Asia is essential to reducing risks of violent extremism.

Germany has closed down the last Western military base in Central Asia, in Uzbekistan near Afghanistan. Russia opposes the establishment of U.S. military bases in the region, and there is little support in America for such facilities. Russia is bolstering its forces in Central Asia. In October 2015 it announced an increase in troops in Tajikistan from 5,900 to 9,000 by 2020. Russia has deployed capable Su-25 fighter jets to an air base in Kyrgyzstan.<sup>30</sup>

Several Central Asian states want the West to stay involved in the region as a way to help them balance relations between neighboring powers, especially China and Russia.

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<sup>26</sup> “Putin Says Thousands from Russia and CIS Have Joined IS,” *Bloomberg News*, October 18, 2015. <http://www.businessmirror.com.ph/putin-says-thousands-from-russia-and-cis-joined-is/>.

<sup>27</sup> Deidre Tynan, “Central Asia is a Sitting Duck for Islamic State,” *The Moscow Times*, June 14, 2015. <http://www.crisisgroup.org/en/regions/asia/central-asia/tajikistan/op-eds/tynan-central-asia-is-a-sitting-duck-for-islamic-state.aspx>.

<sup>28</sup> “The United States and Central Asia: Partners for the 21st Century,” U.S. Department of State website, November 2, 2015. <http://www.state.gov/secretary/remarks/2015/11/249107.htm>.

<sup>29</sup> Anthony Blinken, “An Enduring Vision for Central Asia,” U.S. Department of State, March 31, 2015. [http://iipdigital.usembassy.gov/st/english/texttrans/2015/04/2015\\_0401314506.html#axzz3osTwNawq](http://iipdigital.usembassy.gov/st/english/texttrans/2015/04/2015_0401314506.html#axzz3osTwNawq).

<sup>30</sup> Abdjalil Abdurasulov, CIS Summit: Russia to Bolster Central Asia Military, BBC News, October 16, 2015. <http://www.bbc.com/news/world-europe-34538051>.

Central Asian trade with China is growing. For example, Chinese-Tajik trade has climbed from \$32 million in 2003 to \$2 billion annually.<sup>31</sup>

*Recommendations: Although progress will be slow or halting, the West should encourage open and accountable governance in Central Asia. The Organization for Security and Cooperation in Europe ought to be more active in Central Asia, including in the security dimension. NATO should keep Central Asian states abreast of threats in Afghanistan and the wider region, and make more use of the Partnership for Peace to bolster their defenses. If Russia is willing to engage in productive information sharing about such threats, the West ought to be open to it. As China's influence in Central Asia expands and Russia's declines, the West should assist regional states to manage shifting power realities.*

### **China**

Economic growth in China, while slowing, will propel it into a greater role in the post-Soviet space. The region will benefit from billions of dollars in planned Chinese spending on infrastructure, more than the West or Russia is likely to invest. A prospective Chinese-built port on Georgia's Black Sea coast could help halve transit time for goods flowing between China and Southern Europe and the Middle East. The Asian Infrastructure Investment Bank will mobilize resources for projects in transport and logistics. As more economic activity takes place in China's interior, where labor costs are lower, rail- and road-based trade with European and Middle Eastern markets will become more attractive. It must compete against lower-cost albeit slower maritime carriage.

Russia's turn toward China, accelerated after Ukraine-related Western sanctions were imposed, has disappointed Moscow. The Chinese see opportunity to take economic advantage of Russia's increased isolation from Europe, America, and Turkey.

Until recently China's interest in Central Asia was mostly economic, but political and security interests are growing. China is concerned about ethnic Uyghur violent extremists who might return to the Xinjiang autonomous territory from Afghanistan and the Islamic State. At a 2014 summit of the Conference on Interaction and Confidence Building Measures in Asia, a Central Asia-oriented group, Chinese leader Xi Jinping called for the creation of a "new regional security cooperation

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<sup>31</sup> "Tajikistan: Under China's Thumb," EURASIANET.org, August 26, 2014. <http://www.eurasianet.org/node/69711>.

architecture.”<sup>32</sup> Russia may see China’s security interest as a challenge to its role and that of the Collective Security Treaty Organization, a Russia-led military alliance with some other post-Soviet states.

*Recommendations: The West and international financial institutions should cooperate with China and the Asian Infrastructure Investment Bank on projects to improve economic infrastructure in the post-Soviet space. The West ought to maintain dialogue with China and post-Soviet states about matters affecting their common security.*

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<sup>32</sup> “At CICA, Xi Calls for New Regional Security Architecture,” *The Diplomat*, May 22, 2014. <http://thediplomat.com/2014/05/at-cica-xi-calls-for-new-regional-security-architecture/>.

## Chapter 8

# Twilight of the Putin Era?

*Donald N. Jensen*

In November 2015 *Forbes* magazine named Russian President Vladimir Putin the world's most powerful person for the third consecutive year. He finished ahead of German Chancellor Merkel, U.S. President Obama, Pope Francis, and China's leader Xi Jinping. "Putin continues to prove he's one of the few men in the world powerful enough to do what he wants," the magazine's editors wrote.<sup>1</sup> Putin's high rating was based largely on his ability to flout Western and global dictates and get away with it. Indeed, the Russian leader has never seemed more confident nor his grip on power more secure. In the past two years he has outmaneuvered the West in Syria and the eastern Ukrainian regions of Crimea and the Donbas. A faltering economy and Western sanctions have failed to blunt Putin's ambitions.

### Political Decay

Putin's powerful image, however, is belied by many signs that the system he rules is in crisis. Russia faces mounting internal difficulties, including a weakening economy, pervasive corruption, a political culture that stifles enterprise and civil society, and a deteriorating social welfare system. The combination of these forces endangers both security in Europe and stability in Russia. Russia's apparent rise poses a twofold challenge: to the West, in terms of managing the increasing threats Russia poses to the international order; and to Putin himself, as he seeks to define the country's identity and consolidate his rule.<sup>2</sup>

Putin's popular support—currently almost 90 percent—provides the main source of legitimacy for the regime. He has a far higher approval

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<sup>1</sup> David M. Walt, "The World's Most Powerful People 2015," *Forbes*, November 4, 2015, <http://www.forbes.com/sites/davidewalt/2015/11/04/the-worlds-most-powerful-people-2015/>

<sup>2</sup> See Keir Giles, Philip Hanson, Roderic Lyne, James Nixey, James Sherr and Andrew Wood, *The Russia Challenge*, Chatham House Report, June 2015, [https://www.chathamhouse.org/sites/files/chathamhouse/field/field\\_document/20150605RussianChallengeGilesHanson-LyneNixeySherrWood.pdf](https://www.chathamhouse.org/sites/files/chathamhouse/field/field_document/20150605RussianChallengeGilesHanson-LyneNixeySherrWood.pdf)

rating than any other leader or institution. The Kremlin makes sure there are no serious challenges to Putin's leadership. Putin's popularity was originally based on an increased standard of living, but since his return to the presidency in 2012 he has grounded his popular support more on political mobilization, especially against imagined external threats—from NATO, the United States, “fascist rule in Kiev” and terrorism. Whereas Boris Yeltsin's regime is associated in the popular mind with the country's traumatic loss of superpower status, Putin is linked to the recovery of that status. The mobilization potential by the regime of the Russian population however, has been declining since the outburst of support for the annexation of Crimea and invasion of eastern Ukraine. Since Putin's rating is also boosted by Kremlin censorship and propaganda, the depth and volatility of Putin's actual support is unclear, though there is little doubt most Russians support him.

In such a highly personalized system most political institutions are ineffective. The judiciary lacks independence and is subordinate to the Kremlin. Only one member of the legislature, Dmitry Gudkov, is independent. Other legislators act as though they were appointed, not elected, no matter what their formal party affiliation. Regional officials also serve at the pleasure of the center.

The lack of political institutions means that Putin makes all important decisions personally. However, he reportedly leaves some decisions to other members of his inner circle, depending on the issue, because he does not have the time, energy or interest to do everything. Such an arrangement puts a premium on informal elite politics, where the struggle among fluid alliances of Putin cronies, corrupt businessmen, bureaucrats and members of the security structures—brokered by the President—are often less over policy issues than the allocation of resources. Although the system is massively corrupt and opaque, the central role of a few key players at the top means that decisions can be taken and implemented quickly. The Kremlin's move into Ukraine in 2014 and Syria in 2015, for example, surprised the West. It also means wrong decisions can be corrected rapidly. But Putin's habit of staying out of leadership conflicts and delaying decisions means that various factions sometimes work at cross purposes and are not fully under the control of Putin or the Presidential Administration.<sup>3</sup>

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<sup>3</sup> Gleb Pavlovskiy, “The taking of decisions in the system,” <http://www.novayagazeta.ru/politics/69125.html?print=1>. Donald Jensen, “Russia's elites battle over a shrinking economic pie,” <http://imrussia.org/en/analysis/politics/2454-russia%E2%80%99s-elites-battle-over->

Some of Putin's former allies who have fallen from grace during his 15 years in power say that Putin's position as Russian leader is less secure than it seems. According to one former member of the inner circle, "Putin is a hostage of his entourage." Russia's experience with Ukraine in the past two years suggests he sometimes receives inaccurate or self-serving intelligence. The war in Ukraine and the economic downturn, moreover, have exacerbated elite tensions. "He no longer has confidence in his closest circle," according to this source, "and if I were in his place I would not trust them either. What they say to his face and what they say when he is not there are completely different."<sup>4</sup> For now, however, those dissatisfied with Putin's leadership are disorganized and too intimidated to speak out. There is also no alternative waiting in the wings. Whether Putin eventually departs voluntarily depends on his assessment of his own personal safety and finding a successor he trusts who can act as an effective arbiter in Russia's never-ending clan battles.

### **"Putinomics" Reaches a Dead End**

The Russian economy has moved into crisis. If and when it returns to growth, this will be sluggish at best. At the time of this writing, the European Bank for Reconstruction and Development predicts the overall economy will shrink by 4.5 percent in 2015. The decline is fueled by capital flight, slow economic growth due to the war in eastern Ukraine, and low global oil prices. Steadying the ruble at about 50 to the dollar also has drained the country's currency reserves.<sup>5</sup>

Middle- and lower-middle class Russians have been especially hard hit by this downturn. Poverty grew to more than 15 percent—about 23 million people—in the first quarter of 2015, the first substantial increase in the poverty rate since the economic crisis of 1998-1999, which helped usher in the end of the Yeltsin administration. 2014 also saw an average drop in real income of 10 percent, and an increase in mortgage defaults to go along with rising food and energy prices. Inflation, more-

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a-shrinking-economic-pie. Donald Jensen, "A coup against Putin," <http://imrussia.org/en/analysis/politics/2166-a-coup-against-putin>.

<sup>4</sup> Guy Faulconbridge and Stephen Grey, "Czar Putin: as secure as he seems?" Reuters, October 8, 2015, <http://www.reuters.com/article/2015/10/08/us-russia-putin-insight-idUSKCN0S216R20151008>.

<sup>5</sup> Donald Jensen, "Putinomics' Reaches a Dead End?" Center for Transatlantic Relations, 2015, [http://transatlanticrelations.org/sites/default/files/2015\\_09\\_Putinomics\\_Jensen.pdf](http://transatlanticrelations.org/sites/default/files/2015_09_Putinomics_Jensen.pdf).

over, is rising and expected to be more than 15 percent in 2015. For the first time in a decade the government recently announced it will be unable to raise pensions and other social benefits to fully match inflation. A central question facing the Russian regime, therefore, is whether, when the so-called “patriotic mobilization” over Ukraine and Syria wears off, Russians may begin to blame Putin or the regime for their deteriorating standard of living.<sup>6</sup>

Three more fundamental factors are dragging down the Russian economy. First, structural problems limit growth in the near- to medium-term: the decline in the working age population and restrictions the Putinist system places on competition, investment, and innovation. Government projections predict that the work force will decline from 84 to 80 million between 2015 and 2020. The number of young entrants into the workforce will be only partly offset by immigration. The weak rule of law and poorly protected property rights inhibits competition, investment, and innovation. Business people without connections to the authorities are vulnerable to attacks by law enforcement agencies, often backed by corrupt courts. Corrupt state officials interfere with what otherwise would be routine market activities.

Second are contextual challenges posed by the international system: the end of quantitative easing in the United States, which pulls investment away from emerging markets; the rise of shale oil and gas production in the U.S. and Canada, which puts downward pressure on global hydrocarbon prices; the weaknesses in the eurozone economies, which take a large proportion of Russian exports, the slowing of the Chinese economy, and the fall in the oil price.

Finally, there are geopolitical impediments: the war in Ukraine; Western economic sanctions; Russian counter-sanctions; Moscow's drive for import substitution; and the turn at home from liberal economic policies toward greater reliance on the law enforcement and security organs. Western economic sanctions, albeit partial, gradually implemented, and with unclear objectives, nevertheless have helped squeeze Russia's liquidity and hard currency reserves. Although the Russian economy is more sensitive to changes in the oil price than other energy producers, experts differ about whether the sanctions or the

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<sup>6</sup> Mike Wheatley, “Poverty Rate in Russia Jumps to 16%,” *Russia Insider*, June 12, 2015, <http://russia-insider.com/en/business/poverty-rate-russia-jumps-16/ri7961>.

drop in the oil price have had the greater role effect on Russia's economic slowdown.<sup>7</sup>

Despite these problems, the likelihood of a financial meltdown is low, barring another sudden and sustained decline in world oil prices. Although the large volume of scheduled external debt repayments has led to speculation that Russia's finances could experience a financial crisis comparable to the shock of August 1998, these vulnerabilities are less worrisome than they appear, since a large share of Russia's external debt is owed not to Western banks but to Russian parent companies or holding companies registered abroad.<sup>8</sup>

Such debt is easily rescheduled, moreover, which means the country is less likely to suffer a currency crisis. Nevertheless, other indicators showing the impediments to modernization are more worrisome and unlikely to be reversed by the government's continued significant investment in the military-industrial complex: the lack of competitiveness in the educational and technology sectors—Russia has less than two percent of global technology innovation, a problem made worse by the Kremlin's campaign of self-isolation; and the decline of foreign investment—a key source of technology and expertise. If these trends continue, the “effectiveness of Russia's aggregate investment will decline, productivity growth will slow, Russia's international competitiveness will slump further, and ultimately living standards will fall.”<sup>9</sup>

As the economy has slowed over the past year, the viability of the regime again has become a key question. With prosperity threatened, the regime may be in danger of losing its legitimacy and effectiveness. To preserve domestic stability, Putin largely has chosen policies that preserve jobs at the expense of real wages, even as inflation has grown. But in dealing with the financial troubles the government policy-making process has had trouble functioning effectively.

The economy's problems also will make it more difficult for the Kremlin to carry out its ambitious plans for military modernization.

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<sup>7</sup> Keir Giles, et. al, op. cit.; Kirill Rogov, “Can Putinomics Survive?” European Council on Foreign Relations, June 5, 2015, [http://www.ecfr.eu/publications/summary/can\\_putinomics\\_survive3049](http://www.ecfr.eu/publications/summary/can_putinomics_survive3049).

<sup>8</sup> Anders Aslund, “The Russian Economy is Heading toward Disaster,” Peterson Institute for International Economics, December 8, 2014, <http://blogs.piie.com/realtime/?p=4644>.

<sup>9</sup> Richard Connolly, “Russia's Finances are not as Vulnerable as They Appear,” Chatham House, <http://www.chathamhouse.org/expert/comment/17826>.



The Russian government's published 2014 military budget is about 2.49 trillion rubles (approximately \$69.3 billion), the third largest in the world behind the United States and China.<sup>10</sup> The official budget was set to rise to 3.03 trillion rubles (approximately \$83.7 billion) in 2015, and 3.36 trillion rubles (approximately \$93.9 billion) in 2016. Unofficial estimates place the total amount of military spending for the Russian Federation higher. However, a collapse in the value of the ruble has greatly reduced the dollar value of the Russian budget to around \$50 billion as of February 2015, despite a 33 percent increase in the ruble-value of the budget.<sup>11</sup> As a result, the budget will be cut in 2016, with the navy the most likely victim.<sup>12</sup> The Russian military failed to meet its plans in 2015 for re-equipping its armed forces with modernized weapons because of Western sanctions over Ukraine and the decline of domestic industries, according to deputy defense minister Yuri Borisov. Although these economic problems are unlikely to affect current levels of military activity in Ukraine and Syria, they are likely key factors weighing against the expansion of operations in either theater.<sup>13</sup>

### **Increasing Hostility toward the West**

Russia's growing economic problems have undermined the social contract that sustained the regime during the first decade of Putin's rule—the authorities would ensure a rising standard of living in exchange for the population staying out of politics. In its place the Kremlin has tried to forge a new social contract that would legitimize the regime by reawakening popular imperial ambitions, including illegally annexing Crimea, invading Ukraine and militarily intervening in Syria. As the initial popularity each of these moves ebbs, the Kremlin is likely to consider new adventures.

Moreover, Putin's Russia sees the global order as rigged against it. Western efforts at democracy promotion, especially its assistance for

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<sup>10</sup> Stockholm International Peace Research Institute, "The 15 countries with the highest military expenditure in 2014" (table), retrieved 13 April 2015.

<sup>11</sup> Vladimir Isachenkov, "Putin Spending Big On Military Modernization Despite Russia's Economic Woes," *Huffington Post*, February 4, 2015, [http://www.huffingtonpost.com/2015/02/04/russia-military-modernization\\_n\\_6612418.html](http://www.huffingtonpost.com/2015/02/04/russia-military-modernization_n_6612418.html).

<sup>12</sup> Kathrin Hille, "Russia's Finances Hit by Slowdown," *Financial Times*, October 15, 2014.

<sup>13</sup> Anna Dolgov, "Russian Military Struggling to Modernize," *Moscow Times*, June 17, 2015, <http://www.themoscowtimes.com/article/525782.html>.

Ukraine, are seen as aimed at undermining his regime. Russian ambitions and intentions have been developing for over a decade but the West found it easier to disregard them and indulge in the illusion that the country was progressing toward a liberal-democratic model with which the West felt comfortable. The war in Ukraine is, in part, the result of the West's misreading of Russia.<sup>14</sup> The Kremlin does not want to isolate Russia, it wants to take part in international relations, even as it wants to stop other countries from interfering in its internal affairs.<sup>15</sup>

Since the West views the former Soviet states as fully sovereign countries, Putin's determination to reestablish Russian influence in those countries is at the heart of the Russian challenge to Europe and his efforts to preserve his regime. There is little possibility for compromise with the West on the future of the post-Soviet space. In its drive for global equality with the United States, Moscow creates additional challenges through a wide range of hostile measures against its neighbors, none of which are compatible with European notions of cooperative international relations. It has interfered in the European Union, tried to monopolize energy markets, bribe European elites, finance left and right wing populist parties, and conducted aggressive media campaigns through RT and Sputnik.<sup>16</sup>

## **After Putin?**

A weaker Russia makes it more likely that Putin will challenge the West in order to maintain his popularity and will become more willing to blame invented external enemies for the country's problems. It cannot be excluded therefore that Moscow in the coming months will increase pressure against the Baltic Republics, Moldova, Kazakhstan and the South Caucasus, even as it keeps pressure on Ukraine. However, it is an open question whether the patriotic mobilization the regime has relied on to boost Putin's popularity and the system's legitimacy can continue to divert public attention from the country's problems. The regime is already taking measures to prepare for any new outbreak of unrest that might be generated by the next round of parliamentary elections sched-

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<sup>14</sup>(<http://www.chathamhouse.org/publication/russian-challenge>) ([http://www.ecfr.eu/publications/summary/can\\_putinomics\\_survive3049](http://www.ecfr.eu/publications/summary/can_putinomics_survive3049)).

<sup>15</sup>Lilia Shevtsova, "The End of an Epoch," *The American Interest*, October 16, 2015, <http://www.the-american-interest.com/2015/10/16/the-end-of-an-epoch>.

<sup>16</sup>Giles, et. al, op. cit; Rogov, op. cit.

uled for later in 2016. It appears willing to use repression at home to maintain power.

There is a contradiction, moreover, between holding on to power and reforming the system. At the end of 2015 the Russian press reported that Aleksey Kudrin, former Finance Minister and Putin advisor, would return to the Kremlin Administration to oversee radical reforms, including raising the pension age, cutting the budget—including social spending—and decreasing the state's role in the economy and privatization. If Kudrin returned to an official post, it would also be a sign that Putin is easing tensions with the West, since Kudrin has argued that Western sanctions have seriously damaged the Russian economy and Russia cannot develop without Western capital.

Kudrin has long symbolized the hope that the current system might reform itself, rather than collapse through a radical break with the past. Since he resigned as finance minister in 2011 speculation about his return has been frequent—and always wrong. But despite Kudrin's reputation for prudent fiscal management, he was also an architect of Putinism, whose policies fostered the development of crony capitalism during the early Putin era. Truly reforming the Russian economy would require gutting the current political system, and possibly regime change. Putin is thus highly unlikely to attempt deep reforms of the type advocated by Kudrin, no matter how much he likes and respects his long-time advisor.<sup>17</sup>

Nevertheless, Putin's political dexterity, the regime's remaining financial and media resources, as well as its willingness to use repression mean that the regime is unlikely to collapse anytime soon. Putin's current six-year presidential term ends in 2018 and he already has indicated he will stand for another. Putin has strong popular support for now, he has strengthened the role of the security services and the oligarchs are largely under control.

But the question of what comes next after Vladimir Putin haunts the Russian political system. Since the president's power is based in part on the lack of alternatives, should a real number two emerge it would "be the start of a game [Putin] fears," according to commentator Gleb Pavlovsky, "because he cannot control it."<sup>18</sup> Any sign of that Putin might depart is

<sup>17</sup><http://www.rferl.org/content/so-you-want-to-be-a-mafia-accountant-kudrin-putin-russia/27457808.html>.

<sup>18</sup>"Russia's Sergei Shoigu. Master of emergencies," *The Economist*, November 7, 2015, <http://www.economist.com/news/europe/21677992-trusty-defence-minister-only-person-serve-every-government-fall>.

likely to bring great uncertainty or even instability, because the system of personalized power means there is no real mechanism for choosing the next leader or for continuing business as usual in the interim.

In addition to the lack of an alternative and the willingness to resort to repression, Russia's future trajectory will be determined by several factors that suggest muddling through and continuity with the present regime: Russia's cultural, historical and political traditions, which make autocracy the rule rather than the exception; the disorientation of both masses and political elites, who oppose Western-style democratic pluralism; and memories of the 1991 collapse, which contribute to the popular fear of the unknown and new upheavals. The regime also has significant, though diminished, administrative resources to buy loyalty. These forces likely will provide the leadership with significant room for maneuver over the short to medium term, despite deteriorating conditions.<sup>19</sup>

But several factors pose the possibility of an abrupt discontinuity. They include: the end of the old social contract that guaranteed popular welfare and security and the inadequacy of "patriotic mobilization" as a replacement; the emergence of social groups who no longer wish to sacrifice their standard of living for the sake of militarization or great power status; the further deepening of the economic crisis which could generate a wave of discontent; and the regime's corruption and cynicism, which some Russians can no longer bear.<sup>20</sup> Two additional variables may become especially decisive for the fate of the current regime. The first are the interests of Russia's corrupt elite, which have become economically integrated into Western society through bank accounts and real estate holdings and opposes Russia's international isolation. The second is the willingness of the so-called *siloviki*, who pull the system in the opposite direction, to support the regime. Their loyalty to Putin cannot be assumed and is not automatic.

It is unclear, moreover, the extent to which regime change would accelerate the system's decline, or whether it would give it a new lease on life, however, short-lived that lease may be.<sup>21</sup> As the noted analyst Lilia Shevtsova has pointed out, Russia is trapped, since its system of personalized power undermines its own foundations. On the one hand, the regime cannot survive as a peaceful "normal state" and has had to turn to military-political mobilization. On the other hand, it is not

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<sup>19</sup> Shevtsova, op. cit.

<sup>20</sup> Ibid.

<sup>21</sup> Ibid.

strong enough for a real fight with the West. All signs indicate, however, that the hard men in charge of the Kremlin have no intention of leaving the stage as meekly as did Mikhail Gorbachev. The price Russia and the outside world will pay for the end of Putin's system, Shevtsova correctly concludes, thus may be much higher than they paid for the USSR's demise.<sup>22</sup>

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<sup>22</sup>Ibid.

## *Chapter 9*

# **When Could We See the Normalization of Russia's Relations with the West?**

*Andrew C. Kuchins*

Russia's ties with the West hit an all-time post-Cold War low after the annexation of Crimea and Moscow's catalytic role in the war in the Donbas in the first half of 2014. The Ukraine crisis put an exclamation mark on the fact that a quarter century after the end of the Cold War and the collapse of the Soviet Union, Russia and the West together had failed to create a new, stable European security framework in which all players felt that their interests were adequately met. The war in Ukraine came especially as a shock to Europe, as at times in the summer of 2014 and winter of 2015 the intensity of fighting and destructive consequences were as bad or worse than the continent had experienced since World War II.

The crisis was a long time in the making, with roots going back at least to the debates twenty years ago about NATO enlargement. In fact, the Russian narrative starts with their belief that in negotiating the reunification of Germany in 1990, Gorbachev was assured by the Bush I administration that NATO would not expand its military infrastructure east into former Warsaw Pact states, let alone former Soviet republics, as the Soviet Union still existed at that time. NATO's attack on Serbia in March 1999 struck a deep and enduring blow in the security psyche of the Russian political elite, showing they were virtually powerless to prevent Washington and its allies from taking actions in nearby countries that Moscow viewed as diametrically countering its interests.

Further enlargement of NATO and ballistic missile system deployments in Europe in the following decade only deepened Vladimir Putin's view that the existing European security system was illegitimate because from his perspective Russian interests were systematically ignored. He saw the West taking advantage of Russia during a period of historical weakness. While Western policymakers at the time claimed they were working very hard to integrate Russia into essentially Western institutions and norms, the bottom line is that the West was not

willing to allocate any decision authority to Russia in NATO. Then Russian President Dmitri Medvedev put forward a proposal in 2009 for a new European security architecture, but the proposal was poorly thought out and basically brushed aside by Washington and its European allies.

While the Russian list of grievances is long and familiar, Russian policymakers never seemed open to asking themselves the question why central and east European states looked west rather than east for institutional security guarantees. Of course, a long history of imperial and hegemonic behavior on Moscow's part had a lot to do with their choices, but a Russia in the 1990s waging a brutal war on its own territory in Chechnya and where democratic parties and politicians rapidly lost power also hardly served as a magnet.

Cataloguing all of the mistakes and misunderstandings over the past quarter century that extinguished our hopes and dreams for a "Europe whole and free" and the "belt of peace from Vancouver to Vladivostok" to the situation today that resurrects some features of the Cold War is not the goal of this chapter. But again, one clear lesson we all must absorb from this experience is that if Russia feels aggrieved and left out of key aspects of European security decision-making, neither Europeans nor Russians will ever really feel secure.

Further, what is most distressing about the current state of affairs is that the most successful aspect by far of post-Cold War Russian-Western relations, the deep economic integration between Russia and Europe, is gradually unwinding under the pressure of the West's economic sanctions against Russia for its violations of Ukrainian sovereignty. Western sanctions policy reverses nearly a quarter century's efforts to integrate Russia more deeply into Western and global economic multilateral institutions as well as much deeper and multifaceted bilateral economic ties with European states as well as the United States. The last significant achievement of the Obama Administration's *reset* with Russia was the successful conclusion of Russia's 19-year negotiations to accede to the World Trade Organization (WTO) at the end of 2012. Only a little more than a year and a half later, Washington was pushing its European allies and Japan hard to isolate Russia, mainly through punitive economic sanctions.

Russia has not helped its case by habitually criticizing its European partners as lackeys of Washington for supposedly acting in a manner

counter to their own interests, as viewed from Moscow. Not only were such comments interpreted as insulting by European leaders, they did not reflect the growing outrage in most European capitals with Russian policy in Ukraine and, to put it politely, the disingenuousness of Putin and his colleagues in not acknowledging any role of Russian armed forces in supporting the insurgents in the Donbass. Even Putin's most empathetic and effective European mediator, German Chancellor Angela Merkel, was repulsed by Putin's continuous lies and obfuscation. The dramatic achievement of post-World War II Russo-German rapprochement, whose roots date back to generations to the *Ostpolitik* of Willy Brandt in the late 1960s, has eroded significantly. A deep lack of trust permeates Russia's relations with the West today.

### **A Conflict Nobody Wanted Except Perhaps Vladimir Putin**

It is important, if a bit baffling, to recall that the Ukraine crisis emerged essentially from European and Russian competition over Ukraine's economic trade orientation in the fall of 2013. Under pressure from Putin that included a \$15 billion loan as a carrot, Ukrainian leader Viktor Yanukovich reneged on his promise to move forward with signing a Deep and Comprehensive Free Trade Agreement (DCFTA) with the European Union (EU) in November 2013. This brought tens of thousands of Ukrainians into the streets in Kyiv to demonstrate in protest in Maidan Square, similar to what happened in the winter of 2004 after the alleged falsifications of presidential elections led to the Orange Revolution. These demonstrations continued through the winter until they exploded in violence on February 18, 2014, leading to the killing of approximately 100 demonstrators and further violence and ultimately Yanukovich's escape from his residence in Kyiv and virtual abdication from power four nights later.

For Putin, the fall of Yanukovich represented the complete and total failure of Russian policy in Ukraine that could have dire consequences for his own legitimacy as leader of Russia. For Putin and his circle in the Kremlin, such an outcome was unacceptable. Putin's ingenious response to this seeming debacle was the bloodless seizure of Crimea on February 27-28, 2014 and its annexation on March 18, an act that marked a watershed in Russia's transition to a highly chauvinistic strain of Russian nationalism that was nearly universally greeted with great enthusiasm by the Russian public as Putin's popularity jumped almost overnight



from about 60 percent to close to 90 percent. This was a remarkably striking case of a politician “making a silk purse out of a sow’s ear”. Even though the Kremlin keeps very close tabs on public opinion, there likely was some pleasant surprise at just how effective the Crimean escapade was in rallying support around Putin. The Western response consisted mostly of righteous indignation, threats of action, and very weak economic sanctions directed against some of the individuals and a couple of banks close to the Kremlin.

For Europe, the Ukraine crisis and subsequent civil war marked a tremendous blow to the values espoused by the European Union (EU) at a time when the EU was still dealing with the impact of economic stagnation from the global financial crisis, the ongoing Greek economic crisis, major rifts between better off and less well-off member states, and a bit later, a growing crisis over large numbers of migrants and refugees from Africa and the Middle East. The Ukraine crisis again exposed the schism between some of Europe’s leading powers such as Germany, France, and Italy versus newer member states located much closer to Russia such as Poland and the Baltic States. Great Britain and Sweden were also inclined to take a much tougher position towards Moscow.

Moscow, through a variety of mechanisms such as energy deals, support for conservative national parties critical of the EU and others, also increased its efforts to peel away various states from the growing anti-Russian European consensus after Crimea, most notably Greece and Hungary. And while Moscow’s arguments about the great losses for European business resonated in many quarters, the shoot down of MH-117 in July 2014 by a Russian Buk air defense missile controlled either by insurgent or Russian military forces in the Donbas sharply consolidated European public opinion, especially in Germany, to support stronger and deeper economic sanctions against Russia that exist to this day.

The Obama Administration was clearly caught flat-footed by Russian military action in Ukraine. The administration just two years earlier in 2012 had announced a “rebalancing” of U.S. military, economic, and diplomatic attention to Asia primarily in response to the rapid rise of China and concern over Beijing’s increasingly bellicose policies towards several of its neighbors over territorial claims. For nearly a quarter of a century, despite the Yugoslav wars of succession in the 1990s and Russia’s five-day war with Georgia in 2008, Washington’s political elite (as well as our older western European allies) for most intents and purposes viewed fundamental European security issues resolved with the end of

the Cold War. Coming to power in 2009, Obama's core goals were to end U.S. military engagement in Iraq and Afghanistan and to resolve the Iranian nuclear problem. The last thing he needed or expected was the "re-opening of the European security theater" thanks to a resurgent and bellicose Russia.

Moscow accused the United States of supporting the illegal coup in which Ukrainian President Yanukovich was essentially deposed by street demonstrations. This is not an accurate interpretation of U.S. policy. The Obama administration certainly did want the February 21st agreement signed by Yanukovich, the Ukrainian opposition, and the foreign ministers of Germany, France, and Poland to succeed. The failure of U.S. policy from the fall of 2013 to the fall of Yanukovich stemmed more from sins of omission rather than sins of commission. While the core of the problem was the dispute between the EU and Russia over Ukraine's economic orientation, the administration should have been more attuned to the danger of that dispute devolving into a binary choice for Kyiv of either Europe or Russia.

It should have been perfectly obvious to any reasonably informed observer that for a multitude of economic and political reasons, a unitary Ukrainian state would not be viable having to make such a stark choice, especially given Ukraine's deep economic and energy vulnerability. Neither the Europeans nor the Americans were willing to ante up adequate resources to address Ukraine's economic crisis, and while Moscow was willing to put far more funds on the table more quickly, they would not be adequate either. Yanukovich, and his predecessors, had made Ukraine such an endemically corrupted money pit that all resources plus remarkable Ukrainian political will to reform would be required.

As for what transpired between February 21–28, 2014, from the signing of the agreement to its nearly immediate breakdown to the subsequent Russian military takeover of Crimea, again the problem from Washington stems from sins of omission, a failure of intelligence, and a lack of minimal creative thinking. First, upon reading the February 21st agreement which called for holding early elections in 10 months for the next president of Ukraine, it should have been obvious to any reasonably informed observer that this would not be acceptable to the tens of thousands of demonstrators in the streets of Kyiv.

It has been reported that Obama did phone Putin after the agreement was signed. This was the right thing to do, but what would have been much more useful, indeed urgent, would have been for Obama to speak with Putin *after* the agreement had fallen apart. I am virtually certain this did not happen. And what the U.S. president should have said was something like this: “Vladimir Vladimirovich, WE have a very dangerous mess on our hands with the breakdown of state power in Ukraine, and WE need to work together with our European colleagues and friends in Ukraine to try to resolve this in a peaceful manner as soon as possible. I can assure you that neither did the United States play any role in supporting this illegal coup, nor did we hope that would happen, and we condemn those who violated the February 21st agreement.” There is no guarantee that this or a similar action could have prevented the total breakdown of relations beginning with the Russian seizure of Crimea, but we should have been very sensitive to how deep of a political blow this was to Putin and make every effort to reassure him that we saw it as our joint responsibility to maintain peace and order in Ukraine. But I fear that in too many circles in the administration, the fall of Yanukovych was viewed as our victory and Putin’s loss rather than our mutual danger.

### Today’s Dilemma and a Possible Way Forward

More than two years have passed since the Russian annexation of Crimea and the onset of the Ukrainian civil war. Russia remains under sectoral economic sanctions imposed by the United States, Japan, and the EU, and Moscow’s relations with its transatlantic partners remain in the deep freeze. Perhaps the only beneficiary has been Vladimir Putin’s domestic political popularity ratings, which remain around 85 percent,<sup>1</sup> but for the Russian people, the EU, the United States, and especially Ukraine, what has transpired has been an unmitigated disaster that is in the national interests of none of the key players.

Three developments over the past two years, however, are likely altering the calculus of leaders in Russia, the EU, and the United States, and may facilitate rapprochement first between Russia and the EU, and to a lesser extent between Washington and Moscow. First, after the suc-

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<sup>1</sup> ‘Approval for the performance of Vladimir Putin’, December 2015, Levada Center, Accessed: <http://www.levada.ru/indikatory/odobrenie-organov-vlasti/>

cessful Russian/insurgent offensive in January 2015 and the subsequent Minsk II agreement in February, violence in Ukraine has diminished considerably to something akin to a stalemate. Second, the Russian economy went into a tailspin in the latter half of 2014 mainly caused by a 50 percent reduction in the oil price and subsequent depreciation of the ruble by a similar rate. Economic sanctions also are a problem as Russian companies can no longer go to Western financial institutions to roll over debt. After a partial recovery of oil price and ruble value in the first half of 2015, as of this writing the oil price has tumbled to about \$30/barrel, its lowest level in more than ten years. Russia finds itself in deep recession as a result. Finally, the threat of the Islamic State's rapid growth in Syria and Iraq and elsewhere coupled with high profile terrorist attacks such as those in Paris in November, have elevated this issue to the top of the agenda for European, Russian, and U.S. policy-makers. Let us address the impact of these developments below.

My personal reaction to the Russian seizure of Crimea on February 28, 2014 was a deep feeling of foreboding, a sense in my bones that a real disaster would unfold including the possibility of a broader war involving Russia and the West. First, I believed that Putin was driven to this action to a considerable extent by domestic political concerns in Russia. The Russian economy was already stagnant at near zero growth before Crimea, and Putin needed something else besides economic prosperity, which had been the foundation of his popularity and legitimacy for most of his rule, to rally the people to support his continuing leadership. And he found it. I also believed that he would feel emboldened to take further action in Ukraine because it would politically be very difficult for the West to mount a credible reaction that any further action would bring grave consequences for Russia.

And with the authorization for the destabilization and support for military action by insurgents in the Donbas, Putin acted on several miscalculations. Since Ukrainian military forces in Crimea remained in their barracks and did not respond to the stealthy Russian invasion, Putin and his cronies likely over-estimated how easy it would be to embark on similar actions in eastern Ukraine. He also likely overestimated how ethnic Russians in Ukraine would welcome Russian troops as liberating them from under the yoke of the Ukrainian government. Finally, he probably underestimated the unity and the force behind the Western reaction—albeit without the shoot down of MH-117, that unity and force behind Western reaction would have been far less.

It did require far more overt support of Russian military forces in September and again in January to secure more defensible borders for the so-called Donetsk Peoples' Republic and the Lugansk Peoples' Republic, but at that point the structure of a stalemate started to emerge over the winter of 2015. While most analysts in Washington expected Russia to continue to advance, by April I sensed that both for military and economic reasons, the risk of a further Russian/insurgent advance outweighed the reward. On the military side, the question emerged whether Russian/insurgent forces would seize the fairly large port city of Mariupol (population about 500,000) on the Black Sea as a major step towards creating the land corridor from Russia to Crimea, making supply of key resources like energy and water logistically much easier.

The danger, however, was multifold. One, the urban fighting in Mariupol would have been a gory bloodbath causing major losses on both sides, and for the Russians, you would still need to capture far more land for the corridor. Such an attack would undoubtedly have led the United States to supply lethal weapons to Kyiv which implied a very dangerous escalation of the conflict. And the escalation would have certainly led the United States and Europe to adopt far more punitive economic sanctions at a time when the Russian economy had just reached a shaky equilibrium that foresaw a contraction of the economy of 3-5 percent in 2015.<sup>2</sup> Such a contraction was unpleasant, but manageable; a further external shock could bring on a deeper contraction approaching 8-10 percent that would risk much greater social and political repercussions. It seemed to make sense for Moscow to resist the temptation of such an offensive, and the military stalemate on the ground endures to this day.

When Moscow seized Crimea, although Russian economic growth had stagnated to near zero, Russian financial reserves amounted to more than \$500 billion, and the oil price remained over \$100/barrel. According to the World Bank, the Russian economy contracted by 3.8 percent, inflation averaged over 10 percent, 2 percent more of the population fell under poverty levels (from 13 percent to 15 percent), and reserves fell to less than \$360 billion.<sup>3</sup> With the ruble/dollar exchange rate falling from a bit more than 30rr/\$ to more than 80rr/\$ consumption levels have

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<sup>2</sup> Kuchins A. C. and Mankoff J., "A Shaky Equilibrium in Ukraine," Center for Strategic and International Studies (CSIS), 29 April 2015, Accessed: <http://csis.org/publication/shaky-equilibrium-ukraine>

<sup>3</sup> Russia Overview, World Bank, Accessed: <http://www.worldbank.org/en/country/russia/overview>

fallen tremendously, and industrial enterprises dependent on imported parts and machinery have experienced deep supply chain disruptions.<sup>4</sup> With the oil price around \$30/barrel, the prospects for 2016 are grim, and we should not forget that parliamentary elections will take place in September.<sup>5</sup> Further budgetary cutbacks will have to be carried out to avoid cascading budget deficits. More calls will be made on reserves for Russian state companies to pay off debt and to ensure the liquidity of the Russian banking system.

Russia is not in imminent danger of a 1998-like default, but if current trends continue into 2017 and beyond, the danger of a deep disruption grows, and this could coincide with the next presidential elections scheduled for 2018. Throughout Tsarist, Soviet, and post-Soviet history, Russia has evinced a higher proclivity for non-linear events than most other great powers and European states, and the current trend of developments only increases the possibility of a Black Swan descending on the Russian motherland once again. Putin cannot control the oil price, still the most important factor for the Russian economy, but he can control to a great extent the insurgents in the Donbas, and certainly the incentives to stand down and reach a durable accord with Kyiv—so that Western sanctions are removed—are growing by the day. Whether a political miscalculation or not, supporting an insurgency in neighboring Ukraine seemed an affordable adventure for Moscow two years ago, but today it is not.

To put the economic and political situation in a broader historical context, since the first oil crises in the 1970s, during periods of high or rising oil prices, Soviet/Russian foreign policy has been more assertive and aggressive. This was the case from 1973-1985/86, and again from 2003-2014. During periods of low or falling oil prices that existed from 1985-2003, Soviet/Russian foreign policy has been more accommodating and moderate. The past year, 2015, stands out as an anomaly since the oil price for much of the year was falling, yet Moscow maintained a belligerent stance against the West. I think two factors explain this: 1) Putin's anti-Westernism has become the backbone of his domestic political consolidation so it is harder to move from it; and 2) it does take time for Russia's ruling elite to adjust to new circumstances, and they

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<sup>4</sup> Ostroukh A., 'Russian Ruble Falls to Record Low Against the Dollar on Weak Oil Price', *Wall Street Journal*, 21 January 2016, Accessed: <http://www.wsj.com/articles/russian-ruble-falls-to-record-low-against-the-dollar-on-weak-oil-price-1453391389>

<sup>5</sup> *Russia Monthly Economic Development*, World Bank, 19 January 2016, Accessed: *Russia Monthly Economic Developments*

were hopeful that the oil price fall in the second half of 2014 would be a shorter-term phenomenon. If the oil price remains in the \$30-\$50 range for 2016, I expect that Russian foreign policy would return to its historical patterns and become less bellicose and more accommodating to its Western partners, especially those in Europe.

Finally, major advances by the so-called Islamic State of Iraq and Syria (ISIS) in Syria and Iraq the past two years coupled with a large migrant and refugee challenge in Europe and a proliferation of terrorist attacks around the world claimed by ISIS have focused the attention of the EU, the United States, and Russia about the urgency of resolving the Syrian civil war and attacking ISIS strongholds. The entry of Russian military forces into Syria in late September, 2015 initially came under considerable criticism from the Obama administration and key European allies, but the terrorist attack in Paris on November 13 shifted the calculations about working together with the Russians. The key difference between the Americans and the Russians about the political future of Syrian president Assad remains, but each side has moved to a somewhat more flexible position so that Vienna peace talks are taking place. Both the Americans and the Europeans have made it clear to Putin that Russia will not get a special break on Ukraine because of Russian cooperation on Syria if, as many suspect, this was the sort of deal that Putin was seeking.

During the fall of 2015 a more cooperative spirit emerged among U.S., European, and Russian leaders about the urgency of working together to address the growing terrorist threats that we all face from ISIS. How successful these efforts will be remains to be seen. While U.S./EU/Russian cooperation is essential to have any chance of success, the diplomatic challenge of bringing together key regional actors including Iran, Saudi Arabia, and Turkey is actually far more daunting. One Russian friend in Moscow in November described this as “the diplomatic problem from hell.” In 2015 we did see one of the most successful diplomatic challenges of our generation, the Iranian nuclear program, successfully resolved, but Syria and the growing ISIS problem may well be more complex and difficult.

### **How to Respond to a Kinder and Gentler Putin?**

Primarily because of growing domestic economic pressures, it is my expectation that Vladimir Putin will seek a broader political agreement

with Ukraine in order to have Western sanctions lifted sooner rather than later. Because of space limitations, this is the only hypothetical scenario we will pursue. If the Russians maintain the status quo, then sanctions will continue. If Moscow were to increase its pressure on Ukraine and/or violate the sovereignty of another neighbor, then certainly the West should respond in an appropriate manner.

First, we need to be ready to be flexible about the Minsk II ceasefire agreement. It served an important role in addressing certain urgent military and political exigencies nearly one year ago, but it is not likely to be the platform for a longer-term peaceful resolution between Moscow and Kyiv, as neither capital sees aspects of the agreement in its interests. It made sense to use Minsk II as a benchmark for extending or not extending existing sanctions in 2015, but I would caution against overvaluing Minsk II as the beacon illuminating our policy henceforth, otherwise we increase the risk of the Donbas taking on the status as an enduring “frozen conflict” that will similarly freeze our capacity for more creative and effective policymaking.

Ultimately a broader agreement addressing security, economic, energy, and political relations between Russia, Ukraine, and the EU will need to be negotiated, including a promise from the West that NATO will not consider the possibility of Ukraine's membership. The so-called principle that all states have the right to choose their security relationships/alliances is irresponsible. Certainly those states have the right to seek their security ties, but alliances, NATO in this case, is not required to accept their membership. NATO must clearly assess the extent to which a new member state actually enhances the capabilities and mission of the alliance as well as maintaining the credibility of Article V commitments to the new member states. For the foreseeable future Ukraine fails on both counts.

But hopefully with a broader and more sustainable resolution of the current ongoing crisis, then the United States and the EU can focus much more attention on assisting Ukraine to develop durable market and democratic institutions that are the best means to enhance the sovereignty of Ukraine. This is frankly the hardest aspect of the policy challenges, but has not gotten the attention it deserves partly because of consistent Russian efforts to destabilize Ukraine and partly because of Ukraine's own governance dysfunction. Once we achieve adequate progress on security and Ukrainian sovereignty, then we can return to a broader set of issues with our Russian partners such as reform of Euro-



pean security institutions including the OSCE, a remodeling of the CFE and other disarmament measures, but this agenda is beyond the scope of this chapter.

The current state of affairs with Russia so alienated from Europe, albeit as a result of their own actions, is unnatural, somewhat of an historical anomaly with only the early Cold War period having a similar dynamic. This alienation is especially debilitating for Russia that is far more economically dependent on Europe than vice versa. Strong economic integration with Europe is imperative if Russia will ever develop a more diversified and modern economy that adheres to high legal norms, guarantees property rights, and ultimately a more open and pluralistic polity. Given its geographic proximity to Russia, it is only natural that Europeans are more sensitive to the dangers of Russian aggression as well as to potential implosion. If I am correct that deepening economic problems in Russia shift the weight of concern from Russian aggression to implosion over the next year or two, then our policy response to Russia must undertake a rapid makeover as well. This will be easier for Europe than for the United States since there are major economic constituencies supporting strong ties with Russia.

As for the United States, normalization with Russia will be more challenging because of the relative lack of economic interest groups and the much deeper domestic political animus against Putin. Despite a seeming "bromance" with Republican presidential candidate Donald Trump, Putin should realize that dealing with Barack Obama in the coming year is likely to be the most fruitful course of action rather than waiting to take a chance on whoever is the next U.S. president. Obama is thoughtful, pragmatic, and does not have to worry about another political campaign. His relatively restrained reaction to Russia's military action in Ukraine and general bellicosity over the past two years should serve as evidence of this. His administration also continued to work effectively with the Russians on two major security and diplomatic achievements in this difficult environment: 1) the removal and disposition of all of Syria's chemical weapons arsenal; and 2) the Iranian nuclear agreement. It is not impossible to imagine that normalization of relations with Russia could be the final diplomatic achievement for Obama.

## *Chapter 12*

# **An Eastern Partnership for Peace: Why NATO and the EU need a Coordinated Approach to their Former Soviet Neighbors**

*Ian Bond*

If Europe is surrounded by impoverished and unstable neighbors, its security, stability and prosperity will be damaged; if its neighbors are flourishing, Europe will benefit. That simple equation should lead both the EU and NATO to invest more in strengthening the countries beyond the borders of the Union and the Alliance. Yet so far, the two organisations have been slow to react to the failure of their existing regional policies, and reluctant to work together more effectively. Twenty-two countries are members of both organisations, yet it often seems as though the Union and the Alliance occupy different planets, rather than office buildings a few kilometers apart in Brussels.

It is understandable that the chaos in the Middle East has become Europe's main preoccupation. State failure in Libya and brutal civil war in Syria have created the conditions in which hundreds of thousands of refugees and migrants are now heading for the EU. But Russia's behavior means that the future of both Europe and the transatlantic relationship will be shaped as much by what happens in Donetsk as in Damascus.

### **Putin vs. the EU and NATO in Eastern Europe**

While the EU and NATO are distracted and uncertain, President Vladimir Putin of Russia knows exactly what he wants in his neighborhood. He wants either pliant authoritarian countries like Belarus, or weak, unstable and poorly-governed democracies like Moldova, which show the Russian people the terrible fate awaiting them if they turn their backs on Putinism. And he wants to divide and undermine the EU and NATO; in Putin's view they humiliated Russia when they opened their doors to former Soviet vassals and offered them an alternative future, and a stronger Russia can now turn the tables.

So far, Putin has played a weak hand very well, because he has been allowed to do so. Russia is an economic basket-case. Andrey Movchan has made a powerful case that the Russian economy is even more dependent on oil and gas extraction than official figures suggest.<sup>1</sup> The country is expanding its armed forces and plowing money into modernizing military equipment at the expense of investing in education, health and civilian infrastructure. Russia's demographic prospects are poor. Yet the West often behaves as though Russia is a country too powerful to stand up to.

The EU's Eastern Partnership, bringing together the EU and Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine, has failed. It was launched at a summit in Prague in 2009, with the goal of creating "the necessary conditions to accelerate political association and further economic integration between the European Union and interested partner countries." More than six years later, three of the partner countries are not pursuing political association or economic integration with the EU; Ukraine has been invaded by Russia in an effort to block Kyiv's shift towards the EU; and none of the six can claim to show full respect for the values of democracy, the rule of law and human rights which are supposed to underpin the Eastern Partnership.<sup>2</sup>

On the NATO side, things are no better. At their summit in Bucharest in April 2008, NATO leaders confidently stated:

NATO welcomes Ukraine's and Georgia's Euro-Atlantic aspirations for membership in NATO. We agreed today that these countries will become members of NATO.... MAP [a NATO Membership Action Plan] is the next step for Ukraine and Georgia on their direct way to membership. Today we make clear that we support these countries' applications for MAP.<sup>3</sup>

Seven years and two Russian invasions later, neither Georgia nor Ukraine has a NATO Membership Action Plan, and as President

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<sup>1</sup> Andrey Movchan, "Just an Oil Company? The True Extent of Russia's Dependency on Oil and Gas," Carnegie Moscow Center, September 14<sup>th</sup> 2015.

<sup>2</sup> Joint Declaration of the Prague Eastern Partnership Summit, EU document 8435/09 (Presse 78), May 7<sup>th</sup> 2009.

<sup>3</sup> Bucharest Summit Declaration Issued by the Heads of State and Government participating in the meeting of the North Atlantic Council in Bucharest on 3 April 2008, NATO document Press Release (2008) 049, April 3<sup>rd</sup> 2008.

Obama said in March 2014, after Russia had annexed Crimea, “Neither Ukraine or Georgia are currently on a path to NATO membership.”<sup>4</sup>

### A Common EU/NATO Vision of Europe?

How can the EU and NATO start to put things right in the east? First, the 22 countries that are members of both organisations need to clear away the political obstacles and the silo thinking that bedevil EU-NATO co-operation. They have to look at European security in the round; and they have to ensure that the leaders of the institutions follow suit. The Secretary General of NATO and the President of the European Commission should not be taking diametrically opposed lines on the future development of relations with Russia, as Jens Stoltenberg and Jean-Claude Juncker did in separate remarks on October 8, 2015. Stoltenberg noted that NATO had to respond to Russia’s annexation of Crimea, its intervention in eastern Ukraine and its occupation of parts of Georgia, and had therefore reinforced the Baltic states and Poland. Juncker said that Europe had to ease tensions with Moscow, and could not allow its policy towards Russia to be dictated by Washington.<sup>5</sup> The members of the EU and NATO need to establish a common vision of Europe that they can both work to realize: a translation of the hallowed phrase “Europe whole and free” into coherent strategies and practical policies for European and Euroatlantic organisations and states.<sup>6</sup>

Before they can start to build a Europe whole and free, however, the EU and NATO need to decide which Europe they are talking about. It is often said that Russia historically lacked natural boundaries, and that this led it to seek security by constantly expanding to prevent threats emerging beyond its borders.<sup>7</sup> Both the European Union and NATO have suffered since the end of the Cold War from analogous problems: they have defined political boundaries to their enlargement, but not

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<sup>4</sup> Press Conference by President Obama, European Council President Van Rompuy, and European Commission President Barroso, Whitehouse transcript, March 26<sup>th</sup> 2014.

<sup>5</sup> Press conference by NATO Secretary General Jens Stoltenberg following the meeting of the North Atlantic Council in Defence Ministers session, NATO transcript, October 8<sup>th</sup> 2015; “Europe Needs Better Relations with Russia—Juncker,” Reuters, October 8<sup>th</sup> 2015.

<sup>6</sup> A Europe Whole and Free: Remarks to the citizens in Mainz, President George Bush. Rheingoldhalle. Mainz, Federal Republic of Germany, May 31<sup>st</sup> 1989.

<sup>7</sup> See for example, Andrei Tsygankov, *Russia and the West from Alexander to Putin: Honor in International Relations*, Cambridge University Press, 2012.

geographical ones. Thus the Washington Treaty of 1949, which established NATO, stated: "The Parties may, by unanimous agreement, invite any other European State in a position to further the principles of this Treaty and to contribute to the security of the North Atlantic area to accede to this Treaty", without seeking to define which states were or were not European.<sup>8</sup> The Treaty on European Union similarly states that any European state which respects the values of the Union and is committed to promoting them may apply to become a member. The values are defined as "respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities."<sup>9</sup>

These vague criteria have produced two contrasting but negative effects. For a Russian regime obsessed with the fear of encirclement, they justify the belief that the EU and NATO have unlimited territorial ambitions in Russia's neighborhood, which Moscow must resist. At the same time, they enable those within the two organisations who oppose further enlargement to argue either that potential new members are not European; or that their membership would not contribute to European security; or that they do not in practice respect and promote the values of the EU.

There is no perfect definition of Europe: the Organization for Security and Co-operation in Europe (OSCE) includes the five Central Asian states and Mongolia; the Council of Europe excludes Belarus on human rights grounds, but includes Russia; the Treaty on Conventional Forces in Europe has part but not all of Kazakhstan within its area of application. What matters is that the EU and NATO should agree on which countries are in principle eligible for membership, and state clearly that if those countries meet the criteria for joining then the two organisations will not allow any third party to stop them.

### **Europe United, or Europe Divided?**

Meanwhile, regardless of which countries may eventually join, the EU and NATO have to accept that their security interests do not stop at their current borders; and they have to decide what kind of neighbors they would ideally like to have. They have a number of options. None is

<sup>8</sup> The North Atlantic Treaty, Washington DC, NATO Official Text, April 4<sup>th</sup> 1949.

<sup>9</sup> Articles 49 and 2 of The Treaty on European Union, Lisbon, December 13<sup>th</sup> 2007.

problem free, though some risk worse outcomes than others. They can accept that the countries of the former Soviet Union lie within Russia's sphere of influence and that their fate is for Russia to decide; they can have implicit or explicit understandings with Russia to allow the countries concerned to remain independent but neutral and non-aligned; or they can push forward with integrating those countries that want to become members of the EU and NATO, concentrating on making them as secure as possible in the face of (inevitable) Russian pressure while accepting that some former Soviet countries are headed in a different direction.

The first and second options would accept the division of Europe into spheres of influence. They differ only in the degree to which the sovereignty of the states between Western Europe and Russia would be limited. In the second version, they would presumably be allowed to pursue democratic and market reforms internally, but would not have full autonomy in foreign relations. In the first version, Russia's view of how its interests should be protected, including the kind of governments its neighbors could have, would count for more than the will of the inhabitants.

These two options would essentially represent a return to pre-1989 Europe, but with a more porous Iron Curtain (it is hard to see the Russian elite accepting the kinds of restrictions on their travel or right to own property in London that their parents or grand-parents had to), and the division drawn further to the East.

To the extent that the countries of the Warsaw Pact were relatively stable for most of the four decades after World War II, the Cold War system of Western and Soviet spheres of influence could be said to have 'worked'. A similar system might still work in the former Soviet countries that have reformed the least. But it is highly unlikely that it could be imposed on Georgia, Moldova and Ukraine. In all three countries there is some degree of civil society; a reasonable amount of democracy; and popular support for EU and/or NATO membership. People have shown their willingness (repeatedly, in Moldova and Ukraine) to take to the streets to press their governments to be more 'European.' Russia would have to be willing and able to use considerable force to crush opposition and reimpose some sort of stability; and it would need the resources and economic model able to sustain conquered territory. The experience of eastern Ukraine suggests that Russia is ready to use force, but only within limits and preferably covertly; and (with the obvious

exception of Crimea) it has shown no wish to administer or subsidise the areas where it has intervened.

Moreover, the second of these options would effectively codify the unsuccessful policy that the EU and NATO have *de facto* (but not officially) pursued ever since Ukraine first raised the possibility of joining the two organisations in the early 1990s.<sup>10</sup> The problem with it is that Putin fears not only the possibility that former Soviet countries might host NATO military bases but that European standards of governance might be contagious, threatening the survival of the corrupt post-Soviet system in Russia. He therefore wants a cast-iron guarantee that the buffer states of Eastern Europe will stay out of both NATO and the EU. Since he does not trust the West to keep its word, the guarantee has to come by means of destabilising or intimidating Russia's neighbors so that it is impossible for them to join Western organisations.

Ukraine and its neighbors have certainly provided the West with many excuses to exclude its ex-Soviet neighbors from its clubs; but Western countries have been only too eager to grasp those excuses. Bulgaria, Croatia and Romania have joined the EU and NATO despite performing worse than Georgia (though significantly better than Moldova) in terms of corruption and poor governance.<sup>11</sup> The members of the two organisations accepted that the countries of Central Europe and the Balkans were unquestionably European, while they looked at former Soviet states (with the exception of the Baltic States) as being in a special and less European category.

The EU and NATO cannot and should not try to impose a Western orientation on countries that are not ready for it or do not want it; the countries of Eastern Europe are not homogeneous. Both organisations need to pursue differentiated policies towards Armenia, Azerbaijan and Belarus, rather than (as hitherto) trying to keep them in a single group both with each other and with Georgia, Moldova and Ukraine.<sup>12</sup>

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<sup>10</sup>Ian Bond, "The EU, NATO and Ukraine: Prospects for Future Co-operation" in Artis Pabriks and Andis Kudors (eds.), *The War in Ukraine: Lessons for Europe*, The Centre for East European Studies/University of Latvia Press, Riga, 2015.

<sup>11</sup>"Corruption Perceptions Index 2014," Transparency International website ([www.transparency.org](http://www.transparency.org)).

<sup>12</sup>Ian Bond, "Eastern Mess: The EU's Partners Need Attention," Centre for European Reform, September 24<sup>th</sup>, 2015.

But while some countries may not (yet or ever) aspire to join Western organisations, the current members of the EU and NATO should accept that they cannot force the other three countries of Eastern Europe to remain post-Soviet societies against their will forever. If the people and governments of Georgia, Moldova and Ukraine make clear choices in favour of the West, it is at least as destabilising for the West to keep them at arm's length as it is do everything possible to support their choice. That should be the lesson of the aftermath of Ukraine's Euromaidan.

### **Helping the Neighbors**

What kind of support do the three countries need? In the security sphere, they need positive statements that their sovereignty and independence matter to NATO, backed up with concrete programs of training and assistance designed to make them as interoperable as possible with NATO forces. Some NATO members have made shibboleths of Article 5 and the NATO-Russia Founding Act. Article 5 prescribes what Allies must do in the event of an armed attack on one of them; it does not prohibit a response if a neighboring country is attacked. Nor could it: sovereign nations have the right of individual and collective self-defense under the United Nations Charter. The premises of the Founding Act have been overturned by Russia: Russia's military doctrine gives the lie to the assumption that NATO and Russia do not regard each other as adversaries; Russia is not building a democratic society, nor is it reducing its conventional and nuclear forces; it is doing nothing to create a Europe "without dividing lines or spheres of influence limiting the sovereignty of any state."<sup>13</sup> There is no sense in NATO allowing its hands to be tied by the Founding Act when Russia is no longer abiding by its terms.

NATO should make clear to Russia that the security of those countries that share borders with NATO and Russia is as important to the Alliance as the security of its own members. That is nothing more than the truth: if Russia had chosen to or had been able to continue its attack on Ukraine in 2014, or on Georgia in 2008, there would have been serious security consequences for countries like Poland and Turkey. At the

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<sup>13</sup>NATO official text, Founding Act on Mutual Relations, Cooperation and Security Between NATO and the Russian Federation, Paris, May 27<sup>th</sup> 1997.



same time, it should make clear to the countries concerned that while NATO will help them protect the territory that they hold, it will not support the use of military means to recover lands lost to Russia and its proxies: no one wants to start World War III to recover South Ossetia.

In the economic sphere, the EU needs to ensure that the Association Agreements with Georgia, Moldova and Ukraine are fully implemented as quickly as possible. Even on the most optimistic interpretation, however, that will take some years. It will be hard to ensure that the populations of the three countries see the benefits soon. Implementation will be a major challenge: these are huge and complex agreements that will oblige countries with corrupt and ineffective bureaucracies to adopt European standards and practices.

If they are left to themselves, all three countries are more likely to fail than succeed in exploiting the transformative potential of their agreements with the EU. They will need advice from the countries of Central Europe with recent experience of harmonizing their own legislation and practices with those of the EU. They will need large-scale twinning with officials and agencies in EU countries, as the Central Europeans did in the run-up to their accession to the Union. Their businesses will need advice on how to sell into EU and other new markets—and in many cases, potential Western competitors will be the best placed to offer the advice, bringing its own challenges. They will need to be open to foreign investment, even if that means giving foreigners control of the 'crown jewels' of their economies: the lesson of Central Europe is that trying to protect national champions merely delays development.

But the biggest threat to these countries' prospects of being stable and prosperous, and on course to join the EU and NATO, is not that Russia will invade them or that their economies will collapse (though both scenarios are possible); it is that the countries will be destroyed from within by corruption and crony capitalism. This is the golden thread that links together colour revolutions, street protests and popular discontent in Georgia, Moldova and Ukraine over more than a decade.

The West cannot escape its share of responsibility: it has allowed oligarchs and corrupt politicians to pretend to be 'pro-EU', even while their actions have given the concept of 'European values' a bad name. Some EU member-states have even facilitated the corruption: the Moldovan banking scandal involved 48 UK-registered shell companies,

many with bank accounts in Latvia. The EU needs to make a serious effort to stop dirty money from eastern Europe flowing through the financial systems of EU member states, as a contribution to increasing the economic and political resilience of the countries concerned; and it needs to work with anti-corruption activists in Georgia, Moldova and Ukraine, as well as with the authorities.

Initiatives such as the EU Border Assistance Mission to Moldova and Ukraine (EUBAM) can help reduce low-level corruption in customs authorities, but the EU needs also to step up its support for judicial and law enforcement reform (areas in which it had some success with its mission in Georgia from 2004-2005). Unless the EU can show more clearly that it is on the side of transparency and good governance, not simply backing local elites who appropriate the label 'pro-EU', there will be a growing risk of the EU being discredited in the eyes of ordinary people.

The West should be under no illusions: whenever it tries to help its neighbors with their defenses against invasion or corruption, it will be acting against the perceived interests of Moscow. The Russian authorities will claim that the West is acting provocatively in the historical 'Russian World.' Eastern Europe was indeed part of the Russian Empire and then the Soviet Union for many years. But that does not mean that only Russia has interests there. In the 21<sup>st</sup> century, the choice of the peoples of eastern Europe should be decisive. In defending their right to choose their futures, the West will also be defending itself.

## About the Authors

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