RETHINKING EUROPEAN SECURITY: THE CARROT, THE STICK, AND A WILD CARD

by Isabelle François

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Atlantic Council
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1 Isabelle François is a nonresident senior fellow at the Atlantic Council and member of the NATO International Staff. The opinions expressed in this article are the author's own, and do not necessarily reflect those of the Atlantic Council or NATO’s agreed positions and policy.
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INTRODUCTION

The Ukraine crisis and the Russian annexation of Crimea have reshaped the security environment in Europe. Western experts and decision-makers are grappling with how a partner of NATO and the European Union (EU) and a member of the Organization for Security and Cooperation in Europe (OSCE) and the Council of Europe could so blatantly challenge the post-Cold War order by annexing part of a neighboring country. And yet, the list of Russian recriminations against the European security architecture and the post-Cold War status quo is nothing new—it began years ago.

In his 2007 Munich speech, Russian President Vladimir Putin clearly voiced Russia’s fundamental problems with the Western approach to European security. However, it took the better part of a decade for the Western security community to acknowledge that Moscow never fully embraced the post-Cold War cooperative security approaches developed by the Euro-Atlantic community in no way excuses Moscow’s disregard for its neighbors’ territorial integrity. It does point, however, to an urgent need for a new bilateral and multilateral approach to European security, as the inherent limits and challenges to partnership, institutional enlargements, disarmament, and other Western policies can no longer be ignored. The Ukraine crisis only reinforces the point that the dissonance between the Russian and the Western approaches to European security will not disappear, nor can it be appeased. It requires nothing short of a new vision. Based on remaining common interests, redefined in this paper, a new vision of European security should rest on a three-dimensional approach: the carrot, the stick, and a wild card.

As NATO seeks to address Putin’s moves, it should develop a “strategy of denial.” As Ian Kerns, director of the European Leadership Network, argues, “This means denying him further opportunities to destabilize Europe on the one hand while offering him cooperation on matters of mutual interest on the other.” This strategy should be focused on reassurance and a new force posture within NATO in the short term and on strategic-level discussions and coordination with other European organizations in light of the increased economic dimension of security in Europe. The OSCE will be the best venue to ensure that Russia contributes to European security and feels itself heard amid its peers, addressing the longstanding differences of view on European security, the clash of values, and the prevailing interest-based approach in Europe, in order to frame relations between the West and Russia. The OSCE would also be best placed to attend to more practical requirements, notably arms control, to mitigate the consequences of the Russian annexation of Crimea, and the Ukrainian crisis more broadly. However, the ability of the OSCE to use the diplomatic skills of its chairman in office and its expertise in conflict management to initiate a constructive dialogue between Russia and the West remains a wild card.

REDEFINING COMMON INTERESTS

Anti-Russian sentiments are at an all-time high in Washington and other Western capitals, while anti-Western rhetoric continues to be a solid basis for Putin’s unwavering support within Russia. Some analysts have pointed out that dislike for each other does not constitute a real policy, and that eventually Russia and the West must put aside differences to work on common interests. Although the West continues to alienate Russia through political punishments and economic sanctions, there is no place for isolation. Common interests still bind Russia and the United States as much as Russia and Europe. However, common challenges may not bind these countries to the same common responses developed in the 1990s.

In the post-Cold War era, Russian and Western leaders articulated their common interests in broad terms, around new threats and challenges such as terrorism, proliferation of nuclear, biological, and chemical weapons, and unresolved conflicts. In today’s environment, common interests will need to be defined more narrowly in order to facilitate cooperation on specific initiatives while acknowledging that cooperative security may not always be the best approach. Russia will continue to be a key international player, notably in the energy sector, as underlined by its May 2014 energy agreement with China. It will remain a force to reckon with in cybersecurity. Similarly, in counterterrorism and in the nuclear and nonproliferation fields, Russia remains a key interlocutor. Moscow’s veto power in the United Nations Security Council also points to the limits of isolating Russia. In concrete terms, Western capitals will have to work with Moscow on the Iranian nuclear negotiations, the Syrian civil war, post-International Security Assistance Force (ISAF) Afghanistan, and on regional stability in Central Asia and the Caucasus. Finally, Russia will continue to be a strategic player in the Arctic and Asia-Pacific, given its presence and resources in these regions. At the same time, Russia may engage in adversarial relations on a host of issues. So, even as common interests still exist, common responses should be narrowly defined with clear rules of the game and specific understandings of what is agreed and not agreed.

Economic relations will play an increasingly significant role in defining approaches to European security. In this context, it is worth noting that Russian trade with the European Union is thirteen times greater than Russian trade with North America. This will undoubtedly affect the way Europeans and North Americans define their respective positions vis-à-vis Russia. Moreover, Russian oil and gas exports to Europe have created a situation of mutual dependence; both sides need greater diversification to gain leverage and freedom of action.

However, as the Ukraine crisis and Russia’s annexation of Crimea demonstrated, the position of various Western allies in the face of this European security challenge has not necessarily reflected their respective level of economic dependence on Russia. Some of the countries most dependent on Russian energy or Russian trade also proved to be the most hawkish toward Russia. The prospect of energy diversification through the recent construction of liquefied natural gas (LNG) import terminals, nuclear power plants, or pipeline connections on the part of some allies, such as the Baltic states, the Czech Republic, and Poland might have increased their resolve to stand up to Russia. Similarly, Russia’s prospect of diversification of its energy markets toward the east may have helped in standing up to the threat of Western sanctions.

While recognizing the importance of economic interdependence and the need to engage with Russia, the rules of the game should clearly spell out the need for economic diversification in Europe to reduce economic pain and blackmail. However, it seems to be the willingness to take risks and suffer some economic pain for the sake of geopolitical gains that best explained the hawkish positions of some allies and Russia in the context of the Ukraine crisis. Indeed, economic interests are not always determinant, but Europeans have nonetheless a responsibility to curb...
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their economic dependence vis-à-vis Russia for the sake of security in Europe.

At the same time, North Americans have a responsibility to recommit to Europe. Over the past two decades, common interests between Washington and Moscow were essentially focused on security issues, addressing concerns outside Europe—including Syria, Iran, Afghanistan, and other parts of the world. The Ukrainian crisis woke North Americans up to the fact that European security should not be taken for granted, but attention and investment will have to be sustained well beyond the Ukrainian crisis, in four main directions.

First, there is a need for leadership in Europe to redefine Western interests in today’s security environment, starting from what constitutes the West, given American rescinding leadership in Europe. Second, in light of the 2008 economic crisis, which affected Europe significantly, the United States and Canada should support Europe’s energy diversification efforts by increasing liquefied natural gas (LNG) exports through the construction of LNG terminal and exploring alternative sources of energy such as shale. Third, North America should support Europeans in the defense industrial field by developing smart defense approaches and assisting in “pooling and sharing” projects. In the current climate of European insecurity, it would be smart and creative to make it easier for a country like France to cancel its contract to sell two Mistral-class helicopter carriers to Russia by collectively shouldering the financial burden of cancelling the arms deal. Going through with the delivery of the carriers, which is currently suspended, can only contribute to greater insecurity in Europe. Indeed, some in the United States have argued that allies should purchase the carriers and bolster NATO capabilities.7

Finally, the Ukrainian crisis has come with a significant price tag. The Ukrainian government receives financial support from the International Monetary Fund (IMF), the EU, the United States, and others, but it will still need substantially more funding and support in the long term. The United States and Canada should also recommit to transparency and confidence-building in the heart of Europe, notably through arms control efforts. For Washington, conventional arms control in Europe has been successful in keeping the peace at low cost, allowing a focus on other regions of the world. Today, yet again, North Americans have a responsibility to recommit to Europe to address European insecurity and avoid a costly confrontation with Russia.

Common security interests with Russia still exist, but they will not be addressed primarily through cooperative security arrangements any more. The complexity of interests at play in ensuring European security basically defies a simple vision or a common strategy. There are common interests within Europe and common interests outside of Europe. There are security and economic interests. There is also debate on whether the focus should be on joint actions or simply transparency and confidence-building. There are, however, a number of tools and organizations at the disposal of Western and Russian governments that can enable them to advance clearly and narrowly redefined common interests in support of European security through various approaches, making best use of tools and institutions, and developing new ones, if necessary.

7 Binnendijk and Kramer, “A New Western Strategy toward Russia.”
THE EU’S NECESSARY ENGAGEMENT WITH RUSSIA

The EU is Russia’s leading trading partner, while Russia has been the EU’s third-largest trading partner after China and the United States. In addition, the EU is the world’s largest investor in Russia, accounting for approximately two-thirds of all Russian foreign direct investment. Common interests are broad and significant and cannot be ignored in defining how to position oneself vis-à-vis Russia’s geopolitical approach to European security. However, the EU’s dependence on Russian energy imports and Russia’s own dependence on energy exports to the EU deserve special attention in terms of European security. Diversifying markets is economically healthy and provides alternatives when Russia and the Western interests clash. However, business elites in both Russia and the West with significant and often unspoken special interests will make diversifying energy exports/imports more difficult.

The Limits of Economic Sanctions

First, the role of special interests behind the scenes cannot be underestimated. The threat of further economic sanctions against Russia to punish Moscow for its actions in eastern Ukraine points to the limits of overcoming economic special interests. Nonetheless, despite clear differences between the European and North American levels of economic interaction with Russia, these countries have demonstrated a remarkable ability to coordinate their decisions on sanctions against Russia. They effectively coordinated sanctions leading to Russian asset freezes and visa restrictions, notably targeting specific individuals close to Russian power circles. The West will have more difficulty sustaining and implementing stricter trade and financial sanctions targeting arms exports to Russia and energy imports and technology, as retaliation from Moscow will likely impact a small group of more exposed EU member states with little ability to absorb or share the burden. At the same time, one should not underestimate the possibility that a serious escalation of the crisis in Ukraine instigated by Russia could lead to agreement on deeper and longer-term sanctions within the EU.

Second, in a globalized environment, and given the level of interconnectedness of all economies and financial markets, sanctions against Russia and Russian retaliation could drive a still-fragile world economy to a financial crash from which no one stands to gain. The broader international community sees the West’s policy of isolating Russia hazardous and short sighted since Russia is fully integrated into the global economy. China has already warned that drastic economic sanctions against Russia with its own retaliation could make the global economy spiral into chaos. The IMF Managing Director Christine Lagarde indicated that the standoff with Russia poses a threat to a global economy that is already too weak for comfort. The rise of geopolitical tensions, along with risks of prolonged ultra-low inflation in advanced economies and volatility in emerging markets could cloud the world’s economic outlook.

Third, common interests among Europeans, North Americans, and Russians are increasingly difficult to clarify. The EU is a key player in European security that has considerable stakes in continued engagement with Russia but also significant leverage over Russia. The EU, however, lacks strategic vision and its partnership with Russia has never materialized. In the context of the Ukraine crisis, the diplomatic efforts on the part of the EU institutions, be it the European Council Presidency

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Indeed, Association Agreements were essentially a set of technical norms relating to harmonized product standards, rather than a political vision for Europe’s future. Moscow came to realize, however, especially as Ukraine inched closer to signing, that Association Agreements had become an alternative path to Putin’s design for Eurasia and the Russian-led Customs Union, as signing meant adopting EU standards and joining a free trade area that did not include Russia.

The EU certainly did not intend the Eastern Partnership to exclude Russia or to become a competing geopolitical project and would have preferred that Russia shared the view that stable, prosperous neighbors are better for all concerned. However, there was never any conclusive attempt by either side to ensure the compatibility of the EU Deep and Comprehensive Free Trade Agreements (DCFTAs) with the Russian-led Customs Union. In fact, in September 2013, as the EU was negotiating the Association Agreement with Ukraine, Stefan Füle, the EU commissioner for European Enlargement and Neighborhood Policy, declared in a speech before the European Parliament that “the Customs Union membership is not compatible with the DCFTAs which we have negotiated with Ukraine, the Republic of Moldova, Georgia, and Armenia.” In short, the Ukraine crisis was initially over a loan and about economic western European standards versus the Russian way of doing business, but DCFTA crystallized the debate over Ukraine’s future direction.

In reality, this crisis proved to be much more than that. It quickly became about peace, freedom, and prosperity for the whole continent. The technical negotiations over DCFTAs clearly missed the bigger picture and failed in providing the necessary political steering and strategic perspective required for articulating and safeguarding common interests. The European Neighborhood Policy (ENP) was developed in 2004 to avoid the emergence of new dividing lines between the enlarged EU and its neighbors. The ENP was offered to sixteen countries to the east and south as a bilateral framework of cooperation. It was enriched by multilateral frameworks, notably the Eastern Partnership in 2009, to achieve the

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16 This was among the lessons learned from the Ukrainian crisis drawn by former Russian Foreign Minister Igor Ivanov. See Ivanov “Eight Lessons from the Ukrainian Crisis,” Russia Direct, May 21, 2014, http://www.russia-direct.org/content/8-lessons-ukrainian-crisis.
closest possible political association and the greatest possible degree of economic integration. However, the ENP did not fulfill its earlier ambitions, showing little ability within the EU to maneuver strategically in a volatile neighborhood. Russia, for its part, did not fully understand the broader political impact of EU technical negotiations when it ignored EU invitations to discuss the ENP’s role in the region.

The March 31 statement\(^\text{17}\) by the foreign ministers of the Weimar Triangle (France, Germany, and Poland) reaffirmed the ENP as the main EU tool with regard to the Eastern Partnership. More significantly, it acknowledged the importance of moving away from a zero-sum approach, that offered only a stark choice to eastern partners of the EU between a DCFTA or the Customs Union: “… we will (...) ensure that the Eastern Partnership countries are not faced with a stark choice—either moving closer to the EU or working with Russia in a comprehensive manner.”\(^\text{18}\) Russian reactions to the signing of Association Agreements and DCFTAs with Ukraine, Georgia, and Moldova, on June 27, 2014, were restrained. Russian Ambassador to the EU Vladimir Chizhov stated publicly, “I don’t see any problem between Russia and the West that cannot be solved by diplomatic means through negotiations.”\(^\text{19}\) Moscow is still formulating its reactions and policy response to recent EU Association Agreements. Ukraine’s ratification of the document this autumn is unlikely to be welcomed in Moscow.

In any case, the level of interaction between the EU and Russia needs to be elevated. Common interests have to be more clearly defined and negotiations over diverging interests cannot be sidestepped. This would require a more strategic dialogue taking account of economic interests, but providing leadership and political guidance, given the security dimension of economic issues. Moreover, the likely impact of the economic relationship between the EU and Russia on global and strategic issues requires concerted efforts and cannot be handled solely by the EU in isolation from other international fora. For instance, technical discussions between the EU and Russia over the possible compatibility between DCFTAs and the Russian-led Customs Union would have broader strategic implications, and could lead to useful exchange of views and concerted efforts between NATO and the EU in the handling of their respective partnerships to the east.

\(^{17}\) Joint Statement on Ukraine of the Weimar Triangle Foreign Ministers Grank-Walter Steinmeir (Germany), Laurent Fabius (France), and Radoslaw Sikorski (Poland) in Weimar, March 31, 2014, http://www.msz.gov.pl/resource/a3d59d07-5090-445e-8ad0-8d62bd516c75:JCR.

\(^{18}\) Ibid.

NATO’S STRATEGY OF DENIAL

By contrast, the NATO-Russia relationship developed at the highest level with documents signed in 1997\(^20\) and 2002\(^21\) by heads of state and governments, and led to regular meetings of NATO and Russian leaderships engaging in both high level political dialogue and practical cooperation. This relationship, nonetheless, fell short of delivering the “strategic partnership” originally envisaged. The 1999 crisis over the NATO bombing campaign in Kosovo and the 2008 crisis over the Russia-Georgia war rocked the NATO-Russia relationship, but allies and Russia essentially “agreed to disagree” without fundamentally reviewing the implications of their growing differences in approaching European security. The 2014 crisis over Ukraine marked a turning point, launching a review of the Alliance’s readiness to meet the challenges of a new security environment in Europe and in terms of the Alliance’s relationship with Russia.

Toward a New NATO Defense Posture

In the face of clear Russian capabilities for significant military build-up and deployability of forces at Russian borders, snap military exercises, overt and covert operations, cyber activities, and effective information warfare and psychological operations, allies have felt the need to reassure each other and their publics of the ability to maintain credible collective defense and deterrence. The Alliance has also sought to address the challenges of hybrid warfare and to act upon the new sense of urgency to fill existing capability gaps.

In preparation for its 2014 Wales Summit, NATO built on its immediate response to the Ukraine crisis. Indeed, in the early part of 2014, NATO had deployed more planes in the air, more ships at sea, and troops on the ground. This included exercises, airborne early warning and control system (AWACS) deployments in Poland and Romania, as well as reinforcement of air policing in the Baltic region, and increased naval presence in the Baltic and the Black Seas. Building on these immediate measures, over the summer of 2014, NATO developed a Readiness Action Plan by updating its defense plans, developing new ones on the basis of the new European security environment, enhancing its military exercises program, and considering appropriate reinforcements of its military posture in Europe.

The long-term implications of Russia redrawing Europe’s borders by force are still unfolding. Moscow’s newly declared doctrine of protecting Russian speakers in its neighboring countries, in addition to the well-established military doctrine casting NATO as an adversary, has generated a sense of uncertainty, instability, and genuine insecurity across Europe. In the context of preparations for the 2014 NATO Summit, Russia’s actions prompted a renewed sense of solidarity within the Alliance for those who doubted NATO’s resolve and unity of purpose and a renewed sense of commitment to address defense spending gaps for those who have lamented severe defense budget cuts and the accumulated lack of funding, especially on the part of Europe. Indeed, while Russia has increased its defense spending by 50 percent in the last five years, NATO spending decreased by 20 percent, on average, over the same period. The need to reverse this trend has been increasingly acknowledged,\(^22\) but, of course, economic recovery in Europe is timid at best, and some countries are still trying to cut national deficits.

Nonetheless, at the Wales NATO Summit, allies committed to work toward increasing defense spending to bring them closer to the 2 percent of gross domestic product benchmark and committed to aim at spending 20 percent of their defense budgets on new equipment and research and development. At the same time, the decline of economic growth and lack of foreign and domestic investments will become a more acute problem in Russia, in the months and years to come, despite its international reserves holdings, if it is to deliver on its 2011-2020 State Armaments Program and its defense modernization plans (70 percent all new equipment by 2020).

The strengthening of the allies’ transatlantic bond and commitment to collective defense as well as bolstering crisis management capabilities as the result of Russia’s actions in Ukraine were clearly articulated in the run up to and during the 2014 NATO Summit. However, the implications of a different approach between Russia and

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the West regarding European security will necessarily have a profound impact on NATO’s cooperative frameworks, which remains to be defined.

Can one still aim for a Europe whole, free, and at peace without Russia’s involvement? Are NATO partnerships still considered to be an inclusive approach to security? How can the Alliance avoid forcing NATO partners to see relations with Russia and relations with NATO as zero-sum? These responses still have to be articulated and would require a conceptual debate on NATO partnerships, in particular regarding NATO’s vision for its relations with eastern partners following the annexation of Crimea. In other words, in the wake of the Ukraine crisis, NATO’s internal adaptation has begun in earnest with the Wales Summit, but its external adaptation will require further thinking and discussions, and could be the vision to be delivered at the 2016 NATO summit in Poland.

Beyond Partnerships and Enlargement?

NATO’s post-Cold War agenda and the launch of cooperative security efforts rested on two pillars: enlargement and partnership. It was conceived and became possible essentially through a parallel process of engagement with Russia. In other words, NATO enlargement required a clear understanding in Moscow that this was not aimed at Russia, calling instead for cooperation with Russia. NATO partnerships were designed as inclusive frameworks and individual programs of cooperation, respectful of each country’s unique aspirations in its relationship with the Alliance. This was the basis for creating a NATO-Russia Council and for developing a specific NATO-Russia relationship, which had the potential to become a strategic partnership.

As the NATO-Russia relationship unraveled in the wake of the Ukraine crisis, the dynamics of enlargement and partnerships shifted in three ways. First, the distinction between partnership and membership has sharpened. This distinction had been increasingly blurred in the cooperative security framework, where allies and partners have deployed troops together and developed decision-shaping processes to mirror the fact that they were equally sharing the costs of operations, contributing financially as well as in terms of troops and capabilities to NATO-led operations. As the Ukraine crisis unfolded, allies clearly articulated that their commitment to Article 5 of the Washington Treaty, considering an attack on one as an attack on all, was only valid for allies, and would not be extended to partners, although increased assistance was made available to Ukraine. This clear distinction between allies and partners generated quiet reflections among some partner countries, such as Sweden and Finland, on the merits of partnership versus membership. By extension, it pushed the goal post of membership further down the road for countries, such as Georgia, Montenegro, Bosnia and Herzegovina, and the former Yugoslav Republic of Macedonia, that are aspiring to become NATO members. These countries were not deemed ready to shoulder the obligations of NATO membership. With the Ukraine crisis, the commitment of Article 5 among NATO members took an air of reality beyond the formal pledge, which undoubtedly triggered increased cautiousness on the part of allies. The Wales Summit was not an enlargement summit.

Second, the differences of approach within the Alliance on how to engage with Russia have narrowed. Although the depth of economic ties with Russia will continue to inform allies’ respective positions, greater consensus around the need for a firm approach within the Alliance to counter Moscow’s position with regard to European security has emerged. At a minimum, allies have begun discussing NATO’s policy toward Russia, rather than NATO’s relationship with Russia. In itself, this is a significant departure from past agreed positions within the Alliance. Similarly, allies intend to respect their own obligations within the context of the NATO-Russia cooperation, but they will remain mindful of the fact that these obligations were taken on in the context of a very different security environment in Europe and require adjustments.

There is little doubt that the relationship between NATO and Russia will evolve from a cooperative security approach to address common challenges toward a more adversarial relationship. Although allies and Russia have suspended their cooperative projects, they have retained a forum for political discussion, contrary to the suspension of ties in the wake of the 1999 Kosovo air campaign and the 2008 Russia-Georgia war.

One may wonder whether the NATO-Russia relationship will prove useful in the future, given its limited contribution in the past. Indeed, the NATO-Russia Council (NRC) set up in 2002 never reached its full potential. As a cooperative framework, it was never structured as a conflict resolution mechanism and was not best suited for negotiations over differences of opinion regarding security policies in Europe. Nevertheless, the NRC will remain an institutional tool at the disposal of policymakers, but it will likely become a structure in abeyance, in the absence of genuine cooperation between allies and Moscow.

The NATO-Russia cooperative framework could have become an instrument of choice for crisis management operations had NATO and Russia been able to commit troops jointly and deployed side-by-side as a united response to a common challenge. NATO and Russia never managed to build on their challenging beginnings at joint deployments in the Balkans in the 1990s. Differences of approach in defining European security interests in various theatres of operation, from the Balkans to Afghanistan to Libya, ultimately limited the ability of NATO and Russia to deploy together. The NATO-Russia relationship could still be meaningful, should nations be able to join forces in support of NATO-led operations in future, assuming they could define and agree on common interests. In the future, such interests are more likely to develop in the context of security challenges outside of Europe than within Europe.

Paradoxically, a few weeks prior to the Ukrainian crisis, NATO and Russia began discussions on potentially deploying ships together in a maritime escort mission, in support of the UN and Organization for the Prohibition of Chemical Weapons (OPCW) mission to eliminate Syrian chemical weapons. In the future, if NATO reengages with Russia on cooperative security efforts, the NRC could prove useful in an operational context, where NATO’s leadership and value-added would neither be in dispute nor undermined, and where Moscow would be willing to engage in full respect of the rules in NATO-led operations. In the meantime, the absence of NATO-Russia cooperation will be of limited impact to either allies or Moscow.

Third, the Ukraine crisis has laid the groundwork for greater cooperation between the EU and NATO. The limits of institutional cooperation at the level of NATO and EU headquarters in Brussels are infamous. As often mentioned by the NATO Secretary General Anders Fogh Rasmussen, overcoming these limits requires a solution to the longstanding dispute over Cyprus. Nonetheless, Turkey’s well-known position vis-à-vis the EU has not hampered discussions between the North Atlantic Council and the EU Political and Security Council over Russia, in the context of the Ukraine crisis, nor exchanges of views regarding NATO and the EU’s eastern neighborhood, with particular emphasis on Ukraine, Georgia, and Moldova. Consultations between NATO and EU leadership have also allowed for greater transparency and exchanges of views. These consultations fell, however, short of developing concerted approaches.

A coordinated approach to security in Europe between the EU and NATO would allow nations to refine their common interests in Europe and make better use of their tools and institutional frameworks. It would help generate greater strategic guidance to the Eastern Partnership. It would allow for economic interests to be better articulated in defining common security interests. Finally, it would enable a more tailored approach to engagement with Russia. A more proactive EU-Russia engagement in light of existing economic interests would go hand-in-hand with a less active NATO-Russia relationship, given the significant differences over European security. A more concerted approach between the EU and NATO on relations with Russia would also reflect the increasing use of economics as an instrument of power. EU-NATO coordination in this context would enable allies to develop their security policy vis-à-vis Russia, at the strategic level, taking full account of European economic interests. It would also enable the EU to bear in mind the security implications of trade and other technical agreements.

Similarly, a coordinated approach between NATO and the OSCE would be instrumental to redefining common security interests in Europe, in particular when it comes to transparency and confidence-building. In light of Russia’s demonstrated ability and readiness to use force and organize snap exercises on NATO’s borders, and NATO’s summit decisions in terms of collective defense, European security calls for greater transparency on military exercises and confidence-building measures. This is needed to avoid misunderstandings, ensure predictability, and enhance stability. NATO’s strategy of denial has to be coordinated with a cooperative security approach to security in Europe befitting the OSCE.
THE OSCE DIPLOMATIC CARD

The OSCE developed out of the necessity to improve East-West relations during the détente period of the Cold War. As relations became more cooperative in the post-Cold War era, the OSCE was often overshadowed by NATO, with its military might, and the EU, with its economic resources. The OSCE worked, however, with both organizations on various European crises from the Balkans to the so-called “frozen conflicts,” and addressed nationalism, ethnic hatreds, and resulting local conflicts. The OSCE, of which Russia is a member, continues to present the unique advantage of an all-encompassing membership that includes eastern and western European states, countries from the former Soviet Union, and the United States and Canada. However, this broad and diverse membership is also a liability when it comes to developing consensus. It proved to be an inherent limit when the OSCE developed expertise on issues such as minority rights and good governance, triggering debilitating tensions between Russia and the West. As a result, the OSCE’s relationship with Russia has been complex at best. On the one hand, Russia’s OSCE membership ensures that it is sitting with the Europeans and the North Americans on an equal footing. On the other hand, given OSCE’s mandate to address human rights and governance issues, it has often been perceived in Moscow as a tool used by the West to meddle in the internal affairs of Russia and its neighbors in a way inimical to the Russian approach to sovereignty.

In the context of the Ukraine crisis, the OSCE is proving to be the organization of choice, as the “least-bad option,” even if its role remains difficult. It could have intervened to protect the rights of ethnic Russian minorities in eastern Ukraine, but Putin had a different approach to ensure a minority-rights regime in Crimea. OSCE observers were initially blocked from entering Crimea in the run up to the March 2014 referendum. Nonetheless, the OSCE can still play a significant role in Ukraine. First, irrespective of the challenges encountered, it has a useful diplomatic role in advancing a ceasefire settlement through the current Swiss chairmanship of the OSCE. Second, its military monitors on the ground observing borders could help prevent another Crimea in eastern Ukraine, and provide much needed transparency and confidence, even if the OSCE special mission to Ukraine has no muscle to enforce its vague mandate. Third, the OSCE’s high commissioner on national minorities could advise Kyiv on protecting ethnic Russians in eastern Ukraine to ease Moscow’s concerns. Although this may seem like a modest contribution compared with the Readiness Action Plan from NATO and the economic sanctions from the EU, it may prove to go a long way precisely because it is modest and benefits from Russian engagement toward a solution. The OSCE with its mediation, rather than enforcing powers, offers an important diplomatic card.

Beyond its immediate role in the Ukrainian crisis, the OSCE can also play a consultation part with NATO and the EU in enhancing European security. First, there is a theoretical debate in the West over a longstanding distinction between values and interests, which resurfaced in the wake of the Ukrainian crisis, and notably opposed the proponents of economic sanctions against those defending special interests, mostly in Europe. What constitutes “the West” is increasingly contested, as interests seem to sidestep values. Those who speak first and foremost of democracy, the rule of law, and human rights have interpreted the importance of transactional interest-based relations as detrimental to a value-based way of life. These values have been central to European institutions such as NATO, the EU, and the OSCE, but governments and business communities have often sought compromises to protect commercial interests. The OSCE could provide a useful forum for such debates. Second, the OSCE and its expertise in arms control could contribute to a growing need for transparency and confidence-building at a time when NATO and Russia are developing ambitious exercise programs and considering military deployments and pre-positioning in the heart of Europe.

The Values versus Interests Debate

The Ukrainian crisis brought the question of core Western values—democracy, individual liberty, and the

rule of law—to the fore. These values have been central to NATO’s use of force and enlargement policy. Over the past two decades, they have also underpinned the rationale of the EU enlargement and Eastern Partnership policy. Finally, these values along with the inviolability of borders have been at the forefront of the OSCE mandate, enshrined in the Helsinki Final Act of 1975, as well as many NATO and EU documents. Russia’s annexation of Crimea and its approach to eastern Ukraine have defied these values and numerous documents to which Russia is a signatory. The policy responses from the West so far—from the set of half-hearted sanctions to a number of strong declarations on the part of NATO, the EU, and the OSCE—pale in comparison to the powerful commercial interests of some member states quietly impeding a more forceful reaction.

In reality, while Western states agreed to safeguard and promote democracy, individual liberties and the rule of law, they chose different ways to uphold these principles and incorporate them into their national foreign and security policies. They stood together nonetheless in their common understanding that countries that denied democratic choices to their people, severely limited individual liberties, and sidelined the rule of law were unlikely to be part of the West. Russia never fully embraced these values, neither its leadership nor its society. Russia was much more interested in advancing Russian national interests and developing its own revival through conservative approaches.

At the same time, the West and Russia ostensibly share a commitment to the Western conception of free market capitalist economies. Economic interests tend to overshadow the value-based differences between the West and Russia, and clash with those who uphold a value-based approach to international affairs. This clash between values and interests is nothing new and never prevented the West from dealing with countries whose set of values and governance style clashed with its own. The West even admitted in its midst authoritarian regimes ruled by military juntas, as was the case of some southern allies in NATO. Nonetheless, the West seems to be treating Russia differently, expecting Moscow to embrace Western values.

What seems to be happening today is an internal confrontation between a democratic and liberal capitalism and a more authoritarian state centralized capitalism, which revolves around a different social contract between the people and the state. Liberal capitalism benefited from well integrated economic and political modernization, which unfolded in the West over several generations. By contrast, the conservative capitalism that Russia seems to have chosen is the result of a recent economic modernization without political modernization. This is in large part because full modernization—political as well as economic—would have undermined the elites who draw their power from the country’s centralized hydrocarbon economy.

Similarly, the ultimate outcome of the Ukrainian crisis will essentially depend on whether Ukraine transforms both politically and economically or just economically. While it is not entirely clear whether Kyiv is in position to choose between a liberal or a more authoritarian version of capitalism, the outcome will have a significant impact on Russia and its own conservative capitalist model.

The debate over values and interests and how the West can best define and position itself, either in opposition or in concert with other models, will be a determinant for European security. It will also help address significant misperceptions and stereotypical interpretations of Western and Russian attitudes toward each other. Russian perceptions of Western security interests as detrimental to Russian interests and Western perceptions of Russian bullying are inimical to assuring European security. The OSCE offers a forum for such discussion to begin, as governments and organizations adjust to their new security environment over the years to come.

**Transparency and Confidence-Building**

The OSCE is also the perfect forum to discuss arms control requirements. It is difficult to predict how the Ukraine crisis will affect arms control policies between Russia and the West in the long term. Yet, reaching back to some lessons of the past, arms control proved useful in maintaining existing and even agreeing new

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stabilizing instruments to avoid conflict in the darkest days of the Cold War. As NATO allies and Russia develop their respective new ambitious military exercise programs, and while these countries are deploying or considering the pre-positioning of troops and equipment at their borders, arms control would seem pertinent today in four different ways.28

First, maintaining and implementing existing stabilizing instruments, such as the New START Treaty, the Intermediate-Range Nuclear Forces Treaty, and the OSCE's Vienna Document, is of paramount importance to stabilize security in Europe, particularly at a time when relations are in a downward spiral.

Second, while NATO is engaged in providing reassurance for allies and partners, Europe still requires a functioning regime of cooperative arms control to assure transparency and ultimately regain a measure of predictability. The OSCE is particularly well placed to push for cooperative arms control in Europe and limit conventional deployments in specific subregions of heightened tensions. This could ease existing tensions in Ukraine, limiting conventional deployments through reciprocal commitments. Quite apart from a strategy of denial, clarifying red lines in European security, cooperative instruments are needed to prevent a possible arms race between the West and Russia.

Third, the negative impact of the Ukrainian crisis looms large on multilateral arms control, disarmament, and nonproliferation efforts, as nations prepare for the 2015 Nonproliferation of Nuclear Weapons (NPT) Conference. The annexation of Crimea is a clear breach of Russian commitments in the 1994 Budapest Memorandum and will need addressing. The situation developed after a period of benign neglect toward arms control, which comes with a price tag. In the absence of arms control, security policy will be achieved solely through costly military commitments.

Fourth, the West and Russia must reengage on deadlocked issues that perpetuate European insecurity, including the Conventional Armed Forces in Europe (CFE) Treaty, further strategic nuclear weapons reductions, transparency on tactical nuclear weapons, or the attempt to cooperate on the build-up of a missile defense system in Europe. These issues have all been on the agenda of the NATO-Russia Council for several years, but to no avail. NATO may not be the best organization to engage Russia directly, on arms control issues in particular, as the NRC is not a forum for negotiations and decision-making. The OSCE is better placed to engage Russia on cooperative European security measures. European security might benefit from a less active NATO on arms control issues and cooperation with Russia, refocusing allied efforts toward reassurance measures and a strategy of denial. This OSCE-NATO double act would, however, point to the need for an enhanced dialogue between the OSCE and NATO toward a concerted approach to cooperative arms control on the one hand, and reassurance measures on the other.

In light of the new European security environment, and acknowledging that there are still common security interests between Russia and the West, a multidimensional approach to European security is best suited to the complex set of diverse interests at play. The Ukraine crisis is making it clear that the West needs to carry a stick, which draws redlines and prevents any further attempts to redraw borders in the heart of Europe. It also needs a carrot to attend to economic interests and the interdependence between Europe and Russia, pointing the way toward greater diversification in the energy field and concerted approach to partnerships. Finally, European security requires further cooperative security measures, notably OSCE's diplomatic overtures and ability to provide greater transparency and confidence-building, at a time of highly adversarial relations between Russia and the West. This is, however, the wild card and much depends on the prospects for concerted actions between NATO, the EU, and the OSCE through institutional dialogues at the strategic level.

RECOMMENDATIONS

**Build on Common Financial Interests.** Russia and the West should build on their common financial interests to avoid a return to the Cold War. In the absence of an ideological divide, there is no need for an arms race. The West does not pose a threat to Russia, and Russia has too much to lose by provoking a new political and military confrontation with the NATO countries.

**Construct a New Western Defense Posture.** Russia’s annexation of Crimea calls for a new Western defense posture, based on adequate reinforcements in line with allied international commitments, and the reaffirmation of deterrence to preserve strategic stability. Cooperative security measures in Europe remain necessary to mitigate the effects of a downward spiral of relations with Russia.

**Keep the NRC in Abeyance.** NATO should focus on credible defense and deterrence in Europe, backed-up by credible investments in defense while continuing to attend to crisis management capabilities and partnerships. The NRC, however, should remain in abeyance. Vis-à-vis Russia, NATO should address European security through a strategy of denial, focused on providing the necessary reassurance. Given the right circumstances, the NRC could still prove useful in future, should Russia wish to join NATO-led operations, on the basis of common threats and challenges coming from outside Europe.

**Diversify the EU’s Energy Resources.** Europeans have considerable economic interests vis-à-vis Russia, but the EU should seek greater diversification of its energy sources in order to avoid economic coercion and security implications for the West. It should consider a more active role in energy, imposing greater transparency on contracts and setting policy guidelines to mitigate the consequences of Moscow using energy for geopolitical interests. The EU should also develop a more concerted approach to its partnership policy, notably with NATO, to ensure the appropriate strategic-level guidance to take European security into account.

**Focus Diplomatic Efforts through the OSCE.** North Americans should recommit to security in Europe and support the OSCE in its diplomatic role and its arms control efforts to generate greater transparency and confidence-building in Europe.

**Expand Cooperation Between Institutions.** Drawing lessons from the Ukrainian crisis, allies should start considering NATO’s external adaptation, beyond partnerships and enlargement, toward a consolidation of institutional dialogues between the EU, NATO, and the OSCE aimed at enhancing common interests in European security.
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