

**The Eastern Question:**  
*Russia, the West and Europe's Grey Zone*

**Recommendations for Western Policy**

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## Preface and Acknowledgements

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. This study presents our top-line recommendations. In a companion volume, eminent authors present additional insights and recommendations.

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While our recommendations reflect the many deliberations held, the views expressed are those of the lead authors, and do not necessarily reflect those of every contributor or of any institution or government.

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*Cover image: The Monument to the Founders of Kyiv, Fotolia.com*

## *Headline Summary*

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

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 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 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 wider Europe 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 the Common Neighborhood

**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 the lion's share 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 (NORDEF) 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.***

## *Introduction*

### **The New Era**

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.

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 oligarchs, 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.



## **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 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.

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**

#### **Russia under Putin**

Russia under Putin is an authoritarian system cloaked in the trappings of "democracy" yet run by a kleptocratic oligarchy<sup>7</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>8</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% 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% – much more than in his first election in 2000 (53%). Constitutional limits did not allow Putin to run in 2008, so he nominated Dmitri Medvedev, who obtained 70% 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 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>9</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% in 2015 and may decline by an additional 1-2% 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 national pride as a great power.<sup>10</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>11</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>12</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% 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>13</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% per cent over the past year, that 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>14</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>15</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 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>16</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 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>17</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>18</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 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>19</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>20</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 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>21</sup> His precept of a unique "Russian world" is grounded in expansive *völkisch* concepts of Russian ethnicity unrelated to territorial borders.<sup>22</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 revolutions" 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>23</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>24</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, 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>25</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 leading Western partners obsolete. But that means its relations with the East, too, need to change.<sup>26</sup>

### **Putin's Toolbox**

The current Russian regime has energetically applied the full suite of Russian power to advance its interests abroad.<sup>27</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>28</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>29</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 ability to project power in the region and raises important questions about how Russia will use that power.<sup>30</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>31</sup> It employ 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 that makes the non-military elements of a hybrid campaign dependent on the threat of military violence.<sup>32</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>33</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 independent, 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>34</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>35</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>36</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 organized 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>37</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>38</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 (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>39</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>40</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>41</sup>

Despite Georgia's efforts to normalize relations with Moscow, the Kremlin has continued its creeping annexation of Georgia's breakaway 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% to 7.02% 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>42</sup>

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>43</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 Bibó 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 our companion volume, 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>44</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 need to be finally 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 and balances undermine necessary reforms and economic development, and are a threat to the integrity of these countries.

As John Herbst discusses in our companion volume,<sup>45</sup> 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>46</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 Donbas. Moreover, the separatist entities across wider Europe are establishing diplomatic relations, which is generating a new dynamic of separatist polities in communion with one another.<sup>47</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% to 11% and its shares in Ukraine's imports declined from 24% to 17%. Russia's shares of Moldova's exports and imports also declined from 21% to 13%. Russia's share of Georgia's exports and imports are already low at around 8% 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 in 2016, 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>48</sup> In 2011 Ukraine imported 91% of its gas from Russia. By 2015 it only imported 23% of its gas from Russia.

### ***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-oligarchic 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>49</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.

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>50</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>51</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>52</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.



## Chapter 2

### Western Dilemmas

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 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 Partnership 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 Dutch referendum on 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>53</sup> These differences are 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>54</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 institutions 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>55</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>56</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.

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 co-ordination 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.

# 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 report we offer specific recommendations, a number of which are elaborated by our fellow authors in our companion volume.<sup>57</sup>

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.

**Under 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>58</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 areas 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 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>59</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. 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>60</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 -- itself a violation of Russia's obligations under the Vienna Convention on the Law of Treaties.<sup>61</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.
- ***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>62</sup>

**Under Track Two**, the United States and its European partners should make it very clear that they stand as willing partners if Russia 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.

- ***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>63</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>64</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 convene 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 2014.<sup>65</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>66</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, 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>67</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. 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 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>68</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>69</sup> Western actors should supplement 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>70</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.

## 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>71</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>72</sup> The willingness and ability of EU and NATO members to act on these principles by bringing others 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 on blocking the types of reforms that could set these countries toward more promising futures.<sup>73</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.

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>74</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. 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>75</sup>

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>76</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>77</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>78</sup>

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>79</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>80</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>81</sup>
- ***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>82</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 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% of bilateral trade, they offer few immediate trade benefits to partners, since the 5% 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>83</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.
- ***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>84</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>85</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 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>86</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>87</sup> Western countries should seek to make maximum use of the OSCE's possibilities, realizing that 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>88</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>89</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>90</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 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>91</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 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>92</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 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>93</sup>

- ***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>94</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 Community staff have judged Turkish compliance with the Energy Community Treaty already to be “legally synchronized”.<sup>95</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>96</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>97</sup>

## 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>98</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>99</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 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>100</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>101</sup>

### *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 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>102</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>103</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 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>104</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.
- 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 and Azerbaijan*

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 the Eastern Partnership.<sup>105</sup> Armenia has

a developed and Europeanized civil society. The 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>106</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.

### 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>107</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.

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>108</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 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>109</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>110</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>111</sup> Russia is doing nothing to create a Europe "without dividing lines or spheres of influence limiting the sovereignty of any state."<sup>112</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>113</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>114</sup>

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

- ***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>115</sup> 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.
- **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>116</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>117</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 consequences. Designing a viable response to the Russian A2/AD problem will need to be a priority item for the Warsaw Summit.

**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>118</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:

- 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 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% increase in defense spending for 2016. Britain reversed its planned cuts to stay roughly at the 2% pledge and will maintain its armed forces at 82,000. France's President has pledged to increase French defense spending by 12% 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. Moscow 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 cooperation, 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>119</sup>

- Looking to the Warsaw Summit, 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 (NORDEF) 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.

- ***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.

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- <sup>92</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

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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).

<sup>93</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)

<sup>94</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.

<sup>95</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>96</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>97</sup> Courtney, op. cit.

<sup>98</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>99</sup> For specific recommendations, see Anders Aslund, "Securing Ukraine's Energy Sector," Atlantic Council Issue Brief, April 2016.

<sup>100</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>101</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 4, 2015; Ivo Daalder, Michele Flournoy, John Herbst, Jan Lodol, 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>102</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>103</sup> See Igor Boțan, "Letter From Chișinău," 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/>.

<sup>104</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.

<sup>105</sup> C.f. the results of the EaP-Index of the Renaissance foundation of the last years: <http://eap-index.eu/armenia2014>.

<sup>106</sup> Leigh, op. cit.

<sup>107</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).

<sup>108</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.

<sup>109</sup> Bernstein, op. cit.

<sup>110</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>.

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<sup>111</sup> "Founding Act on Mutual Relations, Cooperation and Security between NATO and the Russian Federation signed in Paris, France," NATO website May 22, 1997.

<sup>112</sup> Ibid.

<sup>113</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>114</sup> Piotr Szymański, "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>.

<sup>115</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.

<sup>116</sup> Jones, op. cit.

<sup>117</sup> For more, see Lucas and Mitchell, op. cit.

<sup>118</sup> 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).

<sup>119</sup> See Andrew Michta, "Putin Targets the Scandinavians," *The American Interest*, November 17, 2014; Larrabee et. al, op. cit.