

The Russian Challenges to the EU in the Context of the Ukraine Crisis

By

Aleko Stoyanov

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Supervisor: Anton Pelinka

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Abstract

The Ukraine crisis strained the relations between the EU and Russia. This new situation presented significant *military*, *economic* and *political* challenges to the EU. In order to address them the EU needs, in first place, to keep and maintain its unity, be coherent and consecutive in its actions towards Russia and at last but not least keep the communication with Moscow open, thus having an opportunity to influence the Kremlin and mitigate the risk of further deterioration of the relations.

The thesis is divided in three main chapters. The first one gives an overview of the developments in Russia and on the EU-Ukraine relations in the period after the dissolution of the Soviet Union, thus providing a clearer understanding of the processes in both Eastern European countries. In addition, the theoretical frameworks of the neorealism and liberal institutionalism are applied to explain better the reasons behind the Ukraine crisis. In the second chapter the thesis analyses the challenges for the EU while the third one generates recommendations how the EU could address them. The research is based on literature review, desk research and document analysis.

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Abbreviations

AA	Association Agreement
ABMT	Anti-Ballistic Missiles Treaty
AfD	Alternative for Germany
AP	Action Plan
CEEC	Central and Eastern European Countries
CISFTA	Commonwealth of Independent States Free Trade Area
CoE	Council of Europe
DCFTA	Deep and Comprehensive Free Trade Area
EACU	Eurasian Custom Union
EaP	Eastern Partnership
EC	European Commission
EDA	European Defence Agency
EEAS	European External Action Service
EEU	Eurasian Union
EEZ	Exclusive Economic Zone
ENF	Europe of Nations and Freedom
ENPI	European Neighbourhood Policy Instrument
EP	European Parliament
EU	European Union
FDI	Foreign Direct Investments
FN	National Front
FPÖ	Austrian Freedom Party
G7	Group of Seven
GDP	Gross Domestic Product

IEA	International Energy Agency
IR	International Relations
MAP	Membership Action Plan
NAC	North-Atlantic Council
NACC	North Atlantic Cooperation Council
NATO	North Atlantic Treaty Organisation
NEA	New Enhanced Agreement
NPD	National Democratic Party
OECD	Organisation for Economic Cooperation and Development
PCA	Partnership and Cooperation Agreement
PfP	Partnership for Peace Programme
START	Strategic Arms Reduction Treaty
UK	United Kingdom
UKIP	United Kingdom Independence Party
UN	United Nations
US	United States
USSR	Union of the Soviet Socialist Republics
WTO	World Trade Organisation

Introduction

The decision of the Ukrainian parliament not to sign the long anticipated Association Agreement with the European Union (EU) (just two weeks prior to the Eastern Partnership Summit in Vilnius) but instead to seek closer economic integration with the Russian-led Eurasian Custom Union (EACU) was met with disappointment by the Ukrainians who expressed their discontent by demonstrating at the National Independence Square – the Maidan. After the protest turned violent and caused dozens of deaths and injured almost one thousand¹ the then Ukrainian president Viktor Yanukovich signed an agreement with the opposition and fled the country. Within days of his departure the Russian occupation of Crimea took place followed by the Russian-backed protests in the eastern part of the country.

The new situation came to many in Europe as a (unpleasant) surprise. With its actions Russia violated main principles of international law - peaceful resolutions of conflicts, respect of the territorial integrity of the states, refrain of use of force, sovereign equality, stipulated in several key documents such as the Final Act of Helsinki, the United Nations (UN) Charter and the Budapest Memorandum where Russia along with the United States (US) and the United Kingdom (UK) reaffirms its “...obligation to refrain from the threat or use of force against the territorial integrity or political independence of Ukraine”².

To the Russian violations of international law the EU reacted with plethora of measures. Brussels cancelled the EU-Russia summit and suspended the bilateral talks on visa liberalisation. The discussions with Russia on its prospects to join the Organisation for Economic Cooperation and Development (OECD) and the International Energy Agency (IEA) were also put on hold. The EU imposed economic sanctions on Russia and it limited

¹ Goncharova, Olena. “On Revolution Anniversary, Anger over Unpunished Deaths.” *Kyiv Post*, November 21, 2014. Accessed May 28, 2016. <http://www.kyivpost.com/content/kyiv-post-plus/on-revolution-anniversary-anger-over-unpunished-deaths-infographics-372678.html>.

² “Budapest Memorandums on Security Assurances, 1994.” Council on Foreign Relations. December 5, 2014. Accessed May 28, 2016. <http://www.cfr.org/nonproliferation-arms-control-and-disarmament/budapest-memorandums-security-assurances-1994/p32484>.

Moscow's access to EU primary and secondary capital markets, it imposed bans on export and import on trade in arms, on export for dual-use goods for military use and it curtailed Russian access to certain technologies and services that can be used for oil production and exploration.³ In addition, Russia has been excluded from the meetings of G8 which returned to its initial format of G7.⁴

Russia on its part imposed countersanctions on imports of mainly foods and agriculture products from the EU and third countries supporting EU's sanctions. The Kremlin prohibited at least 89 EU officials and politicians to enter the country.⁵ Moreover, Russia is expressing no intentions of returning Crimea to Ukraine or ceasing its support for the rebels in the Eastern part of the country. Instead, Moscow is resorting to an aggressive rhetoric, it continues to invest in its military industry as it is expected that in 2016 the military spending will reach 4% of country's GDP⁶ as at the same time Russia's provocations in European waters and airspace are increasing.⁷

In short, the occupation of Crimea exacerbated the EU-Russia relations to a degree reminiscent of the Cold War times. Although such a comparison might be exaggerated Russia's recent behaviour is a matter of concern, especially to the EU. In first place, despite its astonishment of the Russian aggression, the EU, with its aspiration to sign the Association Agreement with Ukraine, has also influenced the current crisis. Moreover, a possible further deterioration of the conflict or destabilisation of Ukraine would have a direct impact on the

³ "EU Restrictive Measures in Response to the Crisis in Ukraine." Council of the European Union. April 26, 2016. Accessed May 28, 2016. <http://www.consilium.europa.eu/en/policies/sanctions/ukraine-crisis/>.

⁴ Ibid.

⁵ Laurence, Norman. "Russia Produces Blacklist of EU People Banned From Entering Country." *The Wall Street Journal*, May 30, 2015. Accessed May 28, 2016. <http://www.wsj.com/articles/russia-produces-blacklist-of-eu-people-banned-from-entering-russia-1432986289>.

⁶ Adomanis, Mark. "Russian Military Spending: Drawing Blood from a Stone." *Forbes*, May 19, 2015. Accessed May 28, 2016. <http://www.forbes.com/sites/markadomanis/2015/05/19/russian-military-spending-drawing-blood-from-a-stone/>.

⁷ Editorial Board Star Tribune. "Russian Provocation Risks a Military Miscalculation in Europe." *Star Tribune*, May 11, 2015. Accessed May 28, 2016. <http://www.startribune.com/russian-provocation-risks-a-military-miscalculation-in-europe/303344881/>.

EU (a refugee wave could be one of the side effects). Furthermore, with its Eastern Partnership programme launched in 2009, the EU has engaged politically and economically with this region, including Ukraine. Between 2007 and 2013 the EU has allocated €1 billion for bilateral assistance to Ukraine through the European Neighbourhood Policy Instrument (ENPI)⁸ which is almost the half of the total sum of €2.5 billion earmarked for the region for 2007-2013⁹. In addition, the economic sanctions and the imposed by Russia counter-sanctions affect mainly EU member states while EU's dependency on Russian energy imports is significant.¹⁰ The Russian army can pose a real threat to the EU or at least to some of its members (e.g. the Baltic States). At last but not the least, Russia is trying to divide and conquer the EU in several ways, including through its bilateral relations with single member states, by supporting radical anti-EU political parties and through its media outlets which aim to shift the European public opinion and justify the Russian actions in Ukraine.

Nonetheless, despite the importance of the issue and the fact that the EU-Russia relations have been in the focus of the European political discourse there are still no unanimity what measures the EU needs to undertake to resolve the situation. In this regard, the thesis contributes to the debate by asking *what are the challenges that Russia poses to the EU and how the latter should address them? It argues that the EU is faced with three main challenges – military, economic and political. In order to tackle them the EU needs, in first place, to keep and maintain its unity, be coherent and consecutive in its actions towards Russia and at last but not least keep the communication with Moscow open, thus*

⁸ “European Neighbourhood Policy and Enlargement Negotiations: Ukraine.” European Commission. September 22, 2015. Accessed May 28, 2016.

http://ec.europa.eu/enlargement/neighbourhood/countries/ukraine/index_en.htm.

⁹ “European Neighbourhood Policy and Enlargement Negotiations: Eastern Partnership.” European Commission. August 6, 2015. Accessed May 28, 2016. http://ec.europa.eu/enlargement/neighbourhood/eastern-partnership/index_en.htm.

¹⁰ In 2013 the oil and gas imports from Russia to the EU amassed to 34% and 49% respectively, see http://ec.europa.eu/eurostat/statistics-explained/index.php/Trade_in_energy_products,

having an opportunity to influence the Kremlin and mitigate the risk of further deterioration of the relations.

The recent strain in the EU-Russia relations is a relatively new phenomenon. However, there has already been developed certain amount of scholarship reflecting on the new developments in the field. On the other hand, the analysts approach the problematic from different angles and address only briefly the challenges that the current thesis discusses.

For instance, Richard Sakwa argues that the responsibility for the conflict lies not that much in Russia but rather in the West. The latter has neglected Russia's interests and aspirations after the end of the Cold War and has consecutively encroached it with EU's and NATO's enlargements. Thus the former had felt endangered and has acted in order to defend its interests.¹¹ Andrew Wilson is analysing the crisis rather chronologically. He only briefly and indirectly addresses the challenges that Russia presents to the EU. Once as exemplified in the case of the Baltic states – media propaganda, financing of political parties and energy dependency on Russia and second time in a more broader context when Wilson talks about the effects of the economic sanctions and EU's energy relations with Russia.¹² Walter Laquer focuses on the current regime in Russia and explains the rationale behind the rule and power of Vladimir Putin. He only briefly discusses one of the challenges to the EU related to Moscow's support for the far right political parties in Europe.¹³ Thomas Grant analyses the Ukraine crisis from the perspective of the implications that the annexation of Crimea has on the international law.¹⁴ Anders Aslund concentrates on the domestic problems of Ukraine and to the policies and reforms that the government needs to undertake in order to stabilise the

¹¹ Sakwa, Richard. *Frontline Ukraine. Crisis in the Borderlands*. London: I.B. Tauris, 2015.

¹² Wilson, Andrew. *Ukraine Crisis – What it Means for the West*. New Heaven and London: Yale University Press, 2014.

¹³ Laqueur, Walter. *Putinism: Russia and Its Future with the West*. New York: St. Martin Press, 2015.

¹⁴ Grant, Thomas D. *Aggression against Ukraine. Territory, Responsibility and International Law*. New York: Palgrave Macmillan, 2015.

country.¹⁵ Rajan Menon and Eugene Rumer analyse the NATO-Russia relations but rather from European perspective and the effects on the EU-Russia trade. However, they emphasize more on the long-term implications for Ukraine and Russia and not that much on the effects for the EU.¹⁶

The structure of the thesis consists of introduction, three main chapters, conclusion and bibliography. The first chapter analyses the development of Russia in the post-Cold War period, from the chaos of the 90's through the stabilisation of the country and its alignment with the EU and the West to the onset of the Ukraine crisis. This chapter also scrutinises the EU-Ukraine relations, from the dissolution of the USSR and Ukraine's independence to the Association Agreement with the EU. In addition, the theoretical frameworks of the neorealism and liberal institutionalism are applied here to explain better the reasons behind the Ukraine crisis. The second chapter focuses on the military, economic and political challenges that Russia presents to the EU – possible use of force against (single) EU member states, counter-sanctions and energy interdependency, bilateral relations with single EU member states, support for anti-EU political parties, and media propaganda. The third chapter, based on the previous analysis, generates proposals how the EU could act in order to tackle those challenges. The research is based on literature review, desk research and document analysis.

¹⁵ Aslund, Anders. *Ukraine: What Went Wrong and How to Fix It*. Washington DC: Peterson Institute for International Economics, 2015.

¹⁶ Menon, Rajan and Rumer, Eugene. *Conflict in Ukraine. The Unwinding of the Post-cold War Order*. Cambridge: MIT Press, 2015.

Chapter 1: Background and Development of the Ukraine crisis

1.1. *Russia after the Dissolution of the USSR*

1.1.1. From Chaos to Stabilisation

On 25th December 1991 the then first secretary of the Communist Party of the Union of the Soviet Socialist Republics (USSR), Michail Gorbachev, announced the dissolution of the Soviet Union. For many experts and analysts but also for the ordinary people, this news came unexpectedly. Suddenly, one of the two world's superpowers has disappeared. The USSR which has been controlling a vast territory stretching from Berlin to Vladivostok for almost half a century was no more. The Russian Federation which officially succeeded it experienced a decade of internal political, economic and social challenges which to a great extent weakened Russia's position on the international stage.

Probably the most tangible decline was in Russia's economy and industry. The country has experienced a sharp drop in output (in 1992 the industrial output was down by 18% and the inflation was 245%),¹⁷ rise in unemployment, rapid inflation, increase in prices and devaluation of the ruble, which resulted in fast impoverishment of the majority of Russia's citizens. The initiated reform of national privatisation introduced by Yegor Gaidar's cabinet did not bring the aimed results either. Instead of promoting nation-wide capitalism many of the national owned enterprises ended in the hands of their pre-soviet managers, thus depriving the large majority of citizens of participation in the establishment of a market economy.¹⁸

The economic problems contributed to a political turmoil as well. In September 1993 hundreds members of the parliament supplied with provisions and arms barricaded themselves inside the building of the National Parliament. They demanded impeachment of the Russian

¹⁷ Service, Robert. *A History of Modern Russia from Nicholas II to Vladimir Putin*. London: Penguin Press, 2003, p.516.

¹⁸ Ibid.

president Boris Yeltsin and opposed his intention to continue the economic reforms. The stand-off between the president and the parliamentarians turned violent and resulted in 187 deaths while further 372 people got injured.¹⁹

The peace in other parts of the country was under threat too. In the early 90's several republics of the Russian Federation – Tatarstan, Kalmikiya, Karelia, Balkariya, Komi, Sakh (Yakutia), Dagestan, Ingulshetiya and most notoriously Chechnya, sought independence from Russia. In Chechnya this aspiration led to two devastative wars between 1994-1996 and 1999-2000 which destabilised the region of the north Caucasus and incurred heavy human and financial costs for Russia. According to some estimates the first Chechen war alone cost more than \$5.5 billion²⁰ and around 160 000 people were killed²¹ in both military campaigns.

Russia's internal weakness has also affected its leverage on the international stage. Between 1994 and 1996²² all of its former Eastern European satellites along with some of its former republics – the Baltic States applied for a membership to the European Union and later to NATO. Russia was not in a position to stop these developments. Moreover, in both wars in Bosnia and Herzegovina and in Kosovo, Russia failed to prevent NATO operations against the Bosnian Serbs in 1995 and against Yugoslavia four years later. Moscow's influence has diminished to a degree that it could not even exert pressure over its ally Slobodan Milosevic to withdraw its forces from Kosovo in 1999, thus avoiding NATO's military intervention against his country²³.

¹⁹ Shevtsova, Lilia. "1993: Russia's "Small" Civil War." Carnegie Moscow Center. October 3, 2013. Accessed May 28, 2016. <http://carnegie.ru/eurasiaoutlook/?fa=53189>.

²⁰ Sakwa, Richard. *Chechnya: From Past to Future*. London: Anthem Press, 2005, p. 67.

²¹ "Russia: Chechen Official Puts War Death Toll at 160,000." *Radio Free Europe/Radio Liberty*, August 16, 2005. Accessed May 28, 2016. <http://www.rferl.org/content/article/1060708.html>.

²² Papadimitriou, Dimitris and Phinnemore, David. *Romania and the European Union: From Marginalisation to Membership?* Abingdon on Thames: Routledge, 2008, p. 17.

²³ Moran, Michael. "Will a Slavic Curtain Descent?" *NBC News*, March 29, 1999. Accessed May 28, 2016. http://www.nbcnews.com/id/3340258/ns/world_news-brave_new_world/t/will-slavic-curtain-descend/#.VfBV_JcbJqA.

However, the first decade of the 90's was not entirely negative for Russia. The country started to overcome the initial isolation after the dissolution of the USSR. In 1991 Russia joined the North Atlantic Cooperation Council (NACC) and in 1994 the Partnership for Peace Programme (PfP). In 1994 Russia signed the Partnership and Cooperation Agreement (PCA) with the EU. In 1996 Russia became a member of the Council of Europe (CoE) and a year later, in 1997, it was invited to take part in the annual G7 summit which transformed itself into G8.

In addition, after the crash of the ruble in August 1998, when the country in practice defaulted its currency, Russia started to stabilise. Ruble's devaluation made foreign goods expensive and the Russian citizens orientate to consumption of domestic products which on its part boosted the economy. Moreover, in 1999 the international prices of crude oil increased to \$16.56 for barrel in comparison to \$11.91 a year earlier and to \$27.39 in 2000²⁴ which benefited greatly Russia's resource-based economy.

The followed presidential shift in the Kremlin in late 1999 and early 2000 brought to power Vladimir Putin whose tenure marked a new era in Russia's domestic and foreign policy.

1.1.2. Rapprochement with the West

Vladimir Putin became acting president of the Russian Federation on 31 December 1999 after Boris Yeltsin resigned due to worsened health. Putin who until that moment was the Russian prime minister inherited a country in a harsh economic, political, social and demographic crisis, a fact that he personally admitted in his first address to the nation in July 2000 saying that:

“For several years now, the population has dropped by an average of 750,000 people every year. ... in 15 years, the number of Russian citizens may drop by 22 million. The

²⁴ McMahon, Tim. “Historical Crude Oil Prices.” InflationData. May 1, 2015. Accessed May 28, 2016. http://inflationdata.com/inflation/inflation_rate/historical_oil_prices_table.asp.

economic weakness of Russia continues to be another serious problem. The growing gap between leading nations and Russia pushes us towards becoming a third world country.”²⁵

Despite the partial economic recovery since 1998 and the successful campaign in the second Chechen war, Russia was still weak and in practice was rather reactive than proactive on the international stage. This led to the necessity of a more pragmatic approach and rapprochement with the West which pursued at least two main objectives – overcoming the international isolation by aligning with the West and modernising the country by improving its economy. In other words, as Putin himself put it “from a country that used to be an antagonist or enemy of most of the world’s industrialised nations, Russia should become a partner”.²⁶

The terrorist attacks against the World Trade Centre on 11th September 2001 provided Putin with an excellent opportunity to forge this partnership and sideline with the US and Europe in the fight against international terrorism. During the followed NATO campaign in Afghanistan Russia not only gave air corridors to the Alliance but it provided NATO with military equipment and even shared intelligence with the US and UK²⁷. Moscow did not protest (at least officially) against the deployment of NATO forces in the post-soviet central Asian republics or the use of their air basis for anti-terror operations. Furthermore, when in 2002 the United States launched their programme for training the Georgian army, Putin commented it by saying it was “no tragedy”.²⁸ Even the US abrogation from the Anti-Ballistic

²⁵ “Presidential Address to the Federal Assembly.” President of Russia. July 8, 2000. Accessed May 28, 2016. http://archive.kremlin.ru/eng/speeches/2000/07/08/0000_type70029type82912_70658.shtml.

²⁶ Lynch, Dov. “Russia Faces Europe.” *Chaillout Paper No 60*. Paris: Institute for Security Studies, 2003, p. 29.

²⁷ Ibid.

²⁸ “Putin Relaxed Over Georgia’s US Forces.” *BBC News*, March 1, 2002. Accessed May 28, 2016. <http://news.bbc.co.uk/2/hi/europe/1848521.stm>.

Missiles Treaty (ABMT) in December 2001²⁹ and NATO's decision in November 2002 to accept seven post-communist countries, including the three Baltic States, did not prevent the replacement of the Permanent Joint Council established in 1997 with the Russia-NATO Council where Russia along with NATO was to take "...joint decisions and bear equal responsibility, ... for their implementation."³⁰ It seemed that the words of the Russian president in his speech to the German Bundestag in 2001: "The Cold War is over"³¹ were true.

At the same time the Russian economy improved significantly. The unemployment rate fell from 10.6% in 2000 to 7.8% in 2004.³² The inflation decreased from 37.7% in 2000 to 20.3% in 2004.³³ The Foreign Direct Investments (FDI) in the country quintupled in the period between 2000 (\$2.7 billion) and 2004 (\$15.5 billion).³⁴ For the same period the Gross Domestic Product (GDP) grew by average 7% per year³⁵. In addition, in 2002 the United States recognized Russia as a market economy, thus presenting the latter with new opportunities for trade and investments³⁶ as the country also marked progress in its negotiations towards accession to the World Trade Organisation (WTO)³⁷.

²⁹ Duncan, Peter J. S. "Russia, NATO and the "War on Terror": Competition and Cooperation in Central Asia after 11 September 2001." In *Afghanistan and Central Asia: NATO's Role in Regional Security Since 9/11*, 129-142. Amsterdam: IOS Press BV, 2013.

³⁰ "NATO-Russia Council." NATO. Accessed May 28, 2016. <http://www.nato.int/nrc-website/EN/about/index.html>.

³¹ „Wortprotokoll der Rede Wladimir Putins im Deutschen Bundestag am 25.09.2001." German Bundestag. Accessed May 28, 2016.

https://www.bundestag.de/kulturundgeschichte/geschichte/gastredner/putin/putin_wort/244966.

³² "Unemployment." The World Bank. Accessed May 28, 2016.

<http://data.worldbank.org/indicator/SL.UEM.TOTL.ZS?page=2>.

³³ "Inflation." The World Bank. Accessed May 28, 2016.

<http://data.worldbank.org/indicator/NY.GDP.DEFL.KD.ZG?page=2>.

³⁴ "Foreign Direct Investment." The World Bank. Accessed May 28, 2016.

<http://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD>.

³⁵ "GDP Growth." The World Bank. Accessed May 28, 2016.

<http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG/countries?page=2>.

³⁶ Clark, Torrey. "U.S. Grants Russia Market Economy Status." *The Moscow Times*, November 11, 2002. Accessed May 28, 2016. <http://www.themoscowtimes.com/business/article/us-grants-russia-market-economy-status/246007.html>.

³⁷ Baker, Peter. "Russia Backs Kyoto to Get on Path to Join WTO." *The Washington Post*, May 22, 2004. Accessed May 28, 2016. <http://www.washingtonpost.com/wp-dyn/articles/A46416-2004May21.html>.

However, despite the improved relations with Washington and Brussels and the economic revitalisation of the country, by the end of Putin's first term Russia embarked on a new path leading from conversion to confrontation.

1.1.3. In Pursuit of a Great Power Status

Since mid-2003 the attitude of Russia towards the West started to change.³⁸ The shift in Moscow's behaviour could be explained with several internal and external factors that influenced the Kremlin to become more reluctant to cooperate with its Western partners.

One of the key (internal) factors was the stabilisation of the Russian economy. Nonetheless, the economic improvement was largely due to the higher oil and gas prices which tripled between 1998 and 2004³⁹, and are responsible for almost the half of the revenues in the Russian budget⁴⁰. In this way, the Russian welfare was improved not that much as a result of administrative and economic reforms but rather due to a favourable conjecture on the international energy markets. However, the significant increase of revenues made Russia more confident and assertive. This allowed the Kremlin to act more independently on the international stage and cease to "rely on others' advice, aid and loans"⁴¹ and make "the only real choice for Russia ... the choice of a country that is strong and confident of itself."⁴²

Moreover, during Vladimir Putin's first term, Russia witnessed significant changes on the domestic level. The Russian Federation inherited the decentralised soviet territorial-administrative structure which was obstructing the creation of strong federal power. In order to change this, one of the first actions of Putin as president was to issue a decree which

³⁸ Lyne, Roderic . "The Russian Challenge, Russia's Changed Outlook on the West: From Convergence to Confrontation." *Chatham House report: The Russian Challenge*. London: Chatham House, 2015, p. 5.

³⁹ Ibid p.6.

⁴⁰ "Oil and Natural Gas Sales Accounted for 68% of Russia's Total Export Revenues In 2013." U.S. Energy Information Administration. July 23, 2014. Accessed May 28, 2016. <http://www.eia.gov/todayinenergy/detail.cfm?id=17231>.

⁴¹ "Presidential Address to the Federal Assembly." President of Russia. July 8, 2000. Accessed May 28, 2016. http://archive.kremlin.ru/eng/speeches/2000/07/08/0000_type70029type82912_70658.shtml.

⁴² Ibid.

divided Russia into seven federal districts. The rationale behind this was that fewer units would be easier to administer.⁴³ This decree was followed by a legislative package that allowed the president to appoint directly and dismiss the members of the Federal Council which in practice made the regional governors directly dependent on the president for their offices. In this way, Putin to a great extent diminished the risk of a strong opposition from the periphery which would be counter to his main aim – “to strengthen the vertical chain of command.”⁴⁴

Furthermore, in order to corroborate the so-called power vertical the Russian president intervened on the media market as well. From his speech in 2000 it became clear that Putin has understood well that the media could be a powerful tool. As he acknowledged:

“The economic ineffectiveness of a significant part of the media makes it dependent on the commercial and political interests of its owners and sponsors. It makes it possible to use the media as a way to score points off rivals, and sometimes even to turn it into a means of mass disinformation, ...”⁴⁵

As a result the Kremlin managed to take over control via different state agencies over 70 percent of electronic media outlets, 80 percent of the regional - and 20 percent of the national press.⁴⁶ At the same time, previous owners of big media outlets – Boris Berezovsky (owner of Kommersant Daily and ORT television channel) and Vladimir Gusinsky (owner of MediaMost media holding and NTV) were forced to sell their companies to the state or to businessmen who are closely related to the Kremlin such as

⁴³ Hyde, Matthew. “Putin's Federal Reforms and Their Implications for Presidential Power in Russia.” *Front Matter. Europe-Asia Studies* 53, No. 5 (July 2001), p. 725.

⁴⁴ Ibid p. 719.

⁴⁵ “Presidential Address to the Federal Assembly.” President of Russia. July 8, 2000. Accessed May 28, 2016. http://archive.kremlin.ru/eng/speeches/2000/07/08/0000_type70029type82912_70658.shtml.

⁴⁶ Khvostunova, Olga. “A Complete Guide to Who Controls the Russian News Media.” Index on Censorship. December 9, 2013. Accessed May 28, 2016. <https://www.indexoncensorship.org/2013/12/brief-history-russian-media/>.

Roman Abramovich.⁴⁷ In this way the media pluralism in Russia has been significantly undermined, thus mitigating the risk of misusing the media as “means of fighting the state”,⁴⁸.

In addition, the Kremlin also pressured some powerful and independent businessmen such as the founder and owner of Yukos (the then Russian largest oil company)⁴⁹ Michail Khodorkovsky (at that time the richest man in Russia with estimated wealth of \$8 billion⁵⁰) and his business partner Platon Lebedev. Against them were pressed charges on tax fraud, embezzlement and tax evasion. Both were found guilty and each was imprisoned for nine years.⁵¹ The assets of Yukos were transferred to the state-owned company Rosneft which was also in process of merging with Gazprom.⁵² For many the actual reason behind the prosecution was Khodorkovsky’s financial support for the political opposition in Russia as well as his potential to challenge the Kremlin.⁵³ Through Khodorkovsky’s sentence and in practise nationalising of his company, Putin managed both to eliminate a strong competitor and send an unequivocal signal to the rest of Russia’s rich businessmen that if they are to keep their wealth they should not challenge the authorities in the Kremlin.

In sum, at the end of his first term Vladimir Putin tightened the state grip over the politics, economy, media and government. It became more and more clear, however that

⁴⁷ Ibid.

⁴⁸ “Presidential Address to the Federal Assembly.” President of Russia. July 8, 2000. Accessed May 28, 2016. http://archive.kremlin.ru/eng/speeches/2000/07/08/0000_type70029type82912_70658.shtml.

⁴⁹ Goncharenko, Roman. “Khodorkovsky: Unshaken after 10 Years in Prison.” *Deutsche Welle*, December 20, 2013. Accessed May 28, 2016. <http://www.dw.com/en/khodorkovsky-unshaken-after-10-years-in-prison/a-17181051>.

⁵⁰ Ibid.

⁵¹ Lepina, Marina. “Platon Lebedev Expects Fake Law – Enforcers.” *Kommersant*, June 2, 2005. Accessed May 28, 2016. http://www.kommersant.com/p582359/platon_lebedev_expects_fakeLaw-enforcers/.

⁵² “Putin Backs State Grab for Yukos.” *BBC News*, December 23, 2004. Accessed May 28, 2016. <http://news.bbc.co.uk/2/hi/business/4120339.stm>.

⁵³ G.F. “The Khodorkovsky Verdict. Guilty.” *The Economist*, December 27, 2010. Accessed May 28, 2016. http://www.economist.com/blogs/easternapproaches/2010/12/khodorkovsky_verdict.

Putin's "dictatorship of the law"⁵⁴ had little to do with his declared goals of "...building an effective state" where the "citizens ... have a full range of political and socio-economic rights" and "...legal guarantees of development of the Russian economy as an economy of free enterprise and business initiative..."⁵⁵ and it rather aimed at consolidation of the power and country's wealth "...in the hands of Putin and his close associates."⁵⁶

The internal stabilisation of Russia has coincided with some events in the international politics that the Kremlin considered as unfavourable to its interests which eventually worsened the relations with the West.

The first more significant tension came with the Anglo-American-led invasion of Iraq in 2003 which Vladimir Putin condemned as unjustified⁵⁷. However, he also aligned with Germany and France in their opposition against the military actions and simultaneously assured Washington that Russia remains a partner in the fight against international terrorism.⁵⁸

In November of the same year, after protests against the manipulation of the parliamentary elections, the Rose Revolution in Georgia broke out which eventually put in power Michael Sakaaschvili. A young and pro-Western oriented politician, who in his inauguration speech promised to direct his country towards a European integration.⁵⁹

In the spring of 2004 within a month NATO's and EU's enlargements took place. Although Moscow had accepted them the integration of a vast majority of post-socialists

⁵⁴ "Presidential Address to the Federal Assembly." President of Russia. July 8, 2000. Accessed May 28, 2016. http://archive.kremlin.ru/eng/speeches/2000/07/08/0000_type70029type82912_70658.shtml.

⁵⁵ Ibid.

⁵⁶ Lyne, Roderic . "The Russian Challenge, Russia's Changed Outlook on the West: From Convergence to Confrontation." *Chatham House report: The Russian Challenge*. London: Chatham House, 2015, p. 5.

⁵⁷ "U.S. Urges Putin to Drop Iraq Debt." *CNN*, December 18, 2003. Accessed May 28, 2016. <http://edition.cnn.com/2003/WORLD/europe/12/18/sprj.irq.uk.baker/>.

⁵⁸ "Iraq War Was Unjustified, Putin Says." *Agence France – Presse*, December 18, 2003. Accessed May 28, 2016. <http://www.abc.net.au/news/2003-12-19/iraq-war-was-unjustified-putin-says/108124>.

⁵⁹ "President Saakashvili's Inauguration Speech." *Civil Georgia*, January 25, 2004. Accessed May 28, 2016. <http://www.civil.ge/eng/article.php?id=26694>.

countries in the Euro-Atlantic structures happened at a time when the relations with the West have started to deteriorate.⁶⁰

In addition, a year after the protests in Georgia, the Orange Revolution in Ukraine took place where the pro-western candidate Victor Yushenko won the re-run of the presidential elections against the Russia-supported Victor Yanukovich.

These events have shifted Russia's point of view on the West. From partners the US and the EU gradually became rivals who are using Russia's weakness in order to impose their political and economic interests in the post-soviet room at Russia's expense and who are disregarding Moscow's concerns about the Western interventions in the near abroad. This conviction of the Russian president and his close circle must have played a major role for Russia to start looking not that much in the future but rather in the past and to resort to the rhetoric of the Cold War era - principle of reciprocity, retaliatory measures and limitation of the sovereignty of states held to be within certain zones of influence.⁶¹

One of the first indications of Moscow's shifts in its perception of the West was Vladimir Putin's address to the nation in 2006. While the Russian president regarded the European Union as Russia's "biggest partner"⁶² and considered the relations with the United States of America "of great importance"⁶³ he also announced a plan for full modernisation of the Russian army and stressed on the importance of its strength as a guarantee against any attempts of putting foreign policy pressure on Russia. Putin also spoke of the risks related to the use of non-nuclear intercontinental ballistic missiles which

⁶⁰ Roderic, Lyne . "The Russian Challenge, Russia's Changed Outlook on the West: From Convergence to Confrontation." *Chatham House report: The Russian Challenge*. London: Chatham House, 2015, p. 7.

⁶¹ Ibid p. 9.

⁶² Presidential Address to the Federal Assembly." President of Russia. May 10, 2006. Accessed May 28, 2016. http://archive.kremlin.ru/eng/speeches/2006/05/10/1823_type70029type82912_105566.shtml.

⁶³ Ibid.

could provoke one of the nuclear powers to respond with a full-scale counterattack using strategic nuclear forces.⁶⁴

In 2007, at the annual International Conference for Security in Munich, Vladimir Putin harshly criticised the unilateral post-Cold War order, the Eastern enlargement of NATO and the envisaged rocket shield in Europe which would lead to an “inevitable arms race.”⁶⁵ Putin accused directly the US in overstepping its national borders in every way and in an attempt to impose its economic, political, cultural and educational policies on other nations⁶⁶ while Europe has been trying “...to impose new dividing lines and walls...” on Russia.⁶⁷

In 2008 two key events worsened the relations between Russia and the West. In February Kosovo declared its independence from Serbia. Despite Russia’s protests Kosovo was recognised by the US and the majority of EU countries. However, the Russian president called it a “terrible precedent”⁶⁸ and the then Russian ambassador to NATO, Dmitry Rogozin commented that Russia will have to use brute force, in other words armed force in order to be respected.⁶⁹ Whether the followed war in Georgia is a direct result of Kosovo’s case might be speculative but the final decision of NATO’s Bucharest summit (in April 2008) not to provide Georgia and Ukraine with a Membership Action Plan (MAP) while simultaneously promise them a future membership⁷⁰ has been considered by

⁶⁴ Ibid.

⁶⁵ “Putin’s Prepared Remarks at 43rd Munich Conference on Security Policy.” *The Washington Post*, February 12, 2007. Accessed May 28, 2016. <http://www.washingtonpost.com/wp-dyn/content/article/2007/02/12/AR2007021200555.html>.

⁶⁶ Ibid.

⁶⁷ Ibid.

⁶⁸ “Kosovo Independence Terrible Precedent: Putin.” *Al Arabiya News*, February 23, 2008. Accessed May 26, 2016. <http://www.alarabiya.net/articles/2008/02/23/46011.html>.

⁶⁹ Ibid.

⁷⁰ “Bucharest Summit Declaration.” North Atlantic Council. April 3, 2008. Accessed May 28, 2016. http://www.nato.int/cps/en/natolive/official_texts_8443.htm.

some as a “green light” for Russia to attack Georgia.⁷¹ Despite the military conflict with the former soviet republic the relations with the West and especially the EU went back to ‘business as usual’ after the French president Nikola Sarkozy broke a peace deal with Russia and the European Commission started negotiations for a new EU-Russia Agreement.⁷²

In 2010 the EU and Russia launched a Partnership for Modernisation “...to the mutual benefit of their citizens”⁷³ and Moscow and Washington signed a Strategic Arms Reduction Treaty (START).⁷⁴ Those initiatives relied on the assumption that Medvedev, as the new Russian president will shift the country back towards cooperation and modernisation.⁷⁵ However, those hopes remained vain, as Vladimir Putin, in practice continued to be the true ruler of Russia. After his re-election the relation with the West deteriorated further as Putin did not attend the G8 summit in Cape David in May 2012 and sent the prime-minister Dmitry Medvedev instead.

Since its third term in the Kremlin, Vladimir Putin focused much more on his Eurasian project whose aim is to include all former soviet republics⁷⁶, thus creating a Russian-led counterweight to the EU, US and NATO and transforming the unilateral post-Cold War order into a multi-polar world where Russia (through the Eurasian Union - EEU) plays a key role. In order to achieve this goal the participation of Ukraine has been of

⁷¹ Walker, Shaun. “Putin’s Revenge: Russia Agrees Ceasefire & Ndash; But The War Of Words Still Rages.” *The Independent*, August 13, 2008. Accessed May 28, 2016.

<http://www.independent.co.uk/news/world/europe/putins-revenge-russia-agrees-ceasefire-ndash-but-the-war-of-words-still-rages-892858.html>.

⁷² “EU Relations with Russia.” European External Action Service. Accessed May 28, 2016.

http://eeas.europa.eu/russia/about/index_en.htm.

⁷³ “Partnership for Modernisation.” European External Action Service. Accessed May 28, 2016.

http://eeas.europa.eu/delegations/russia/eu_russia/tech_financial_cooperation/partnership_modernisation_facility/index_en.htm.

⁷⁴ Phillips, Macon. “The New START Treaty and Protocol.” The White House. April 8, 2010. Accessed May 28, 2016. <https://www.whitehouse.gov/blog/2010/04/08/new-start-treaty-and-protocol>.

⁷⁵ Roderic, Lyne . “The Russian Challenge, Russia’s Changed Outlook on the West: From Convergence to Confrontation.” *Chatham House report: The Russian Challenge*. London: Chatham House, 2015, p. 9.

⁷⁶ Rettman, Andrew. “Armenia to Join Russia Trade Bloc, Surprises EU.” *EUobserver*, September 3, 2013. Accessed May 28, 2016. <https://euobserver.com/foreign/121304>.

crucial importance. The latter would give both real leverage to the EEU by adding almost 45 million people and the second biggest post-soviet economy, as well as make the EEU a real transcontinental Union. These, however are only a few of the factors that stand behind the Ukraine crisis which resulted in a sharp decline in the relations with the EU.

1.2. EU-Ukraine Relations and the Association Agreement

1.2.1. EU–Ukraine Cooperation

The EU-Ukraine relations can be dated back to 1991 when the then European Communities officially recognised the newly declared independence of Ukraine from the USSR.⁷⁷ The followed Partnership and Cooperation Agreement (PCA) which was signed in 1994 and entered into force in 1998 has been among the most significant achievements of the EU-Ukraine bilateral relations in the 90's. The PCA envisaged cooperation in the political, economic, trade and humanitarian fields but more than that it provided the framework for the EU-Ukraine dialogue which many Ukrainians saw as a first step towards the integration of their country in the EU. This view has been shared by the then Ukrainian president Leonid Kuchma who shortly after his re-election in 1999 proclaimed the integration of his country into the EU as a key foreign policy goal.⁷⁸ However, during the 90's the Ukraine aspiration towards the EU has been rather declarative and Kiev tried to balance between Brussels and Moscow,⁷⁹ thus avoiding a decisive alignment with any of them.

After the Orange revolution and the election of the new Ukrainian president Victor Yushenko, in 2004, this duality to a great extent was reduced. In his inauguration speech

⁷⁷ "EU-Ukraine Relation." Mission of Ukraine to the EU. Accessed May 28, 2016. <http://ukraine-eu.mfa.gov.ua/en/ukraine-eu/relations>.

⁷⁸ Kuzmin, Denys and Maksymenko, Iryna. *Analysis of the EU – Ukraine Relations in the Context of the Association Agreement and Related Documents and the EU 2014-2020 Financial Perspective*. Odesa: Center for International Studies, Department of International Relations, Odesa National University, 2012, p. 17.

⁷⁹ Schneider-Deters, Winfried. *Die Ukraine: Machtvakuum zwischen Russland und der Europäischen Union*. Berlin: Berliner Wissenschafts-Verlag, 2014, p. 83.

in 2005 Yuschenko set his goal clearly – “Ukraine in the United Europe”⁸⁰. Nonetheless, the followed inner political conflict between the president and the prime-minister Yulia Timoshenko stalled the reforms which gave a formal excuse to Brussels to avoid giving any concrete EU accession prospects contrary to Kiev’s ambitions.

The initiated by Brussels in 2009 Eastern Partnership (EaP) (the Eastern dimension of the European Neighbourhood Policy) aimed to create closer cooperation between the EU and the six post-soviet republics – Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. Kiev welcomed the EaP as it used the same instruments for EU candidates and it saw the initiative as a way to modernise the country.⁸¹ At the same time, the EaP had some significant flaws which undermined its declared goal to “...accelerate political association and further economic integration...”⁸² between the EU and the EaP countries. The initiative was based on the methods and instruments designed for the accession of the Central and Eastern European Countries (CEEC)⁸³. However, there was one significant difference, while the latter were promised a full EU membership for the EaP countries there were no such provisions in place. Moreover, the implementation of reforms in the areas of good governance, human rights, democracy, rule of law, etc. has often been related to high adaptation costs which price would make sense paying only if they result in an accession to the EU. In addition, the Action Plans (AP) in the framework of the EaP have focused on the enhancing the effectiveness of the national institutions⁸⁴ rather on promotion of the aforementioned values. Having in mind that most of the EaP countries

⁸⁰ Press-Service of the President of Ukraine Victor Yushchenko. “Inaugural Address of the President of Ukraine Victor Yushchenko to the Ukrainian People on Independence Square.” January 24, 2005. Accessed May 28, 2016. http://www.kmu.gov.ua/control/en/publish/article?art_id=11100895.

⁸¹ Pop, Valentina. “EU Expanding Its 'Sphere of Influence', Russia Says.” *EUobserver*, March 21, 2009. Accessed May 28, 2016. <https://euobserver.com/foreign/27827>.

⁸² Council of the European Union. “Joint Declaration of the Prague Eastern Partnership Summit.” Accessed May 28, 2016. http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/er/107589.pdf.

⁸³ Börzel, Tanja A. “When Europe Hits Beyond Its Borders: Europeanization and the Near Abroad.” *Comparative European Politics* vol. 9 (2011). 394-413.

⁸⁴ *Ibid.*, p. 403.

have been considered as either semi or full autocracies⁸⁵ this approach contributed to strengthening of the regimes and distanced those countries further from the EU, thus undermining the proclaimed goal of establishing the so-called “ring of friends”⁸⁶.

However, the negotiations between Brussels and Kiev to replace the PCA which has expired in 2008 led to the proposal of an Association Agreement (AA) which was much more ambitious and comprehensive in comparison to the previous document.

1.2.2. The Association Agreement with Ukraine

The talks for a new agreement to replace the PCA started as early as 2007. Initially the EU proposed a New Enhanced Agreement (NEA)⁸⁷, that would be more coherent and it lead to a closer cooperation in a broader number of sectors. With this careful formulation Brussels aimed to make a clear distinction between Ukraine and the rest of the CEEC with whom AAs have been signed as a first step towards their integration into the EU. Brussels wanted to underline that Ukraine is an EU neighbour and it seeks to remain such by offering Ukraine more than a partnership but less than a membership.⁸⁸ However, some events in the summer of 2008 and most notably the war in Georgia have influenced the EU to amend its formulation and offer Ukraine an AA.⁸⁹ The latter became fact during the EU-Ukraine Summit in September 2008 where the EU recognised Ukraine as a European country and it expressed its delight that the new document which will shape the bilateral relations will be an AA.⁹⁰ The

⁸⁵ Ibid., p. 402.

⁸⁶ Wallace, William. “Looking after the Neighbourhood: Responsibilities for the EU-25.” *Notre Europe, Policy Papers No. 4*, 2003, p.5. Accessed May 28, 2016.

http://www.institutdelors.eu/media/policypaper4_01.pdf?pdf=ok.

⁸⁷ “Press Release. 2885th and 2886th meetings of the Council General Affairs and External Relations.” Council of the European Union. July 22, 2008. Accessed May 28, 2016.

http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/gena/101956.pdf.

⁸⁸ Wallace, William. “Looking after the Neighbourhood: Responsibilities for the EU-25.” *Notre Europe, Policy Papers No. 4*, 2003, p.5. Accessed May 28, 2016.

http://www.institutdelors.eu/media/policypaper4_01.pdf?pdf=ok.

⁸⁹ Schneider-Deters, Winfried. *Die Ukraine: Machtvakuum zwischen Russland und der Europäischen Union*. Berlin: Berliner Wissenschafts-Verlag, 2014, p. 87.

⁹⁰ „EU-Ukraine Summit Paris.” Council of the European Union. September 9, 2008. Accessed May 28, 2016. http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/er/102633.pdf.

negotiations formally ended in December 2011 and by the summer of 2012 both texts of the AA and its core part – the Deep and Comprehensive Free Trade Area (DCFTA) have been initialed.⁹¹ However, due to the stark deterioration of the rule of law and democratic principles related to the politically motivated prosecutions of the former prime-minister Yulia Tymoshenko and former minister of interior Yuriy Lutsenko the EU postponed the ratification of the AA.⁹² In December 2012 the Council Foreign Affairs expressed its willingness to sign the AA which however would have depended on the progress Ukraine marked regarding the aforementioned benchmarks. The Council suggested that this could happen by the time of the Eastern Partnership summit in Vilnius in November 2013.⁹³ However, the decision of the Ukrainian parliament to suspend the AA shortly before the conference and the followed refusal of the then Ukrainian president Viktor Yanukovich to sign it at the meeting in Vilnius triggered protests which eventually led to Yanukovich's resignation and the Ukraine crisis.

Before the thesis analyses the Ukraine crisis it will try to clarify why the AA was so important to Brussels that in Vilnius the EU negotiators were willing to sign it regardless of Ukraine's non-compliance with EU's conditions⁹⁴ – improving of its democracy and human rights record, why Russia was so staunchly against it and why Ukraine was so hesitant to sign the agreement.

⁹¹ "EU – Ukraine Association Agreement. "Guide to the Association Agreement." European External Action Service. Accessed May 28, 2016. http://eeas.europa.eu/images/top_stories/140912_eu-ukraine-association-agreement-quick_guide.pdf.

⁹² "EU Leaders: Ratification of Association Agreement and DCFTA Depends on Settlement of Tymoshenko – Lutsenko Issue." *Kyiv Post*, July 20, 2012. Accessed May 28, 2016. <http://www.kyivpost.com/content/politics/eu-leaders-ratification-of-association-agreement-a-310272.html>.

⁹³ "Council Conclusions on Ukraine. 3209th Foreign Affairs Council Meeting." Council of the European Union. December 10, 2012. Accessed May 28, 2016. http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/134136.pdf.

⁹⁴ Gotev, Georgi. "EU Seeks 'Time For Reflection' After Vilnius Summit Failure." *EurActiv*, November 29, 2013. Accessed May 28, 2016. <http://www.euractiv.com/global-europe/vilnius-summit-time-reflection-news-532048>.

The EU

For the EU, besides Ukraine's importance as a transit zone for Russian natural resources, the country did not play a major role in its trade or economy. For instance, in 2014 the EU has imported goods from Ukraine for around 14 billion euro (0.8% of the total EU imports) and it has exported goods for almost 17 billion euro (1.0% of the total EU exports) making Ukraine the 25th most important trading partner for the EU (in comparison to the third Russia and the sixth Turkey).⁹⁵ Despite Ukraine's insignificant share in EU's trade the country had much bigger geopolitical meaning. As the second biggest post-soviet state, in terms of economy and population, Ukraine has been considered the most important country in the EaP. In this respect, the success or the failure of the EU policy towards Ukraine would have determined to a great extent the geopolitical orientation of the other EaP countries - most notably Moldova and Georgia. Moreover, against the backdrop of a growing authoritarianism in Ukraine, the EU realised that by abandoning the AA it might deprive itself of a channel to influence the government in Kiev and bind them closer to Europe. If the EU was to step back from the AA then it would have undoubtedly eased Russia to impose its pressure on Ukraine and the rest of the EaP countries to join the EEU. At last but not the least the AA with Ukraine mattered for EU's security. A possible deterioration of the situation with human rights, corruption and selective justice in Ukraine could have provoked public discontent which could have led to clashes, destabilisation of the country and to an increase of the migrant flow to the EU. By signing the AA the EU would have been in position to put the country on the track of political and economic reforms that could eventually transform Ukraine into a modern market economy with well functioning institutions and established principles of the rule of law.

⁹⁵ "Trade In Goods With Ukraine." European Commission, Directorate – General for Trade. April 14, 2016. Accessed May 28, 2016. http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113459.pdf.

Russia

Russia, on the other side was opposing the AA. For Moscow the AA meant that if Kiev signs it Ukraine would no longer be able to join the Eurasian Custom Union (EACU). The DCFTA does not preclude Ukraine to participate in other free trade areas, such as the Commonwealth of Independent States Free Trade Area (CISFTA) of which Ukraine is part. However, if Ukraine becomes member of the EACU the country could not be simultaneously part of the DFCTA. The reason for this is that being a member of a Custom Union the country delegates its rights to a supranational body, such as the EEU Commission which sets the tariff rates with third parties. In this regard, if Ukraine is a member of EACU and afterwards decides to become member of the DFCTA the EU will have to negotiate with the EACU and not with Ukraine. This, although not impossible, would require much more time, efforts and as Sergei Aleksashenko puts it, a step that the EU was not ready to make.⁹⁶

In this regard, the signing of the AA by Ukraine would mean that the country would sideline with the EU, both in political, economic and legal terms as the AA envisages that Ukraine will have to comply with *aquis communautaire*. Having in mind Russia's aim to create a counterweight to the EU and NATO, the inclusion of Ukraine to the EEU has been of paramount importance. On the one hand the country would have added real leverage to the EEU in respect to its population, size and economy, thus granting it a real Eurasian status, and on the other hand Ukraine's inclusion in the EEU could have influenced the geopolitical choice of the other post-soviet countries. However, the followed protests in Kiev, Yanukovich's ousting from power and Ukraine's shift towards the West undermined Russia's ambitions.

⁹⁶ Aleksashenko, Sergei. "For Ukraine, Moldova, and Georgia Free Trade with Europe and Russia is Possible." Carnegie Moscow Center. July 3, 2014. Accessed May 28, 2016. <http://carnegie.ru/eurasiaoutlook/?fa=56074>
<http://carnegie.ru/eurasiaoutlook/?fa=56074>.

Ukraine

For Ukraine the AA meant that the country would have to make a choice between Europe and Russia, a choice that Kiev has been trying to avoid since its independence from the USSR.

The AA, broadly put had two dimensions – economic and political. From economic point of view signing the AA would have given Ukraine an access to the largest single market in the world with 500 million consumers and average GDP per capita of €25 000,⁹⁷ alignment with EU legislation, norms and regulations which would have brought Ukraine closer to EU standards, thus making Ukraine's goods more competitive and leading to a modernisation and diversification of country's economy by making it more technology-than resource based.⁹⁸ Despite the fact that there would have been additional costs for Ukraine's alignment with EU standards and economic modernisation, different studies have suggested that in a medium and long term Ukraine will benefit significantly from the AA. It has been estimated that within a ten years period Ukraine's welfare would increase with 11.8%⁹⁹ and even if Russia imposes a full trade embargo on Ukraine the country would still be able to reach annual GDP growth of 5.9%.¹⁰⁰

In political terms the signing of the AA would have put Ukraine on the path of closer political integration with the EU and strengthening the principle of democracy, rule of law, human rights and media pluralism.

⁹⁷ "EU Position in World Trade." European Commission. October 2, 2014. Accessed May 28, 2016.

<http://ec.europa.eu/trade/policy/eu-position-in-world-trade/>.

⁹⁸ Solonenko, Iryna. „Ukraine's EU-Russia Dilemma: the Essence of the Choice" in *Unrewarding Crossroads? The Black Sea Region between the EU and Russia*, 68-90. Sofia: Sofia Platform Foundation, 2015.

⁹⁹ Movchan, Veronika and Giucci, Ricardo. *Quantitative Assessment of Ukraine's Regional Integration Options: DCFTA with European Union vs. Customs Union with Russia, Belarus and Kazakhstan*. Berlin/ Kyiv: German Advisory Group and Institute for Economic Research and Policy Consulting, 2011. Accessed May 28, 2016. http://www.beratergruppe-ukraine.de/download/Beraterpapiere/2011/PP_05_2011_en.pdf.

¹⁰⁰ Solonenko, Iryna. „Ukraine's EU-Russia Dilemma: the Essence of the Choice" in *Unrewarding Crossroads? The Black Sea Region between the EU and Russia*, 68-90. Sofia: Sofia Platform Foundation, 2015. Accessed May 28, 2016. <http://sofiaplatform.org/unrewarding-crossroads-the-black-sea-region-amidst-the-european-union-and-russia/>.

On the other hand, by choosing to join the EEU, Ukraine would not have been able to also have a free trade area with the EU (as explained earlier) and in a medium and long run Ukraine's welfare would have decreased by 0.5% and 3.7%, respectively, mostly as a result of increase in tariffs.¹⁰¹ In addition, the EEU market is almost three times smaller than EUs, comprising some 180 million people with average GDP per capita of roughly €11 000¹⁰² less than the half of the EU's. These numbers, along with the authoritarian, non-transparent and non-accountable political model promoted by the EEU would have crippled the Ukrainian economy further and undermined the civil rights and freedoms of its citizens. The latter expressed their objection by protesting on the Maidan which eventually ousted Yanukovich and led to the Ukraine crisis.

1.3. The Ukraine Crisis

The onset of the Ukraine crisis came to many as a surprise. Probably nobody expected that in response to Yanukovich's ousting and establishing of a pro-western government in Kiev, Russia will first occupy Crimea and then instigate a separatist movement in the eastern part of the country. For the Western leaders, from the German Chancellor Angela Merkel to the US Secretary of State, John Kerry, the behavior of Vladimir Putin has been hard to comprehend. According to Merkel, the Russian president has been living in "another world",¹⁰³ while Kerry criticised Putin's actions in Ukraine as incompatible with the politics in the 21st century.¹⁰⁴ Nonetheless, the question remains, why Brussels disregarded Moscow's

¹⁰¹ Movchan, Veronika and Giucci, Ricardo. *Quantitative Assessment of Ukraine's Regional Integration Options: DCFTA with European Union vs. Customs Union with Russia, Belarus and Kazakhstan*. Berlin/ Kyiv: German Advisory Group and Institute for Economic Research and Policy Consulting, 2011. Accessed May 28, 2016. http://www.beratergruppe-ukraine.de/download/Beraterpapiere/2011/PP_05_2011_en.pdf.

¹⁰² Hakim, Ali. "Sink or Swim: Can the EAEU Survive for the Long Haul?" *Harvard Political Review*. June 6, 2015. Accessed May 28, 2016. <http://harvardpolitics.com/world/sink-swim-can-eaeu-survive-long-haul/>.

¹⁰³ Traynor, Ian and Wintour, Patrick. "Ukraine Crisis: Vladimir Putin Has Lost the Plot, Says German Chancellor." *The Guardian*, March 3, 2014. Accessed May 28, 2016. <http://www.theguardian.com/world/2014/mar/03/ukraine-vladimir-putin-angela-merkel-russian>.

¹⁰⁴ Dunham, Will. "Kerry Condemns Russia's 'Incredible Act of Aggression' In Ukraine." *Reuters*, March 2, 2014. Accessed May 28, 2016. <http://www.reuters.com/article/2014/03/02/us-ukraine-crisis-usa-kerry-idUSBREA210DG20140302>.

concerns and secondly, and probably more importantly, why the Russian Federation resorted to military intervention in Ukraine. An apt, although not exhaustive answer to these questions could provide the scholarship of the International Relations (IR) theory and more precisely two of its most affluent schools of thought – the neorealism (structural realism) and the liberalism (liberal institutionalism).

The neorealism theory is formally divided in two-subdivisions – offensive neorealism (represented by John Mearsheimer) and defensive neorealism (represented by Kenneth Waltz). Both sub-divisions share the notion that the states live in an anarchic system where there is no “central monopoly of legitimate force”¹⁰⁵ thus states are responsible alone to ensure their security or at least survival. In order to meet these objectives, according to Mearsheimer’s offensive neorealism, states are competing for power, where maximisation of power enhances the security of the state. This approach, however, leads to the so-called security dilemma, where the maximisation of power and thus increase in security for one state automatically leads to decrease in security for the other states, resulting in a zero sum game. In this regard the system characterises itself with enmity, suspicion and lack of trust. As Mearsheimer points out, even if a state has benign intentions the other states in the system cannot be sure whether this will not change which leads to non-cooperation and maintains the competition and strive for power. In addition, the states are considered rational actors with the exception that they operate in an imperfect world where the information they receive might be false or incomplete, thus leading to miscalculations in their decision-making.¹⁰⁶

The defensive neorealism of Kenneth Waltz, on the other hand stresses that countries should not aim to maximise their power in order to become a hegemon, because this would

¹⁰⁵ Waltz, Kenneth N. “Origins of War in Neorealist Theory.” *Journal of Interdisciplinary History*, Vol. 18, Issue 4, (Spring 1988). 615-628.

¹⁰⁶ Mearsheimer, John J. “The False Promise of Institutions.” *International Security*, Vol. 19, No. 3 (Winter 1994/95). 5-49.

motivate the other actors to keep in check “states who seek to become especially powerful”¹⁰⁷. In this respect, Waltz rather argues that states’ main goal should be maintaining their positions in the system.¹⁰⁸

The liberalism (liberal institutionalism), on the other hand sees the world more differently. According to its main proponent, the German philosopher Immanuel Kant, people desire most of all freedom and prosperity. In order to secure those goals three factors are needed – democratic government, economic interdependence and international law and organisations. It is assumed that, in contrast to authoritarian regimes, democracies refrain to go to war with each other, which contributes to more peaceful relations. The peace on the other hand will boost trade between states which will lead to economic interdependency and consequently to formation of international organisations (based on the principle of the international law) that will facilitate the process.¹⁰⁹ According to Kant, over time those three factors will mutually reinforce each other, thus overcoming the security dilemma.¹¹⁰

In this respect, the Ukraine crisis could be situated in the context of the above IR theories. With the AA the EU aimed to promote democracy, compliance with EU’s legislation and boost trade and economic cooperation between the two entities, hoping that within time those factors will mutually reinforce each other, thus leading to more freedom and prosperity in Ukraine. In this way the EU tried to foster democratic processes in Ukraine in an attempt to counteract the rising authoritarianism of Viktor Yanukovich.

Russia, on the other hand, perceived the AA from a rather neorealist point of view. Seen from Moscow, the EU was trying to maximise its power at the expense of Russia, thus undermining the security of the latter. In this regard the Russian aggression towards Ukraine

¹⁰⁷ Mearsheimer, John J. “Structural Realism.” In *International Relations Theories. Discipline and Diversity*, 77-93. Oxford: Oxford University Press, 2013.

¹⁰⁸ Ibid.

¹⁰⁹ Russett, Bruce. “Liberalism.” In *International Relations Theories. Discipline and Diversity*, 94-113. Oxford: Oxford University Press, 2013.

¹¹⁰ Ibid.

has been a rational action aimed to stop further Western expansion in the near abroad. This, as well as the creation of the Russian-led EEU where Moscow joins forces with other post-soviet states to keep in check the economic hegemony of the EU, are both examples of Russia's defensive neorealism which is in contrast to the assumption that Russia is a revisionist power, aiming to re-establish the former Soviet Union.

Moreover, from a neorealist perspective, Russia is also suspicious and mistrustful towards the intentions of the other actors in the system. Hence, despite EU's assurances that the AA was not against Russia's interests and its attempts to convince Moscow in its benign intentions, as John Mearsheimer points out, it was the Russians and not the EU, who ultimately get to decide what counts as a threat to them.¹¹¹

Furthermore, as mentioned earlier, according to the neorealism the states need to secure at least their survival. It could be suggested that the AA between the EU and Ukraine did not pose an existential threat to Russia and this assumption would be rather correct, however the AA was a threat not that much to the Russian state as to the regime in Moscow. Although the EU tried to present itself as a benevolent hegemon offering a win-win model that would also benefit Russia¹¹² the Kremlin saw it as an attempt of the EU to create its own "sphere of influence" in Eastern Europe.¹¹³ For the Russian governing elite allowing the penetration of Western values – rule of law, respect of human and civil rights, democracy, accountable government and the key instrument facilitating the promotion of these values – the economic interdependency has been seen as a serious challenge to the status quo. Hence,

¹¹¹ Mearsheimer, John J. "Why Ukraine Crisis Is West's Fault. The Liberal Delusions that Provoked Putin." *Foreign Affairs*, September/October 2014. Accessed May 28, 2016.

<https://www.foreignaffairs.com/articles/russia-fsu/2014-08-18/why-ukraine-crisis-west-s-fault>.

¹¹² Havrylyshyn, Oleh and Kobzar, Svitlana. "EU-Ukraine Alliance Will Benefit Russia, Too." *Moscow Times*, January 28, 2014. Accessed May 28, 2016. <http://www.themoscowtimes.com/opinion/article/eu-ukraine-alliance-will-benefit-russia-too/493500.html>.

¹¹³ Mearsheimer, John J. "Why Ukraine Crisis Is West's Fault. The Liberal Delusions that Provoked Putin." *Foreign Affairs*, September/October 2014. Accessed May 28, 2016.

<https://www.foreignaffairs.com/articles/russia-fsu/2014-08-18/why-ukraine-crisis-west-s-fault>.

the response of Moscow, was a policy of an “aggressive isolationism”¹¹⁴ - a “resistance to unfettered open-for-business but under-governed globalisation.”¹¹⁵ To the latter contributed also the mass protests in Russia between December 2011 and July 2013 which “came as a great shock to the Russian political establishment.”¹¹⁶ They signified for the weakness of the regime in Russia and the growing discontent among the people with the governance of the country. In this respect, the popular protests in Ukraine which ousted Yanukovich and brought to power a pro-Western government have been seen as a great danger that such a scenario could repeat in Russia. Hence, the Kremlin facilitated the Ukraine crisis which served several purposes. Firstly, it created a new frozen conflict which effectively prevents a foreseeable integration of Ukraine into the Euro-Atlantic structures, thus transforming Ukraine into a buffer zone keeping at bay EU’s influence from Russian borders. Secondly, diverting the attention at home from the domestic problems and consolidating the power among the governing elite and at last but not least punishing the Ukrainians for their pro-European choice.

In sum, it could be argued that the Ukraine crisis is a result of the different world’s paradigms of the EU and Russia. While the EU sees the expansion of the liberal values – democracy, economic interdependence, rule of law and creation of international organisations as a win-win process and a remedy to the conflicts, Russia perceives the world as a zero-sum game, where countries are in a constant competition for power and the strengthening of one state decreases the security of the rests of the states in the system. Nevertheless, although Russia’s neorealism does not justify the violation of Ukraine’s sovereignty, the EU also bears responsibility for the crisis. By neglecting Russia’s concerns regarding further Western

¹¹⁴ Krastev, Ivan and Holmes, Stephen. “What Ukraine Means. Russia’s Aggressive Isolationism.” *The American Interest*, December 10, 2014. Accessed May 28, 2016. <http://www.the-american-interest.com/2014/12/10/russias-aggressive-isolationism/>.

¹¹⁵ Ibid.

¹¹⁶ Ross, Cameron. *Systemic and Non-Systemic Opposition in the Russian Federation: Civil Society Awakens?* Farnham: Ashgate Publishing Limited, 2015. p. 1.

penetration in the so-called near abroad, the EU omitted to take into account the possible Russian reaction which led to the current crisis and set new challenges before the EU.

Chapter 2: The Russian Challenges to the EU

2.1. Military Challenges

The Ukraine crisis raised a question whether a new, although more limited regional war, could emerge in Eastern Europe. Some of Russia's neighbours – the three Baltic States and Poland, who had been occupied by Russia in the past, have expressed such concerns. The numerous breaches of the airspace and territorial waters of those countries (and other EU member states) by Russian military airplanes and vessels as well as Moscow's militaristic rhetoric have corroborated such fears. Nonetheless, despite these worrisome signals, Russia is lacking both the ambition and the capacity to implement such plans. Regardless of the modernisation in recent years, the Russian army still falls behind the (combined) military strength of the EU and it is rather a shadow of the former soviet army.

After the collapse of the USSR, the Russian army lost considerable amount of its strength. From 5 million troops in 1991 the army shrank to around 1.2 million personnel a decade later.¹¹⁷ The obsolete equipment, poor leadership, understaffing and mismanagement have weakened the Russian army. The two wars in Chechnya only underpinned this perception and made the contrast with NATO's technology-advanced armed forces more apparent. Even in 2008, when Russia achieved a swiftly and decisive victory over Georgia, the operation suffered from plethora of shortcomings – poor tactical and operational planning, difficult coordination between different army groups, unmanned regiments, cases of "friendly fire", etc.¹¹⁸ Hence, the Georgian war became a turning point for Russia which launched a deep and comprehensive military reform later in 2008. It aimed to secure three main objectives – improving the organisation by restructuring of the armed forces into a mainly

¹¹⁷ Aid, Matthew. "Today's Russian Army Is a Shadow of the Former Soviet Army of the Cold War," MatthewAid, September 30, 2014, <http://www.matthewaid.com/post/98797449611/todays-russian-army-is-a-shadow-of-the-former>.

¹¹⁸ Gressel, Gustav. "Russia's Quiet Military Revolution, and What It Means for Europe." European Council on Foreign Relations, 2015. p. 2.

professional volunteer army and replacing the divisions with smaller but easily deployable brigades¹¹⁹; optimising the number of personnel to 1 million people and rearming the Russian army with new and modern weapons,¹²⁰ including 2300 tanks, 1200 helicopters and planes, 50 surface ships and 28 submarines, 100 satellites.¹²¹ In order to achieve these ambitious goals the Russian government increased significantly its military budget, from \$61 billion in 2008 to \$70 billion in 2011 to reach the ever high (since the collapse of the USSR) of \$91 billion in 2014¹²² which made Russia the biggest arm spender in Europe. For example in 2014 the UK has allocated \$60 billion, France \$62 billion, Germany \$46 billion and Italy \$31 billion for their defences.¹²³ Moreover, as a share of its GDP Russia spends more for its defence – 4.5% than the US and China, whose military budgets represent 3.5% and 2.06% of their GDP's, respectively.¹²⁴

The results of the reorganisation of the Russian army and the increased expenditure have become visible during the occupation of Crimea. Within less than a month in an impressive, prompt, well coordinated and almost bloodless campaign¹²⁵ the Russian Special Forces managed to put under control the whole peninsula, an achievement that surprised many military experts. Moreover, during the campaign in Eastern Ukraine Russia maintained between 40 000 and 150 000 men in full combat readiness across the border with Ukraine, as simultaneously Moscow conducted manoeuvres in other parts of Russia comprising up to

¹¹⁹ One division consists of around 13 000 troops while a brigade comprises some 4000 troops.

¹²⁰ Grätz, Jonas. "Russia's Military Reform: Progress and Hurdles." *CSS Analyses in Security Policy*, No. 152, April 2014, ETH Zürich, p. 2.

¹²¹ Gvosdev, Nikolas K. "The Bear Awakens: Russia's Military is Back." *National Interest*, November 12, 2014. Accessed May 28, 2016. <http://www.nationalinterest.org/commentary/russias-military-back-9181>.

¹²² Stockholm International Peace Research Institute Military Expenditure Database. Accessed May 28, 2016. http://www.sipri.org/research/armaments/milex/milex_database/milex_database.

¹²³ Ibid.

¹²⁴ Ibid.

¹²⁵ Simpson, John. "Russia's Crimea Plan Detailed, Secret and Successful." *BBC, Europe*, March 19, 2014. Accessed May 28, 2016. <http://www.bbc.com/news/world-europe-26644082>.

80 000 troops of all arms which exceeds even the number of Russian armed forces involved in the second Chechen war.¹²⁶

The occupation of Crimea, the support for the rebels in Eastern Ukraine as well as the recent Russian military intervention in Syria signify for the transformation of the Russian armed forces. Nonetheless, along with the progress in some spheres, mainly in the structure and reorganisation of the Russian army there are still significant problems in terms of personnel and rearmament that probably will not be resolved by 2020 when the military reform is scheduled to be completed.

As mentioned earlier the plan envisages the Russian army to reach 1 million professional soldiers. The figure of the actual size of the Russian armed forces varies. According to some estimations the Russian army in 2014 comprised around 700 000 servicemen and women,¹²⁷ while a more recent study suggests that this number has risen to 771 000.¹²⁸ However, from them less than the half - 295 000 are contract soldiers¹²⁹ and the Russian General Staff aim is to increase their number to 425 000 by January 2017¹³⁰ which might be a difficult task. A significant part of the hired troops leave after the three year contract expires as in 2013, 35 000 have done so.¹³¹ Further problems are caused by lack of motivation, health problems and alcohol abuse among the contract soldiers.¹³² In addition, Russia's downward demographic trend continues. It is expected that the number of 18-years

¹²⁶ Gressel, Gustav. "Russia's Quiet Military Revolution, and What It Means for Europe." European Council on Foreign Relations, 2015. p. 4.

¹²⁷ Grätz, Jonas. "Russia's Military Reform: Progress and Hurdles." *CSS Analyses in Security Policy*, No. 152, (April 2014), ETH Zürich. p. 2.

¹²⁸ Braw, Elisabeth. "Russia's Conscription Conundrum." *Foreign Affairs*, August 25, 2015. Accessed May 28, 2016. <https://www.foreignaffairs.com/articles/russia-fsu/2015-08-25/russias-conscription-conundrum>.

¹²⁹ Baev, Pavel. "Ukraine: A Test for Russian Military Reform." *Russie Nei Reports* No. 19, (May 2015). p. 23. Braw, Elisabeth. "Russia's Conscription Conundrum." *Foreign Affairs*, August 25, 2015. Accessed May 28, 2016. <https://www.foreignaffairs.com/articles/russia-fsu/2015-08-25/russias-conscription-conundrum>.

¹³¹ Grätz, Jonas. "Russia's Military Reform: Progress and Hurdles." *CSS Analyses in Security Policy*, No. 152, (April 2014), ETH Zürich. p. 3.

¹³² Ibid.

old men in Russia will drop from 1.1 million in 2007 to 630 000 in 2017, as only two-thirds of them will be fit for military service.¹³³

The rearmament process of the Russian army does not go smoothly either. There has been a delay in supply of new weapons. It is planned that by 2020 70% of the Russian troops will be equipped with modern weapons (no older than 10 years) and by the spring of 2014 only 19% have met that objective.¹³⁴ Moreover, the military procurement which relies chiefly on the Russian domestic defence industry complex suffers from plethora of drawbacks. The Russian factories are lacking innovations and their staff and production facilities are outdated, which combined with central planning relicts and corruption cause late delivery problems.¹³⁵ For instance, in 2013 only 15% to 20% of all procurement projects, planned for the first half of that year were completed on time.¹³⁶ In order to close the knowhow gap and expertise in the production of certain arms Russia made purchases of Mistral-type helicopter carriers from France and armoured vehicles from Italy.¹³⁷ However, due to EU's economic sanctions those shipments are currently frozen and at present Russia faces great difficulties to supply its military complex with the needed materials and technologies which affects the speed of its rearmament programme. In addition, the devaluation of the ruble makes the whole process much more expensive which will cut the number of produced arms - tanks, missiles, corvettes and aircrafts by a half.¹³⁸ Despite Moscow's intention to allocate 4% of its GDP to defence in

¹³³ Klein, Margarete and Pester, Kristian. "Russia's Armed Forces on Modernisation Course." SWP Comments, Stiftung Wissenschaft und Politik, January 2014. p. 4.

¹³⁴ Grätz, Jonas. "Russia's Military Reform: Progress and Hurdles." *CSS Analyses in Security Policy*, No. 152, (April 2014), ETH Zürich. p. 3.

¹³⁵ Klein, Margarete and Pester, Kristian. "Russia's Armed Forces on Modernisation Course." SWP Comments, Stiftung Wissenschaft und Politik, January 2014. p. 4.

¹³⁶ Ibid.

¹³⁷ Ibid., p. 5.

¹³⁸ Bodner, Matthew and Dolgov, Anna. "Putin Warns Russian Defense Industry Not to Fall Behind." *Moscow Times*, July 19, 2015. Accessed May 28, 2016. <http://www.themoscowtimes.com/business/article/putin-warns-russian-defense-industry-not-to-fall-behind/525853.html>.

2016¹³⁹ the EU economic sanctions combined with the low energy prices will probably continue to affect negatively the Russian economy. In this scenario Russia might be unable to continue the modernisation of its army with the desired pace as even the solid currency reserves on which the Kremlin relied so far have started to deplete.¹⁴⁰ At last but not least, the plans of the Russian government to use the spending in its military complex as a (at least partial) remedy for the economic troubles by creating more jobs and boost the GDP would have a short term effect that, however would come at the expense of a long-term fiscal stability.¹⁴¹

The EU, on the other hand, does not have a single unitary army. Nonetheless, in terms of number of troops, financial resources and technological capacity the EU surpasses Russia significantly. According to the European Defence Agency (EDA) in 2013 the EU has spent €186 billion (\$205 billion) which is more than twice of what Russia has earmarked in 2014 as the number of EU military personnel equaled to 1 436 000 people.¹⁴² The EU's naval and air forces are also superior to that of Russia.¹⁴³ However, despite its military advantage the EU has also some weak spots. In first place, in the past two decades the EU armed forces have been involved mainly in peace keeping operations and assisting in natural disasters which has weakened their combat capabilities. Furthermore, the little or no military exercises and low deployable readiness (the EDA has rated the EU forces only 30.9% combat-ready while for Russia this percentage reaches 65%)¹⁴⁴ raise the question of the actual strength of the EU

¹³⁹ Bodner, Matthew. "Russian Military Spending to Increase by Less Than 1% Next Year." *Moscow Times*, October 26, 2015. Accessed May 28, 2016. <http://www.themoscowtimes.com/news/article/russian-military-spending-to-increase-by-less-than-1-next-year/540362.html>.

¹⁴⁰ Ellyatt, Holly. "Russia's Reserve Fund Could Run Empty In 2016." *CNBC*, October 27, 2015. Accessed May 28, 2016. <http://www.cnbc.com/2015/10/27/russias-reserve-fund-could-run-empty-in-2016.html>.

¹⁴¹ Connolly, Richard. "Troubled Times: Stagnation, Sanctions and the Prospects for Economic Reform in Russia." Research Paper, Chatham House, February 2015. p. 16.

¹⁴² European Defence Agency. Defence Data Portal. Accessed May 28, 2016. <https://www.eda.europa.eu/info-hub/defence-data-portal/EDA/year/2013#1>.

¹⁴³ Gressel, Gustav. "Russia's Quiet Military Revolution, and What It Means for Europe." European Council on Foreign Relations, 2015. p. 7.

¹⁴⁴ *Ibid.*, p. 8.

armies. Moreover, unlike Russia who is a unitary actor, the EU does not have a centralised European military command which could mobilise a common European army to fight a foreign aggressor. Hence, in case of an armed conflict this would give an advantage to Russia which would be able to take swifter decisions and deploy faster its troops to the battlefield.

A further, but not a lesser issue is the willingness of the Europeans to fight. Against the backdrop of a growing tensions with Moscow the main military powers in Europe have either cut or frozen their military spending in 2015 as none of them would reach the agreed threshold of 2% of national's GDP agreed at NATO's Wales Summit in December 2014.¹⁴⁵ In addition, the report by Pew Research Centre, announced last year, revealed that less than the half of the respondents in the six biggest EU countries (all of which are NATO members) think their governments should engage in military actions against Russia in case the latter gets into "a serious military conflict" with one of its NATO neighbours.¹⁴⁶ For instance, in Italy this percentage was 40%, in France 47%, in Germany 38%, in the UK 49% and in both Poland and Spain 48%.¹⁴⁷ These trends hide also a serious risk to undermine NATO's credibility which derives from Article 5 of the North Atlantic Treaty where:

"The Parties agree that an armed attack against one or more of them...shall be considered an attack against them all and... each of them... will assist the Party or Parties so attacked by taking...action as it deems necessary, including the use of armed force..."¹⁴⁸

Nonetheless, Article 5 allows for a broad interpretation of what these necessary actions might be. It provides for use of force but it does not make it mandatory or automatically. Moreover, having in mind that NATO's principal decision-making body - the North-Atlantic Council

¹⁴⁵ Raynova, Denitsa and Kearns, Ian. "Report: Six European Members of NATO Will Cut Defense Spending and Break Agreement Made at Wales Summit." *Atlantic Council*, February 26, 2015. Accessed May 28, 2016. <http://www.atlanticcouncil.org/blogs/natosource/report-six-european-members-of-nato-will-cut-defense-spending-and-break-agreement-made-in-wales>.

¹⁴⁶ Kendall, Bridget and Finds, Poll. "NATO's Europeans Wary of Russia Confrontation." *BBC, Europe*, June 10, 2015. Accessed May 28, 2016. <http://www.bbc.com/news/world-europe-33072093>.

¹⁴⁷ Ibid.

¹⁴⁸ Official Text of the North Atlantic Treaty, NATO. Accessed May 28, 2016. http://www.nato.int/cps/en/natohq/official_texts_17120.htm.

(NAC) takes decision by unanimity,¹⁴⁹ a decision for a possible military response in case of Russian attack against, for instance, any of the Baltic States could be obstructed by one or several countries who might not perceive the threat as grave as the affected country. In addition, in the context of the “hybrid warfare” (which blends conventional/unconventional, regular/irregular, and information and cyber warfare¹⁵⁰) that Russia applied in Ukraine, it might become more difficult for NATO states to reach an agreement whether such actions could be classified as an “armed attack” or not.

Alternatively to NATO’s Article 5, the EU could resort to Article 42/7 of the Lisbon Treaty, which guarantees the security of the member states.¹⁵¹ In this way the treaty could provide also for EU members who are not part of NATO - Finland and Sweden and who are faced with increased number of airspaces breaches by Russian military.¹⁵² So far this article has not been applied broadly¹⁵³ but it gives another option in case NATO is unable to reach unanimity.¹⁵⁴

In sum, despite its recent modernisation the Russian armed forces are still falling behind in terms of personnel and military equipment. The Russian army might be unmatched in Eastern Europe but its capacity is limited. It would be hard to imagine that currently Russia would be able to build a 600 000 army to invade the Baltic States as the USSR once did.¹⁵⁵

¹⁴⁹ The North Atlantic Council, NATO. November 11, 2014. Accessed May 28, 2016. http://www.nato.int/cps/en/natolive/topics_49763.htm.

¹⁵⁰ Van Puyvelde, Damien. “Hybrid War – Does It Even Exist?” *NATO Review Magazine*. Accessed May 28, 2016. <http://www.nato.int/docu/Review/2015/Also-in-2015/hybrid-modern-future-warfare-russia-ukraine/EN/index.htm>.

¹⁵¹ Gressel, Gustav. “Russia’s Quiet Military Revolution, and What It Means for Europe.” European Council on Foreign Relations, 2015. p. 15.

¹⁵² Duxbury Charles and Zander Christina. “Sweden Complains to Russia Over Airspace Violation.” *The Wall Street Journal*, September 19, 2014. Accessed May 28, 2016. <http://www.wsj.com/articles/sweden-complains-to-russia-over-airspace-violation-1411163347>.

¹⁵³ After the Paris terrorist attacks in November last year, France was the first EU country to resort to article 42/7 of the Lisbon Treaty. However, it remains to be seen how effective its application would be in practice.

¹⁵⁴ Gressel, Gustav. “Russia’s Quiet Military Revolution, and What It Means for Europe.” European Council on Foreign Relations, 2015. p. 15.

¹⁵⁵ Baev, Pavel. “Ukraine: A Test for Russian Military Reform.” *Russie Nei Reports* No. 19, (May 2015). p. 26.

Nevertheless, Moscow demonstrated that it is eager and willing to use military force in order to secure its objectives, a sign that should be neither neglected nor exaggerated by the EU.

2.2. Economic Challenges

2.2.1. EU Sanctions and Russia's Countersanctions

In addition to the military tension(s), the Ukraine crisis strained the economic ties between Russia and the EU. The occupation of Crimea forced the EU to impose trade and economic sanctions on Russia. At the beginning Brussels restricted certain Russian and Ukrainian officials “responsible for actions threatening Ukraine's territorial integrity”¹⁵⁶ to travel within the EU as well as it froze their assets in EU banks. Moreover, after the downing of MH 17 flight of Malaysia Airlines in which all passengers were killed, including more than 200 European citizens,¹⁵⁷ the EU undertook more decisive measures and it broaden the scope of its sanctions. Brussels restricted Russia's main financial institutions to borrow money from the EU capital markets, it imposed bans on export and import on trade in arms, on export for dual-use goods for military use and it curtailed Russian access to certain technologies and services that can be used for oil production and exploration.¹⁵⁸ The Kremlin on its part responded with counter-sanctions aiming mainly EU's food and agricultural sectors. Moscow banned the import of fruits, vegetables, meat, milk, dairy products and fish, originating from the EU and third countries supporting EU's sanctions against Russia.¹⁵⁹

So far the EU has extended the sanctions several times and at least at present there is no clear horizon when they might be lifted. However, a few questions remain – did the EU

¹⁵⁶ “Timeline - EU Restrictive Measures in Response to the Crisis in Ukraine.” Council of the European Union. Accessed May 28, 2016. <http://www.consilium.europa.eu/en/policies/sanctions/ukraine-crisis/history-ukraine-crisis/>.

¹⁵⁷ “MH17 Malaysia Plane Crash: What We Know.” *BBC, Europe*, October 14, 2015. Accessed May 28, 2016. <http://www.bbc.com/news/world-europe-28357880>.

¹⁵⁸ “EU Restrictive Measures in Response to the Crisis in Ukraine.” Council of the European Union. Accessed May 28, 2016. <http://www.consilium.europa.eu/en/policies/sanctions/ukraine-crisis/>.

¹⁵⁹ Rankin, Jennifer. “Russia Responds to Sanctions by Banning Western Food Imports.” *The Guardian*, August 7, 2014. Accessed May 28, 2016. <http://www.theguardian.com/world/2014/aug/07/russia-retaliates-western-sanctions-ban-food-imports>.

sanctions have a substantial effect on the Russian economy, how they affect the EU and whether they could achieve Brussels' main goal - to force a shift in Moscow's policy in Ukraine and comply with the Minsk II Agreement¹⁶⁰.

The answer to the first question cannot be unanimous. The factors that affect the performance of the economy could be numerous. For instance, the Russian economy entered recession in 2013 which has only deepened since¹⁶¹. The falling prices of oil and gas have reduced the fossil fuels revenues which form the half of the Russian federal budget which on its part has led to devaluation of the ruble¹⁶². Furthermore, in 2014 the FDI depleted to \$22 billion in stark contrast to the volumes of \$70 billion, a year earlier.¹⁶³ The capital flight has been substantial too. In 2014, \$154 billion left the Russian economy while the forecast has been for \$131 billion in 2015¹⁶⁴, or 10% of country's GDP¹⁶⁵. Against this backdrop, the EU's ban on Russian banks to borrow money from the European financial markets as well as the prohibition of export of technologies for extracting oil have exacerbated Russia's economic problems further. Hence, although the EU sanctions have not been the main cause for the economic troubles of Moscow they have played their role for the deterioration of the Russian economy.

Another aspect of the debate in relation to the EU economic sanctions against Russia is their cost for the EU. There have been some concerns that the EU sanctions could lead to

¹⁶⁰ Gorst, Isabel. "EU Extends Sanctions against Russia." *The Irish Times*, June 23, 2015. Accessed May 28, 2016. <http://www.irishtimes.com/news/world/europe/eu-extends-sanctions-against-russia-1.2259047>.

¹⁶¹ "Disrupted Trade Relations Between the EU and Russia: The Potential Economic Consequences for the EU and Switzerland." Austrian Institute of Economic Research. July 3, 2015. Accessed May 28, 2016. http://www.wifo.ac.at/jart/prj3/wifo/resources/person_dokument/person_dokument.jart?publikationsid=58220&mime_type=application/pdf.

¹⁶² Naim, Moises. "The Hidden Effects of Cheap Oil." *The Atlantic*, March 31, 2015. Accessed May 28, 2016. <http://www.theatlantic.com/international/archive/2015/03/the-hidden-consequences-of-low-oil-prices/389156/>.

¹⁶³ "Foreign Direct Investment." The World Bank. Accessed May 28, 2016. <http://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD>.

¹⁶⁴ "Russia: Massive Capital Flight Continues." *The Moscow Times*, May 1, 2015. Accessed May 28, 2016. <http://www.themoscowtimes.com/business/article/russia-massive-capital-flight-continues/520112.html>.

¹⁶⁵ "Russia, Gross Domestic Product (GDP) in Current Prices from 2010 to 2020 (in billion U.S. dollars)." Statista. Accessed May 28, 2016. <http://www.statista.com/statistics/263772/gross-domestic-product-gdp-in-russia/>.

deterioration in the trade with Russia, thus curtailing the turnover, decrease the profits, force some companies out of the market and increase the unemployment. Among the biggest critics of the sanctions has been the German business sector which is responsible for roughly one third of the whole EU exports to Russia where some 6200 German companies are present.¹⁶⁶ Despite these concerns it is difficult to estimate the direct linkage between the sanctions and the worsened trade with Russia. As one study suggests the drop in Russian demand for EU goods is much more a result of the weak Russian economy rather than an effect of the sanctions¹⁶⁷. For instance, in 2014 the German export to Russia declined with 16% in comparison to 2013. However, for the same period the exports from Turkey (a country that has not backed the EU sanctions against Russia and was hoping to boost its trade with it) have dropped with 13%.¹⁶⁸

In addition, the main field of restrictions in trade is in the military sector, where the turnover is not particularly high. For example, in 2012 the EU countries have sold to Russia weapons for €193 million and despite France's €1.2 billion contract to supply Russia with two *Mistral* class helicopter carriers there are no other major military shipments.¹⁶⁹

Nonetheless, the Russian ban on imports of agricultural products from the EU, as a reaction to the sanctions, had a significant impact on those member states which were exporting large amounts of their fruits, vegetables and dairy products to Russia – Poland, Lithuania but also the Netherlands, Spain, Greece, Belgium, Finland and Germany. As the second most important agricultural export market for the EU (after the USA) worth some €11.8 billion (as of 2013) or 10% of all EU agricultural exports, the sanctions imposed by

¹⁶⁶ Bond, Ian, Odendahl, Christian and Rankin, Jennifer. "Frozen: The Politics and Economics of Sanctions against Russia." Centre for European Reform, March 2015. p. 12.

¹⁶⁷ Ibid.

¹⁶⁸ Ibid.

¹⁶⁹ Ibid., p. 13.

Moscow have affected trade for €5.1 billion.¹⁷⁰ In order to mitigate the negative effects, the European Commission (EC) allocated some €500 million as an emergency assistance to the EU farmers. That sum, however was not enough to cover the losses incurred.¹⁷¹ At the same time, after the initial trade distortion, the EU farmers have managed to find new markets for their goods, either within the EU or abroad, thus compensating for the losses of the Russian market.¹⁷² In addition, Russia is EU's third most important trade partner while for Russia the EU is its biggest trade partner.¹⁷³ The EU's export to Russia in 2014 has amounted to €103 billion¹⁷⁴ which is less than 1% of EU's annual GDP¹⁷⁵ and where the agricultural export has been around €9 billion¹⁷⁶ or 8.7% of the total EU exports to Russia.¹⁷⁷ In comparison, the EU was responsible for 25% of the fruits and 34% of the vegetables imports to Russia in 2013.¹⁷⁸ Furthermore, the Russian counter sanctions led to higher food prices decline in supply which combined with the devaluation of the ruble decreased the consumption. The plans of the Russian government to replace the imports by domestic production would be a time consuming and expensive endeavour.¹⁷⁹ The other option – to find alternative food suppliers has to a great extent failed mainly due to the weak purchase power of the Russian economy

¹⁷⁰ "Information Note on the Russian Ban on Agri-Food Products from the EU." European Commission. Accessed May 28, 2016. http://ec.europa.eu/agriculture/russian-import-ban/pdf/info-note-03-09_en.pdf.

¹⁷¹ Hunt, Nigel. "EU to Give 500 Million Euros to Farmers Hit by Russia Sanctions." *Reuters*, September 7, 2015. Accessed May 28, 2016. <http://www.reuters.com/article/us-eu-farming-idUSKCN0R710Q20150907#o8sv8kHBokZtEsLT.97>.

¹⁷² "Russian Import Embargo: EU Agri-food Export Development until June 2015." European Commission. Accessed May 28, 2016. http://ec.europa.eu/agriculture/russian-import-ban/pdf/2015-08-27-russian-import-ban_en.pdf.

¹⁷³ European Commission. Trade. Russia. Accessed May 28, 2016. <http://ec.europa.eu/trade/policy/countries-and-regions/countries/russia/>.

¹⁷⁴ European Commission. DG Trade. Russia. Accessed May 28, 2016. http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_111720.pdf.

¹⁷⁵ European Union. About the EU. The Economy. Accessed May 28, 2016. http://europa.eu/about-eu/facts-figures/economy/index_en.htm.

¹⁷⁶ European Commission. DG Trade. Russia. Accessed May 28, 2016. http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_111720.pdf.

¹⁷⁷ European Parliament. "At a Glance, EU-Russia Trade." May 2015. Accessed May 28, 2016. http://www.europarl.europa.eu/RegData/etudes/ATAG/2015/557023/EPRS_ATAG%282015%29557023_EN.pdf.

¹⁷⁸ "Economic Impact on the EU of Sanctions over the Ukraine Conflict." European Parliament. October 2015. Accessed May 28, 2016. http://www.europarl.europa.eu/RegData/etudes/BRIE/2015/569020/EPRS_BRI%282015%29569020_EN.pdf.

¹⁷⁹ Filatova, Irina. "Food Imports Ban Backfires on Russia's Economy." *Deutsche Welle*, August 29, 2014. Accessed May 28, 2016. <http://www.dw.com/en/food-imports-ban-backfires-on-russias-economy/a-17888880>.

as it was the case with Turkey.¹⁸⁰ All this leads to the conclusion, that at least at present the Russian countersanctions hurt much more the Russian consumers than the EU producers.¹⁸¹

2.2.2. EU-Russia Energy Interdependency

The energy sector, on the other hand, is the field where Russia could exert its leverage on the EU much more effectively. The latter imports 32% of its oil and 31% of its gas from Russia¹⁸² as some EU members, such as the three Baltic States, Bulgaria, the Czech Republic, Finland, Hungary and Slovakia are highly dependent on Russian gas¹⁸³. Hence, a possible disruption in the supplies could cause significant economic losses and if it happens during the winter months it could pose a real danger to the health and lives of the European citizens. At the same time the EU accounts for 70% of Russia's energy exports¹⁸⁴ which makes it Russia's biggest and most valuable customer. This fact, along with the substantial share that the oil and gas revenues have in the Russian budget as well as the current low prices, give the Kremlin little reason to cut its energy supplies to the EU. However, the dependence on the EU market has been acknowledged by the Russian government which started to look for alternative clients elsewhere and especially in Asia. Moscow's efforts to diversify its energy exports resulted in the signing of the 30-year gas supply contract with China, worth some \$400 billion.¹⁸⁵ With this deal Russia wanted to demonstrate to the EU that if the latter does not

¹⁸⁰ Cetingulec, Mehmet. "Russian Market Huge Disappointment for Turkey." *Al Monitor* October 9, 2015. Accessed May 28, 2016. <http://www.al-monitor.com/pulse/originals/2015/10/turkey-russia-food-market-huge-disappointment.html#>.

¹⁸¹ Bond, Ian, Odendahl, Christian and Rankin, Jennifer. "Frozen: The Politics and Economics of Sanctions against Russia." Centre for European Reform, March 2015. p. 14.

¹⁸² Russell, Martin. "EU-Russia Energy Relations – Stuck Together?" European Parliament Research Service. March 25, 2015. Accessed May 28, 2016. <http://epthinktank.eu/2015/03/25/eu-russia-energy-relations-stuck-together/>.

¹⁸³ Chyong, Chi-Kong and Tcherneva, Vessela. "Europe's Vulnerability on Russian Gas." European Council on Foreign Relations. March 17, 2015. Accessed May 28, 2016. http://www.ecfr.eu/article/commentary_europes_vulnerability_on_russian_gas.

¹⁸⁴ Russell, Martin. "EU-Russia Energy Relations – Stuck Together?" European Parliament Research Service. March 25, 2015. Accessed May 28, 2016. <http://epthinktank.eu/2015/03/25/eu-russia-energy-relations-stuck-together/>.

¹⁸⁵ "Russia's Gazprom to Invest \$9 Billion in Gas Pipeline to China Over 3 Years." *The Moscow Times*, June 25, 2015. Accessed May 28, 2016. <http://www.themoscowtimes.com/business/article/russias-gazprom-to-invest-9-billion-in-gas-pipeline-to-china-over-3-years/524447.html>.

want to buy Russia's gas, then the Kremlin would redirect its resources to "other regions of the world."¹⁸⁶ The Russian president Vladimir Putin praised the deal as a sign for the strong Sino-Russian partnership.¹⁸⁷ According to the contract, the gas pipeline, named The Power of Siberia, should start transporting gas to China by 2018¹⁸⁸. However, some hindrances have already stalled the project. The financial troubles of Russia along with Chinese slow economic growth and lack of agreement on the final gas price are among the main issues that might postpone the launch of the pipeline until 2021.¹⁸⁹ In addition, Russia's gas exports diversification would be further complicated by the lack of infrastructure. The majority of Russia's gas facilities are built and oriented towards the EU. Hence, the construction of new pipelines that will deliver Russian gas to e.g. China and possibly other Asian countries will take time and substantial financial resources that Russia is currently lacking. In this respect, at least for a foreseeable future, the EU will remain the main customer of Russia's energy exports. Even so, the EU's growing diversification efforts as well its declining gas demand¹⁹⁰ (for instance in 2009 the EU was importing 40% of its gas from Russia in comparison to less than one third in 2014¹⁹¹) will put a strain on Russia's energy sector and its (resource-based) economy.

EU's economic sanctions had contributed to the troubles of the Russian economy while the costs for the EU have not been particularly high. Russia's countersanctions affected

¹⁸⁶ Bershidsky, Leonid. "Putin's Gas Deal With Turkey Is a Defeat." *Bloomberg View*, December 2, 2014. Accessed May 28, 2016. <http://www.bloombergview.com/articles/2014-12-02/putins-gas-deal-with-turkey-is-a-defeat>.

¹⁸⁷ Hille, Kathrin and Mitchell, Tom. "Russia and China Wrestle over Gas Deal." *The Financial Times*, May 20, 2014. Accessed May 28, 2016. <http://www.ft.com/intl/cms/s/0/b496eb26-e014-11e3-b709-00144feabdc0.html#axzz3u8F3C9eV>.

¹⁸⁸ Paton, James and Guo, Aibing. "Russia, China Add to \$400 Billion Gas Deal with Accord." *Bloomberg*, November 10, 2014. Accessed May 28, 2016. <http://www.bloomberg.com/news/articles/2014-11-10/russia-china-add-to-400-billion-gas-deal-with-accord>.

¹⁸⁹ Lelyveld, Michael. "Russia Presses China for New Gas Deal." *Radio Free Asia*, August 31, 2015. Accessed May 28, 2016. http://www.rfa.org/english/commentaries/energy_watch/russia-presses-china-for-new-gas-deal-08312015105116.html.

¹⁹⁰ Henderson, James. "Russia's Changing Gas Relationship with Europe." *Russian Analytical Digest*, No 163, February 24, 2015. Accessed May 28, 2016. <http://www.css.ethz.ch/publications/pdfs/RAD-163-2-6.pdf>.

¹⁹¹ Bond, Ian, Odendahl, Christian and Rankin, Jennifer. "Frozen: The Politics and Economics of Sanctions against Russia." Centre for European Reform, March 2015, p.15.

the EU farmers, who after the initial shock managed to find new markets and customers. For the ordinary Russians, however, the Kremlin's actions resulted in higher food prices and supply shortages. In the field of energy, the interdependence is rather skewed in EU's favour while Russia is unable to secure new markets for its energy exports any time soon. In sum, EU is better prepared to meet the economic challenges deriving from the antagonism with Moscow. Despite this, it is questionable whether the EU sanctions could really force the Kremlin to change its policy and comply with the Minsk II Agreement. The economic sanctions are usually seen as an alternative to "military force—a lower-cost, lower-risk, middle course of action between diplomacy and war."¹⁹² Sanctions could have various objectives but as a whole they aim to achieve three main goals: to send a political signal of disapproval, to deter further examples of negative behaviour and to force a state to change its actions.¹⁹³ So far the EU has been successful in sending a clear signal of disapproval but it has failed to prevent further escalation of the conflict and to force Moscow to implement the conditions of the Minsk II Agreement such as allowing humanitarian access, restoring control of the state border to Ukraine, withdrawing of all foreign troops, equipment and mercenaries.¹⁹⁴ The lack of (tangible) results has raised the question whether the sanctions are the best approach of finding a solution to the Ukraine crisis. This concern has been expressed by several EU member states who suggested an ease of the sanction regime.¹⁹⁵ However,

¹⁹² Masters, Jonathan. "What Are Economic Sanctions?" Council on Foreign Relations. April 8, 2015. Accessed May 28, 2016. <http://www.cfr.org/sanctions/economic-sanctions/p36259>.

¹⁹³ Bond, Ian, Odendahl, Christian and Rankin, Jennifer. "Frozen: The Politics and Economics of Sanctions against Russia." Centre for European Reform, March 2015.p. 3.

¹⁹⁴ Minsk Monitor. European Council on Foreign Relation. Accessed May 28, 2016. <http://www.ecfr.eu/wider/minsk#analysis>.

¹⁹⁵ "France Seeks End to Russia Sanctions over Ukraine." *BBC, Europe*, January 5, 2015. Accessed May 28, 2016. <http://www.bbc.com/news/world-europe-30679176>.

despite some hesitation, the EU-28 leaders eventually extended the economic sanctions further and it seems that they are going to stay until a fully peace deal is implemented.¹⁹⁶

2.3. Political Challenges

2.3.1. Bilateral Relations with Single EU Member States

Along with the military and economic challenges, the Ukraine crisis put additional strain on the political relations between Russia and the EU. Since the onset of the conflict the EU demonstrated (once again) its shortcomings - slow reaction, piecemeal decisions and lack of unanimity. All this must have strengthened Moscow's perception of the EU as a club of single member states who are much keener to defend their national preferences and interests than the common values and principles of the EU. Hence, in its dealing with the EU, Russia is applying the old *divide and rule* tactic in an attempt to drive a wedge between the EU member states and exploit their differences.

In its bilateral relations, Russia's is trying to exacerbate the grievances and resentments towards the EU in countries like Greece and Cyprus and put more pressure on other member states which are dependent on Russian gas imports e.g. Hungary, Slovakia and the Czech Republic¹⁹⁷.

Among the aforementioned countries, Hungary under the government of Viktor Orban, has become probably the most pro-Russian EU member state. Its prime minister is an outspoken admirer of the authoritarian regimes in Russia, China and Turkey who does not deem the preservation of liberal democracy and its values as a key for making Hungary a successful state. Quite the contrary, in his public speech in front of the Hungarian minority in

¹⁹⁶ Croft, Adrian and Pineau, Elizabeth. "EU Agrees Russia Sanctions to Stay Until Ukraine Peace Terms Met." *Reuters*, March 19, 2015. Accessed May 2016. <http://www.reuters.com/article/us-ukraine-crisis-eu-idUSKBN0MF1FF20150319>.

¹⁹⁷ Chyong, Chi-Kong and Tcherneva, Vessela. "Europe's Vulnerability on Russian Gas." European Council on Foreign Relations. March 17, 2015. Accessed May 28, 2016. http://www.ecfr.eu/article/commentary_europes_vulnerability_on_russian_gas.

Romania in the summer of 2014 Orban announced the creation of an illiberal state¹⁹⁸ as a tool that will boost Hungarian competitiveness on the international stage. In this context Orban's condemnation of EU's sanctions against Russia is not a surprise.¹⁹⁹ Nonetheless, despite its criticism, Hungary has not obstructed the decision in the European Council (where unanimity of all 28 member states is needed) for extension of the sanctions against Russia. In a matter of fact, what Orban is trying to do is to balance between Brussels and Moscow in an attempt to strengthen his power at home. The Hungarian prime minister avoids going too far in a way that could endanger the flows of EU funds, which are playing an important role for keeping country's economy afloat²⁰⁰. At the same time he is striving to maintain good relations with Russia who is Hungary's both main trade partner outside the EU²⁰¹ and gas supplier. In addition, Hungary's soviet era single nuclear power plant in Paks uses Russian fuel and technology.²⁰² Moreover, in early 2014 Hungary signed an agreement with Russia for building two more reactors at the plant. Budapest will finance the construction with 30-year loan of 10 billion euro from the Kremlin,²⁰³ a step that will increase Hungary's energy dependency from Russia. This, however, hides a risk that Moscow may use it as a leverage to put more pressure on Budapest to align closer with Russia and thus disrupt the unity within the EU.

Hungary's neighbour Slovakia is also among the EU member states who are trying to maintain closer ties with Russia. The prime-minister Robert Fico has raised his concerns

¹⁹⁸ Toth, Csaba. "Full Text of of Viktor Orbán's Speech at Băile Tuşnad (Tusnádfürdő) of 26 July 2014." *The Budapest Beacon*, July 29, 2014. Accessed May 28, 2016. <http://budapestbeacon.com/public-policy/full-text-of-viktor-orbans-speech-at-baile-tusnad-tusnadfurdo-of-26-july-2014/10592>.

¹⁹⁹ "PM Orban Condemns EU Sanctions on Russia." *BBC, Europe*, August 15, 2014. Accessed May 28, 2016. <http://www.bbc.com/news/world-europe-28801353>.

²⁰⁰ Intelligent Unit, Hungary. *The Economist*. Accessed May 28, 2016. <http://country.eiu.com/hungary#>.

²⁰¹ Ibid.

²⁰² Feledy, Botond and Rácz, András. "Letter from Budapest." *Carnegie, Europe*. June 19, 2015. Accessed May 28, 2016. <http://carnegieeurope.eu/strategieurope/?fa=60449>.

²⁰³ Simon, Zoltan. "Putin \$14 Billion Nuclear Deal Wins Orban Alliance." *Bloomberg*, January 15, 2014. Accessed May 28, 2016. <http://www.bloomberg.com/news/articles/2014-01-14/putin-14-billion-nuclear-deal-wins-orban-alliance>.

regarding the EU sanctions against Russia on numerous occasions. Shortly after Brussels endorsed its first sanction package he classified them as “meaningless and counterproductive”.²⁰⁴ Despite Fico’s threats that his country will not support further sanctions on Russia²⁰⁵ Slovakia did not veto any of the European Council decisions on that matter. The reason for the discrepancy between rhetoric and actions could be explained (at least partly) by the inheritance of post-communist structures and voters²⁰⁶ who are traditionally mistrustful towards the West and more pro-Russian²⁰⁷. On the other hand Slovakia’s almost 100% dependency on Russian gas and oil imports²⁰⁸ entails Bratislava to maintain good relations with Moscow. Nonetheless, Fico’s criticism towards the EU undermines both a coherent European stance against Russia and country’s credibility among Slovakia’s partners in NATO and the EU which ultimately serves the Kremlin’s propaganda and it eases Moscow in its attempts to break up EU’s unity.

The position of the Czech Republic towards Russia is also ambiguous. At national level there are three key figures that represent Czech’s interest abroad - the president, the prime minister and the foreign minister. However, while the president, Milos Zeman, is a strong supporter of Russia (he was the only EU head of state along with his Cypriot counterpart who attended the 70th anniversary of the end of the World War II in Moscow in May 2015)²⁰⁹ the prime minister, Bohuslav Sobotka, is trying to take a more reserved stance. He presents his country as a loyal member of NATO and the EU as simultaneously expresses

²⁰⁴ “Slovak PM Slams Sanctions on Russia, Threatens to Veto New Ones.” *Reuters*, August 31, 2014. Accessed May 28, 2016. <http://uk.reuters.com/article/uk-eu-summit-sanctions-slovakia-idUKKBN0GU0YM20140830>.

²⁰⁵ Ibid.

²⁰⁶ Nic, Milan and Majer, Marian. “Letter from Bratislava.” Carnegie Europe. March 6, 2015. Accessed May 28, 2016. <http://carnegieeurope.eu/strategiceurope/?fa=59269>.

²⁰⁷ Groszkowski, Jakub in cooperation with Kardaś, Szymon. “Prime Minister Fico’s Russian Card.” Centre for Eastern Studies, Number 175. July 1, 2015. p.2.

²⁰⁸ Nic, Milan and Majer, Marian. “Letter from Bratislava.” Carnegie Europe. March 6, 2015. Accessed May 28, 2016. <http://carnegieeurope.eu/strategiceurope/?fa=59269>.

²⁰⁹ Gotev, Georgi. “Russia Disappointed with EU Leaders about WWII Parade.” *Euractiv*, May 6, 2015. Accessed May 28, 2016. <http://www.euractiv.com/sections/global-europe/Russia%20disappointed%20with%20EU%20leaders%20about%20WWII%20parade-314348>.

some concerns towards the efficacy of Western sanctions for overcoming the standoff with Moscow²¹⁰. The Czech foreign minister Lubomir Zaoralek, on the other hand, has been more hawkish on Russia and a staunch advocate of the EU sanctions.²¹¹ Nonetheless, despite the discrepancy in how the Czech leaders see Russia, the country has reaffirmed its commitment to NATO and EU²¹² and at least at present the Kremlin's leverage on Prague is rather limited.

Besides the post-communist countries in Central Europe, Russia is also striving to increase its influence over some states of EU's southern periphery - Greece and Cyprus. The euro crisis has had a profound effect on both countries which to a great extent lost their trust in the EU. For instance, in the spring of 2010 56% of the Greeks and 50% of the Cypriots did not trust the EU while in both countries 42% did.²¹³ Five years later the percent of Greeks and Cypriots who do not trust the EU has risen to 73% and 69% respectively, versus 26% and 23% who tend to trust it.²¹⁴

The disbelief of the majority of Greeks that Brussels could resolve their economic problems along with the acute political crisis in the country²¹⁵ created a fertile ground for more radical and populist political projects. Thus, in January 2015 the Greek voters elected the far-left populist party Syryza which came to power with an anti-austerity programme. However, after just six months in office the Greek prime-minister Alexis Tsipras not only failed to deliver what he had promised but with his controversial decisions he put himself and

²¹⁰ Karol Kujawa and Valerij Morkva. "2014 Crisis in Ukraine. Perspectives, Reflections, International Reverberations." ASLAN Publishing House. December 2015. p. 7.

²¹¹ Leos Rousek. "Czech Foreign Minister Says EU Must Act as Russia Has Turned Unpredictable." *The Wall Street Journal*, 1 August 2014. Accessed May 28, 2016. <http://www.wsj.com/articles/czech-foreign-minister-says-eu-must-act-as-russia-has-turned-unpredictable-1406913936>.

²¹² Kolenikova, Blanka. "Russia's Influence in Central Europe Unlikely to Shift Slovakia and Czech Republic's pro-NATO and pro-EU Direction." *IHS Jane's Intelligence Review*. April 2, 2015. Accessed May 28, 2016. <http://www.janes.com/article/50420/russia-s-influence-in-central-europe-unlikely-to-shift-slovakia-and-czech-republic-s-pro-nato-and-pro-eu-direction>.

²¹³ European Commission. Eurobarometer 73, Spring 2010. p. 16. Accessed May 28, 2016. http://ec.europa.eu/public_opinion/archives/eb/eb73/eb73_first_en.pdf.

²¹⁴ European Commission. Eurobarometer 83, Spring 2015. p.2. Accessed May 28, 2016. http://ec.europa.eu/public_opinion/archives/eb/eb83/eb83_fact_el_en.pdf.

²¹⁵ Between 2010 and 2015 Greece had 7 cabinets as two of them were provisional

Greece in international isolation.²¹⁶ Shortly after the hotly debated referendum whether Athens should accept the bailout proposal of the Troika²¹⁷ Mr Tsipras visited Moscow in an attempt to negotiate a €1 billion loan²¹⁸ (a small amount compared to country's €323 billion debt²¹⁹). Despite the expectations that Russia will aid Greece, the Kremlin did no such thing. This decision puzzled many analysts but it had its rationale. In first place, by not giving a loan to Greece, Moscow weakened Athens negotiation position with the Troika, thus leaving Greece not much other choice but to comply with its creditors' conditions. Hence, by keeping Greece within the eurozone the Kremlin was hoping to prevent its possible dissolution which would have a strong negative effect on Russia as well.²²⁰ Secondly, the difficulties of the EU to manage the eurozone and deal with Greece's debt crisis are a useful propaganda tool that could be used to underline the shortcomings of the European project.²²¹ And thirdly, by being in limbo Greece would be much more amicable towards Russia which the latter could use to gain influence in the European affairs, a leverage that should not be understated by Brussels.²²²

In Cyprus, the crisis caused more economic problems than political instability. The former Cypriot president Demetris Christofias completed his full mandate (2008 – 2013) and his successor Nicos Anastasiades continues his term. Nonetheless, the economic crisis and the followed austerity measures imposed by Brussels shifted the public opinion on the EU. This trend was further corroborated by the lack of decisive EU actions when in October 2014

²¹⁶ Spiegel, Peter and Wagstyl, Stefan. „No Vote Means Isolation, Europe Warns Greeks.” *Financial Times*, June 30, 2015. Accessed May 28, 2016. <http://www.ft.com/cms/s/0/a6bed852-1e42-11e5-ab0f-6bb9974f25d0.html#axzz3yctDWfdT>.

²¹⁷ The Troika are the European Commission, European Central Bank and the International Monetary Fund

²¹⁸ Baunov, Alexander. “Why Moscow Opposed Grexit.” *Moscow Times*, July 19, 2015. Accessed May 28, 2016. <http://www.themoscowtimes.com/article/525847.html>.

²¹⁹ “The Greek Debt Crisis Story in Numbers.” *BBC, Europe*, July 10, 2015. Accessed May 28, 2016. <http://www.bbc.com/news/world-europe-33407742>.

²²⁰ Baunov, Alexander. “Why Moscow Opposed Grexit.” *Moscow Times*, July 19, 2015. Accessed May 28, 2016. <http://www.themoscowtimes.com/article/525847.html>.

²²¹ Ibid.

²²² Ibid.

Turkey violated Cyprus Exclusive Economic Zone (EEZ).²²³ Having in mind the security issues that Nicosia is facing and the fading European solidarity, Cyprus has started to look for allies, elsewhere, including in the Kremlin. The attendance of Mr Anastasiades at the Victory Day Parade in Moscow last year²²⁴ as well as the renewal of the agreement that allows Russia to dock navy ships at the port of Limassol²²⁵ has been a step in that direction. In addition, Mr Anastasiades has iterated that his country has reservations towards EU's sanctions and he is looking to have good relations with all sides.²²⁶

In sum, Cypriots' disappointment with the EU as well the strong Russian economic presence (Russian investment in Cyprus represent 80% of all investments and amount to some \$33 billion)²²⁷ on the island might transform Cyprus into a more robust Russian ally which could possibly block future common EU position towards Russia.

2.3.2. Support for Anti-EU Political Parties

Besides the pursuit of closer ties with certain EU member states, Moscow is also trying to align closer with both EU's far-left and far-right political parties. However, while the affiliation of the European left to Moscow can be traced back to the times of the Cold War²²⁸ the Kremlin's support for the far-right European parties is more puzzling. The reason why Russia is backing the radical right in Europe could be explained by the "post-communist neo-

²²³ Gotev, Georgi. "Cyprus Ambassador: The EU Should Tell Turkey that Gunboat Diplomacy Is Over." *Euractiv*, 23 January 2015. Accessed May 28, 2016. <http://www.euractiv.com/sections/global-europe/cyprus-ambassador-eu-should-tell-turkey-gunboat-diplomacy-over-311526>.

²²⁴ Karides, Nicholas. "Letter from Nicosia." *Carnegie Europe*. June 26, 2015. Accessed May 28, 2016. <http://carnegieeurope.eu/strategieurope/?fa=60514>.

²²⁵ "Cyprus Signs Deal to Allow Russian Navy to Use Ports." *BBC, Europe*, February 26, 2015. Accessed May 28, 2016. <http://www.bbc.com/news/world-europe-31632259>.

²²⁶ Higgins, Andrew. "Waving Cash, Putin Sows E.U. Divisions in an Effort to Break Sanctions." *The New York Times*, April 6, 2015. Accessed May 28, 2016. http://www.nytimes.com/2015/04/07/world/europe/using-cash-and-charm-putin-targets-europes-weakest-links.html?smid=fb-nytimes&bicmst=1409232722000&bicmet=1419773522000&bicmp=AD&smtyp=aut&bicmlukp=WT.mc_id&r=1.

²²⁷ Gotev, Georgi. "Putin and Anastasiades Celebrate Their Cooperation." *Euractiv*, February 26, 2015. Accessed May 28, 2016. <http://www.euractiv.com/sections/global-europe/putin-and-anastasiades-celebrate-their-cooperation-312440>.

²²⁸ Baker Peter and Erlanger, Steven. "Russia Uses Money and Ideology to Fight Western Sanctions." *The New York Times*, June 7, 2015. Accessed May 28, 2016. <http://www.nytimes.com/2015/06/08/world/europe/russia-fights-west-ukraine-sanctions-with-aid-and-ideology.html>.

conservatism”²²⁹ ideology of the Kremlin which presents a combination of authoritarianism, statism, nationalism, religious conservatism and strong criticism of the Western values.²³⁰ In this regard, the euro-scepticism of the far-right parties along with their admiration of Vladimir Putin as a strong and decisive leader who defends his country’s national interest against the West make them natural allies suitable to channel Moscow’s interest within the EU and help achieve Russia’s main goal of disrupting the European unity.²³¹

While Russia’s support for the European far-right has been noticeable before the Ukraine crisis²³², after the Euromaidan the Kremlin’s backing for the radical right in Europe has become a matter of bigger concern, particularly in respect to Moscow’s alleged financing of European far-right parties.²³³ So far the majority of their leaders have refuted such assertions²³⁴ and except the \$11.7 million loaned to Marine Le Pen’s National Front (FN) by the First Czech-Russian Bank (a Russian bank tied to the Kremlin)²³⁵ there are no firm proofs that Moscow is actually giving financial aid to those parties. Nonetheless, the suspicion remains, especially in the context of the strong performance of the anti-EU parties at the European Parliament (EP) elections in May 2014.

²²⁹ “The Russian Connection: The Spread of Pro-Russian Policies on the European Far Right.” Political Capital Institute. March 14, 2014. Accessed May 28, 2016.

http://www.riskandforecast.com/useruploads/files/pc_flash_report_russian_connection.pdf.

²³⁰ Ibid.

²³¹ Bolton, Doug. “US to Investigate Russian Funding of European Political Parties amidst Fears of 'New Cold War.'” *The Independent*, January 17, 2016. Accessed May 28, 2016.

<http://www.independent.co.uk/news/world/europe/russia-funding-europe-political-parties-new-cold-war-a6818236.html>.

²³² “The Russian Connection: The Spread of Pro-Russian Policies on the European Far Right.” Political Capital Institute. March 14, 2014. Accessed May 28, 2016.

http://www.riskandforecast.com/useruploads/files/pc_flash_report_russian_connection.pdf.

²³³ Bolton, Doug. “US to Investigate Russian Funding of European Political Parties Amidst Fears of 'New Cold War.'” *The Independent*, January 17, 2016. Accessed May 28, 2016.

<http://www.independent.co.uk/news/world/europe/russia-funding-europe-political-parties-new-cold-war-a6818236.html>.

²³⁴ Baker Peter and Erlanger, Steven. “Russia Uses Money and Ideology to Fight Western Sanctions.” *The New York Times*, June 7, 2015. Accessed May 28, 2016. <http://www.nytimes.com/2015/06/08/world/europe/russia-fights-wests-ukraine-sanctions-with-aid-and-ideology.html>.

²³⁵ Daley, Suzanne and De La Baume, Maïa. “French Far Right Gets Helping Hand with Russian Loan.” *The New York Times*, December 1, 2014. Accessed May 28, 2016. <http://www.nytimes.com/2014/12/02/world/europe/french-far-right-gets-helping-hand-with-russian-loan-.html>.

Back then the euro-sceptic political parties across Europe triumphed. In Greece, the UK and France the vote was won by the far-left Syriza, Nigel Farage's United Kingdom Independence Party (UKIP) and Le Pen's FN, respectively, while in Hungary, Poland and Italy, Jobbik, Jaroslaw Kaczynsky's Law and Justice party and Beppe Grillo's Five Star Movement ranked second.²³⁶ In Austria the Austrian Freedom Party (FPÖ) scored third but it received almost 20%²³⁷ of the votes and it doubled its seats to the European Parliament from two to four²³⁸. In addition, in Germany, the euro-sceptic Alternative for Germany (AfD) and the neo-Nazi National Democratic Party (NPD) managed to send their first members to the European Parliament.²³⁹

Despite the fact that the most anti-EU parties nearly doubled their seats and they currently control almost one-third of the EP, the pro-EU parties still hold around 70% of all mandates.²⁴⁰ Nonetheless, the formation of the far-right political group - Europe of Nations and Freedom (ENF) around Marine Le Pen's FN within the EP²⁴¹ has been a development that poses a new challenge to the EU. The establishment of the ENF gives more privileges to its members. For instance, ENF can accumulate around €20 million during its mandate, its MEPs can receive more influential positions in the parliamentary committees and more speaking

²³⁶ Barbieri, Giovanni. "Eurosceptic Party Performances in the 2014 European Elections," The European Parties Elections and Referendums Network, 22 June 2015, <https://epern.wordpress.com/2015/06/22/eurosceptic-party-performances-in-the-2014-european-elections/>.

²³⁷ European Parliament. Results of the 2014 European Elections, Austria. Accessed May 28, 2016. <http://www.europarl.europa.eu/elections2014-results/en/country-results-at-2014.html>.

²³⁸ McDonald-Gibson, Charlotte and Lichfield, John. "European Election Results 2014: Far-Right Parties Flourish across Europe." *The Independent*, May 26, 2014. Accessed May 28, 2016. <http://www.independent.co.uk/news/world/europe/european-election-results-2014-far-right-parties-flourish-across-europe-in-snob-to-austerity-9434069.html>.

²³⁹ Sarmadi, Dario. "German Left Blames CDU for Populist Surge." *Euractiv*, May 26, 2014. Accessed May 28, 2016. <http://www.euractiv.com/sections/eu-elections-2014/german-left-blames-cdu-populist-surge-302382>.

²⁴⁰ "The Eurosceptic Union." *The Economist*, May 31, 2014. Accessed May 28, 2016. <http://www.economist.com/news/europe/21603034-impact-rise-anti-establishment-parties-europe-and-abroad-eurosceptic-union>.

²⁴¹ ENF includes FN, Dutch Party for Freedom (PVV), the Belgian Vlaams Belang ("Flemish Interest"), the Freedom Party of Austria (FPÖ), the Polish Congress of the New Right (KNP), and the Italian Lega Nord. However, ENF does not include some far-right parties represented in the EP e.g. Jobbik and the Greek Golden Dawn who are perceived as anti-Semitic and neo-Nazi.

time at plenary sessions.²⁴² This would allow ENF to use its substantial financial resources and increased political leverage to strengthen its positions both at EU and national levels. In this respect, ENF's pro-Russian stance (in 93% of the cases the ENF MEP's have voted 'no' in Russia-related decisions)²⁴³ and its anti-EU messages could erode further the trust of the European citizens in the EU and (un)intentionally ease Moscow to promote its ideology and interests more effectively.²⁴⁴

2.3.3. Russia's Media Propaganda

However, the fringe political parties from both European left and right spectrums are not the only tool that the Kremlin uses to advance its interests. To a great extent Moscow has resorted to propaganda in an attempt to shift the opinion of the European citizens towards the Ukraine crisis and the EU sanctions in its favour.

In order to achieve its goal Russia has mobilised its state owned media outlets – RT, Sputnik, Rosiya Segodnya etc., internet trolls and Western experts who are either affiliated to the Kremlin or sympathise to Putin's regime²⁴⁵.

RT (formerly known as Russia Today) is Moscow's main media outlet. RT is broadcasting in Russian, English, German, French, Spanish and Arabic and it claims that it reaches an audience of nearly 700 million people.²⁴⁶ The budget of RT was increased to some \$400 million in 2015²⁴⁷ while the total sum for all Kremlin-financed media last year reached

²⁴² Krekó, Péter, Macaulay, Marie, Molnár, Csaba and Győri, Lóránt. "Europe's New Pro-Putin Coalition: the Parties of 'No'." Institute of Modern Russia. August 3, 2015. Accessed May 28, 2016.

<http://imrussia.org/en/analysis/world/2368-europes-new-pro-putin-coalition-the-parties-of-no>.

²⁴³ Ibid.

²⁴⁴ Ibid.

²⁴⁵ Nimmo, Ben. "Anatomy of an Info-war: How Russia's Propaganda Machine Works, and How to Counter it." GLOBSEC Policy Institute. May 15, 2015. Accessed May 28, 2016.

<http://www.cepolicy.org/publications/anatomy-info-war-how-russias-propaganda-machine-works-and-how-counter-it>.

²⁴⁶ Halliday, Josh. "BBC World Service Fears Losing Information War as Russia Today Ramps Up Pressure". *The Guardian*,. December 21, 2014. Accessed February 20, 2016.

<http://www.theguardian.com/media/2014/dec/21/bbc-world-service-information-war-russia-today>.

²⁴⁷ Tétrault-Farber, Gabrielle. "Looking West, Russia Beefs Up Spending on Global Media Giants". *The Moscow Times*, September 23, 2014. Accessed February 20, 2016.

€643 million (around \$700 million).²⁴⁸ These figures signify for the importance that the Kremlin attaches to the role of the media. However, the way Russian-state owned media operates raises some concerns. In contrast to the Western media which main goal is to inform the public and reflect on the current events, adhering to journalistic best practices, the Kremlin state-run media are focusing on spreading disinformation, producing fake news and blurring the lines between truth and false²⁴⁹. The notion that flight MH17 has been blown up deliberately by Ukraine to compromise Russia or the alleged mass protests in the Czech Republic against the passing NATO troops on the way back to their bases in Germany, are just a few examples of the latter.²⁵⁰

Furthermore, the Kremlin has established the so-called troll factories where people paid by Moscow post opinions in the comment sections of national and foreign media outlets attacking Russia's critics and defending Vladimir Putin's policies.²⁵¹ Such actions aim to discourage other readers to express their critical views on Russia and as a whole to distort the debate and exchange of ideas.²⁵²

In addition, Moscow is also using a more subtle way to convey its propaganda in the Western press. This is usually being done by experts who comment the Russian state of affairs but do not disclose their close affiliations with the Kremlin.²⁵³ In this way, the readers

<http://www.themoscowtimes.com/news/article/looking-west-russia-beefs-up-spending-on-global-media-giants/507692.html>.

²⁴⁸ Rettman, Andrew. "Russian Propaganda Wins EU Hearts and Minds". *EUObserver*, June 23, 2015. Accessed February 20, 2016. <https://euobserver.com/foreign/129237>.

²⁴⁹ Pomerantsev, Peter and Weiss, Michael. "The Menace of Unreality: How the Kremlin Weaponizes Information, Culture and Money." The Institute of Modern Russia. 2014, p.10.

²⁵⁰ Nimmo, Ben. "Anatomy of an Info-war: How Russia's Propaganda Machine Works, and How to Counter it." GLOBSEC Policy Institute. May 15, 2015. Accessed May 28, 2016. <http://www.cepolicy.org/publications/anatomy-info-war-how-russias-propaganda-machine-works-and-how-counter-it>.

²⁵¹ Walker, Shaun. "Salutin' Putin: Inside a Russian Troll House." *The Guardian*, April 2, 2015. Accessed May 28, 2016. <http://www.theguardian.com/world/2015/apr/02/putin-kremlin-inside-russian-troll-house>.

²⁵² Pomerantsev, Peter and Weiss, Michael. "The Menace of Unreality: How the Kremlin Weaponizes Information, Culture and Money." The Institute of Modern Russia, 2014, p.32.

²⁵³ Nimmo, Ben. "Anatomy of an Info-war: How Russia's Propaganda Machine Works, and How to Counter it." GLOBSEC Policy Institute. May 15, 2015. Accessed May 28, 2016.

are being deceived not knowing that the author is trying to influence the public opinion in a direction favourable to Moscow.

The EU has had acknowledged the problem with Russian propaganda and it took some measures. One of them was the establishment of the so-called East StratCom Task Force within the EU External Agency (EEAS) which is serving as an anti-propaganda unit. However, this body remains understaffed with only 10 employees and without own budget.²⁵⁴ Moreover, the main activity of East StratCom Task Force is to produce a weekly “Disinformation Review” which represents a collection of disinformation examples that are sent to the EEAS from a network of over 450 journalists, civil society organisations, academics and public authorities in over 30 countries.²⁵⁵ This initiative, although a good start is not enough to cope with the intensity of Russian propaganda, hence the EU needs to take more decisive and better coordinated actions to counteract Moscow’s efforts to convince the EU public that objective truth does not exist²⁵⁶.

<http://www.cepolicy.org/publications/anatomy-info-war-how-russias-propaganda-machine-works-and-how-counter-it>.

²⁵⁴ Amann, Melanie et al. “The Hybrid War: Russia's Propaganda Campaign Against Germany.” *Spiegel*, February 5, 2016. Accessed May 28, 2016. <http://www.spiegel.de/international/europe/putin-wages-hybrid-war-on-germany-and-west-a-1075483.html>.

²⁵⁵ European Union External Action Service. EU vs Disinformation. Accessed May 28, 2016. <http://eeas.europa.eu/euvsdisinfo/>.

²⁵⁶ Pomerantsev, Peter and Weiss, Michael. “The Menace of Unreality: How the Kremlin Weaponizes Information, Culture and Money.” The Institute of Modern Russia, 2014. p. 15.

Chapter 3: Addressing the Russian Challenges

3.1. Military Challenges

In the *military* sphere the EU could undertake several actions that should enhance its credibility and restrain a possible Russian aggression. In first place, the EU countries, especially those within NATO (which is predominantly European organisation²⁵⁷) should engage in higher number of combined military drills, thus boosting their combat capabilities, readiness as well as improving the coordination and cooperation among the different European armed forces. Also the exercises could be conducted along with non-NATO EU members such as Finland and Sweden who are facing increased number of Russian military provocations.

Secondly, NATO could deploy additional military personnel (consisting of Europeans and Americans) to its Eastern borders. This should simultaneously reassure those members who feel threatened by Russia as well as send a clear signal to Moscow that the EU and NATO are eager to defend their partners. So far the US envisages to position around 4200 American soldiers, 250 tanks and 1700 armoured vehicles allocated among Poland, Lithuania, Latvia, Estonia, Bulgaria and Romania.²⁵⁸ However, the relatively small number of American troops scattered among the six Eastern European countries could be supported by additional EU military forces. In this way, the EU will express its solidarity but it will also increase the stakes for Russia in case the latter decides to use military force against any of EU's Eastern members.

²⁵⁷ Despite its US leadership 22 of NATO's 28 members are EU members, while three other - Turkey, Albania and Iceland are EU candidates and Norway is member of the European Economic Area

²⁵⁸ Lubold, Gordon and Barnes, Julian E. "Pentagon Readies More Robust U.S. Military Presence in Eastern Europe." *The Wall Street Journal*, March 30, 2016. Accessed May 28, 2016. <http://www.wsj.com/articles/pentagon-readies-more-robust-u-s-military-presence-in-eastern-europe-1459324801>.

At last but not least, the EU countries should increase their military budgets. Reaching the threshold of 2% of GDP (agreed at NATO Wales summit in 2014) for defence would be a step in that direction.

By implementing the aforementioned recommendation, the EU could start relying less on the US army as simultaneously take on greater responsibility for the peace and security on its own continent.

3.2. Economic Challenges

In the *economic* field, EU's sanctions, despite that they are not the main reason for Russia's economic troubles and it is hard to estimate to which extent they have affected country's economy, have added to Russia's economic problems. On the other hand, the economic sanctions did not change Moscow's policy in Ukraine neither they prevented further Russian military provocations. Furthermore, the deteriorating Russian economy is not in Europe's long term interest. A possible economic destabilisation of Russia could have negative effects on Europe – significant losses for the European companies operating on the Russian market as a result of the worsened business environment, increased (illegal) immigration as well as related problems with organised crime groups etc. Hence, the longer the sanctions are kept in place and the conflict in Ukraine remains unsettled, the more arguments the proponents of lifting the sanctions will have to return to business as usual. Nonetheless, if the EU resigns from the sanctions it will deprive itself from its (probably) most powerful tool to exert pressure on Russia. In short, at least for now, the EU should keep the sanctions. If they do not bring the desired outcomes, however, the EU should review its strategy and think of alternative measures.

In the sphere of *energy*, the EU can achieve a lot if it manages to establish the long awaited common energy market. By doing so the EU would finally be in position to negotiate with Russia on energy issues as a block. In this way, Russia will be prevented of using its

energy export as a blackmail tool to those EU members who are highly dependent on Russia's energy imports. In addition, the EU should continue its efforts to diversify its energy mix which will decrease further its dependency on Russian fossil fuels.

3.3. Political Challenges

In addressing the *political* challenges, probably the field where the EU could do the least is in the bilateral relations between single member states and Russia. On the other hand, the risks are not as grave as they seem. So far, the most outspoken proponents of Putin such as Victor Orban or Alexis Tsipras are using the Russian card as a propaganda tool in their domestic politics and in their disputes with Brussels but they do not consider Russia or the EEU as an alternative to the EU. Despite his controversies Orban does not go as far as to endanger the EU funding which he, nonetheless, uses to corroborate his power. Tsipras has also learned that Russia is incapable to solve Greeks problems and the only option, at least for now, is the EU and the Troika. His disregard of the referendum results last summer bespeaks for that.

At the same time the EU remains a complex and opaque entity whose decision-making process is unfamiliar to the majority of Europeans. Hence, it is no wonder that 55% of European citizens tend not to trust the EU²⁵⁹ and around 3/5 of them did not vote at the 2014 EP elections.²⁶⁰ The distance between the EU and the Europeans makes it an easy target for populist political parties who blame Brussels for the implementation of unpopular domestic policies or the economic problems of their countries. In this respect, what the EU could do is to stress on its success story – from achieving enduring peace in Europe, unseen economic and social development, through the freedoms of travelling, studying and working in any of EU's member states to the EU's Cohesion fund and Structural funds which have benefited

²⁵⁹ European Commission. European Barometer 84, Autumn 2015. 8.

²⁶⁰ European Parliament. Results of the 2014 European Elections. Accessed May 28, 2016. <http://www.europarl.europa.eu/elections2014-results/en/turnout.html>.

predominantly the newer member states of Central and Eastern Europe. Many EU citizens take those achievements for granted and they do not always realise that by voting for anti-EU parties they could undermine both EU's stability and the benefits that the membership brings with it. By doing so the EU could increase its credibility which might decrease the support for radical political parties, thus mitigating Russia's influence.

In order to counteract Russia's *media* propaganda, the EU would need to undertake more decisive and better coordinated actions. As exemplified earlier the East StratCom Task Force group is underfunded, understaffed and in its present form can barely address the challenge coming from Russia. In this respect, the EU could invest more not only in its existing media outlets broadcasting in Russian, such as Euronews, but it could also think of establishing new media that could reach to wider Russian speaking audience. In this way, the EU could try to attract people who do not follow the Russian language programmes of the European media – Deutsche Welle, BBC or Radio Free Europe/Radio Liberty.²⁶¹

Also, in order to be more successful in debunking the Russian media 'myths', the EU could organise special trainings and seminars for journalists working at EU and national levels. This could improve their skills to identify more easily false information, adhere to journalistic best practises and contribute to a better informed society, thus diminishing the Russian propaganda effect on the European citizens.

²⁶¹ Gotev, Georgi. "EU Launches Operation to Counter Russian Propaganda." *Euractiv*, March 20, 2015. Accessed May 28, 2016. <http://www.euractiv.com/section/global-europe/news/eu-launches-operation-to-counter-russian-propaganda/>.

Conclusion

After the collapse of the USSR, Russia entered a turbulent decade marked by economic problems, political instability and social unrest that considerably weakened the country at home and abroad. After Vladimir Putin became president, Russia stabilised both politically and economically. This allowed the new Russian president to become more assertive in the international affairs and pursue more boldly his foreign policy goals. Nonetheless, despite that the Soviet Union has disappeared, its methods and world's paradigm have been, to a great extent, retained by the new Russian leadership. Hence, it is no wonder that today's Russia acts similarly to the former USSR – it aims to build a strong army that will guarantee the preservation of the regime against foreign intervention, invests in domestic security apparatus, curtails civic rights and freedoms, is intolerant towards opinions and views that contradict the official line of the Kremlin. At the same time Russia is trying to support governments and political parties whose agenda coincides with Moscow's interests and engages in negative propaganda that stresses on the deficits and problems in the Western countries.

In this respect, Russia perceives the world and international relations as a zero sum game which contrasts to EU's win-win approach. This discrepancy between Brussels and Moscow presented the EU with significant *military*, *economic* and *political* challenges. However, Russia's resources and capabilities at present are rather limited. The low fossil fuel prices, ruble's devaluation and EU's ban on export of weapons and military technologies to Russia have stalled the modernisation of the army. The Kremlin's countersanctions caused insignificant losses for the EU economy while in Russia they led to rise in food prices and supply shortages. In the field of energy the EU remains Russia's biggest client. Nevertheless, the EU has decreased its oil and gas imports from Russia and it is working toward further diversification. Also Moscow's plans to reorientate its energy exports in direction to China

are currently lacking both sufficient financial resources and substantial interest from Beijing. In terms of its bilateral relations with single EU member states Russia has not managed to break up EU's unity, especially regarding the sanctions. The anti-EU parties, however, strengthened their positions across Europe, thus (un)intentionally easing Moscow's goal to fragment the EU, while the EU has barely addressed Russia's media propaganda.

Despite its current economic problems, Russia still has significant resources and capabilities to undermine the EU. The Russian army is unmatched in Eastern Europe and the population is adjusting to the worsened living conditions. Another important point is that for Russia, the weakening of the EU is a long term goal. Hence, although the country might face some difficulties at present, it can allow itself to wait until a more favourable situation appears. In this respect, in order to be successful in its policy towards Russia, the EU would need to be coherent and consecutive, keep the communication channels with Moscow open and reach a consensus that will demonstrate EU's unity, thus making Russia more eager to cooperate in resolving the tensions in their bilateral relations.

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