

Background

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The Failure of the “Russia Reset”: Next Steps for the United States and Europe

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Abstract: *The policies of the United States and the European Union should encourage and support Russian civil society and Russia’s democratic modernizers. And, if Russia continues to abrogate its international commitments to basic freedoms and human rights, the U.S. and the EU must stand up for democratic values and make it clear that Russian aggression will not be tolerated. President Obama’s Russia “reset” policy achieves the opposite. Just as the U.S. reset has shaped European thinking, overly lenient signals from the EU to Russia will have a negative effect on U.S. interests, including support of democracy and promotion of economic freedom. The U.S. should collaborate with individual European allies as well as the European Union to set an agenda that better defends transatlantic interests from Russian aggression.*

President Barack Obama’s Russia “reset” policy has encouraged European Union politicians who have long advocated a “softly, softly” approach toward Russia to push for a “fast-forward” in Brussels’ relationship with Moscow. Clearly alluding to President Obama’s Russia-policy pronouncement at the EU–Russia summit in June 2010, President of the European Council Herman van Rompuy stated: “With Russia we do not need a ‘reset.’ We want a ‘fast forward.’”¹

If the EU follows the U.S.’s “reset” example, it will find itself undercutting several of its

Talking Points

- The U.S. reset policy with Russia has encouraged the European Union to push for a “fast-forward” in Brussels’ relationship with Moscow.
- A fast-forward of the EU–Russian relationship is being led by France and Germany, and ignores the foreign policy concerns of many Central and Eastern European member states about Russian revanchism.
- The U.S. reset experience demonstrates that Russia will continue to pursue its strategic interests regardless of concessions offered by Washington—vis-à-vis Iran, for example.
- The EU has failed to send Moscow the message that Russia’s strategic goal of establishing a sphere of influence in Eurasia is a red line that has no place in modern Europe.
- The EU should not seek a “fast-forward” in the EU–Russian relationship, and should instead concentrate on promoting human rights, advancing democracy in its eastern neighborhood, and securing energy independence from Moscow.

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members' foreign policies, and will invariably trade away some of their interests. Further, the EU will have to neglect the democratic aspirations of many former Soviet Republics in Europe's eastern neighborhood and quell even further its criticism of Russia's appalling human rights record, issues that the Kremlin considers to be red lines.²

Such developments are not in Europe's or in America's interest. Just as America's reset has shaped European thinking on relations with Moscow, an overly cozy EU–Russian relationship will affect U.S. interests, including promotion of economic freedom, support of democracy, prevention of redrawing borders by force, creation of free energy markets around the world, and preservation of long-standing alliances.

The U.S. reset experience has already demonstrated that Moscow merely uses such initiatives to engineer enormous concessions from the West, while conceding almost nothing in return. An EU–Russian reset will encourage Moscow to pursue its strategic objectives more aggressively, including the establishment of a sphere of influence in Eurasia.

The U.S. should therefore work with individual European allies as well as the European Union to set an agenda which better defends transatlantic interests from Russian aggression. The EU should focus its time and budget on areas where it has a genuine contributory role—such as promoting human rights and advancing democracy in its eastern neighborhood. The EU should not seek to appropriate powers that are better left at the nation-state level, such as defense planning. The EU must also resist its tendency to defer its Russia policymaking to Franco–German leadership and should instead listen to all of its members—especially those in Central and

Eastern Europe, who have the most experience with Moscow. The EU and the U.S. should further make it clear to Russia that human rights are not a peripheral concern to its policymakers. Finally, Europe, Brussels, and the U.S. should prioritize resolution of the Iranian nuclear crisis, and challenge Russia to implement stronger sanctions against the world's foremost state sponsor of terrorism.

Russian Foreign Policy: Undemocratic and Unfriendly

As President of Russia (2000–2008), Vladimir Putin united Moscow's leaders around an increasingly nationalist foreign policy that sought to actively challenge American leadership in Europe and project Russian power in its neighborhood. As prime minister, Putin continues to lead Russian foreign policy thinking, and he has directed President Dmitry Medvedev to frustrate key U.S. policy goals, including NATO enlargement, U.S. missile defense installations in Europe, and the strengthening of U.S. bilateral relations with former Soviet satellite countries. Putin craves reclamation of Russia's empire days, exemplified by his 2005 description of the collapse of the Soviet Union as “the greatest geopolitical catastrophe of the 20th century.”³ His reclaim on the presidency come 2012 looks set to continue this neo-imperialist trend in Russian foreign policy thinking, and his creation of an even more authoritarian regime.

Russia is overtly hostile to Europe's institutional architecture, and in particular, NATO. As Russian ambassador to NATO Dmitry Rogozin stated in 2009: “We're told by the West that they like NATO and the EU as it is: ‘They suit us fine.’ Well, they do not suit us.”⁴ Rogozin was restating long-standing Russian policy that Europe needs new security

1. Adelina Marini, “The EU Does Not Need a Reset of Its Relations with Russia,” *EU Inside*, June 2, 2010, at <http://www.euinside.eu/en/news/eu-does-not-need-to-reset-its-relations-with-russia> (December 19, 2011).
2. Ariel Cohen, “Reset Regret: U.S. Should Rethink Relations with Russian Leaders,” Heritage Foundation *WebMemo* No. 3294, June 15, 2011, at <http://www.heritage.org/Research/Reports/2011/06/Reset-Regret-US-Should-Rethink-Relations-with-Russian-Leaders>.
3. “Putin Deplores Collapse of USSR,” BBC News, April 25, 2005, at <http://news.bbc.co.uk/2/hi/4480745.stm> (December 19, 2011).
4. Dmitry Rogozin, “Russia, NATO, and the Future of European Security,” Chatham House, February 20, 2009, at http://www.chathamhouse.org.uk/files/13622_200209rogozin.pdf (December 19, 2011).

architecture that recognizes Russia's privileged position along its periphery and, by implication, downgrades the transatlantic alliance.⁵

Russia categorically rejects—and bristles at—outside criticisms of its poor human rights record and its curtailing of media freedoms and opposition activities. In 2006, one of Putin's top aides, Vladislav Surkov, argued that Brussels and Washington must accept Moscow's assurances on these issues henceforth, that they are matters for the Russian people and not of concern to external organizations, such as the EU.⁶

These policy tenets are fundamentally incompatible with the EU's stated desire to fast-forward relations with Russia, as well as with the U.S. reset policy. However, President Obama's singular commitment to the reset policy has given EU elites a green light to brush aside many of the Central and Eastern European member states' deeply held concerns about Russian foreign policy. In Washington, Central and Eastern European diplomats and politicians have been unable to effectively convey their concerns about the U.S. reset policy for fear of being seen as “anti-Russian.”⁷ The Obama Administration has made it clear that it wishes to hear no bad news about its prized Russian reset policy.

The EU should not neglect its Central and Eastern European members—who have long histories with Russia, and the most experience to draw upon. The U.S. and the EU must begin to see Russia as it is, rather than what they wish it were. Reports that a Russian intelligence officer may have been behind an explosion near the U.S. embassy in Georgia in 2010 must result in a robust U.S. investigation, for instance.⁸ The U.S., the EU, and individual European nations must also unequivocally state their support for the re-establishment of the territorial integrity of

Georgia—and not allow Russia to “invoke international law only when they feel like it,” argues Terry Davis, Secretary General of the Council of Europe.⁹ Until Russia demonstrably proves that it wishes to be a transparent and democratic partner to *all* of Europe, rather than an *ad hoc* ally to some, the European Union should not upgrade its relations with Moscow.

Why the U.S. Cares About EU–Russian Relations

The United States has global interests. Key U.S. interests include countering terrorism, preventing nuclear proliferation, promoting economic freedom, supporting democracy, preventing the redrawing of borders by force, creating free-energy markets, and maintaining long-standing alliances. Despite a 40-year Russian occupation of Central and Eastern Europe in the 20th century, the U.S. now finds its greatest number of democratic allies who share both its goals and interests there; thus, it is not merely appropriate, but necessary that the U.S. concern itself with European–Russian relationships to the extent that they affect U.S. interests.

A Russia where the Putin administration has exclusive control of the levers of political and economic power has not served U.S., European, or Russian interests. His undemocratic stranglehold on power did not dissipate during the Medvedev presidency, and Putin's likely return to that office in 2012 further ingrains his grip on power. This fact also matters enormously in Eurasia, where Putin has single-mindedly pursued a sphere of “privileged interests” and declared the creation of a “Eurasian Union” his goal. It also matters in terms of U.S. efforts to create free markets in the global energy sector. Russia wants to expand its market share of European energy; has no interest in European ener-

5. Ellen Barry and Mark Mazzetti, “U.S. Ties a Russian to Bombings in Georgia,” *The New York Times*, July 28, 2011, at <http://www.nytimes.com/2011/07/29/world/europe/29georgia.html> (December 19, 2011).

6. Andrei Okara, “Sovereign Democracy: A New Russian Idea or a PR Project?” *Russia in Global Affairs*, No. 2, July–September 2007, at http://eng.globalaffairs.ru/number/n_9123 (December 19, 2011).

7. Comments to author by European diplomats who wish to remain unnamed.

8. Barry and Mazzetti, “U.S. Ties a Russian to Bombings in Georgia.”

9. “Reaction to Russia's Recognition of Rebels,” BBC News, August 26, 2008, at <http://news.bbc.co.uk/2/hi/europe/7582367.stm> (December 21, 2011).

gy independence; and will take active steps to counter diversification of energy supplies and suppliers. It further matters in terms of U.S. relations with the young democracies in Central and Eastern Europe, at which Russia has sought to chip away.

An authoritarian Russia has already demonstrated that it is prepared to exercise a foreign policy that often undermines U.S. interests. As The Heritage Foundation's Ariel Cohen and the Army War College's Stephen Blank argue: "Russia [is] working with her partners toward a future where U.S. power is so diminished that it cannot act without Moscow's permission."¹⁰ Therefore, America and Europe have a stake in supporting democratization inside Russia, as well as in pushing back against Putin's zero-sum foreign policies. Europe, the EU, and the U.S. must coordinate their approaches to Russia carefully, and ensure that Moscow pays a price when it deliberately harms Europe and U.S. interests.

Challenges to the EU–Russian Relationship

At the Deauville summit in October 2010, Germany, France, and Russia prepared the ground for deepening EU–Russia cooperation. The trilateral summit was widely regarded as a re-embrace of Russia following a temporary disruption in relations after the Russia–Georgia war in 2008. Diplomatic cables have since demonstrated the extent to which President Nicolas Sarkozy pushed aside Swedish and Polish objections to the EU restoring a “busi-

ness as usual” approach with Russia—despite the fact that Russia remains in violation of a French-brokered ceasefire between Russia and Georgia.¹¹ Sarkozy's spirit of rapprochement was underscored by Chancellor Angela Merkel's endorsement of one of Russia's primary goals—the advancement of a new European security framework: “We need a modern agreement between Europe and Russia for today's world.”¹²

The new European Security Treaty (EST) proposed by Moscow has already been rejected by Washington, however, and security policy is not an area in which the EU has a strong negotiating hand.¹³ The EU should not back the EST since it is not in a position to speak for its 27 members on this issue (not to mention that the EST would downgrade the transatlantic alliance and further decouple NATO from the EU).¹⁴ The 2009 Lisbon Treaty has demonstrably not made the EU a more effective foreign policy actor,¹⁵ and the EU should therefore focus on forming a relationship with Russia that more effectively makes use of the EU's competences—in the trade arena, for example. Three issues in particular should top the EU–Russia agenda: (1) how to promote human rights and democratization in Russia; (2) how to support the sovereignty of states in the shared EU–Russia neighborhood; and (3) promoting an economic and energy relationship based on free-market principles. Prioritizing these three issues should also have the support of the U.S. as they are consistent with American global interests.

10. Ariel Cohen and Stephen Blank, “Reset Regret: Russian Global Strategy Undermines American Interests,” Heritage Foundation *WebMemo* No. 3333, August 3, 2011, at <http://www.heritage.org/Research/Reports/2011/08/Reset-Regret-Russian-Global-Strategy-Undermines-US-Interests>.
11. Andrew Rettman, “Cablegate: France Bullied Poland over Georgia War,” *EU Observer*, March 8, 2011, at <http://euobserver.com/9/31941> (December 20, 2011).
12. “Agreement Between Europe and Russia to Be Reached Swiftly,” Press and Information Office of the [German] Federal Government, October 19, 2010, at http://www.bundesregierung.de/mn_6562/Content/EN/Artikel/2010/10/2010-10-18-deauville-ankuendigung__en.html (December 20, 2011).
13. Hillary Rodham Clinton, “Remarks on the Future of European Security,” U.S. Department of State, Paris, January 29, 2010, at <http://www.state.gov/secretary/rm/2010/01/136273.htm> (December 20, 2011).
14. Sally McNamara, “Russia's Proposed New European Security Treaty: A Non-Starter for the U.S. and Europe,” Heritage Foundation *Backgrounder* No. 2463, September 16, 2010, at <http://www.heritage.org/research/reports/2010/09/russia-s-proposed-new-european-security-treaty-a-non-starter-for-the-us-and-europe>.
15. Sally McNamara, “How President Obama's EU Policy Undercuts U.S. Interests,” Heritage Foundation *Backgrounder* No. 2521, February 16, 2011, at <http://www.heritage.org/Research/Reports/2011/02/How-President-Obamas-EU-Policy-Undercuts-US-Interests>.

Human Rights and Democratization in Russia. Russia's lack of democratic freedoms sharply separates it from Europe and America, and Moscow's authoritarian tone on the world stage is very much mimicked domestically.¹⁶ The politically motivated prosecution of businessman and opposition activist Mikhail Khodorkovsky is just one high-profile example of Russia's overt politicization of its judiciary. The state's arbitrary re-nationalization of the Yukos oil company's main assets in 2004 also showed little respect for the rule of law. Opposition leaders, including former chess champion Garry Kasparov and Boris Nemtsov, are frequently arrested and prevented from organizing their supporters. The Party of People's Freedom—a political party supported by high-profile opposition leaders—has been denied registration by the Russian Ministry of Justice. Journalists critical of the Kremlin are regularly assaulted or assassinated, as was the case with Anna Politkovskaya. The Russian state controls two of the three main terrestrial TV channels—which is the main source of news for most Russians—and the state-controlled energy company Gazprom owns the third.¹⁷

As Freedom House notes, since 2000, Russia's overall freedom score has progressively declined.¹⁸ Reporters Without Borders places Russia at place 140—of 178 countries—in its *Press Freedom Index*.¹⁹ The Heritage Foundation's *Index of Economic Freedom* places Russia at place 143 (of 179 countries).²⁰ As Heritage fellow Steven Groves stated in 2007 at the height of Putin's presidency:

The current Moscow power establishment is leading Russia back in time. Instead of moving forward toward a nation that cherishes and protects freedom and democracy, the establishment is creating a state and body politic dominated by a new breed of oligarchic groups composed of security officers and their business allies. The Russian media are no longer free and unrestricted. With the exception of a few minor showcase outlets and the Internet, the media are dominated by the Kremlin and its allies. The majority of political parties are under state control, and the activities of nongovernmental organizations (NGOs) with foreign ties are under severe scrutiny. Russia is no longer a free nation.²¹

The semi-annual “European Union–Russian Federation human rights consultations,” constituted in March 2005 for the purpose of having “a substantial dialogue on human rights issues in Russia and the EU,” have not resulted in democratization along the lines that Brussels considers normal for a European democracy.²² Individual rights, freedom of speech, and the right to equal protection under the law are all lacking in modern Russia. Evaluating the program, the Paris-based International Federation for Human Rights stated:

While between 2005 and 2010, eleven rounds of human rights consultations have been held, eight Russian human rights defenders, including direct interlocutors and active par-

16. Ariel Cohen and Donald Jensen, “Reset Regret: Moral Leadership Needed to Fix U.S.–Russian Relations,” Heritage Foundation *WebMemo* No. 3306, June 30, 2011, at <http://www.heritage.org/Research/Reports/2011/06/Reset-Regret-Moral-Leadership-Needed-to-Fix-US-Russian-Relations>.

17. “Russia Country Profile,” BBC News, December 8, 2011, at http://news.bbc.co.uk/2/hi/europe/country_profiles/1102275.stm#media (December 9, 2011).

18. Steven Groves, “Advancing Freedom in Russia,” Heritage Foundation *Background* No. 2088, November 28, 2007, at <http://www.heritage.org/research/reports/2007/11/advancing-freedom-in-russia>.

19. *Press Freedom Index 2010*, Reporters Without Borders, at <http://en.rsf.org/press-freedom-index-2010,1034.html> (December 20, 2011).

20. Terry Miller and Kim R. Holmes, *2011 Index of Economic Freedom*, (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2001), at <http://www.heritage.org/index/ranking>.

21. Groves, “Advancing Freedom in Russia.”

22. “Freedom, Security and Justice,” European External Action Service, at http://www.eeas.europa.eu/russia/common_spaces/fsj_en.htm (December 2011).

ticipants to the process, were assassinated... EU–Russia human rights consultations have neither contributed to an improvement of the human rights situation in Russia, nor increased the level of support to Human rights defenders. On the contrary, they have highlighted the lack of willingness (*sic*) of the Russian Government to improve the modalities of the consultations and its human rights record.²³

With another Putin presidency likely, it is impossible to picture an improvement of Russia's human rights record in the near future. It is also difficult to see how the EU–Russia human rights consultations can have any effect, as Putin has explicitly rejected international criticism on this issue. To the extent that Russia is willing to discuss human rights with Brussels at all, it insists that such discussions should be conducted separately from discussions on trade, energy, and the geographic neighborhood. On his first overseas trip as president of Russia, Medvedev declared that Moscow will pursue democratization as it sees fit and proper, not according to Europe's normative framework.²⁴

Brussels must make clear that Russia's failure to undertake serious democratic reforms and its relapse into authoritarianism will arrest advancement of the EU–Russian relationship in other areas—especially Moscow's desire to ink a new Partnership and Cooperation Agreement (PCA). By separating issues, Brussels will only play into Russia's hands of picking and choosing its preferred topics for discussion, and undermine any leverage that it might have. Brussels must insist that the topic of meaningful democratization is contained in all its future negotiations with Moscow and is part of the ongoing negotiations for a new EU–Russia PCA.

Furthermore, senior European politicians and EU officials should prioritize high-profile meetings with Russian civil society organizations and opposition activists. On their visits to Moscow, European

leaders should more frequently insist on meetings with human rights groups and opposition spokesmen. The EU should also use its European Instrument for Democracy and Human Rights (EIDHR) budget line to directly support nongovernmental organizations (NGOs) that are verifiably independent of state control.

A Shared Neighborhood. When Russia saw movements for independence and self-determination sweeping across Georgia and Ukraine, it determined that a sphere of influence would have to be a sphere of control. Since Moscow sees the world carved up into poles of power controlled by great nations—where smaller states have little to no say in world affairs—a sphere of control to defend Russia's privileged interests is essential in the eyes of its ruling elites.

However, such an approach should not be acceptable to any democratic European nation, the EU, or the U.S. Germany's maneuvering to block Georgia's accession to NATO's Membership Action Plan (MAP) at the Bucharest Summit in 2008 sent Russia entirely the wrong message, indicating to Moscow that it can effectively use key European allies to determine membership in alliances of which it itself is not a member.

The EU and the U.S. must emphatically reject Russia's neo-imperialist ambitions. The EU must revitalize its Eastern Partnership (EaP) arrangement and support democracy promotion in EaP countries, working closely with the U.S. in the region, too. Given appropriate funding levels and political backing, the Eastern Partnership could contribute to a more democratic and freer Europe. It also represents an area in which the EU should be concentrating its time and resources and where it can genuinely make a difference.

The Eastern Partnership. In early 2009, the EU launched its Eastern Partnership initiative, to open “an ambitious new chapter in the EU's rela-

23. “FIDH Evaluation of EU–Russia Human Rights Consultations,” International Federation for Human Rights (FIDH), November 16, 2010, at <http://www.fidh.org/FIDH-evaluation-of-EU-Russia-human-rights> (December 20, 2011).

24. “Dmitry Medvedev's Speech at Meeting with German Political, Parliamentary and Civil Leaders,” Permanent Mission of Russia to NATO, June 5, 2008, at <http://www.natomission.ru/en/print/46/5/> (December 20, 2011).

tions with its Eastern neighbours.”²⁵ From the start, Russia viewed the EaP as a challenge to its sphere of influence and objected to the EU (and NATO’s) attempts to cultivate Ukraine’s then-westward tilt. Since 2009, Russia has taken decisive action to bring Ukraine back into its sphere—with great success. After Viktor Yanukovich’s return to power in 2010, Ukraine reversed its previous government’s plans to join NATO, and has signed a 25-year lease on Russia’s Sevastopol naval base in the Crimea through 2042 (with an option to extend the lease for a further five years). The Yanukovich government has also imprisoned former prime minister and high-profile opposition leader Yulia Tymoshenko on charges that are widely deemed to be fabricated.

Yet, if only for selfish economic reasons, the Yanukovich government—and most Ukrainian oligarchs who support him—do not want Ukraine to fall into the Russian sphere of influence, join Moscow’s proposed Customs Union, or be corralled into the Eurasian Union, if and when it materializes. Therefore, the EU must look for ways to counter Russian activism in Ukraine, and in the neighborhood more broadly.

As it is construed and funded, however, the EaP is too blunt a tool to do so. Six member states are members of the Eastern Partnership (Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine), and the EaP’s budget is spread over five flagship initiatives: (1) the Integrated Border Management program; (2) a small- and medium-sized-enterprise facility; (3) promotion of regional electricity markets, energy efficiency, and renewable energy sources; (4) development of a southern energy corridor; and (5) cooperation on prevention of, pre-

paredness for, and response to natural disasters and terror attacks. The projects that have been financed under these initiatives are unlikely to effectively counter Russian *revanchism* or project a significant democratizing influence. Although Poland tried to increase the time and attention paid to the Eastern Partnership during its EU presidency (July–December 2011), Warsaw was unable to find significant traction from Western Europe, which remains consumed by the European financial crisis. The EaP made small steps in advancing its profile through a major summit in Warsaw in September, but EaP projects remain small in comparison to the Russian presence in the region.

Several EaP members have also stated that the Eastern Partnership initiative is too loose of an arrangement, and that it is intended to offer an *alternative* to full EU membership, rather than a path to it.²⁶ However, Euro–Atlantic enlargement is a critical incentive that the EU and NATO must continue to extend to countries that want it and have earned it. The EaP should be used as a potential roadmap to full EU membership, with concrete benchmarks. EU and NATO enlargement should not be decisions for Russia to dictate.

However, both the EU and NATO have failed to effectively convey this message to Russia. President Obama did not advance NATO’s enlargement agenda at either the Strasbourg or Lisbon summits and has imposed a “de facto arms embargo on Georgia,” according to *The Washington Times*—despite Georgia being a substantial partner to NATO in Afghanistan.²⁷ This represents nothing less than tacit agreement that Russia’s use of force against Tbilisi will not be punished, and that Moscow can

25. “The Eastern Partnership—An Ambitious New Chapter in the EU’s Relations with its Eastern Neighbours,” Europa.eu, December 3, 2008, at <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1858> (December 20, 2011).

26. Nicu Popescu and Andrew Wilson describe the EU’s neighborhood strategy as “enlargement-lite.” They argue that EaP does not offer members a direct path to EU membership, and instead offers political and economic incentives to align their countries with EU values and the EU’s *acquis communautaire*. Popescu and Wilson, “The Limits of Enlargement-Lite: European and Russian Power in the Troubled Neighbourhood,” European Council on Foreign Relations *Policy Report*, June 2009, at http://ecfr.eu/page/-/documents/ECFR_eastern_neighbourhood_report.pdf (December 20, 2011).

27. Eli Lake, “Russian Agent Linked to U.S. Embassy Blast,” *The Washington Times*, July 21, 2011, at <http://www.washingtontimes.com/news/2011/jul/21/russian-agent-linked-to-us-embassy-blast/> (December 20, 2011).

successfully limit the extension of the Euro–Atlantic family.²⁸ In effect, it grants Moscow veto power over NATO and EU enlargement.

Both the U.S. and the EU must make it clear that there is a price to pay for redrawing Europe's borders by force. Brussels should start by outlining a proactive enlargement agenda for the next decade. Urgently, the EU should re-engage Ukraine by committing itself to ratifying the EU–Ukrainian Association Agreement, which will pave the way for a Deep and Comprehensive Free Trade Agreement (DCFTA).

A DCFTA will require that President Yanukovich reject Moscow's offer of an \$8 billion annual discount on natural gas in exchange for joining the Russia-led customs union. Although the Russian offer may be attractive to Yanukovich in the short term, accepting it would represent a long-term disaster for Ukraine—and for the West. Accepting the offer would signal to Russia that Ukraine has chosen to be in its sphere of influence rather than become part of the Euro–Atlantic family, and it would exclude the opportunity to develop and advance the Ukrainian economy according to free-market principles.

In the absence of this critical trade deal, Europe and the U.S. will have lost another, and perhaps final, opportunity to bring Ukraine into the free and democratic Euro–Atlantic community. After NATO's denial of MAP for Ukraine at the 2008 Bucharest summit—and a 2010 Ukrainian parliamentary vote confirming that, because of the denial, Ukraine will no longer seek NATO membership—the window

closed on Ukraine's NATO ambitions. It behooves the EU, with U.S. support, to avoid Kiev closing the door on its European aspirations entirely.

Energy and Economics. Economic and energy issues are likely to remain the central axis of EU–Russian relations in the near future. Economically, Russia desperately needs European investment, but on the issue of energy, Europe is decidedly more dependent on Russia than it should be. It remains to be seen whether each side can formulate a win-win situation, or whether zero-sum politics will prevail.

Russia's Economy Today. Russia's long-term economic prospects do not look promising at present. As the CIA neatly surmises, "Russia's long-term challenges include a shrinking workforce, a high level of corruption, difficulty in accessing capital for smaller, non-energy companies, and poor infrastructure in need of large investments."²⁹ These problems are not entirely alien to Russia's leadership and in September 2009, President Medvedev officially launched a national modernization program to diversify the economy and move it from its overdependence on energy receipts and develop a more predictable, high-tech and innovative knowledge-based economy.³⁰ However, Russia's modernization agenda has not made significant progress and key indices signify a decaying social and economic environment:

- Pervasive corruption across the economy, which permeates every aspect of doing business;³¹
- Discriminatory trade measures, such as the 2008 Law on Strategic Industries, which have

28. Russia's 2010 military doctrine even defines NATO's eastward enlargement as the main external military danger facing Russia. Roger McDermott, "New Russian Military Doctrine Opposes NATO Enlargement," *Eurasia Daily Monitor*, Vol. 7, No. 27 (February 9, 2010), at [http://www.jamestown.org/single/?no_cache=1&tx_ttnews\[tt_news\]=36023&tx_ttnews\[backPid\]=7&cHash=4835e7096f](http://www.jamestown.org/single/?no_cache=1&tx_ttnews[tt_news]=36023&tx_ttnews[backPid]=7&cHash=4835e7096f) (December 20, 2011).

29. "Central Asia: Russia," in *The World Factbook*, Central Intelligence Agency, December 6, 2011, at <https://www.cia.gov/library/publications/the-world-factbook/geos/rs.html> (December 20, 2011).

30. Dmitry Medvedev, "Go Russia!" President of Russia, September 10, 2009, at <http://eng.kremlin.ru/transcripts/298> (December 20, 2011).

31. Russia ranks in place 154 (of 178 countries) on Transparency International's Corruption Perceptions Index 2010. "Corruption Perceptions Index 2010," Transparency International, at http://www.transparency.org/policy_research/surveys_indices/cpi/2010/results (December 20, 2011).

increased the barriers to much-needed international trade and foreign investment;³²

- Strong state controls on economic activity, which have hampered innovation;³³
- A government held hostage by globally determined energy prices. The tax payments of the state-run gas giant Gazprom alone account for 25 percent of the state budget;³⁴
- A dire demographic outlook, which has recently prompted Putin to pledge \$55 billion to boost Russia's birth rate by one-third over the next five years;³⁵
- Poor educational standards. Russia's previously well-respected universities have been reduced to only three entries in the list of the world's 400 best universities;³⁶
- One of Europe's highest rates of HIV infections. Crucially, 80 percent of infected individuals are from Russia's most economically productive age group;³⁷ and
- Medium to low investor confidence, not least of all due to Russia's arbitrary re-nationalization of Yukos.

The first international speech that President Medvedev made after his inauguration was in Germany,

advocating greater economic cooperation between Russia and Europe.³⁸ Since 80 percent of Russia's foreign investment comes from Europe, the EU has substantial leverage in future economic negotiations with Moscow, and the EU must link these negotiations to the broader question of energy security in order to ensure a more advantageous situation for both sides.

Energy. Russia is currently an energy superpower and Moscow seems determined to use its energy dominance to political as well as economic effect. It has long been Russian strategy to be a reliable energy supplier to Western Europe while holding hostage its immediate neighbors. Russia has cut energy supplies to several of its neighbors in recent years, including gas supplies to Belarus (2010), and oil supplies to Latvia (2003), Lithuania (2006), and the Czech Republic (2008). In early 2009—when Europe was experiencing a particularly cold winter—Gazprom turned off the gas taps to Ukraine in the wake of a major price dispute. However, since Ukraine is a major transit corridor for Russian gas into Europe, gas shortages were reported in several EU member states including Romania, Bulgaria, Greece, and the Czech Republic. Europe was finally awakened to its chronic over-reliance on Russian energy.

32. The Law on Strategic Industries came into force in 2008 and defines 42 sectors in which foreign acquisitions require government approval. The Organisation for Economic Co-operation and Development (OECD) argues that several other discriminatory trade measures were introduced during the financial crisis. "Country Notes: Russia," in *Economic Policy Reforms 2011: Going for Growth*, OECD, 2011, at <http://www.oecd.org/dataoecd/26/16/47471808.pdf> (December 20, 2011).

33. *Ibid.*

34. "Military: Russian Natural Gas," GlobalSecurity.org, November 7, 2011, at <http://www.globalsecurity.org/military/world/russia/energy-gas.htm> (December 20, 2011).

35. Andrew Osborn, "Vladimir Putin Promises to Boost Russia's Birth Rate in Possible Campaign Pitch," *The Telegraph*, April 21, 2011, at <http://www.telegraph.co.uk/news/worldnews/europe/russia/8463908/Vladimir-Putin-promises-to-boost-Russias-birth-rate-in-possible-campaign-pitch.html> (December 20, 2011).

36. "World's Best Universities: Top 400," *U.S. News & World Report*, September 21, 2010, at http://www.usnews.com/education/worlds-best-universities/articles/2010/09/21/worlds-best-universities-top-400-_print.html (December 20, 2011).

37. Roland Beck, Annette Kamps, and Elitza Mileva, "Long-Term Growth Prospects for the Russian Economy," *European Central Bank Occasional Paper Series* No. 58, March 2007, at <http://www.ecb.de/pub/pdf/scpops/ecbocp58.pdf> (December 20, 2011).

38. Dmitry Medvedev's Speech at Meeting with German Political, Parliamentary and Civil Leaders," Permanent Mission of Russia to NATO.

Europe receives more than 40 percent of its gas and almost one-third of its oil from Russia. The European Commission estimates that the EU's total imports of natural gas will increase from 61 percent to 84 percent by 2030, signaling that Europe's dependence on Russian gas is likely to increase.³⁹ Even though Russia clearly needs Europe as an energy customer, this mutual dependence has not resulted in a less politicized energy relationship.

Brussels cannot afford to stand idly by and simply hope that Moscow will play fair in the future. The EU must therefore focus on constructing a genuine energy *security* policy. It should abandon its disastrous "20 20 20 by 2020" plan which emphasizes unproven renewable energy sources, such as wind power, over proven technologies, such as nuclear energy and liquefied natural gas (LNG), and stop perpetuating the myth of "green" jobs. The Spanish example has already demonstrated that for every job created in the green sector, 2.2 jobs were lost elsewhere.⁴⁰

In addition to diversifying their sources of energy, European nations should broaden their supply routes and combat Russia's vice-like grip on pipeline development. Russia views pipelines as a strategic tool in its petro-political arsenal; if it controls the transit routes, it can turn the gas taps off on a political whim (as it has done with Ukraine twice) and back the country into a corner on other foreign policy issues. The soon-to-be-operational Nord Stream pipeline—which will pipe Russian gas directly to Germany and bypass the Baltic nations—has already partially fulfilled Putin's desire to be a reliable supplier to Western Europe while keeping supplies to the EU's eastern neighborhood at risk.

There is little doubt that Russia fears Europe's development of alternate routes that bypass Russia, such as the Nabucco pipeline.⁴¹ Moscow vehemently opposed the Baku–Tbilisi–Ceyhan (BTC) pipeline, which became operational in May 2006. When Russian bombs came perilously close to BTC during the Russo–Georgian war in August 2008, EU Commissioner for Energy Andris Piebalgs argued that the EU should "redouble its efforts" to bring Nabucco online.⁴² However, progress remains slow and Europe still has too few routes and too few energy suppliers. Construction on Nabucco has been delayed until 2013, and gas is not scheduled to be piped until 2017 at the earliest. It is imperative that this new timeline not be pushed back further, lest Russia's competitor South Stream pipeline steal an unassailable march on the project.

How to Improve the EU–Russian Relationship

In order to influence the construction of European–Russian relations that protect U.S. interests:

- **European nations, the EU, and the U.S. should collectively introduce the strongest possible sanctions against Iran, including against the Iranian Central Bank, and pressure Russia to do so, too.** Although Russia has supported limited U.N. Security Council sanctions against Iran, Moscow has continued to be a major arms supplier to Iran, and has shipped low-enriched uranium to Iran to fuel its Russian-built nuclear power plant in Bushehr. The EU and the U.S. should make it clear to Russia that enhanced sanctions are necessary if there is to be any hope of resolving the Iranian nuclear crisis diplomati-

39. Ian Traynor, "EU Unveils Plans to Weaken Russian Grip on Gas Supply," *The Guardian*, November 13, 2008, at <http://www.guardian.co.uk/business/2008/nov/14/russia-europe-gas-gazprom> (December 20, 2011).

40. Raquel Merino Jara and Juan Ramón Rallo Julián, "Study of the Effects on Employment of Public Aid to Renewable Energy Sources," Universidad Rey Juan Carlos, March 2009, at <http://www.juandemariana.org/pdf/090327-employment-public-aid-renewable.pdf> (December 20, 2011).

41. The Nabucco pipeline would pump Caspian gas to Europe through Georgia, Turkey, Bulgaria, Romania, Hungary, and Austria, bypassing not only Russia, but also Iran, which the EU sees as another unreliable partner.

42. David Gow, "Brussels Told to Pursue Azerbaijan Pipe Dream," *The Guardian*, September 5, 2008, at <http://www.guardian.co.uk/business/2008/sep/05/nabucco.pipe.energy> (December 20, 2011).

cally. The use of force to disarm Iran should remain an option of last resort for the U.S. and Europe, regardless.

- **The U.S. should support a renewed focus on human rights in Russia and collaborate with Europe to prioritize the issue.** The U.S., the EU, and individual European nations must make it clear to Russia that human rights are not a peripheral concern to its policymakers. They should impose financial and travel sanctions on gross violators of human rights in the Russian Federation such as the Sergei Magnitsky Rule of Law Accountability Act of 2011, seeks to do. They should also make high-profile visits to opposition activists, NGOs, and human rights campaigners on formal diplomatic visits to Moscow.
- **The U.S. should make it a policy priority to support greater energy independence in Europe.** The U.S. should make it clear that it does not support state-driven energy markets or Gazprom-dominated arrangements in Europe. To support greater diversification of European energy supplies and suppliers, the U.S. should throw its diplomatic weight behind the Nabucco pipeline. The U.S. should push partner nations, such as Turkey, to finalize agreement on the pipeline's transit arrangements, in order to increase confidence in the project and for the consortium to secure capital costs. The U.S. should also support European policies aimed at unbundling energy distribution from production. Further, the U.S. and Europe should force the mandatory disclosure of all payments to third parties in all energy transactions.
- **The U.S. should increase its focus on the Eastern Partnership.** In line with the long-standing U.S. goal of democracy promotion, the EU should ensure that the Eastern Partnership's flagship initiatives complement U.S. democracy-promotion initiatives in the region. As a member

of the Group of Friends of the Eastern Partnership, the U.S. should support the EaP's Comprehensive Institution Building Programme, which assists EaP members in building core democratic institutions. The EU must ensure that it works closely with the United States to develop political and economic ties to EaP members, and counter Russia's Eurasian Customs Union.

Conclusion

If Russia continues to pursue a sphere of influence and abrogate its international commitments to basic freedoms and human rights, the EU's relationship with Russia will invariably regress; Europe cannot be afraid of standing up for democratic values. If, on the other hand, Russia chooses to arrest and roll back internal corruption, open its economy, cooperate with the West, and end its aggression in its backyard, a genuine strategic partnership between the two could emerge.

The EU, European nations, and the U.S. should make sure that their policies encourage and support those Russians who are advocating the latter. Europe and America should support Russian civil society, and democratic modernizers, diplomatically and financially. Brussels should signal that it is willing to enter into comprehensive negotiations to replace the existing Partnership and Cooperation Agreement only if Moscow is willing to make significant reforms. European nations, the EU, and the U.S. must make it clear that Russian aggression will not be tolerated or indulged by modern Europe, and that such aggression can only lead to Moscow's isolation in the Euro-Atlantic alliance architecture.

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