
Will Europe Blink First on Ukraine?

PONARS Eurasia Policy Memo No. 422

March 2016

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Since July 2014, when Malaysian Airlines MH17 was shot down over the Donbas, the European Union has demonstrated an unprecedented level of solidarity with Ukraine that extends far beyond macroeconomic and technical assistance. Even with the conflict still active, the EU has worked to incrementally integrate Ukraine into its economic and legal spheres. This January, the Deep and Comprehensive Free Trade Agreement (DCFTA), the central part of the EU-Ukraine Association Agreement, entered into force. The EU has helped Ukraine build a system of reverse gas supply, which enabled it in 2015 to import more gas from Europe than from Russia. EU-Ukraine visa liberalization procedures are also underway.

At the same time, the EU has been applying pressure on Russia. The sanctions imposed by the EU after the Malaysian Airlines tragedy are linked to the full implementation of the Minsk II agreements, a detailed plan for the de-escalation and eventual reintegration of the separatist Donbas regions into Ukraine. As members of the so-called “Normandy Four,” Germany and France are co-architects of Minsk II, together with Ukraine and Russia. Economic losses notwithstanding, the EU twice prolonged sanctions, and the sanctions currently extend through July 2016. France’s refusal to deliver two Mistral-class aircraft carriers to Russia became a symbol of Europe’s firm response to Russian intervention.

This approach, however, is starting to erode. In June 2015 sanctions were extended automatically. By December, Italy was blocking a similar extension and instead demanding “discussion” of the sanctions. Apparently, keeping the EU involved in Ukraine and preserving its current level of pressure on Russia is becoming difficult, even in the short term.

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The Swing of the Pendulum

While a return to “business as usual” is hardly conceivable, there are quite a few actors in the EU that are tempted to turn the page on the Ukraine crisis. Several powerful factors contribute to such thinking. Most significantly, the shock caused by Russia’s annexation of Crimea and its participation in the separatist regions has eroded. First, NATO has already taken measures to strengthen the security of its European allies. Second, the economic downturn that was hitting Russia before the sanctions and compounded by them has seemingly undermined Moscow’s will to provoke a greater crisis in relations with the West. Third, Russia’s “Novorossiya” project, a Russia-friendly political entity stretching from Kharkiv to Odessa, has been abandoned. Separatists control only some three percent of Ukrainian territory. As a result, Russia is not perceived in Europe as the existential threat that the Soviet Union used to be. Consequently, the geopolitical argument that helping Ukraine is a central element in containing Russia does not strongly resonate.

Bolstering such sentiment is the fact that the European political class has never come to a consensus in diagnosing what exactly motivated Moscow’s actions in Crimea and the Donbas. One influential school of thought portrays Russia as the victim of Western expansionism (NATO and EU enlargement), whereby Russia acted out of weakness rather than strength to protect its interests in areas of vital importance. Adding to this is a mentality that the West “needs” Russia, stemming from the hope that Russia and the West can join forces to fight common security threats (like destabilization in the Middle East, terrorism, and migration) and from fears that an uncooperative Moscow will undermine Western efforts in these and other areas.

A “Russia-first” approach is most prominent in the economic sphere. Even amid the downturn in relations, Russia has been able to make attractive offers to European companies, which then serve as lobbyists for normalization. For example, in September 2015, European energy majors E.ON (Germany), BASF (Germany), OMV (Austria), Royal Dutch Shell (British-Dutch), and ENGIE (French) signed a controversial agreement with Gazprom on the construction of the Nord Stream-2 pipeline in the Baltic Sea. As well, in August 2015, Finland was able to conclude a deal with Rosatom on building a nuclear power plant (partly financed by Russia’s National Welfare Fund). It is thus apparent that Ukraine can be reduced to a secondary issue when Russia applies large-scale economic incentives.

Furthermore, Russia’s reciprocal economic sanctions have been painful for EU exporters. In the first ten months of 2015, Russia-EU trade shrank by 39 percent and EU exports to Russia fell by 43 percent. Germany lost 40 percent of its exports, France 48 percent, Italy 38 percent, Finland 45, and so forth. According to a [poll](#) conducted by the Russian-German Trade Chamber, among 110 German companies doing business in Russia, 65 percent admitted that the sanctions had negatively affected their operations. Although

the primary explanation for the trade collapse is Russia's recession rather than sanctions (by comparison, Russia's trade with "sanction-free" China and the Eurasian Economic Union has also fallen by some 30 percent), businesses in several key member states continue to take a public stance in favour of the repeal of sanctions.

We should also recall that the EU sanctions on Russia reached a relatively high level rather accidentally, mostly as a "black swan" effect of the Malaysian Airlines catastrophe. Before then, several influential EU member states demonstrated an extreme reluctance to levy meaningful sanctions and, in practice, had largely acquiesced to Russia's annexation of Crimea. Another indication of European reluctance was the EU's refusal to tighten sanctions after two rounds of military escalation in Ukraine, first in August-September 2014 and then in January-February 2015—even as EU members acknowledged Russia's direct role.

Public opinion in leading EU member states reflect this reluctance. According to a spring 2015 Pew Research Center [survey](#), 46 percent of Germans thought sanctions should be kept at the same level and 29 percent wanted them decreased, while only 20 percent wanted them increased. In France, the same measures were 49, 25, and 25; in Britain it was 53, 12, and 23; and in Spain it was 49, 15, and 24. Only in Poland was there strong sentiment in favour of greater sanctions, at 49 percent. These figures demonstrate that however solid the pro-sanction majority was, Europe's general public was not ready to step up pressure on Russia.

Meanwhile, Europe is again developing Ukraine fatigue. Ukraine's deepening economic crisis, procrastination in implementing reforms, inability to fight oligarchic power and corruption, and the open quarrels among leaders seriously worsen the country's "revolutionary" image, undermine trust in its leadership, and produce an unwillingness to materially support such a seemingly dysfunctional system. The window of opportunity continues to narrow. Unless Ukraine demonstrates a rapid breakthrough in reform, pressure for a deal with Moscow will only grow stronger.

A turning point may arrive in April, when a national referendum will be held in the Netherlands on the question of ratifying the EU-Ukraine Association Agreement. Although this referendum is not binding, it is inconceivable that the Dutch government would be able to fully ignore a negative result (which is a possible outcome). President of the European Commission Jean-Claude Juncker has already admitted that the issue could grow into a "continental crisis."

All these feelings should be put into the broader European context. Current issues of concern to the EU are the refugee crisis, possible British exit from the EU, and sluggish economic growth, compared to which the future of Ukraine is less urgent. A lot depends on German Chancellor Angela Merkel, the champion of Ukraine's cause in the EU, but

Germany may not have enough energy or diplomatic resources to continue pushing and could conceivably opt for a compromise at the expense of Ukraine's interests.

Keeping Up Appearances

The contours of a planned "settlement" are surfacing rather clearly. First, a narrative is being created that military de-escalation has already taken place. Hence, the European diplomatic mantra has transformed into various versions of an "ongoing ceasefire." The reality on the ground does not support this view, however. From March to December 2015 (after Minsk II), 563 Ukrainian servicemen died in the conflict zone, according to Ukrainian data. In December 2015, UN statistics cited more than 9,000 dead in the conflict in the Donbas, as compared to a casualty count of 8,000 three months before. These figures do not seem to affect the European appraisal of the "ceasefire." Even less attention is paid to the unfinished business of exchanging prisoners of war.

Second, EU mediators openly push Kyiv toward adopting constitutional changes (so-called decentralization), which would allow for local elections in separatist-controlled areas in accordance with some ad hoc rules, thereby domestically legitimizing the Donbas territories and their leaders. An initiative known as the Morel Plan (named after French diplomat Pierre Morel), allegedly containing a respective set of proposals, was actively discussed by the Ukrainian expert community last fall. The implementation of this plan would likely confer a special autonomous status for the separatists, which Kyiv has always found to be unacceptable. The plan, however, would enable Berlin, Paris, and Brussels to claim success in resolving the conflict. Germany's OSCE chairmanship in 2016 creates yet another contextual incentive to declare the "mission accomplished."

Third, a number of top European politicians have de facto broken the official consensus. Germany's Vice Chancellor Sigmar Gabriel has suggested that sanctions on Russia should be eased after the implementation of the first fundamental elements of the Minsk II agreement, which runs counter to a decision by the European Council that demands full implementation of the deal. In October 2015, Gabriel also paid a visit to Moscow where he called for leaving behind "past situations" and a search for new ways to restore Russian-German cooperation. Horst Seehofer, leader of the German CSU (Bavarian sister party to Merkel's CDU), has raised the question of whether the time had already come to discuss lifting the sanctions. Italian Prime Minister Matteo Renzi said in December 2015 that he expected a "full debate" and "review" of the sanctions within several months. Former French president Nicolas Sarkozy is also an advocate of "talking" about the issue. His successor, Francois Hollande, can hardly be dismissive about the statement of his main political rival, taking into account France's Russophile foreign policy tradition and the fact that Hollande himself needs to communicate with the Kremlin in the Syrian context. Austrian President Heinz Fischer confirmed that his country is interested in lifting the sanctions. A list of European actors looking for similar "openings" goes on.

Finally, some elements of what might be offered to Moscow as main pillars of a general compromise are no secret. Ukraine's military non-alignment or its "Finlandization" is a well-established part of the Western discourse. A direct relationship between the EU and the Russia-led Eurasian Economic Union, which implies recognition of the latter by the former, was [officially tabled](#) by European Commission President Jean-Claude Juncker in November 2015. Reactivation of the NATO-Russia Council was announced the following month upon the initiative of German Foreign Minister Frank-Walter Steinmeier, even though it is unclear whether the Russian leadership would see this as useful.

Conclusion

Internal EU pressure to overcome the current crisis in relations with Russia is on the rise. A certain easing of the sanction regime is thus likely in the foreseeable future. As concerns Russia, however, Europe's gains would be insignificant. EU-Russia relations would still be burdened by many conflictual issues, by Russia's own economic crisis (which makes the country objectively less attractive to European companies), and by a mutual lack of trust between decisionmakers at all levels. "Compartmentalization," the new catchword for European policy on Russia, which is supposed to combine firmness on some issues (like European security) with cooperation in others, may look attractive to policymakers on paper but is not necessarily practical in real life.

With regard to Ukraine, a premature compromise with Russia would cost Europe a lot. The Ukrainian leadership would hardly be able to simultaneously push through conflict settlement and domestic reforms without collapsing. Prioritizing the former at the expense of the latter will lead to an ineffective use of scarce EU diplomatic and financial resources and an entrenchment of "Ukraine fatigue" in Europe. Even worse, it could result in deeper internal political destabilization in Ukraine and the loss of the European pro-reform investments and sacrifices made to date.

One way or another, Ukraine would lose the most. But while its ability to influence EU-Russia interactions is limited, the mission of preserving the EU's commitment to Ukraine lies in its own lap. What Ukraine has to do in order to develop a functioning economy and mature democracy is well understood. The West will lose interest and gradually disengage if the country's elites do not change and remain stuck in their ways. In this case, they will have themselves mainly to blame.