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THE NEW EUROPEAN DISORDER

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SUMMARY

The annexation of Crimea has forced the EU to confront the fact that its post-modern order is not going to take over the continent, let alone the world. Whilst the EU has done better than its critics imagine in holding together in the face of Russian aggression, Europeans have not united around a strategy for moving beyond the current disorder.

It is clear that Europe is not going to remould Russia in its image – but nor can it accept a return to the balance of power or spheres of influence. Instead the EU needs to focus its transformative energies on consolidating its own political space, which now also includes Ukraine and Moldova. Europe must also find a way to sway Russia from its path of dangerous isolationism. The EU must co-exist with its powerful neighbour, by deterring aggression, decontaminating the values-based institutions of the European space, and by cooperating with Russia's own integration project, the Eurasian Union. This offers the best chance for shifting Russia's activities from the military to the economic sphere.

In March 2014, Europeans woke up in Vladimir Putin's world: a place where borders can be changed by force, where international institutions are powerless, where economic interdependence is a source of insecurity, and where predictability is a liability rather than an asset. The Ukraine crisis has forced the EU to recognise that its idea of European order has dissolved. Instead of spreading osmotically to encompass a continent – and eventually a whole planet – Europe's post-modern order is suddenly in retreat. Just as the break-up of Yugoslavia ended the Cold War European order, the crisis in Crimea marked the end of the post-Cold War European order.

Europe's Galapagos order

The fact that Europeans see themselves as a model for the world is hardly surprising. For the past 300 years, Europe was at the centre of global affairs. In 1914, European order was world order, shaped by the interests, ambitions, and rivalries of the European empires. The First World War was also known as the European war. In 1919, although it was the American President Woodrow Wilson who reordered the world, his vision for global peace was primarily an attempt to reorder Europe. Even during the Cold War – when the global super-powers were non-European powers – order was still centred around control of Europe and the contest between democratic capitalism and Soviet communism as a battle between European ideologies.

It was not until 1989–91 that a European model for international conduct emerged that was based on a set of assumptions and practices radically different from the global order. In China in August 1989, the Communist authorities crushed the pro-democracy movement. In Europe that same year, the ruling communists agreed to a peaceful transfer of power, rejecting the use of force as a legitimate political instrument. At that moment, Europe enshrined its difference from the rest of the world. “What came to an end in 1989,” wrote British diplomat Robert Cooper, summarising the new situation, “was not just the Cold War or even the Second World War. What came to an end in Europe (*but perhaps only in Europe*) were the political systems of three centuries: the balance of power and the imperial urge.”¹

The key elements of this new European order were a highly developed system of mutual interference in each other’s domestic affairs and security based on openness and transparency. The new post-modern security system did not rely on a balance of power; nor did it emphasise sovereignty or the separation of domestic and foreign affairs. It rejected the use of force as an instrument for settling conflicts and promoted increased mutual dependence between European states. The post-modern European order was not interested in changing the borders of Europe or in creating new states, like after the First World War. It did not attempt to move people in order to secure these borders, like after the Second World War. After 1989, Europe’s ambition was instead to change the nature of borders themselves, to open them for capital, people, goods, and ideas. The new European order was different from all previous post-war settlements. The Cold War ended without a peace treaty or a victory parade. It was heralded as a common victory of the West and the Russian people. It was also meant to be a transformative order. The remaking of Europe took the shape of extending Western institutions, most of them created for a bipolar world. The unification of Germany became the model for the unification of Europe. Maps went out of fashion –they were displaced by economic graphs documenting the financial and commercial interdependence of Europe and the wellbeing of European nations.

Europeans were aware of the distinctive nature of their order but they were also convinced of its universal nature. From the World Trade Organization to the Kyoto Protocol, and from the ICC to the Responsibility to Protect, European norms seemed to be in the ascendant. Europeans were convinced that economic interdependence and converging lifestyles would be the dominant source of security in the world of tomorrow.

Intoxicated by its own innovations, the EU became increasingly disconnected from other powers – and saw only where others fell short of European standards rather

than try to understand their different perspectives. This applied to the EU’s neighbours, other great powers such as China, and even to allies such as the United States. And the claim of the European project to be, at one and the same time, exceptional and universal made it impossible for Europeans to accept any alternative integration projects in their continent.

Russia’s annexation of Crimea made Europeans suddenly realise that although the EU’s political model was admirable, it was unlikely to become universal or even spread to many in its immediate neighbourhood. This experience is similar to that experienced by Japanese technology companies. A few years ago, these companies became aware that although Japan made the best 3G phones in the world, they could not find a global market because the rest of the world could not catch up with the technological innovations to use these “perfect” devices. This became known as Japan’s “Galapagos Syndrome”.² Takeshi Natsuno, who teaches at Tokyo’s Keio University, told the *New York Times* that “Japan’s cellphones are like the endemic species that Darwin encountered on the Galapagos Islands – fantastically evolved and divergent from their mainland cousins”. Rather than being too big too fail, Japan’s phones had become too perfect to succeed. Now it is Europe that is facing its “Galapagos moment”. It may be that Europe’s post-modern order has become so advanced and particular to its environment that it is impossible for others to follow. It evolved in a protective ecosystem, shielded from the more muscular, “modern” world where most people live. After Crimea, Europeans were forced to think about how to counter Russian aggression. But more challengingly, they will need to imagine what a European order can be now that Europe’s universalism has become a kind of exceptionalism. Is protecting Europe’s fragile environment from external contamination not more pressing today than dreaming of how to transform others?

Fortress Russia

“The victor feels no curiosity,” observed Carl Schmitt. And this may be particularly true of victors who like to believe that no one was vanquished, as they do not fear a revisionist backlash. During the Cold War, Western capitals over-analysed every scrap of information that emanated from the Kremlin, keen to know how the Soviet mind worked. After 1989, sheltered inside their post-modern ecosystem, Europeans lost their curiosity about how Russia sees the world and its place in it. They failed to grasp the intensity of Russia’s moral resentment of the Western-led European order because they preferred to think of Russian-European relations as “win-win”. They could not understand that what they saw as the best possible order seemed to many Russians to be both hypocritical and unstable.

¹ Adam Tooze, *The Deluge: The Great War, America and the Remaking of the Global Order, 1916–1931* (New York: Viking Adult, 2014).

² Hiroko Tabuchi, “Why Japan’s Cellphones Haven’t Gone Global”, the *New York Times*, 19 July 2009, available at <http://www.nytimes.com/2009/07/20/technology/20cell.html>.

Enamoured by its own success, the EU also failed to grasp that what they saw as a benevolent – almost herbivorous – power could be viewed by others as a threat. European policymakers had persuaded themselves that, behind closed doors, Russia's real concerns were China and the spread of radical Islam, and that the endless complaints about NATO enlargement or America's anti-missile defence system in Europe were simply a form of popular entertainment aimed at a domestic audience. The annexation of Crimea showed that the West had got Russia wrong on a number of counts.

Firstly, Europeans had mistaken Russia's failure to block the creation of the post-Cold War order as assent. They mistook weakness for conversion. After 1989, it was the Soviet Union and not Russia that embraced the European model. For the late Soviet leaders, the expansion of the European order of soft sovereignty and economic interdependence was the only way to protect their empire from the drive for independence of different Soviet republics. Faced with the choice between post-modernity and disintegration, President Mikhail Gorbachev opted for post-modernism and co-signed the Paris Charter with its vision of a common European home.

It was therefore the Soviet Union and not Russia that tacitly allowed NATO to incorporate the German Democratic Republic. Unlike the Soviet Union, post-Soviet Russia was suspicious of any post-national constellations, subscribing to a classical nineteenth-century concept of sovereignty. What makes Russia different from the EU – and Gorbachev's Soviet Union – is its conviction that sovereignty is not a legal construct but rather the capacity to act. As Putin's ideologue-in-chief Vladislav Surkov memorably said, "sovereignty is the political synonym of competitiveness".³ This implies economic independence, military power, and cultural identity.

In 1993, the Russian classicist and amateur grand strategist, Vadim Tsymbursky, published an influential article titled "Island Russia".⁴ Russia's geopolitical destiny, he argued, was as an island that could best survive by cutting itself off from Europe. In his view, Russia had to break with the legacy of its "three European centuries" and realise that its attempt either to copy Europe (which is how he sees Russian imperialism) or to join Europe would inevitably culminate in tragedy. At a time when globalisation was destabilising the world, he wrote, Russia's only viable option was to focus on the country's Far East and on its internal development. Russia was too weak and fragmented internally to succeed in a globalised world. Instead, it should try to build a "civilisational state" or "a castle identity" that benefits from the global economy but whose domestic politics is shielded from external influences. The constructions of that kind of hard-shell state has been Putin's principal goal. He was never really interested in joining the

West. Moscow was not interested in emulating Western values, but it was enthusiastic about imitating the US's international behaviour.

Secondly, Europeans assumed that Russia's integration into the world economy would spawn a conservative foreign policy. European leaders and European publics fell victim to cartoonish depictions of Putin's elite. The stories of pervasive corruption and cynicism convinced Europeans that Putin's elite would resist anything that might endanger their business interests. This vision of Russia Inc. turned out to be wrong. Russian elites are greedy and corrupt, but some of them also dream of Russia's triumphant return to the global stage. While very few Russians long for a return to Soviet communism, a majority is nostalgic for the Soviet Union's status as a super-power, "a state that could be respected". The Russian elite, more than the European elite, tends to think about its role in history and to combine mercantilism with messianism. The nature of Putin's revisionism was more profound than Europeans realised. For Putin, the end of the Soviet Union was not a historical necessity, rather it had been caused by a failure of the Soviet leadership.

Thirdly, Europeans failed to appreciate the psychological impact of the "colour revolutions" and the global financial crisis on Russia. The Orange Revolution in Ukraine was Putin's 9/11. Since then, the Russian president has viewed remote-controlled street protests as the primary threat to his regime. The Kremlin is convinced that all colour revolutions in the post-Soviet space, including the protests in Russia, have been designed, sponsored, and guided by Washington. The financial crisis of 2009, on the other hand, made Putin believe that globalisation is in retreat and that a great power in the post-crisis world must have an economic region of its own. Putin's actions in Ukraine may resemble nineteenth-century Russian imperial politics, but they are actually part of a worldwide twenty-first century revolt against globalisation. But the encroaching threat Putin fears is to Russia's political identity, rather than its territorial integrity. Not surprisingly, the EU's presence in the post-Soviet space is now viewed by Moscow as a menace as powerful as NATO's enlargement. The Kremlin is as alarmed by the West's attempts to change Russia's "cultural code" as by the prospect of NATO taking control of Russia's naval base in Sevastopol.

Fourthly, Europe miscalculated the advantage of strength. Western analyses comparing the West and Russia were full of figures and graphics demonstrating the West's advantages in economy, technological development, or even military spending. But while it is true that the West is stronger than Russia, Europeans neglected what David Brooks has called "the revolt of the weak".⁵ According to a remarkable Harvard study, the weaker side in asymmetric wars waged

³ "Суверенитет – это политический синоним конкурентоспособности", Speech by Vladislav Surkov at United Russia Centre for Party Personnel Training, Moscow, 7 February 2006, available at <http://www.rosbalt.ru/main/2006/03/09/246302.html>.

⁴ Vadim Tsymbursky, "Ostrov Rossiya: perspektivy rossiyskoy geopolitiki", *Polis Journal*, 1993.

⁵ David Brooks, "The Revolt of the Weak", the *New York Times*, 1 September 2014, available at <http://www.nytimes.com/2014/09/02/opinion/david-brooks-the-revolt-of-the-weak.html>.

between 1800 and 1849 achieved its strategic goals only 12 percent of the time. (Strength was measured by number of soldiers and extent of firepower.) In wars between 1950 and 1998, by contrast, the weaker side prevailed a startling 55 percent of the time.⁶ The explanation most commonly given for this discrepancy is that, especially in the second half of the twentieth century, the weaker side need not defeat nor destroy an enemy but only hold out, usually on home turf. The disadvantaged side needs only to muck up the gears of the enemy machine and wait for its nominally superior adversary to lose the political wherewithal to keep fighting. When it comes to local conflicts, strength and weakness are difficult to measure.

Finally, Europeans failed to understand how vulnerable Putin felt domestically. Putin's contract with society was based on constantly improving the material wellbeing of the average Russian in exchange for the citizens' withdrawal from politics. This collapsed during Moscow's 2012 winter of discontent. Russians got politicised and took to the streets in protest. Putin was convinced that the West was pursuing a policy of regime change and using the protests on the streets to advance it.

When he first came to power, Putin vowed to escape the clutches of international financial institutions. He felt he had secured a victory for independence when, in 2006, Russia paid back its foreign debts and built a big currency reserve. But the winter of protests that accompanied his return to the presidency pointed to a new vulnerability. When members of the elite advised him to negotiate with the protesters, Putin decided that the Russian elite's cultural and financial dependence on the West left his regime exposed. Thereafter, the "nationalisation" of the country's elites became his biggest priority. Putin's improvised Ukrainian gambit is better explained by the Kremlin's fear of regime change through remote-controlled street protest than his fear of NATO expansion. In that sense, "Occupy Crimea" was a logical response to the Moscow's protesters' "Occupy Abai" movement. Thus, the Kremlin's domestic politics, more so than Russia's security calculations, are at the root of Moscow's foreign-policy revisionism. Putin had to take Crimea to keep hold over his elites. Putin had to take Ukraine. While the West focused on Putin's fear of a liberal and democratic Russia, his bigger fear is of losing Russia's nationalists, who would not forgive him the forfeit of Ukraine.

Russia has been searching for a new European order for over ten years, one that can secure the regime's survival even after Putin. But what Putin wants from the West is something that it is unwilling and unable to promise him. In 1943, Joseph Stalin dissolved the Communist International to convince the Allies that his priority was the defeat of Nazi Germany, not the triumph of the Communist revolution. Putin has

been hoping that the West would similarly end its policy of promoting democracy. He wants a promise that the Kremlin will not be confronted by angry protests on the streets of Moscow and Minsk, and that Western governments and the Western media would condemn rather than support any protests. Unfortunately for Putin, this is not something the West could either promise or deliver. There is no "Democratic International" that is spreading democracy in the way the Comintern supported international revolution – and what does not exist can also not be dissolved. More importantly, spontaneous mass protests are growing in both democratic and non-democratic societies. In the last five months alone, more than 70 mass protests have erupted in 70 countries. Angry citizens are on the march around the world.

In this sense, the Kremlin's violation of the territorial integrity of Ukraine did not mark the beginning of the crisis of the post-Cold War European order but the final stage of a long-running crisis. The question now is: what should Europe do in the face of this rejection? How should Europe react to the literal attack on its principles and model?

The sanctions trap

The EU was right to impose tough sanctions on Russia, but the danger of Europe's sanctions regime is not that it will not work, but that it may end up working too well. That is the crux of the EU's sanctions trap.

Faced with Russia's annexation of Crimea and the Kremlin's role in the destabilisation of eastern Ukraine, the West had no alternative but to react forcefully. A weaker response would have invited more aggression from Moscow, and more division within the EU. Those who see the West's muted reaction to the Russian-Georgian war as one of the reasons that the Kremlin dared pull its gambit in Crimea have a point.

But the more effective sanctions are at weakening Russia's economy, the more they are likely to undermine the EU's bigger objectives. While the US and the EU felt that shared sanctions were their best course of action, they have no shared idea of what they are designed to achieve. Are sanctions an instrument to pressure Russia to end its direct support for rebels in eastern Ukraine? Will they lead Russia to withdraw from Crimea? Could they provoke regime change? Is a weaker Russia going to be a less aggressive Russia?

For the moment, sanctions do not seem to have succeeded in changing Russia's behaviour in eastern Ukraine, and few people think sanctions will convince Russia to hand back Crimea. If the strategy is regime change, sanctions are unlikely to succeed, at least in the short- and mid-term. And even if they do, will a post-Putin Russia be a pro-Western Russia? "It is impossible to say when the system will fall,"

⁶ Moisés Naím, *The End of Power: From Boardrooms to Battlefields and Churches to States, Why Being in Charge Isn't What It Used to Be* (New York: Basic Books, 2013).

observed Putin's former advisor Gleb Pavlovsky, "but when it falls, it will fall in one day. And the one to replace it will be a copy of this one."⁷

It would be a major mistake for European leaders to believe that they can deal with Russia in the way they dealt with Serbia in the 1990s. And it is not simply because Russia is a nuclear power, but also because the majority of Russian society does not see its future as a part of the European project.

The paradox of Russian isolationism is that the more effective sanctions are, the more they undermine the EU's longer-term goals.⁸

Most obviously, sanctions facilitate Putin's plans for limiting Russia's exposure to the West. In the early 1960s, the Soviets erected a wall through the centre of Berlin to isolate East Germany from the West. But Putin cannot stop trading with the world, nor can he offer an ideology capable of convincing Russians that, in their glorious isolation, they will own the future. Instead, Putin has taken a lesson from his beloved judo and decided to use the West's power against itself. Russian officials who initially resisted their president's order to repatriate their money from Western banks are doing so now because of Western sanctions. The economic costs of sanctions will allow Putin to hide the failures of the Kremlin's economic policies. Sanctions also provide Putin cover to push for managed isolation from globalisation through policies designed to nationalise the internet, prohibit foreign ownership of the media, and limit travel.⁹ What's more, the sanctions that target Putin's cronies have also marginalised pro-Western members of the Russian elite. "You [in the West] reason that the sanctions will split the elite and force Putin to change course, but that's not what is happening," a billionaire investor told the *Financial Times*. "On the contrary, you are destroying those in Russia who are the friends of the West. The *siloviki* ["the heavies"] have been strengthened more than ever before."¹⁰

Sanctions assist Putin in his efforts to reorient Russia's trade away from the West. In a Bruegel article published on 30 September 2014, Silvia Merler showed that while FDI flows from Europe to Russia shrank by 63 percent in the last three quarters leading up to March 2014, FDI flows from Asia – mostly China – grew by 560 percent in the first quarter of 2014.¹¹ And this is not the only sign that Russia has had some success in reorienting the geography of its capital flows since early this year. China's National Bank has also opened a credit line for three of the big Russian banks sanctioned by the West.

There is also a danger that sanctions could encourage Russia to compete with the West in military rather than economic terms.¹² One of the great, unheralded successes of the European Neighbourhood Policy was that it successfully reframed geopolitical competition in Eastern Europe. The EU attempted to transform its periphery through economic and societal integration. While European policy has not had a transformative effect on the weak politics of its neighbouring countries, it did initially successfully reshape Russian foreign policy. After the Orange Revolution, Russia tried to compete with Europe in Ukraine and other post-Soviet states by using its idea of soft power (carrots and sticks, EU-style integration). But this transformation is delicate, and already faltering. Russia is less inclined than other emerging powers to think in economic terms. The fact that Russia has an uncompetitive, one-dimensional economy and a powerful military (the Russian army has a plan to modernise 70 percent of its armaments by 2020) makes Russia much more prone to political adventures than any other of the emerging global powers.

Finally, the West's sanctions could end up precipitating the decline of the very international system it is trying to uphold. For the last few decades, Western powers have exerted political influence by threatening to cast nations out of the global economy, as they've done by using sanctions to cripple the Iranian, Burmese, and Serbian economies. Former Western colonies such as India, China, and Brazil are uncomfortable with the way the West has used global institutions to advance its interests. And they are increasingly willing and able to circumvent global institutions by creating alternative arrangements. For example, at this summer's BRICS summit in Brazil, the rising powers agreed to create a new development bank and monetary fund to be based in Shanghai, clearly meant to be a counterpoint to the World Bank and International Monetary Fund. In the G20, the BRICS have formed a new caucus to help drive an anti-Western agenda. If the West now tries to use these institutions to act against Russia, it may provoke the rising

⁷ Quoted in Julia Ioffe, "Vladimir Putin Might Fall. We Should Consider What Happens Next", *New Republic*, 6 August 2014, available at <http://www.newrepublic.com/article/118995/if-sanctions-against-russia-succeed-what-follows-putin>.

⁸ The sanctions imposed on Russia will reduce GDP by 1–1.5 percent this year and experts suggest that sanctions are a bigger threat even than falling oil prices. Russian currency reserves – raided to prop up the falling rouble – are at a four-year low after dropping \$57 billion in 2014 to \$45 billion in early October. Capital outflow jumped to \$74 billion in the first six months of 2014. Both the EBRD and the IMF have recently revised 2015 growth forecasts for Russia downwards. Whether or not sanctions are allowed to expire next year, the resulting erosion in investor confidence, a general perception of higher risk in financing Russian banks, increased capital flight, and weaker economic growth are likely to be painful for Moscow in the long run.

⁹ In a speech to the Russian National Security Council, the Russian president declared the government's readiness to build a back-up system to keep websites in Russian domains online (those ending in .ru and .rf) in the event of a national emergency. In other words, he declared the Kremlin's intention to nationalise the internet on Russian territory. The Russian Duma also voted in a law that forbids foreign companies to be majority stakeholders in Russian media outlets. Isolationist policies are also taking physical form, as the regime is increasingly limiting Russians' freedom to travel. It is estimated that nearly four million government employees are now banned from travelling abroad, with those working in the state security apparatus (the Interior and Defence ministries, the Prosecutor General's Office, and the Federal Bailiff services) particularly targeted. See Maria Lipman, "Putin clamps down on freedom of travel", European Council on Foreign Relations, 30 October 2014, available at http://www.ecfr.eu/article/commentary_putin_clamps_down_on_freedom_of_travel335; Vladimir Ryzhkov, "Controlling Russia Through Travel Bans", the *Moscow Times*, 26 May 2014, available at <http://www.themoscowtimes.com/opinion/article/controlling-russians-through-travel-bans/500914.html>.

¹⁰ Kathrin Hille, "Sanctions extend influence of hardmen in Putin's Kremlin", *Financial Times*, 18 September 2014, available at <http://www.ft.com/intl/cms/s/0/8fcc4068-3f49-11e4-a5f5-00144feabdc0.html>.

¹¹ Percentages refer to year-on-year comparisons. Silvia Merler, "Russian Roulette, reloaded", Bruegel, 30 September 2014, available at <http://www.bruegel.org/nc/blog/detail/article/1443-russian-roulette-reloaded/>.

¹² The US economist Clifford Gaddy has suggested that cutting Russia off from the global financial infrastructure could result in Russia carrying out cyber-attacks on the global financial system. Quoted in Stephen Fidler, "At Valdai Club Meeting in Russia, Divergent Views of Ukrainian Crisis", the *Wall Street Journal*, 22 October 2014, available at <http://online.wsj.com/articles/at-valdai-club-meeting-in-russia-divergent-views-of-ukrainian-crisis-1414013495>.

powers to band together. At this summer's BRICS summit, Putin pushed for measures to insulate the rising powers from US "sanction attacks" and prevent the "harassment of countries that do not agree" with the US and its allies.¹³ So, when it comes to judging the effect of the sanctions, the West should not only look at the damage to Russia's economy, but also worry about the challenge they may be spawning to the global legitimacy of the institutions that the West has built.

Sanctions may deliver Putin the fortress Russia he seeks while weakening the foundations of the international system. The EU will not be able to bring coherence to its policy towards Russia unless it thinks beyond the current stand-off to develop a clearer vision of the political order that it seeks to uphold on the contested fringes of its own post-modern space.

Rethinking European order

The crisis of European order is in many respects a crisis of European political imagination. Europeans find it difficult to fathom that a nation would not dream of joining the EU or benefitting from its regulatory framework.

While Brussels has developed a limited understanding of the post-Soviet space, it tends to speak on behalf of civil society in these countries in the same way that the Soviet Communist party used to speak on behalf of the Western working class. The EU also has failed to distinguish between its power of attraction and its power to transform societies on Europe's periphery. If Kyiv's Maidan was a powerful demonstration of the capacity of the EU to capture citizens' imagination, political and social developments in Bulgaria, Romania, or the Balkans have demonstrated the limits of the EU's transformative power.

The major challenge of the current crisis is that Brussels needs to imagine a policy towards Moscow that does not aim to turn Russia into a country like us, but to develop a structure that produces a Russia we can live with.

There are some useful lessons that Europe can learn from how the US manages its relationship with China – combining a mixture of engaging and balancing. China is far too interwoven into the global system to be "contained", but it is increasingly clear that "engagement" is also not the answer. American political analyst Joshua Cooper Ramo has suggested the notion of "co-evolution" as a framework for thinking about this complex relationship. This concept, which was first described in Darwin's *Origin of Species*, describes situations where two (or more) species reciprocally affect each other's evolution.

Appropriately enough, this concept could help Europe to preserve its post-modern Galapagos order in a world where Russia also seeks to develop its own order.

Of course, there are substantial differences between the EU's relationship with a declining Russia and the US–China relationship, which matches two great powers that both have a sense that history is on their side. However, the "co-evolution" analogy with China could be helpful to the EU as it reimagines the European order. Co-evolution recognises that the US and China are both interdependent and in competition with each other. It starts from the presumption that these two powers can accept differences between them, but also lay out red lines for behaviour which both sides find existentially threatening. The parties engage with each other, in a mix of institutional arrangements (through the WTO and G20), but also route around each other (through the SCO on the one hand and the TPP on the other).

The EU now needs to find a European variant of "co-evolution" that will allow it both to co-exist with and set workable redlines for Russia at a moment when Russian troops are present on the territory of Ukraine. This could have three main dimensions: deterrence and security guarantees for the territorial integrity of its member states and outspoken defence for the territorial integrity of states on the European continent; decontamination of the post-modern EU model by strengthening value-based institutions; and détente through a policy of recognising and collaborating with the Eurasian Economic Union, which is set to be launched on 1 January 2015.

NATO's summit in Wales presents the perspective for the deterrence pillar of a possible comprehensive EU strategy. When it comes to security, NATO will remain the major provider of security for the EU's world – a fact that was reaffirmed this year. The biggest challenge will continue to be dissuading Russia from actions in the states that are outside of NATO. The establishment of the EU's energy union and the reduction of the EU's dependence on Russia's energy resources is also part of the West's deterrence strategy. However, Russia's actions in Ukraine offer the best illustration that the traditional politics of deterrence are not enough when faced with the politics of disruption.

The second pillar of a possible EU strategy involves strengthening and shielding the post-modern order within the EU. An important part of this is distinguishing between the "core" values institutions of the post-modern order (such as the EU and the Council of Europe) and "bridging" institutions (such as the OSCE and the UN) which allow us to engage with powers that do not share the same values. European leaders need to make the core institutions more disciplined and rigid while making the bridging institutions more flexible and accommodating.

¹³ "Putin Wants Measures to Protect BRICS Nations From U.S. Sanctions", the *Moscow Times*, 15 July 2014, available at <http://www.themoscowtimes.com/business/article/putin-wants-measures-to-protect-brics-nations-from-u-s-sanctions/503415.html>.

Russia's membership in the Council of Europe, for instance, has not resulted in the "liberalisation" of Russia but instead in the paralysis of the Council. It is instructive that recently the Parliamentary Assembly of the Council of Europe voted that there are no political prisoners in Azerbaijan. If this continues, the EU may have to consider moving to suspend countries such as Russia and Azerbaijan. This is not an easy decision to take, as the ECHR provides one of the few protectors of individual rights within Russia, but the EU will need to balance this with the danger posed by a steady erosion of the Council's core principles. We can and should preserve the idea that one day the European Convention on Human Rights will be the basis for all of Europe (including Russia and the South Caucasus). But it is not helpful to pretend that it is the case today."¹⁴

The urgency for decontaminating values-based institutions comes from the growing popularity of Putin's "sovereign democracy" among some in the EU. For instance, Hungarian Prime Minister Viktor Orban recently declared: "We are searching for and we are doing our best to find – parting ways with Western European dogmas, making ourselves independent from them – the form of organising a community that is capable of making us competitive in this great world-race."¹⁵ For Orban, Putin looks strong and decisive and European democracies look confused. The EU must convince Orban that Putin's model can work outside of the EU, but not inside it, and it is up to Hungary to make its choice.

When it comes to the longer-term relationship with Russia, the thinking has barely begun. In the last few months, Western policymakers have been preoccupied with how to press Russia to change its policies in Ukraine. But what will follow? And should Western policies towards Russia be limited only to Ukraine? Talk of "containment" has again become common. But what could containment look like in our interdependent world? Do we stop trading with private Russian companies, ban Russian tourists? "Containment" sounds promising but remains a puzzle.

The West can never recognise the annexation of Crimea, just as it did not recognise the occupation of the Baltic states by the Soviet Union, and it will need to keep sanctions in place for entities that benefit from the occupation. But simply keeping broad sanctions in place in the hope that Russia will one day change its policies and return Crimea to Ukraine is not an option either.

Russia is too big, too important, and too embedded in international institutions to hope that we can isolate it on our terms. And more importantly, Putin does not fear isolation; he welcomes it. Russia's isolation or self-isolation

is not in the EU's interest. It could sharpen some of the differences between the member states. It would reduce the EU's competitiveness in the global market. And it would also doom Ukraine to permanent instability.

Sanctions were necessary to counter Russia's incursion and they have given the West some leverage. This leverage needs to be used to shift the conflict in Donbas from the battlefield to the negotiating table. But when the EU gets to the table, it will need a strategy for re-engaging with Russia.

This crisis began because of a tussle over whether Ukraine would join the EU's Eastern Partnership or Russia's Eurasian Economic Union (EEU). The paradox of the current situation is that now – when Russia got Crimea and lost Ukraine – the best hope for the EU is to establish that working relations with Russia could be through the EU's engagement with the EEU.

The failure to recognise the opportunity born out of Putin's project for the EEU is at the core of the current crisis. The establishment of the EEU is a powerful manifestation of the EU's soft power – an attempt by Moscow to gain status and recognition by mimicking the institutions and structure of the EU. It offers engagement on the EU's terms – through trade and economic links rather than military competition. Although its roots are geopolitical, the EEU has the advantage of being inclusive, not articulated in the language of Russia's ethnic nationalism, and it is founded on the principle of economic interdependence. As Russia has been turning away from Europe, the EEU is the kind of project that Brussels might have invented if it had not already existed. It should be attractive to the EU, not because it will be successful but because this is the only project capable of diverting Russia away from the politics of military pressure and nationalistic rhetoric. But instead of recognising its own stamp on the EEU, Brussels took umbrage at the imitation and missed the opportunity to moderate the coming conflict with Russia.

If the EU offers the prospect of engaging with the EEU, it would send a clear signal to Moscow that the EU recognises Russia's right to have an integration process of its own. It would show that a new European order will not be built around the promise of a never-ending enlargement of the EU and NATO. Instead, it would be conceptualised as a cooperation and competition between two integration projects, based on different philosophies, but with openness to dual membership and various forms of overlap or collaboration. It would demonstrate even-handedness and show the world that the EU recognises the right of post-Soviet states to choose the integration project they want. It is the EU's readiness to recognise Armenia's "Eurasian choice" that gives Brussels legitimacy to press Moscow to accept the "European choice" of Moldova and Ukraine.

¹⁴ Taken from personal correspondence with Gerald Knaus, to be developed in "Preserving the European Convention on Human Rights", European Council on Foreign Relations, forthcoming at <http://www.ecfr.eu>.

¹⁵ Viktor Orban, speech at the XXV Bálványos Free Summer University and Youth Camp, Băile Tuşnad (Tusnádfürdő), 26 July 2014, available at <http://hungarianspectrum.wordpress.com/2014/07/31/viktor-orbans-speech-at-the-xxv-balvanyos-free-summer-university-and-youth-camp-july-26-2014-baile-tusnad-tusnadfurdo/>.

Of course, in the eyes of most Europeans, the EEU is a flawed project.¹⁶ But it may be the EU's best chance to shift the competition between Russia and the West back onto an economic field rather than a military one. Moreover, the EEU is an interesting entry point because it involves at least some restraints on Russia's policymaking and Kremlin power (all of its members – Russia, Kazakhstan, Belarus and in the future probably Armenia and Kyrgyzstan – have a veto over any joint policy). In the midst of escalating confrontation between Russia and the West, the EU's recognition and cooperation with the EEU will enable the EU to develop relationships with Kazakhstan and Belarus.

The EEU is certainly not the answer to everything. But it could be a start towards negotiating a new European institutional order to fill the vacuum left by broken institutions that have been rejected by Moscow. Moreover, the EU needs a positive agenda to propose after months of scrambling harried responses to Russia's actions.

Russia has dashed Europe's dreams of a future where its post-modern island would span the continent. But Europe is not back in the Cold War either. That confrontation between Moscow and the West was about who could offer a "better" world. Today's conflict between Russia and the EU is about who lives in the "real" world. For 25 years, Europeans lectured a recalcitrant Russia, arguing that it was out of touch with reality. Now it is the EU that needs to contend with harsh facts. Europe needs to focus its transformative energies on consolidating its own political space, which now also includes Ukraine and Moldova, and acknowledge the "real world" beyond its borders. The EU cannot hope at present to transform Russia, but it should be aware of the price of secluding it. This is the disorder at the centre of the new European order.

¹⁶ Nicu Popescu has highlighted the internal contradictions of Moscow's project for the reintegration of the post-Soviet space. Russia's ambition to form a Eurasian Union resembles an ill-concealed attempt to restore the Soviet Union. While the EU was an enterprise of several European states quite similar in size, it is obvious that Russia will dominate the EEU (Russia will represent 90 percent of the GDP of the union) and that the union will function as Russia's sphere of influence. Economists have figured out that the positive effect of this regional integration will be minimal, because "in the two decades following the dissolution of the USSR, Russia's weight and importance as a trading partner for most post-Soviet states drastically declined. [...] As a result, the EU and China are bigger trading partners than Russia for every post-Soviet country except Belarus and Uzbekistan." Moreover, the Eurasian Union is a union between authoritarian regimes whose goal is to strengthen authoritarianism. See Nicu Popescu, "Eurasian Union: the real, the imaginary and the likely", EU Institute for Security Studies, September 2014, available at http://www.iss.europa.eu/uploads/media/CP_132.pdf.

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