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**A Cold Peace? West-Russia Relations  
in Light of the Ukraine Crisis**

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**The New European Disorder**

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For the past 300 years Europe has played a central role in global affairs. Of course Europe was not everything but in reality for most of the last three centuries Europe was at the center of everything<sup>1</sup>. In 1914 European order was world order. The interests, ambitions and rivalries of the European empires have shaped the world politics. The First World War was also known as the European war. In 1919 it was the American President Woodrow Wilson who re-ordered the world, but his vision for global peace was primarily an attempt to re-order Europe.<sup>2</sup> In the wake of the WWII two non-European powers, the United States and the Soviet Union emerged as the global super-powers, but Cold war order still was a Europe-centered order because the future of Europe was the ultimate prize in the Cold War contest and both democratic capitalism and Soviet communism were European ideologies.

In 1989-91 we witnessed the emergence of a distinctly European model for international conduct that was based on a set of assumptions and practices radically different from the global order. In August 1989 Communist authorities crashed pro-democracy movement in China. By contrast in Europe the ruling communists agreed to a peaceful transfer of power-thus rejecting the use of force as a legitimate political instrument. This choice to solve differences without military intervention made Europe different from the rest of the world. “What came to an end in 1989,” wrote British diplomat Robert Cooper, summarizing the new situation, “was not just the Cold War or even the Second World War. What came to an end in Europe (*but perhaps only in Europe*) were the political systems of three centuries: the balance of power and the imperial urge”<sup>3</sup>

The key elements of this new European order were a highly developed system of mutual interference in each other’s domestic affairs and security based on openness and transparency. The new post-modern security system did not rely on a balance of power; nor did it emphasize sovereignty or the separation of domestic and foreign affairs. It rejected the use of force as an instrument for settling conflicts and promotes increased mutual dependence between European states. The post-modern European order was not interested in changing the borders of Europe or in creating new states/like after the WWI/. It did not attempt to move people in order to secure these borders/like after WWII/. After 1989, Europe’s ambition was to change the nature of the borders, to open them for capital, people, goods and ideas. The political leadership of the old continent “banned” themselves from thinking in terms of maps. Cartography was displaced by various economic graphs that documented the financial and commercial interdependence of Europe. Territorial imagination was replaced by the GDP imagination.

Moscow’s annexation of Crimea made clear Russia’s rejection of this order. After 1989 it was Soviet Union and not Russia that sought a place within the European model. For the late Soviet leaders the expansion of European order of soft sovereignty and economic interdependence was the only way to protect their empire from drive for independence and national sovereignty by the different Soviet republics. Faced with the choice between post-modernity and disintegration Gorbachev opted for post-modernism co-signed the Paris Charter with its the vision of a common European home.

It was Soviet Union and not Russia that tacitly agreed with the NATO’s expansion to the German Democratic Republic. But Gorbachev’s attempt to save Soviet Union by joining the Western world has failed. And unlike the Soviet Union post-Soviet Russia was a separatist project and not surprisingly Moscow was in defense of a classical 19<sup>th</sup> century concept of sovereignty. What makes Russia different was its conviction that sovereignty is not a right it is capacity. Only Great powers could be really sovereign. Sovereignty does not mean a seat in the UN General Assembly it implies economic independence, military power and cultural identity.

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<sup>1</sup> (Box-we should pick some data to illustrate Europe’s dominance-how much territory was controlled by European powers, GDP, finance, trade)

<sup>2</sup> Deluge

<sup>3</sup> The Breaking of nations

Russia's foreign policy in the first two post-Cold war decades was a strange mixture of conservatism and resentment. Russia was pro-status quo power because it valued its position as a successor of one of Cold war super-powers/with a permanent seat on the UN Security Council/ but at the same time Russia was resentful to the fact that post-Cold war European order was anchored in Western institutions like NATO and the EU. In 21<sup>st</sup> century Russia was in a constant search of new European order. In this sense Kremlin's violation of the territorial integrity of Ukraine did not mark the beginning of the crisis of post-Cold war European order but the final stage of the crisis.

The question now what should Europe do in the face of this rejection? How should Europe react to the literal attack on its principles and model?

The fact is that most of the world has never accepted this new European order even if Europeans saw this approach as universally applicable. Robert Kagan famously described Europeans as Venusians faced by world of Martians.

The crisis in Ukraine revealed that many non-Western powers are uninterested in investing in the preservation of Europe's post-modern order. Brazil, China, India, and South Africa did not join the efforts of the West to punish Russia. They abstained in a UN General Assembly vote to sanction the country. Then, they used the standoff between Russia and the West as an opportunity to close some big commercial deals with Moscow. For them, the crisis in Ukraine was a local European crisis and not a global one. They see the European order as a distinctive regional settlement based on the principles and norms different than ones that regulate the global order.

In short, Russia's annexation of Crimea made Europeans suddenly realized that EU political model is although exceptionally good, but not universal. Europe came up with an international order that is highly successful when not challenged by the rest of the world, but unlikely to become a global norm. What till yesterday was Europe's universalism today looks like as Europe's exceptionalism.

Suddenly, Europeans realized they couldn't take peace for granted any more. They couldn't rely on international treaties or international institutions to protect the borders of their states. And they were shocked to discover that economic interdependence turns out to be rather a source of insecurity than of security.

### **Russia's Revolt Against Globalization**

In his September speech at the General Assembly of the United Nations Russia's foreign minister Sergei Lavrov asked for a declaration "on the inadmissibility of the interference into the domestic affairs of states and non-recognition of coup d'état as a method of the change of power".

Lavrov's speech is a powerful demonstration that instability within states, rather than rivalry between states, is the leading cause of international crises today. The behavior of the most influential global actors is shaped less by their strategic geopolitical ambitions than by their efforts to manage a swelling domestic backlash against globalization. Condemning "foreign interference" in other countries' domestic politics Lavrov spoke to the fears of West's back color revolutions in authoritarian states like China or Iran but also to the West's growing fear of the export of militant Islam by countries like Qatar and Saudi Arabia. In his classical book "Revolution and War" American scholar Stephen Walt has argued that revolutions intensify security competition and increase the probability of war by altering each side's perceptions of the balance of threats. Revolutions foster "malign perceptions of intent and a perverse combination of insecurity and overconfidence based primarily on the possibility that revolution will spread to other countries".

“The end of power”<sup>4</sup> rather than the shift of power explains the emergence of the new global disorder. “In the twenty first century- wrote Moses Naim-, power is easier to get, harder to use- easier to lose”. What we witness is the increased ability of the weaker party to inflict casualties on its opponent at lower cost to itself. Political instability within states has become the common feature of both democratic and non-democratic regimes. In the last five years after the Great Recession of 2008 a mass political protests has shaken more than 70 countries in the world. Sometimes the protests succeed to topple the government but in most of the times they succeed to disrupt the work of the government. Global public opinion as a rule took the side of the anti-establishment protesters. These protest movements while mostly fuelled by domestic grievances in the eyes of Kremlin are direct result of the unwillingness of the architects of the post-Cold war order to put sovereignty at the center of international politics. What Russia wants from international community is an international order that will discourage people from marching on the streets and Moscow expects when people end up on the streets anyway international community to take the side of the government in power regardless of the record of the government. Kremlin’s problem is that such an international order is simply impossible in the interconnected world, West’s problem is that we have underestimated the risks coming out of the interconnected world.

In the post-Cold war period Europe has proved itself incapable of reading Moscow’s signals correctly. Its inability to appreciate the intensity of Russia’s resentment to the European order is rooted in the EU’s proclivity to think of Russian-European relations after the Cold war as a win-win game and to see the Union itself as a benevolent, vegetarian power that no reasonable actor could view as a threat. Until the Crimean annexation, the West assumed that Russia could only lose by challenging the international order and especially by questioning the inviolability of internationally recognized borders on which control of its own exposed south-eastern flank seemingly depends. European leaders had persuaded themselves that, behind closed doors, what Russia really fears are China and the spread of radical Islam, and that Russia’s endless complaints about NATO enlargement or America’s anti-missile defense system in Europe were simply a form of popular entertainment aimed at a domestic audience for television news. The problem is, these Western assumptions were wrong.

European leaders and European publics failed victim of their cartoon vision of the nature and capacity of Putin’s elite. The stories of pervasive corruption and cynicism coming from Russia made them believe that Putin’s elite is interested only in money and it will do nothing that threatens its business interests. Russian leaders were crooks but economy minded crooks. This vision of Russia as Russia Inc. turned to be wrong. Russian elites are greedy and corrupt but they also dream about Greater Russia and they wanted Russia’s triumphant return on the global stage. “Putin is a Soviet person-wrote President’s former advisor Gleb Pavlovsky-who set himself the task of revanche, not in a stupid military sense, but in a historical sense.”<sup>5</sup> After 1989, Russia suffered the twice-over humiliation of being a loser in a world that was advertised as a world without losers. In 1989 only 13 percent of Russians believed that their country had external enemies; this view is now shared by 78 percent of Russian respondents. What European leaders failed to realize was that while very few Russians longed for a return to Soviet communism, a majority was nostalgic for the Soviet Union and Moscow’s status as a super-power, “a state that could be respected”. And while Russians for all this period tend to view European Union as reasonable and agreeable power at the same time Russian elites viewed European foreign policy simply as an instrument for America’s strategy to preserve her hegemony in the region. The crisis in Ukraine and Kremlin’s state propaganda related to it succeeded to make the view of the elite a view of the public. According to the independent Levada Center in September 2014 only 19 percent of Russians have positive view on the EU.

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<sup>4</sup> Naim

<sup>5</sup> New Left Review

Thus, building a “civilizational state”, “a castle identity”—a hard-shell state that can be integrated into the global economy only if its domestic politics are sealed off from external influences—has been the principal goal of Putin’s state-building project ever since he acceded to power.

In 1993, the Russian classicist and amateur grand strategist, Vadim Tsimburskiy, published an influential article titled “Island Russia.” Russia’s geopolitical destiny, he argued, was as an island that could best survive by cutting itself off from Europe. In his view, Russia had to break with the legacy of its “three European centuries” and realize that its attempt either to copy Europe (which is how he sees Russian imperialism) or to join Europe will inevitably culminate in tragedy. At a time when globalization was destabilizing the world, he wrote, Russia’s only viable option was to focus on the country’s Far East and on its internal development. Russia was too weak and fragmented internally to succeed in a globalized world.

In this sense, Putin’s actions resemble 19<sup>th</sup>-century Russia imperial politics; but in reality they are part of a worldwide 21<sup>st</sup>-century revolt against globalization. Putin defines the threat coming from the West as a threat to Russia’s political identity and not so much as a threat to Russia’s territorial integrity.

Putin’s improvised Ukrainian gambit is better explained by Kremlin fear of regime change through remote controlled street protest than his fear of NATO expansion. “Occupy Crimea” was a logical response to Moscow’s protesters’ “Occupy Abai” movement. It is Kremlin’s domestic politics and not so much Russia’s security calculations that explain best Moscow’s foreign policy revisionism. Putin’s contract with society based on constantly improving of the material wellbeing of the average Russian for the exchange of citizens’ withdrawal from politics collapsed during the Moscow’s 2012 winter of discontent. Russia’s economy is in stagnation while Russian society got politicized.

From Kremlin’s perspective, the heart of regime’s vulnerability lies in the Russian elite’s cultural and financial dependence on the West. This is why nationalization of the country’s elites became Putin’s major objective. The open confrontation with the West was a strategy adopted well before the fall of Yanukovych and it meant to scandalize the West with the conscious purpose of increasing Russia’s economic, political and cultural isolation from the West. Putin’s war on sexual minorities and his annexation of Crimea are taken from pages of the same playbook. Putin has conceptualized the very existence of the post-Cold war European order as a threat to Russia’s strategic interests.<sup>6</sup>

## **Sanctions and the Paradox of Russia’s Isolationism**

In a January 8, 1962 speech that remained secret for over forty years, Soviet leader Nikita S. Khrushchev announced to his colleagues in the Kremlin that the Soviets were so thoroughly outmatched in the superpower struggle that Moscow’s only option was to seize the initiative in international affairs. Some decades hence future historians may unearth a similar secret speech delivered to his inner circle by President Vladimir Putin in February 2014, that is, at the moment when he decided to annex Crimea in order to disguise the fact that Russia had lost Ukraine and that Russia has failed to compete economically.

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<sup>6</sup> We can, of course, speculate about historical parallels when it comes to the anti-cosmopolitan uprising of the Russian rulers. Whenever Russia opens itself to the world, there may be a point where panic sets in and the country’s authoritarian leaders hysterically reverse course, returning to isolationism with a vengeance. Something of this sort happened after Russia’s victory over Napoleon in the 19<sup>th</sup> century. In 1946, Stalin launched his infamous campaign against cosmopolitanism, and hundreds of thousands of Soviet soldiers were sent to the camps because the regime feared that they had seen too much of Europe. Could we not be witnessing something similar, though much less murderous, today?

The paradox of Russia's isolationism is that although the Kremlin wants to increase Russia's insulation from the world, it lacks the capacity to do. In the early 1960s, having decided to cut East Germany off from the West, the Soviets erected a Wall through the center of Berlin. Putin does not have capacity to do anything of the sort. He cannot stop trading with the world and he lacks an ideology capable of convincing Russians that, in their glorious isolation, they will own the future. So what has he done? Putin's judo logic is in display. In analyzing Russian President's way of thinking Pavlovsky insists that Putin is unwilling to fight global trends and use up his resources. He believes that "you have to take the resources of the trend and achieve what you want with them". Kremlin has manufactured a crisis so that it is now Kiev that hopes to build a wall along the Russian border, a crisis that allowed him effectively to discipline his offshore elites. Russian officials who initially disobeyed their President's repatriation directives and kept their money in Western banks are now sending the money back home, fearing Western sanctions. And, not accidentally, the business that has suffered most from the quasi-war in eastern Ukraine has been Russia's tourist industry. This summer, 30 percent fewer Russian tourists went to Europe than traveled there in 2013.

### **The West has become an accomplice in Putin's effort to disconnect Russia from the world.**

This brings us naturally to the question of Western policy: Do economic sanctions make sense in light of Putin's strategy of using the power of the West to do what he cannot do on his own, namely to unravel the connections that, for the past quarter century, Russia's economic elite have woven with the West and to re-orient Russia away from Europe?

Faced with Russia's annexation of Crimea and Kremlin's role in the de-stabilization of Eastern Ukraine the West had no other alternative but to react forcefully and to make Russia to pay for her actions. The Western leaders were well aware that Kremlin's game of escalation and de-escalation in Donbas creates the risk that the EU has been turned into the proverbial frog that, placed in a pot of cold water that is gradually heated, never realizes the danger it's in and is boiled alive. At the same time it was clear from the very beginning that the West is not ready and willing to use military force to change Russia's aggressive behavior and that it could not hope that Kremlin's intervention in Ukraine will mobilize anti-government sentiments in Russia. On the contrary in the short term Russian public opinion is an obstacle in finding a peaceful solution in Ukraine and the West has a good reason to fear not only Putin's Russia but also post-Putin's Russia.

Sanctions were the West's only possible weapon. They are intended as nonviolent foreign policy alternative to military intervention. They signal the resolve of the countries that impose sanctions to reverse the situation they strongly disapprove. They also try to impress on the sanctioned country how dependent it is on those who impose sanctions. But, sanctions are also clumsy tools which are hard to design, difficult to implement and sometimes impossible to enforce. Jeremy Shapiro, an expert at the Brookings Institution and a former member of the State Department's policy planning staff, was right to stress that "Russia is bigger than all of our previous sanction targets put together. It has a lot more links with the world economy than any other country sanctioned in the past." It is also well positioned to survive a relative short period of sanctions because of its currency reserves and the nature of its economy.

EU's sanctions practice has been a reality since a Council Regulation in the early 1982 that partially restricted trade with the Soviet Union to protest against its role in the crackdown of the Solidarity movement in Poland. But sanctions were not a classical Cold War weapon. The union used sanctions very rarely in the 1980s. Soviet system was too self-sufficient in order to be overthrown by sanctions. It was the Balkan wars that triggered more frequent and more systematic use of the instrument in the 1990s. Following the end of the Balkan crisis, the frequency of the use of sanctions fluctuated, but beginning in 2010, EU sanctioning activity really

took off. From 2010 to 2011 the number of relevant decisions more than trebled, jumping from 22 to 69, most of them concerning measures against Libya, Iran, and Syria (see figure 1 for a tally of EU sanctions decisions<sup>7</sup>). Sanctions were demonstration of power in the absence of military force. It was like those weapons from science fiction movies that do not kill the enemy but simply sends him to sleep.

*The paradox of the sanctions is that they strife on interdependence but they also undermine it. They reveal West's dominant position in the international order but they also threatens this dominance by making other players fear West's hegemony and give them incentive to de-globalize. So, in judging the impact of the sanctions we should be interested not only how successful they are to hurt Russia but how do they influence the policies of the non-western powers when it comes to security based on economic interdependence.*

The paradox of Russian isolationism is that sanctions can be effective in damaging Russia's economy/and they are effective/<sup>8</sup> while at the same time they may facilitate Putin's plans for limiting Russia's exposure to the West. In a speech to the Russian National Security Council, Mr. Putin declared government's readiness to build a backup system to keep websites in the Russian domains — those ending in .ru and .rf — online in a national emergency, in other words Kremlin is ready to nationalize the Internet on the territory of the country. Russia Duma also voted a law that forbids foreign companies to be majority stakeholders in Russian media. Sanctions while targeting Putin's cronies also have marginalized pro-Western members of Russian elite. "You [in the West] reason that the sanctions will split the elite and force Putin to change course, but that's not what is happening," a billionaire investor told Financial Times. "On the contrary, you are destroying those in Russia who are friends of the West. The soloviki ["the heavies?"] have been strengthened more than ever before." Sanctions also assist Putin in his strategy re-orient Russia's trade away from the West. In Bruegel policy brief published September 30 this year Silvia Merler has shown that while FDI flows from Europe to Russia have been shrinking significantly in the last three quarters up to March 2014, FDI flows from Asia - mostly China - picked up to high levels during the same period and literally exploded in the first quarter of 2014. During the first three months of 2014, European net FDI inflows to Russia amounted to 2.9 USD billion (2 billion of which coming from the euro area), i.e. down 63% year on year. Asian net FDI flows to Russia were instead 1.2 USD billion (1 billion of which coming from China), i.e. up 560% year on year. And this is not the only sign suggesting that Russia might have been succeeding in re-orienting the geography of its capital flows over the latest months.

## **Dancing with the Bear**

In many aspects the current situation resembles the East-West crisis in the late 1960s and early 1970s. Then like now mass protest movements and economic crisis shook both East and the West. In 1960s domestic political unrest initially provoked more aggressive foreign policy urging the US to escalate their involvement in Vietnam and Soviet Union to invade in Czechoslovakia but with the passing time this strategy of coping with domestic problems have failed both in the East and in the West and political leaders were forced adopt a policy of Detente. Détente looked to its contemporaries as appeasement to Soviet policies of interference in Eastern Europe, two decades later this same policy was recognized as an effective instrument in eroding the fundament of Soviet communism.

What makes Russia different than the other emerging powers is that it is more inclined than any other power not to think in economic terms. The fact that Russia is economically uncompetitive while at the same time military powerful/it is planned that till 2020 Russian army

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<sup>7</sup> "The role of sanctions in EU Foreign Policy", Stefan Lehne, December 2012

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will modernize 70 percent of its armament/ in combination with the one dimensional nature of its economy makes Russia much more prone to political adventures than any other of the emerging global powers.

In the last months Western policy makers have been preoccupied how to press Russia to change its policies in Ukraine and how to protect the territorial integrity and political stability in the EU member states bordering Russia. Responding to Russia's propaganda war against "the decadent Europe" was another priority. But not much thought have been put on how re-engagement with Russia could take place if Russia decided to play a more constructive role in Ukraine.

Return to business as usual is not an option nether for the EU or for Russia. Putin's strategy does not envision return to the post-Cold war status quo. The West could not close its eyes to Putin's blunt violation of international law. So, what is the way out of the current policy paralysis?

Lifting sanctions is not a strategy it could only be an element of a strategy. Keeping sanctions forever is not a strategy too. Europe's re-engagement with Russia makes sense only if Europe forces Russia to move back to economic field. And the paradox of the current situation is that now when Russia got Crimea and lost Ukraine, the best hope for "Europeanization of Russia" is EU's support for Eurasian Economic Union. In a insightful paper "Eurasian Union: the real, the imaginary and the likely" Paris based analyst Nicu Popescu provides insightful analysis of the internal contradictions of Moscow's project for re-integration of the post-Soviet space demonstrating that the Eurasian Union is a flawed integration project. Russia's ambition to form Eurasian Union resembles an ill-concealed attempt to restore the Soviet Union. While the EU was an enterprise of several European states quite similar in size, it is obvious that Moscow will dominate the Eurasian Economic Union (Russia will represent 90 percent of the GDP of the Union) and that it will function as Russia's sphere of influence. Economists have figured out that the positive effect of this regional integration will be minimal, because "in the two decades following the dissolution of the USSR, Russia's weight and importance as a trading partner for most post-Soviet states have declined. As a result, the EU and China are bigger trading partners than Russia for every post-Soviet country except Belarus and Uzbekistan". The prospect of free movement of labor is probably the single most attractive feature of the Eurasian Union from the point of view of most post-Soviet states. The Eurasian Union is a union between authoritarian regimes whose goal is to strengthen authoritarianism. What is common between Russia, Belarus and Kazakhstan is strong leaders, weak institutions and no legitimate mechanism for succession. All these arguments are fair and correct. Eurasian integration is flawed project and this flawed project is EU's best chance to keep Russia's interdependence with the EU while allowing the EU to preserve its post-modern nature. Engagement with the EEU/Russia, Kazakhstan, Belarus and in future probably Armenia and Kyrgyzstan/ means that the EU recognizes Russia's right to have an integration process of its own. It also means that at this moment the EU recognizes the borders of the Eurasian Union as the borders of its own integration project. But while EU's acceptance of the EEU as a trading partner creates some administrative difficulties for Brussels and it looks as Moscow's success, it offers real opportunities. It drifts the completion between Russia and the West on the economic field where Russia could not win.

Negotiating with the Eurasian Union will reduce some of the advantages that Russia enjoys in its current negotiations with the EU. Brussels will increase its leverage playing on the different views between Eurasian Economic Union member states. Kazakhstan's and Belarus's maneuverings after Russia's annexation of Crimea are best illustrations that Astana and Minsk are reluctant vassals to Kremlin. The recognition of the Eurasian Union will weaken Kremlin's policy to think in terms of Russia's world and thus will reduce the pressure on Russian minorities abroad. Because Russia's minority centered foreign policy is a threat for the Baltic states but also for Nazarbaev. And last but not least the EU leaders will not need to negotiate with Vladimir Putin. What makes the EEU the best policy to resist Russia's suicidal isolationism is the fact that



unlike the notion of Russia's world EEU is organized around the idea of economic interdependence and it promotes certain type of constraint on Russia's policy. It helps liberal economists to re-capture some of their lost influence and it presents the only available system of constrains when it comes to Kremlin's power.

“When you dance with the bear-observed late Robert Strauss, American politician who had a first hand experience with East-West policies in the 1960s and 1970s, “you don't quit when you are tired; you quit when the bear is tired.” What he actually meant is that you quit “when you have succeeded to exhaust the bear”. And this is exactly what the EU should do.