



What now for EU-Russia relations?

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Introduction

The EU has frozen its relations with Russia following Putin's annexation of Crimea and on-going machinations in Ukraine. Both the EU and US have imposed sanctions on Russia while G7 leaders reiterated their opposition to Russian policies at their meeting in early June in Brussels. This article considers the impact of the crisis on European security. It then examines the situation in Ukraine after the presidential elections and what the EU should do to support Ukraine. It then assesses the prospects for EU-Russia relations.

Impact on the European security system

The Russian annexation of Crimea and its destabilisation of Eastern Ukraine have refocused transatlantic attention on European security. In advance of the Wales summit in September NATO has turned its attention to Eastern Europe. The OSCE is also focused on the region. When Russia invaded Georgia in 2008 and helped establish two autonomous provinces of South Ossetia and Abkhazia it only received a mild slap on the wrist from the West. Many considered that the mercurial Georgian President Mikhail Sakashvili had brought the conflict upon himself. The EU led by President Sarkozy helped broker a ceasefire but Georgia's territory was emasculated and its ambitions of joining NATO put on hold.

The Eastern European members of the EU and NATO warned that Putin's ambitions would not be satisfied until he ensured control of Ukraine and other countries of the EU's Eastern Partnership. Their fears appeared justified when just a few weeks before the Vilnius summit in November 2013 Russia pressed Armenia to drop its plans for an association agreement with the EU. This was followed by similar pressure on President Yanukovich of Ukraine who overnight reversed his country's policy on moving closer to the EU. It was this move that led to the Maidan demonstrations in Kiev and the eventual ousting of Yanukovich.

To many experts it seemed that President Putin could not face the prospect of a pro-EU government in Kiev that might just carry out the reforms that would be required for a closer association with the EU. A successful, democratic Ukraine choosing its own foreign policy path was too much to contemplate. What kind of example would it be to Russians? As soon as the Sochi Olympics were concluded Putin ordered the annexation of Crimea arguing that he was righting a wrong, namely the 1954 decision by Khrushchev to give the Crimea to Ukraine. The West immediately condemned this move and refused to recognise Russian sovereignty over the peninsula. EU-Russia relations were frozen. Russia was expelled from the G8 and limited sanctions were imposed.

Although some thought that Putin's ambitions would be satisfied with the annexation of Crimea it soon became clear that Moscow's ambitions were much wider. Foreign Minister Lavrov gave the EU's high representative Catherine Ashton and US secretary of state John Kerry a list of Russian demands including clearance of pro-government demonstrators from the Maidan, a new federal system with the direct election of regional governments which would have substantial new powers, and acceptance of Russian as an official state language.

When these terms were rejected by the West, Russia's next move was to incite pro-separatist movements in Eastern Ukraine to occupy government buildings. And when the legitimate authorities in Kiev moved to retake the buildings they were denounced as 'fascists' by Moscow. Just before the illegal and provocative referenda in Eastern Ukraine on 11 May, Putin seemed to have a change of heart stating that the referenda 'would not be helpful'.

But it was too little too late. He also changed his mind on the 25 May presidential elections saying that they would be a 'step in the right direction'. Previously he had opposed the elections as a Western plot, along with the internet being a 'CIA plot' and the biggest plot of all - the desire of Brussels and Washington to take control of Ukraine.

So what will happen now? There has been a flurry of diplomatic activity to try and find an acceptable way forward for all parties. Russia refuses to attend another Geneva style summit. Germany has proposed a roundtable under OSCE auspices to try and secure an agreement among the warring factions in Ukraine.

The 25 May elections were deemed free and fair and led to the election on the first round of Petro Poroshenko, a chocolate oligarch, who enjoys some standing in Moscow. If Russia is seen to continue to undermine the new government in Kiev it will likely lead to the imposition of further sanctions. This is not the route that EU member states wish to follow but they all recognise the gravity of the situation and the challenge to the post Cold War security order in Europe.

The Ukraine crisis has given a new life to the OSCE and NATO. Many alliance members had always been sceptical of Russia and now their scepticism seemed warranted. NATO-Russia relations have been frozen and NATO has augmented its training in Poland and the Baltic States. In the run up to the Wales summit in October this year the agenda is less about the future of Afghanistan after NATO leaves but how to deal with the Russian bear. EU leaders are also under pressure to increase defence

expenditure as a result of Russia's aggression. This can hardly be viewed as a successful outcome for Russia.

Ukraine's future

Despite the successful 25 May presidential elections the future of Ukraine still hangs in the balance, not least because of the continued activities of the Russian-backed separatists in eastern Ukraine. The EU and US have no illusions about the parlous state of the country, the endemic corruption, and the failure to introduce economic reforms. But they are still prepared to offer a major support package for Ukraine, including a large IMF loan, and the accelerated signature of parts of the association agreement, if Kiev demonstrates a commitment to reform.

The problem is that Ukraine is still highly dependent on Russia for its energy supplies and more than a third of its trade is with Russia. Russia thus has many levers to influence the future of Ukraine without resorting to a military invasion. The fact that Putin has kept thousands of troops ready on Ukraine's eastern border is an unpleasant reminder of the military imbalance between Russia and Ukraine.

While Moscow may not want to invade Ukraine, with all the unforeseen consequences that such an invasion would bring, there is still a danger that it could be drawn into a conflict if the current high tensions were to lead to civil war. Putin has been granted authority by the Federation Council to use Russian arms to protect Russians under threat – anywhere! Under these threats from Moscow the interim government in Kiev has already announced a number of concessions including reform of the constitution and regional language rights. President-elect Poroshenko has promised to reach out to Moscow and try and accommodate the wishes of the Russian-speakers in eastern Ukraine without weakening the unity of the country. It will be a difficult balancing act although the election results showed there was no majority for separation in any region.

The EU has signalled that it is ready to increase technical assistance to ensure that key reforms in areas such as energy pricing are implemented quickly and effectively. The EU also reiterated its willingness to sign the Association Agreement (AA), including a Deep and Comprehensive Free Trade Area. There also needs to be an increased public information campaign to explain the benefits of the AA for Ukraine. The EU also needs to reiterate to Moscow that a prosperous, EU-aligned neighbour should pose no threat to Russia's interests.

The EU also needs to help Ukraine strengthen its political institutions, offer guidance on the separation of power, an independent judiciary, a strengthened parliament, a free media and civil society. It can also help promote national unity by promoting an inclusive language regime, equality of all ethnic groups, and a crack-down on xenophobic and anti-Semitic remarks and statements. Financial support should go hand in hand with economic and administrative reforms to ensure that these funds are not misappropriated. To this end the assets of Ukrainian politicians, bureaucrats and oligarchs in the EU should be examined and where appropriate returned to the Ukrainian government. Apart from reducing its own dependency on Russian energy supplies the EU needs to help Ukraine with a fundamental overhaul of its energy policy.

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cross border trade between Russia and Ukraine, transparent energy cooperation, reciprocal investment agreements and maintenance of free movement of people between the two countries. The EU should speed up negotiations with the new government to remove the visa requirement for Ukrainian citizens. It should do more to provide more information about the Association and Free Trade Agreements in both Russian and Ukrainian. Should the EU offer a membership perspective to Ukraine? Some member states have argued yes but a majority remain against such an offer. The current agreed EU line is that the AA 'is not the final goal in EU-Ukrainian cooperation.'

Prospects for EU-Russia relations?

European leaders were swift to condemn the Russian annexation of Crimea. At a special European Council they agreed to suspend all negotiations with Russia, to impose limited sanctions and to approve Russia's suspension from the G8. Restoring EU-Russia relations will take time as trust has been broken.

This is illustrated by the two very different narratives on what happened in Ukraine. The Russian storyline is that the democratically elected leader, President Yanukovich, was overthrown in a coup orchestrated by armed, neo-fascist, Russophobes with the assistance of the West. Russia, at the invitation of Yanukovich, was forced to intervene to protect the lives of Russians and Russian speakers in Crimea.

The Western narrative is that mass demonstrations protesting corruption and President Yanukovich's decision not to sign an association agreement with the EU led to the use of lethal force on the demonstrators. The 21 February agreement brokered by three EU foreign ministers and Yanukovich did not hold because it was unacceptable to the population. Although Yanukovich fled the country in haste, there was never any threat to Russian speakers apart from a hasty law rejecting the use of Russian as an official language, a move that was quickly vetoed by the legitimate interim government.

The Russian justification for occupying Crimea was thus without any foundation and contrary to international law and many international agreements. Russia also claimed (wrongly) that it had been kept in the dark about the EU-Ukraine AA negotiations. EU officials had kept Moscow fully informed about the negotiations and the possible implications for the Customs Union.

So far the EU has imposed only limited economic and financial sanctions. But there are signs that the potential impact of further sanctions has led to capital flight and a dramatic fall off in new investments in Russia. The EU is reviewing its energy policy to reduce further its reliance on Russian supplies which make up almost 30% of the EU's requirements. Almost half of Russian gas to the EU comes via Ukraine which is another security problem. Russian gas supplies to Europe have always been based upon

mutual dependency. But given the annexation of Crimea, the threat to Ukraine and the prospect of further aggression, mutual dependence is no longer a reliable principle for the EU to count on. An aggressive Russia may begin to see natural gas more as a political lever than a source of revenue.

It is fortuitous that there are abundant supplies of LNG coming on stream through the shale gas revolution in the US and elsewhere. The EU is also speeding up work on inter-connectors to minimise the impact of any Russian move to cut off gas supplies. And the EU has threatened tougher steps against Gazprom for its anti-competition behaviour in the EU. There are also voices arguing for visa bans on the Russian elite and much tougher action against money laundering. If the Russian elite cannot use Western banks, buy property or shop in London,

or educate their children in the West the impact would be enormous.

If and when sanctions are lifted will depend on Moscow. The EU and Russia have a substantial win-win agenda on which to cooperate covering trade and finance, the environment, terrorism, as well as regional security (Afghanistan, Iran, Syria, etc). But relations will remain frozen as long as Russia continues to challenge international borders. As President Barroso has said Russia has no real answer against the EU's soft power. The appeal of democracy and the rule of law is something that all educated Russians want in their own country. Putin's paranoia and populism may win him some short-term popularity. But in the long-term it leads nowhere. The EU's biggest weapon, therefore, is simply that it exists as a beacon to inspire others. ■