

Reality check for the EU: The stand-off with Russia challenges the European Union in its fundamentals

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Russia's military attacks in Ukraine are not only an assault on the territorial integrity and sovereignty of one of the European Union's largest neighbours. They also impose multiple important challenges to the European Union (EU). Moscow has questioned the architecture, rules and institutions of the European post-Cold War security order and forces the EU to reconsider its external policies, particularly in its Eastern neighbourhood. Reactions of EU member governments, of certain political parties and media have exposed the EU's vulnerability to Russian influence, which risks undermining the EU's ability to forge an impactful approach to Russia and the EU's eastern neighborhood.

Unprepared for the unacceptable

In 2013 and early 2014, the European Union had to face three unexpected developments. First, the Summit in Vilnius did not conclude with the expected signing of an Association Agreement (AA) and Deep and Comprehensive Free Trade Agreement (DCFTA) with Ukraine, while European leaders had anticipated the culmination of a five-year negotiation process. Then-President Yanukovich's U-turn was largely a product of counteroffers and threats from Moscow, the impact of which had been underestimated. Second, Ukraine's decision to withdraw from the AA/DCFTA in November 2013 resulted in a sudden protest movement against Yanukovich's volte-face and for stronger ties to the EU, which came to be known as the "Euromaidan." The discontent ran deeper than the failed Association Agreement, and demonstrated a hunger for economic and political reforms in a country saddled with economic woes and corruption. With Russian backing, the Ukrainian government ordered military troops to open fire on protesters, after which Yanukovich was forced to flee the country and an interim government was installed.

Meanwhile, pro-Russian rebels mobilized into attempting to take hold of Ukraine. Estonia, Lithuania and Poland were particularly vocal in condemning violence against the protest, while reactions from the Southern Central European countries (Bulgaria, Romania, Slovakia, Czech Republic and Hungary) were more reserved. Third, Russian troops annexed Crimea in March 2014. The EU responded by imposing sanctions on Russia, which are likely to stay in effect until Russia implements the Minsk agreement. The principle of national sovereignty and Ukrainian independence, embodied in the Helsinki Accords, the Paris charter and the Budapest Memorandum, were violated, while Putin legitimized the annexation by claiming that Crimea had a right to self-determination and democratically chose the Russian path in a parliamentary vote and referendum.¹

These developments together were a fundamental challenge to the EU's approach to Russia and its neighborhood. First, with the military intervention in Ukraine and a number of explicit political statements, Putin challenged the European security order that had been taken for granted since the end of the Cold War. Countries in Northern central Europe became acutely aware of their own security threats vis-à-vis Russia. Second, Russia revealed its strategic interest in the region and its determination to build up an alternative model of regional integration with violent means. So the EU had to give up the idea of Russia being a strategic partner not only to the EU, but in particular by a number of EU member states which maintained close economic and political relationships with Russia. Third, the case of Ukraine showed the degree to

¹ ARD-Exklusivinterview, 'Nicht gegen Völkerrecht verstoßen,' November 17, 2014, <http://www.tagesschau.de/ausland/putin-interview-111.html>

which Russian threats and pressure could have an impact on Eastern partnership countries and this well beyond Ukraine. The EU has to deal with brutal competition of influence in its Eastern neighbourhood in which countries can be in a situation of war and violent destabilization.

Inability to surprise

National and EU decision makers struggled to grasp the dynamics, potential and regional implications of Russian aggression as well as the principal nature of the conflict, and the EU's and member state reactions have hardly been unexpected. The EU's competencies and decision-making structures in foreign policy, security and defense matters do not lend itself to quick joint reactions under unpredictable circumstances. It was hence a substantial political success for the Common Foreign and Security Policy Council to reach an agreement on sanctions through decision (2011/486/CFSP) on 17 March 2014, the same day Crimea formally announced its independence. Closing the ranks around subsequent rounds of sanctions against Russia, not only in the EU, but also in the transatlantic relationship, has proven a difficult, but a so far manageable challenge. Meanwhile, the political leadership on negotiations with Moscow and Kiev was assured by a small group of member states, starting out with the Weimar Triangle, and then pursued only by Paris and Berlin.

The scope of possible reactions from the EU and the US is thereby expectedly much narrower than the instruments used by a Russia which is willing to break international law and use military means in its efforts to destabilize its neighborhood. Early on, the use of military force to retaliate against Russian aggression towards Crimea was excluded by a number of relevant actors, such as the German chancellor, the US government and also the incoming EU High Representative.² Hence, Moscow can assume the EU to mainly be reactive and the price of destabilization and its using of hard power is more calculable.

Dependency on Russia

Part of the complexity of European decision-making is due to strongly varying EU member interests in the Eastern neighborhood, coupled with vastly different patterns of dependency on Russia. A group of countries led by Poland and the Baltics assessed the events in Ukraine early on as a hard security threat that would require a determined and joint response, including an involvement of NATO. There are secondly countries like Portugal, Spain, France or Italy which traditionally have little strategic interest in the EU's Eastern neighborhood and, to varying degrees, attempted to reach a constructive relationship with Russia based on close business ties. As the second-largest trading partner with Russia in the EU, Italy was accused of blocking tougher sanction

on Russia due to its own economic interests in particular as Italian energy policy hinged on a strategic partnership with Russia.³ France, for its part, meanwhile initially hesitated to withdraw from its contractual obligation from 2011 to deliver its Mistral Class assault ships commissioned by Russia in a €1.2 billion deal. Upon rising pressure, however, France's President Francois Hollande suspended the agreement until an actual ceasefire and a political settlement has taken place in Ukraine. The German government took on a particular role, leading efforts to negotiate with Moscow and Kiev in cooperation with France. Initially, it found it hard to abandon its long-held policy on a 'Modernization Partnership,' which was based on the assumption that economic and political engagement with Russia would eventually contribute to transforming Russia politically.

The perceived vulnerability to potential Russian energy cuts and the trade relationships established between EU countries and Russia imposes costs on those member states with strong business ties with Russia and a high energy dependency. Imports from Russia are dominated by oil and gas, with dependency varying from state to state (Germany imports 40% of its gas from Russia, while Italy France and the UK import less than 20 %).⁴ Russia also imposed a one year ban on food products stemming from the EU and the US, which were worth a total of \$8.7 billion in 2013.⁵ The losses for European food producers are compounded by Europe's slow economic growth.

On top of dependency on Russian energy provision, trade and financial relationships with Russia and hence vulnerability to sanctions and counter sanctions, geographic proximity and the experience of Soviet rule are generally seen as impacting the governments' positioning on an adequate response to the conflict. However, the Central and Eastern European countries are not all particularly engaged for a hard stance on Moscow. So even those EU members located in close geographical proximity to both of the conflicting countries, share a history of Soviet occupation, and are particularly sensitive and exposed to developments in Eastern Europe and Russia have differed significantly in their perceptions of and reactions to the crisis.⁶ Whether handling the Ukraine crisis in the short-term or the Russian challenge in the long run, Europe will be hard-pressed to muster a shared understanding of the problem, a strong commitment to its founding principles and values, and sustainable policies for its Eastern neighbors.

2 Kadri Liik, 'The real problem with Mogherini's Russia paper,' European Council on Foreign Relation, January 20, 2015, http://www.ecfr.eu/article/commentary_the_real_problem_with_mogherinis_russia_paper402.

3 For instance, the Italian energy group ENI was one of the major investor's in Russia's former South-Stream pipeline project and the Italian bank UniCredit is the second-largest foreign bank in Russia by revenues.

4 Harrison Jacobs, 'These 4 charts illustrate Russia's gas leverage over Europe,' Business Insider UK, February 2, 2015, <http://uk.businessinsider.com/russias-gas-leverage-over-europe-2015-2?r=US>.

5 Matthew Dalton and Marcus Walker, 'Russian Import Ban Will Hit European Food Producers,' *The Wall Street Journal*, August 7, 2014, <http://www.wsj.com/articles/eu-mulls-further-action-after-russian-ban-1407414110>.

6 Joerg Forbrig, 'A Region Disunited? Central European Responses to the

Domestic fragilities

Russia's interference has gone far beyond its neighborhood. Central European countries, whether the Eastern-most members of the EU and NATO or the accession candidates in the Western Balkans, in particular experience deliberate destabilization by Moscow. The same phenomenon, albeit to less important degrees, can be seen in Western Europe. Moscow tries to gain leverage over public debates and decision making through covert support for political parties, campaigns and strategic investments, such as for infrastructure. In a number of EU member states, including Germany, Moscow has established media like *Russia Today*, which can be classified as propaganda outlets. Russian money sponsors extremist parties and NGOs, seemingly in an attempt to undermine moves towards deeper European or transatlantic cooperation, for instance TTIP, and woos key businesses. Meanwhile, the rise of populist, anti-establishment parties throughout Europe as a political consequence of years of economic crisis and dire social situations, adds domestic friction over the question how to deal with Russia, which attracts sympathizers to its anti-establishment and conservative values. The rise of anti-establishment movements is indeed an important entry gate for Russian interference within the EU which may make Europe less able to forge compromise, while Russia attempts to gain support for its narrative in the EU and its neighborhood.

The need to review its neighbourhood policy

In this situation of internal fragility, the EU has to review its neighborhood policy which clearly has not yielded the expected progress in stabilizing the countries concerned, ten years after its inception. The EU underestimated the extent to which its world vision clashed with Russia's own geopolitical aspirations in Eastern Europe and the South Caucasus and which forms a direct competition with Russia over the neighboring countries could take. Today, it has to recognize that not all states seek close relations with the EU. The EU will need to invest more and choose a more tailor-made approach to individual neighboring countries, approaching both governments, civil society and the business sector to support transition and economic developments where there is a demand.⁷

Dealing with hard security issues

Also, the EU will have to revisit the question how to integrate a stronger security dimension into its approach to its Eastern neighborhood, especially in light of the failed implementation of the Minsk agreements. The conflict with Russia has reminded Europe of the extent to which its security remains to be linked with NATO, which, given its mandate, is itself restricted to act. Without the ability to stabilize its neighborhood via its customary normative approach, in particular as EU and Nato enlargement is currently off the table, the

absence of a "security roof" makes efforts to stabilize societies and economies and to support the transition an almost impossible task, in particular as investors seek a certain set parameters in the field of security. A "security dialogue" on the governmental level, both between the EU and the six EaP countries and with each of them individually could be an important building block to strengthen the stabilisation efforts in Europe's East, and to potentially prepare the grounds for closer cooperation in the field of security.

The issue of hard vs. soft power has also moved to the center of the transatlantic debate. The Munich Security Conference in early February 2015 demonstrated the extent to which opinions on the delivery of lethal arms diverge. While US President Barack Obama is still weighing his options, a growing number of Americans support sending arms to Kiev.⁸ The EU members themselves are divided on this issue. While the German government stresses the danger of escalating the war with lethal weapons, the former soviet and bordering states, in particular Poland and the Baltics, fear that Putin's aggression will not simply end with Ukraine.⁹ Lithuania's ministry of defense has already signed off on 'elements of military weaponry' for Ukraine, and urges other states to do so as well. As is the case with sanctions, the use of 'hard power' requires intense debates both within the Europe and the transatlantic relationship, so as to prevent divisions at a time when unity and strong leadership are crucial.

Moving ahead with Energy Union

Attempts to forge joint threat perceptions and strategies towards Russia will only succeed if dependency on Russia is reduced. A key step is to create an EU energy union. While initially also conceived of as a tool to decrease prices, increase competition and promote sustainable development,¹⁰ the energy security component has become the EU's most important priority. The EU currently imports about 30% of its energy from Russia, with dependency in CEE states varying between 60% and 100% for some states.¹¹ A high priority is to develop joint purchasing schemes for member states, which would reduce dependence on Russia and could turn out to be the most important sanction Europe can implement.¹² This would help depoliticize Gazprom's current bilateral bargaining schemes, improve the negotiating power

7 See also Žaneta Ozoliņa and Daniela Schwarzer (2015) 'European Eastern Partnership: recommendations for a new approach,' *The German Marshall Fund of the United States* and the *Latvian Transatlantic Organization*, March 2015.

8 Pew Research Center, 'Increased Public Support for the U.S. Arming Ukraine,' February 23, 2015, <http://www.people-press.org/2015/02/23/increased-public-support-for-the-u-s-arming-ukraine/>.

9 'Munich conference highlights splits over arming Ukraine,' *Financial Times*, February 8, 2015, <http://www.ft.com/intl/cms/s/0/92fdbf70-af9f-11e4-b42e-00144feab7de.html#slide0>.

10 Sami Andoura et al., 'Towards a European Energy Community: A Policy Proposal,' Notre Europe, March 2010.

11 "Roadmap towards an Energy Union for Europe - Non-paper addressing the EU's energy dependency challenges," Permanent Representation of the Republic of Poland to the European Union in Brussels, April 22, 2014, <https://www.ms.gov.pl/resource/34efc44a-3b67-4f5e-b360-ad7c71082604:JCR>

12 Georgi Gotev, 'Buzek: Energy independence is the best sanction against Russia,' EurActiv, September 20, 2014, <http://www.euractiv.com/sections/poland-ambitious-achievers/buzek-energy-independence-best-sanction-against-russia-308331>.

of smaller states, and undue Gazprom's monopoly in many Eastern member states.¹³ While the EU launched a blueprint for the energy union in February 2015, fundamental challenges remain in terms of structure, integration and political buy in. Currently there are far from enough interconnectors to pool resources for electricity and gas. The aging infrastructure needs to be expanded and modernized before markets can fully integrate. According to the International Energy Agency, the EU would need to spend \$2.2tn until 2050 to replace the current infrastructure.¹⁴ In addition, the mix of energy sources widely varies from state to state due differences in geography, national policies, and technology. For instance, France relies mostly on nuclear power; Poland heavily uses coal; Germany seeks to use more renewables. Strongly diverging views on how to reach a secure, competitive and sustainable energy policy and voiced sovereignty concerns show the need for intensified dialogue and consensus building efforts around a project that is of key importance for the EU's ability to act externally.

Looking ahead

The conflict between Russia and the West represents a reality check for the EU's ability to act in face of a hard security challenge on its doorstep, for the willingness to defend Western liberal values both within the EU and in its neighborhood and for the degree of convergence and solidarity both within the EU and vis-à-vis the neighboring countries. Energy Union is one testing ground for its ability to compromise. The stabilization the euro area and the cushioning of adjustment costs some countries are facing in such a way that political and social stability prevails, is a second. The EU's ability to stop disintegrative trends triggered and furthered by anti-EU movements which may gain increasing support in a number of member states and which receive Russian backing, is key. Internal consensus on risk assessments, strategic options and long term goals with regards to Russia's new assertiveness needs to be forged in order to increase the EU's capacity to act externally. The EU's ability to act in its own neighborhood and its capacity to build consensus and maintain cohesion are today as interconnected as never before.

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¹³ Philipp Offenberg, 'Taking stock of German Energy Policy in a European Context,' Jacques Delors Institute. Policy Paper 116, August 29, 2015.

¹⁴ 'The case exists for forging an energy union in Europe,' Financial Times, February 24, 2015, <http://www.ft.com/cms/s/0/57c7688a-bc23-11e4-b6ec-00144feab7de.html#axzz3TE7eueRd>



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