

The EU and Russia - Ukraine, a border or a bridge?

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Introduction

Mr President, distinguished guests it is a pleasure for me to be here this evening with you to discuss the topic: The EU and Russia - Ukraine, a border or a bridge? In particular, I wish to thank Dr Werner Hoyer, President of the European Investment Bank, for extending the invitation. We meet on the eve of May 9, Europe day in the EU, celebrating the memory of the foundational speech on that date in 1950 by Robert Schuman, the French foreign minister, on the need to establish creative reconciliation in Western Europe through new supranational institutions between former enemies five years after World War 2. May 9 is also celebrated throughout the states of the former Soviet Union as Victory Day, the day on which (Moscow time) Nazi Germany capitulated to the Soviet Union to end the Great Patriotic War in which Russia lost at least 20 million citizens between civilian and military. It is a day of patriotic fervour which risks being a flashpoint in current circumstances in Ukraine, especially in Donbass. Not all the ghosts of the past have been laid to rest nor confined to the history books. Some as we know are stalking the land in parts of Ukraine today reviving old memories and releasing new energies. Recent events in Ukraine have crossed many lines, political, institutional, legal and historic. Will Ukraine be a border or a bridge between the EU and Russia is the title I suggested to Werner Hoyer in Dublin some weeks ago. My preference for the bridge analogy is based on the belief that Ukraine's best interests would be served by not being trapped in a zero sum geopolitical

game between the East and the West, where one side wins, the other loses and Ukrainians ultimately pay the price. In the light of events since our meeting in Dublin it might be argued, at least in the short term, that this title perhaps is excessively optimistic. At a Luxembourg forum entitled the Bridge I wonder whether such a construct can withstand the stresses it labours under today.

Ukraine today

Ukraine is undergoing a period of unprecedented strain, is trying to cope with the political and constitutional consequences of a popular revolution and the mini copycat revolutions that it has spawned in Eastern and Southern Ukraine. Its territorial integrity has been breached by Russian revanchism in Crimea. It is teetering on the brink of disintegration. The government in Kiev has inherited a deep budgetary and financial crisis. GDP is expected to fall by 5% this year. The currency, the hryvnya, has lost more than a quarter of its value. Russia having lowered the price of gas in December, when it was back in the driving seat in Kiev, has now increased the price again to one of the highest prices per thousand cubic metres in Europe. The IMF pledge of \$17 billion with money front loaded to pay \$2 billion owed to Gazprom is start at trying to stabilise the economic crisis and will permit other donors to assist.

A presidential election is scheduled for 25 May in a little over two weeks' time held against a background of armed occupation of many administrative buildings in the East whose normal functions would be to assist in the preparation of voter registration lists and polling centres.

Separatists in Lugansk and Donetsk have been calling for secessionist referenda to be held in the coming days to create Novo Rossyia, a name associated with the conquests of the golden age of the Russian empire at the time of Catherine the Great in the last third of the 18th century.

Mr Putin at a joint press conference with President Burkharter of Switzerland, chairman in office of the OSCE, yesterday called on the secessionists to postpone their referendum initiative and even suggested that the presidential elections in principle were 'a right move', a welcome change of tone. Russia insists however that any renewed negotiations should include separatist representatives. It has also called for the federalisation of Ukraine, a matter in principle for Ukraine itself and Ukrainians to determine and for the withdrawal of Ukrainian defence forces from the east. The separatists in Donetsk reportedly are to press ahead with the referendum begging the question as to whether yesterday's call was substantive or for public consumption.

The Kiev government in mounting an anti-terrorist campaign is caught in a real dilemma. Their catch 22: if they do nothing they risk to concede the ground to a creeping disintegration of the state, to give free rein to agents provocateurs internal and external and to well-armed insurrectionists; while to contemplate armed intervention is to risk escalation, further bloodshed and the fear of precipitating at least a low level civil war; a case of damned if they do and damned if they don't.

Territorially and in terms of events it is hard to assess whether the Kiev authorities are in control or being controlled by these phenomena. At this point any number of scenarios are possible- a dialogue within Ukraine between dissenting factions and the Kiev authorities – creeping disintegration – further annexation through Russian responses to invitations to assist - low level on going violence- civil war. Which is likely is not easy to discern. Which is desirable without doubt is a process of negotiation to search by analogy for the bridge and not the border.

The Greater Russia

President Putin is enjoying record popularity at home in Russia which has gone up in the light of recent events. On 18 March he addressed State Duma deputies, Federation Council members, heads of Russian regions and civil society representatives in the Kremlin in the gilded splendour of St. George's hall. It was the occasion to mark his call for ratification of the treaty admitting Crimea and Sevastopol to the Russian Federation after the referendum of March 16.

With the weakness of the government struggling to establish itself in Kiev President Putin struck in Crimea with what the Economist described as 'dazzling speed and efficiency'. The independent Ukraine is barely 23 years in existence. In 1994 it surrendered its stockpile of post-soviet nuclear weapons and received guarantees for its territorial integrity from the signatories of the Budapest Memorandum, Russia included, not a great advertisement for nuclear non-proliferation. Twenty years later, to the delight of his listeners, Mr Putin was righting the wrongs of history. 'In people's hearts and minds Crimea has always been an inseparable part of Russia', he said, 'this firm conviction is based on truth and justice and was passed from generation to generation, over time, under any circumstances, despite all the dramatic changes our country went through during the entire 20th century.'

He criticised Khrushchev's 1954 gift of the peninsula to Ukraine as 'a clear violation of the constitutional norms that were in place even then'.

Crimea was not the only focus of the President's remarks. He also criticised the Bolsheviks who after the revolution 'may God judge them – added large sections of the historical South of Russia to the Republic of Ukraine', not especially reassuring in the context of the annexation of Crimea and the current state of territorial armed insurrection and separatism.

In a State of the Union speech, as President, in 2005 Mr Putin remarked that collapse of the Soviet Union was 'the greatest geopolitical catastrophe of the 20th century'. He returned to the theme in the recent Kremlin speech. 'Many people, both in Russia and in Ukraine, as well as in other republics hoped that the Commonwealth of Independent States that was created at the time (after the collapse of the USSR) would become the new common form of statehood. They were told that there would be a single currency, a single economic space, joint armed forces; however, all this remained empty promises, while the big country was gone. It was only when Crimea ended up as part of a different country that Russia realised that it was not simply robbed, it was plundered'.

The greater Russia was invoked. 'Millions of people went to bed in one country and awoke in different ones, overnight becoming ethnic minorities in former Union republics, while the Russian nation became one of the biggest, if not the biggest ethnic group in the world to be divided by borders'.

Mr Putin champions the Eurasian Union. In an article published in Izvestia on October 4 2011 as he contemplated returning to the presidency for the third time the following year, Mr Putin outlined his main foreign policy priority. He said he wanted to bring ex-Soviet states into a "Eurasian Union' building on an existing Customs Union with Belarus and Kazakhstan. 'We are not going to stop there', he wrote, 'and are setting an ambitious goal -- to achieve an even higher integration level in the Eurasian Union'. He envisaged the new union as a supra-national body which would coordinate "economic and currency policy" between its members. It would also be open to new members such as the Central Asian republics of Kyrgyzstan and Tajikistan. He also made a veiled criticism of Ukraine which chose to stay outside the union citing its commitment to European integration. 'But this was a wrong choice', he wrote, arguing that 'Membership in the Eurasian Union, apart from direct economic

benefits, will enable its members to integrate into Europe faster and from a much stronger position.'

In the Kremlin speech he criticised 'the endless foot-dragging in the talks on visa issues, promises of fair competition and free access to global markets', a clear reference to dialogue with the EU.

Mr Putin spoke about 'those who stood behind the latest events in Ukraine'... 'They wanted to seize power and would stop short of nothing. They resorted to terror, murder and riots. Nationalists, neo-Nazis, Russophobes and anti-Semites executed this coup. They continue to set the tone in Ukraine to this day'. Herein lies a central difference in appreciation of what happened on Maidan and its aftermath. Russian propaganda relentlessly has focused on a big lie that what happened in Kiev was a neo-Nazi, Russophobe anti-Semitic coup. This propaganda has endured for months and has been a constant theme on Russian television and media. In the ferment that was Maidan many persons and forces were engaged. Moments of popular revolution do not follow a single script but in the round this was a push for modernisation and reform in a deeply corrupted Ukrainian polity and not a neo Nazi anti-Russian conspiracy.

Although there is no tangible evidence of any threat to life and limb of anyone in Crimea Mr Putin justified his intervention arguing that 'Those who opposed the coup were immediately threatened with repression. Naturally, the first in line here was Crimea, the Russian-speaking Crimea. In view of this, the residents of Crimea and Sevastopol turned to Russia for help in defending their rights and lives, in preventing the events that were unfolding and are still underway in Kiev, Donetsk, Kharkov and other Ukrainian cities. Naturally, we could not leave this plea unheeded; we could not abandon Crimea and its residents in distress. This would have been betrayal on our part'.

The Putin doctrine asserts a Russian right of intervention in its near abroad in defence of Russians or Russian interests.

The President was dismissive of western concerns on the violation of international law. 'Our western partners, led by the United States of America, prefer not to be guided by international law in their practical policies, but by the rule of the gun. They have come to believe in their exclusivity and exceptionalism, that they can decide the destinies of the world, that only they can ever be right'.

Referring to what happened in Ukraine he remarked 'we understand what is happening; we understand that these actions were aimed against Ukraine and Russia and against Eurasian integration'.....'we have every reason to assume that the infamous policy of containment, led in the 18th, 19th and 20th centuries, continues today'...'And with Ukraine, our western partners have crossed the line'...'Russia found itself in a position it could not retreat from. If you compress the spring all the way to its limit, it will snap back hard. You must always remember this'.

For Mr Putin in his own words this is an 'historic turning point' that demonstrates the nation's 'maturity and strength of spirit'.

Back to Ukraine

In truth, retrospectively, the Kiev administration was never really free to choose. When President Yanukovich was in power and before all the anti-Nazi propaganda surrounding Maidan in March 2013 an official plan was adopted by Ukraine to prioritise those measures required to advance the signing of the Association Agreement with the EU.

Last August Russia initiated a trade war with Ukraine. Even so at the official opening of the parliamentary year in Kiev on 3 September

2013 which I attended, President Yanukovich spoke of linking the country's modernisation and reform prospects to signing the agreements with the EU and he urged the Verkhovna Rada, the Ukrainian parliament, to adopt the necessary legal reforms. On 18 September the Ukrainian cabinet unanimously approved the draft association agreement.

There had been a series of inconclusive meetings with President Putin and also at prime ministerial and senior official level on Ukraine joining the Russian led customs union. With Kiev's European intentions so clear, the targeted and crushing economic blockade of imports from Ukraine ramped up last fall across a range of sectors, especially, but not exclusively, aimed at enterprises in Eastern and Southern Ukraine, the political base of President Yanukovich's Party of the Regions. Goods that earlier were perfectly acceptable were now rejected on the grounds of failing to meet Russian technical standards. Customs procedures led to long delays at border crossings. Key heavy industrial sectors reported calamitous loss of output and threats to jobs. A confectionary business owned by the current front runner in the Ukrainian presidential elections, Mr Petro Poroshenko, apparently saw business cut in half. Some cross border labour movements reportedly also were blocked for a period.

There was little doubt about who was calling the shots and why. In effect the elected government of an independent and sovereign Ukraine was free to make any choice it wished provided that choice conformed to Moscow's wishes. The pressure of the trade war forced the Ukrainian government to reverse course. President Yanukovich told President Kwaśniewski and myself that he 'was hitting the pause button.' On 21 November 2013 a government decree suspended preparations for signing of association agreement one week before the Vilnius summit. News of the suspension that same night initiated the first wave of protests on Maidan in favour of European integration. Ukraine then sought EU compensation for the

Russian imposed trade losses to no avail. On 17 December, Ukraine signed a deal with Russia under which Russia agreed to purchase \$15 billion of Ukrainian Eurobonds and to reduce the price of Russian supplied natural gas to Ukraine and to encourage investment in Ukrainian industry. Russia it seemed had prevailed.

Maidan, after security crackdowns, repressive legislation hastily introduced and after the death of some protestors equally hastily withdrawn, transformed into a mass movement that in the dark days of a freezing winter could mobilise up to 800,000 citizens who now wanted fundamental change at home and not just the pursuit of European aspirations abroad. The deaths of up to eighty protestors in mid-February provoked a sense of mass outrage and by the 21st of that month after a late night political deal was brokered signed by the foreign ministers of France, Germany and Poland but not by President Putin's representative Mr Lukin. Sensing the game was up President Yanukovich and some of his key personnel fled Kiev eventually for Russia from where reportedly they remain immersed in the instability now evident throughout Donbass.

What of the EU?

High Representative

The European Parliament elections are due in two weeks' time and with them a renewal of EU institutions will commence. Most discussion to date has focused on the nomination of the next Commission President linked to the results of that election. Little or none has focused on the next the High Representative of the Union for Foreign Affairs and Security Policy. In this the European Council carries a high responsibility. EU foreign policy needs to become more strategic on the big questions, including on relations with Russia, the evolution of the EU's neighbourhood policy and of the Eastern Partnership Policy. Here let me quote from a recent article by Henry Kissinger 'The European Union must recognize that its bureaucratic

dilatoriness and subordination of the strategic element to domestic politics in negotiating Ukraine's relationship to Europe contributed to turning a negotiation into a crisis. Foreign policy', he recalls,' is the art of establishing priorities'.

Speaking of this art –

Do we want an EU foreign policy which is the 29th policy of 28 member state policies or in some key strategic areas a policy which is the primus inter pares, the first among equals?

Do key capital cities wish to promote and develop such a prospect or do they wish to limit the effect of EU multilateralism by privileging their own bilateral relations?

Do they want to nominate an office holder or a weighty player?

None of these things is settled but on their answers will depend the strategic evolution of EU foreign and security policy.

Sanctions

To date the EU's response to Russia's annexation of Crimea has been unanimous, calibrated and cautious. A less cautious policy would fail to generate a unanimous response. A military intervention has been ruled out, correctly so. It would carry immeasurable risks and consequences for all but most especially for the people of Ukraine themselves. This places as a counterpart even greater weight on the EU's diplomacy. Realpolitik teaches that all foreign policy is a form of enlightened self-interest, a trade-off between vision, values, interests and political willingness and capacity to act. A third wave of EU sanctions is under preparation. When or if they are to be deployed has not been decided. Doing too little risks to diminish the force of the EU's values based soft power projection. Doing too much would risk inducing a Russian response that could undermine the EU's fragile economic recovery.

The sanctions to date have been an irritant, more symbolic than substantial. However, at least in the short term, especially for those individuals on black lists the sanctions appear to have become a badge of honour in a more nationalistic and chauvinistic political atmosphere in Moscow.

Perhaps the greatest impact has been market based with a flight of capital, a collapse in the value of the rouble, a rise in the price of imports and a fall-off in an already low Russian growth rate. As to potentially turning off the energy tap to the EU, Russia itself would not be immune from the consequences. The OECD reports that Russia generates \$150 billion from energy revenue amounting to 28% of budgetary revenue.

Energy Policy

This crisis reminds us of the EU's energy vulnerability. The EU's energy dependence is running at more than 65% and is on current commission estimates scheduled to grow to 80% by 2030. Russia accounts for 27% of EU gas imports and 22% of oil imports.

The formulation of a genuine common energy policy is overdue. This is a crisis that should not be wasted in this regard.

The EU needs to reduce its dependency on imported energy, accelerate the diversification of supply, deploy its collective bargaining power in energy procurement and of course, as regard climate change continue to invest in energy efficiency and the development of indigenous energy sources. There are still too many energy islands within the single market and greater attention needs to be paid to the development of infrastructure, especially interconnectors.

Conclusion

Jaw jaw is better than war war said Churchill. The jaw jaw factor is the missing ingredient in Ukraine today. Without being naïve, every effort should be made to seek to stabilise the situation in Ukraine. One could discern a list of things to do. The status of the Russian language should be put beyond any doubt. A new constitutional settlement to assure the territorial integrity of Ukraine should be formulated assuring sufficient decentralised autonomy to reassure but not so much as to fracture the integrity and coherence of the state. Every effort should be made by all sides to remove the gun from Ukrainian politics and form the streets. Administrative buildings should be returned to their normal functions. Some form of post-revolutionary amnesty process should be engaged to diminish spill over tensions. The international community and especially IFI's such as the EIB should remain engaged to build a new equilibrium for a new Ukraine.

Thank you for the honour to address you here this evening.

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