

How should the EU respond to Russia's war in Ukraine?

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President Vladimir Putin has chosen to escalate the conflict in south-eastern Ukraine, thereby ignoring both the sanctions and the diplomatic advances of the EU and its partners in response to Russia's belligerence towards its neighbour over the last six months. Ahead of the NATO Summit in Wales on September 4-5, calls are growing for EU member states to provide arms and more intelligence to Ukraine's beleaguered army. But it is far from certain that the EU will summon up the collective courage to do so. Beyond sanctions, what other options does the EU have to alter the Kremlin's calculus?

From proxy war to war

The indirect involvement of Russia in support of armed separatist forces has proved insufficient to take and hold territory in Eastern Ukraine. The Kremlin was therefore faced with the choice of either to accept defeat or to step up efforts to regain ground lost to the Ukrainian army. Putin chose the latter course. Independently verified footage presented by NATO on August 28th has shown Russian tanks fighting from within Ukrainian territory. Foreign Minister Sergey Lavrov has dismissed the evidence as "video games", keeping up the Kremlin's pretence of non-involvement in the conflict.

The EU, the US, NATO and others have condemned the increasing inflows of fighters and weapons from Russia into eastern Ukraine, as well as the aggression by Russian armed forces on Ukrainian soil. At its extraordinary summit of August 30th, the European Council called upon the Russian Federation to immediately withdraw all its military assets and forces from Ukraine. The European Council said that it stands ready to take "further significant steps" in light of the evolution of the situation on the ground and it requested that the Commission and the EEAS undertake urgent preparatory work and present proposals for consideration "within a week".

Presenting the decision by the European Council, President Herman Van Rompuy said that "Everybody is fully aware that we have to act quickly". His comments were echoed by French President François Hollande: "Are we going to let the situation worsen, until it leads to war? Because that's the risk today. There is no time to waste".

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The gulf between their statements and the absence of hard and fast EU action highlights the lethargy in European decision-making. First, Hollande's statement belies the facts presented one day earlier by NATO; namely that Russia is already waging war on the territory of Ukraine. Second, when one day in politics already feels like a long time, the EU has given Putin's Russia one week of grace to change the game. Like the EU's lame and tardy response to Russia's invasion and occupation of Crimea, its reaction to the change of paradigm by Russia's actions in eastern Ukraine – from proxy war to war – is too little too late. In the meantime Putin has thrown his weight behind the concept of 'statehood' for Eastern Ukraine. Third, President Hollande himself stated on another occasion that the delay would give European leaders a chance to coordinate with NATO partners at the Alliance's summit in Wales. In a similar vein, some EU diplomats in Brussels have said that the European Council gave the Commission and the EEAS one week to do an "impact assessment" of the sanctions war on EU economies before going further. This should give EU countries' experts time to haggle over the details of the EU measures, with France, for one, coming under increasing pressure to halt its plans to deliver €1.2bn worth of warships to Russia.

The EU has not only given Russia a one-week ultimatum to change course in Ukraine or face tougher sanctions. It has also reiterated the urgent need for a sustainable political solution based on respect for Ukraine's sovereignty, territorial integrity, unity and independence. This twin-track approach is unlikely to change Putin's mindset, however.

Failed diplomacy

In fact, the Minsk Summit of the newly established Contact Group, which includes Ukraine, Russia, Belarus and the Organization for Security and Cooperation in Europe, served as a decoy for Russia's new offensive in Ukraine and has thus been compromised by Moscow from the very start. For this reason alone, the format should be abandoned.

For Europe – not so much for High Representative Catherine Ashton but for German Chancellor Angela Merkel – the goal of these and other talks (e.g. the quadrilogue between Foreign Ministers Steinmeier, Fabius, Klimkin and Lavrov) was to give Putin a face-saving exit option. For Moscow, however, those talks served as the international cover needed to achieve its goal on the ground, i.e. control over Eastern Ukraine.

While in the negotiations Russia talks of "federalisation", which is meant to give regions a veto over the country's core political decisions, Europe and its partners talk about "decentralisation", i.e. a system of administration that would leave Kyiv in control of the regions. To draw sharper contours around Russia's vision of the end-state of the conflict, on August 31st Putin called for talks to discuss "statehood" for Eastern Ukraine. Putin's spokesman was quick to clarify that this should be understood as a change of status within the "domestic" context of Ukraine. The terminological confusion by the Kremlin has (intentionally?) created the implication that Russia is a supporter of the idea of a "Novorossiia."

Russian media have been increasingly discussing "Novorossiia" and its vital place in Russian history between 1764 and 1917, when the whole of the Black Sea coastline, from Mariupol in the east past Crimea and Odessa to Transnistria in the west was a distinct administrative unit of the Russian empire. These references, and Putin's 'Freudian slip', are indications of what seems to be Putin's longer-term game plan for south-eastern Ukraine, i.e. not just intended to put the Ukrainian army on the defensive, but to reconstitute *Novorossiia* by opening a land corridor to Crimea and all the way down to Transnistria. At the same time, the references to *Novorossiia* serve as an objective for continued Russian support to the separatists and increase pressure on Kyiv to halt its military operations and seek peace with Russia by giving up on another part of its territory.

Seen against this background, European diplomatic efforts at accommodating Russia should now be put on hold.

As the effect of sanctions wanes...

The EU and the US have already imposed asset freezes and travel bans on senior Russian officials and separatist leaders in Eastern Ukraine. These sanctions also restrict loans for Russian state-owned banks, block defence-related technology exports and certain oil industry exports to Russia. Whereas the European Council did not specify which new sanctions would be adopted beyond the “provision on the basis of which every person and institution dealing with the separatist groups in the Donbass will be listed”, they are widely expected to be more of the same, with an emphasis on targeting Russia’s financial sector. At this stage, however, it is unclear whether EU member states could agree to go beyond a more comprehensive exclusion of Russian banks from European capital markets and also to consider blocking Russia’s access to the SWIFT banking transaction system.

President Putin may have – rightly – gambled that the EU will not increase sanctions significantly, because the appetite for conflict with Russia is still limited in many European member states. One should therefore not expect Putin to change his mind, let alone his game, after the incremental scaling up of sanctions. In fact, he has already dismissed the EU’s threat of further sanctions, accusing the EU of “backing a coup d’état” in Ukraine. The Kremlin is ready to absorb the shock of tougher sanctions. It is even possible that Putin may be ready to accept economic divorce with the EU and the US. In this context, the EU and the US should reach out to China and convince Beijing to put pressure on Putin. After all, it is in China’s own interest that no major conflict between Russia, on the one hand, the EU, the US and their partners, on the other, upsets the global economy. Beijing has leverage over Moscow, as shown by Putin’s decision to cave in to Chinese demands for a lower gas price before signing a \$400 bn gas export deal in May to hedge against potential future losses from a gas war with Europe.

Some pundits have argued that the only thing that could really stop Putin would be for the EU to boycott Russian gas. In the unlikely event that member states would muster the collective courage to call Putin’s bluff on cutting off Russian gas to Europe, energy specialists have pointed out that only half of Russian gas exports go to the EU and that this makes up a mere €17 to 25 bn, depending on seasonal fluctuations. By contrast, Russia nets almost €200 bn in oil but as this is a global market a boycott would simply mean that export streams are deviated with EU member states ending up paying a premium. Whereas Russia would lose €4-4.5 bn of revenues each month of an EU gas embargo (ca. 3.5% of Gazprom’s annual revenue), Putin may have calculated that his regime could very well outlive individual EU member states’ temporary resolve to forego Russian gas. Finland would already experience gas shortages after one month. Other EU member states would last three-to-nine months without it.¹ With alternatives to imports of Russian gas to materialise slowly, the EU’s reliance on Russian gas is expected to last for another 10 years.

The EU’s weak hand in adopting further sanctions was illustrated by the suggestion by British Prime Minister Cameron that Russia ought to be stripped of the right to host the 2018 football world cup. Ultimately, though, this is a decision to be taken by football’s world governing body FIFA, not the EU.

¹ See Institute for Energy Economics at the University of Cologne, “An Embargo of Russian Gas and Security of Supply in Europe”, 3 September 2014.

Arming Ukraine?

With Ukraine's ramshackle army losing ground to the Russian-backed separatists, Europe's twin-track approach proving ineffective, and the most consequential summit in NATO's 65-year history around the corner, the calls to arm Ukraine have grown louder and louder.

Lithuanian President Dalia Grybauskaitė has said that Russia was practically at war with Europe: "We need to support Ukraine, and send military materials to help Ukraine defend itself. Today Ukraine is fighting a war on behalf of all Europe". However, EU member states are divided on the issue of arming the beleaguered Ukrainian army. The UK, Poland and the other Baltic states seem to support the idea. In view of Germany's history, the proximity of the conflict with Russia and the uncertainty about what the end-state of the conflict should be, Berlin will not send arms. France is also unlikely to support such a move for now. President Hollande said: "We want a ceasefire, to stop the conflict, not to inflame it". Any proposal that appears to increase the risk of direct military confrontation with Russia will therefore be vetoed. This applies to both the EU context and to NATO.

Even if NATO decides to expand its air and ground presence in the Baltics, pre-position emergency equipment and send a rapid response force to Eastern Europe, even if widens its interpretation of the self-defence clause of Article V of the Washington Treaty to cover the phenomenon of 'green men' popping up on the wrong side of the border, NATO will not treat Russia's offensive in Ukraine as an Article V job since it does not constitute an attack on an Ally. At the Summit in Wales, NATO will not revive the 2008 Bucharest Declaration in which it gave Ukraine and other post-Soviet countries a membership perspective. Despite Prime Minister Arseniy Yatsenyuk's announcement on August 29th of his plan to pass a bill to scrap Ukraine's non-aligned status and to resume his country's course for NATO membership, the US, Germany and others have insisted that the latter is not on the agenda. Given the current security climate, they would risk angering the Kremlin even more, whereas "the taproot of the current crisis [arguably] is NATO expansion [into the post-Soviet space] and Washington's commitment to move Ukraine out of Moscow's orbit and integrate it into the West".²

EU leaders should speak the truth: if they are not willing to support Ukraine militarily and resist Russia with force, then they should convince Kyiv to surrender full control over a part of its territory and seek a settlement with Russia before thousands more lives are lost in the conflict. In the latter scenario, they should also be prepared to accept the consequences: it would not only be a crushing defeat for Ukraine, it would also represent a defeat for the EU's foreign and security policy, its efforts in transforming the Eastern neighbourhood into a zone of peace, stability and prosperity, based on the acceptance of EU values and norms. It would also be a defeat for the legal principles of state sovereignty and the inviolability of borders on which the international order rests. It is obvious that it is not in the EU's own interest to see this deeply unwelcome scenario unfold.

From 'strategic partner' to strategic competitor

In the face of Europe's failed diplomacy over the crisis in Eastern Ukraine and the EU's failed strategy of transforming Russia into a liberal democracy, ever more member state capitals are getting a clearer vision of the future EU-Russia relationship: one in which the label of 'strategic partnership' is replaced by one defined by strategic confrontation.

For now, the EU seems to have no other option but to increase sanctions. However, sanctions against Russia are not an end in themselves. They should be a means towards changing the

² J. Mearsheimer, "Getting Ukraine Wrong", *New York Times*, 13 March 2014.

Kremlin's behaviour so that it starts respecting the sovereignty of all post-Soviet states. With EU sanctions likely to prove ineffective, the only alternative to the EU is to start providing the Ukrainian military with the hardware and intelligence it needs to confront the Russian-backed separatists. Such action is likely to prolong the conflict and the suffering on the ground. But it may be the only way to halt Putin's Russia in its aggression towards its neighbours. The time is right to task the next High Representative for Foreign Affairs and Security Policy to generate a new, coherent and integrated EU strategy for Russia - one that is premised on confrontation for now, but keeps the door open for cooperation in the future.