The United States and Russia after the Ukraine Crisis: Three Scenarios

Editor, Paul J. Saunders
THE UNITED STATES AND RUSSIA AFTER THE UKRAINE CRISIS: THREE SCENARIOS

Paul J. Saunders, Editor
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INTRODUCTION

PAUL J. SAUNDERS

Russia’s seizure of Crimea and support for separatists in eastern and southern Ukraine has appropriately provoked fundamental questions about the future of the U.S.-Russia relationship and its implications for U.S. national interests. Perhaps first among these questions has been whether Washington and Moscow have begun some sort of new Cold War and what new dangers may face America’s NATO allies. Russia’s recent military intervention in Syria—Moscow’s first use of force away from its borders in over four decades—further dramatizes these concerns.

This report seeks to illustrate how the U.S.-Russia relationship might evolve in the coming years by presenting three alternative scenarios. The scenarios are not predictions. Instead, they are efforts to assess how existing trends could shape the U.S.-Russia interaction by examining the incentives and pressures each government faces, their policy choices, and possible actions by other parties, especially in Ukraine and Europe. At my request, the authors have concentrated on the next two to three years rather than the more distant future, which is much more difficult to evaluate. Likewise, they have concentrated on dynamics in U.S.-Russia relations while considering domestic politics in each country rather than attempting to forecast the outcome of the U.S. presidential election or, conversely, counting on unlikely political changes in Moscow.

I developed the three scenarios in consultation with the authors, who agreed to take on specific assignments. The first scenario, by Samuel Charap, explores how the U.S.-Russia relationship could improve. The second, by Nikolas Gvosdev, assesses how European and Trans-Atlantic unity toward Russia could break down. The third, by Matthew Rojansky, examines a worsening relationship leading to long-term confrontation. Following the three scenarios, a concluding chapter analyzes all three scenarios—and other possibilities—and presents policy implications.

Some events in individual scenarios will naturally appear more likely than others—particularly when the authors address the next few months, which is a courageous exercise for any analyst. Importantly, however, the authors are not attempting to argue that any particular events are probable to occur; they are instead presenting narratives that illustrate broad possibilities for U.S.-Russia relations.
I am grateful to Carnegie Corporation of New York for its generous and long-term support of the Center for the National Interest’s work on U.S.-Russia relations. I am also grateful to Samuel Charap, Nikolas Gvosdev, and Matthew Rojansky for producing lively narratives that chronicle inherently unpredictable events and for their willingness to undertake this challenging task. Finally, I would like to thank John Richard Cookson, Rachel Bauman, and Matthew Pennekamp for their editorial, proofreading and formatting assistance and Laura Bate for her help in producing this document. Responsibility for errors and omissions—and, of course, for the concluding analysis—is solely my own.
A FUNCTIONAL RELATIONSHIP

SAMUEL CHARAP

By late 2015, both Washington and Moscow come to recognize the “New Cold War” footing they had adopted in the preceding two years was unsustainable. The confrontation led to stalemate in Ukraine, and counterproductive competition throughout the world. Moreover, events in Ukraine prove conducive to a thaw. A slow, uncertain, and fraught process of normalization moves forward. There is no “reset,” but there is an end to the crisis in United States-Russia and West-Russia relations and the two sides begin to define “a new normal.”

While working-level officials in Washington and Moscow directed much energy towards the new competition that emerged following the Maidan Revolution, some senior principals always remained dubious about the wisdom of the New Cold War. But their doubts about the new course had never affected policy because they saw no viable alternative to the path their respective national security establishments had chosen. That had created a vicious cycle of action and reaction, which seemed to be leading inevitably toward a deepening of the confrontation. Domestic politics in both countries not only accelerated this trend, but also produced significant disincentives for decision-makers to consider alternatives.

Yet there were always latent incentives for both sides to avoid the New Cold War. Neither Russia nor the United States alone, can resolve any of the regional crises – from North Korea to Syria – that pose considerable challenges to them. Moreover, both Russia and the United States can block the other from effectively addressing most of these crises on their own terms. Further, international efforts to manage most global challenges, from climate change to the proliferation of weapons of mass destruction, require a modicum of U.S.-Russian cooperation. This is particularly true of the global non-proliferation regime. The United States and Russia are the most important actors at both the high-diplomatic level (e.g. the Non-Proliferation Treaty process) and the practical implementation level (e.g. the removal of highly enriched uranium from several countries as part of the Nuclear Security Summit process).

Beyond mutual involvement in these diplomatic processes, the United States and Russia are also threatened by extremism emanating from the Middle East, most prominently from the Islamic State of Iraq and Syria (ISIS). Without a functioning bilateral relationship, their efforts to address this threat will clearly not be as effective, and by acting alone their tactics have the potential to negate
each other’s efforts. This dynamic was on vivid display in the autumn of 2015, when Russia began its airstrikes in Syria. While both sides shared the same broad counter-extremism goals, the means they employed to pursue those goals were fundamentally incompatible. Moscow, on the one hand, acted out of the conviction that ISIS could only be defeated by strengthening the Assad regime. Washington, on the other, saw Assad’s brutality as the key enabling condition for ISIS’s success in Syria. Ultimately, their refusal to meet each other half way was as much a function of the breakdown in the bilateral relationship as of the differences in their strategies. Following the bombing of Metrojet flight 9268 in Egypt and terrorist attacks in Paris, Washington and Moscow began to see the costs of this approach. By early 2016, it was already clear to both sides that their respective interventions in Syria’s civil war accomplished little in terms of achieving their ultimate shared goal.

In Moscow, economic incentives to return to a degree of normalcy in bilateral ties were strong. With China’s economic turbulence deepening, and Beijing unwilling to offer help on anything other than commercial terms under the best of circumstances, Russia recognized that the sanctions regime would represent a long-term drain on growth, particularly given the impact on access to capital markets. There simply were not sustainable alternatives to U.S. and European banks to finance Russian economic growth. The Russian presidential administration also sensed that the wave of patriotic support that followed the Crimea annexation could not last forever. The mobilization model of social contract – with legitimacy based on protection of Russians from external threats – depended on Russians’ threat perceptions remaining dramatically heightened, a difficult state to maintain over time in the absence of new escalatory moves from the United States or other Western powers. As the Duma elections of 2016 approached, the Kremlin was particularly keen to avoid further hits to Russians’ pocketbooks, following the double-digit drop in real wages from 2014 to 2015. Recalling the relatively large protests that followed the 2011 Duma elections, Russia’s leaders were reluctant to blatantly engineer outcomes that clearly contradicted clear public preferences. As the election approached, Putin campaigned less for United Russia than for the single-mandate district candidates running under the banner of the All-Russia People’s Front, an umbrella social movement manufactured by Kremlin political operatives to broaden United Russia’s appeal.

U.S. decision-makers came to the realization that “winning” the New Cold War, an outcome none doubted, could well lead to a catastrophe. A second Gorbachev scenario – whereby an intra-system reformer makes an affirmative decision to end the conflict – was seen to be a low probability outcome. Far more likely were scenarios whereby an economically weakened, embattled
Russian leadership lashes out at the United States and its allies. Concern about the security implications of a weak Russia were considered alongside the security implications of a stronger Russia. Washington understood that opening the door to a “soft landing” scenario by diminishing the crisis dynamic would move the competition to arenas beyond the military sphere, essentially the only one in which Russia posed significant threats to the U.S. and its allies and friends, particularly in Russia’s immediate neighborhood. Managing what many saw as Russia’s inevitable decline was far preferable to the alternatives, and such management would be impossible within the New Cold War paradigm. Some U.S. officials also saw an opportunity to slow and limit Moscow’s increasing alignment with China.

The successful conclusion of the nuclear negotiations with Iran served as a reminder of the importance of bilateral cooperation to resolve global challenges. Soon after the stalemate in Syria solidified, senior officials in the two countries began conducting more intensified diplomacy on the range of challenges emanating from the Middle East. In addition, following the Russian military’s somewhat successful initial foray into the conflict, a number of setbacks forced Moscow to realize it had bitten off more than it could chew. In one instance, two Russian servicemen were captured by militants, brutally tortured, and summarily executed (a video of which went viral shortly thereafter). While initial bilateral discussions were constrained to basic issues, such as which radio frequency to use for communications, the United States and Russia soon began broader discussions on their counter-extremism strategies.

But tenuous cooperation on the Middle East could not in itself normalize the relationship without an easing of the tensions surrounding Ukraine. Commentators either warned of or called for a grand bargain – a trade-off of U.S. positions on Ukraine for enhanced cooperation in the Middle East – but such a deal was never on the table. Politically, it would have been suicidal for the U.S. administration; moreover, Washington would not have trusted Moscow to uphold its end of the bargain. At the same time, Russian leaders were too committed to pursuing their own independent policy in the Middle East to subordinate their preferences to Washington’s. So normalization required that the situation in Ukraine take on a positive momentum independently of the rest of the relationship.

Ukrainian domestic politics provided the deus ex machina in this case. By the end of 2015, President Petro Poroshenko and Prime Minister Arseniy Yatseniuk’s relationship had completely deteriorated, leading to a collapse of the governing coalition. To avoid snap elections, Poroshenko’s bloc in
parliament formed a new coalition with the Opposition Bloc. The government that emerged was much more conciliatory toward the separatists, and much less openly anti-Russian. In return for agreement to join the coalition, the new government returned Ukraine’s foreign policy strategy to one of “non-bloc status,” as opposed to membership in NATO.

Kyiv began to pursue a policy of “constructive unilateralism” – front-loading some of the political concessions from the Minsk II agreement. The government began by loosening the economic blockade of rebel held areas, and launching direct talks with the separatists on the modalities of local elections and constitutional reform. In response to these moves, the separatist forces stepped up compliance with the withdrawal provisions of the Minsk agreements, and provided full access to the Organization for Security and Cooperation in Europe (OSCE). Special Monitoring Mission to observe. Within weeks, a full ceasefire was holding along the Line of Contact. The Ukrainian banking system and social safety net began to function again. Some internally displaced persons slowly began returning to their homes, as humanitarian aid deliveries accelerated. Western governments reported that Russia had withdrawn some of the heavy weaponry that had been stationed inside Ukraine for months, although a significant force remained on both sides of the border.

In early 2016, the “Normandy Four” – Poroshenko, Putin, Hollande and Merkel – announced that the deadline for Minsk II implementation would be extended by six months, to June 30, 2016. With Ukraine now on the brink of economic implosion, they also announced an inclusive international economic assistance effort for Ukraine, to be led by the European Union (EU), Russia and the International Monetary Fund (IMF). As part of that effort, Ukraine’s obligations to lower tariffs under the EU-Ukraine Deep and Comprehensive Free Trade Agreement were postponed for another year, although other provisions of the deal would proceed as of January 1. Further, Russia announced that it would not implement retaliatory trade measures, and promised a year-long discount on natural gas that returned Ukraine’s price to late Yanukovych-era levels.

At the end of January 2016, the EU rolled back its sanctions regime in response to what were deemed as positive steps toward Minsk II compliance on Moscow’s part. Those aimed at the finance and energy sector were almost completely removed. To maintain solidarity with the United States, however, the EU left Crimea-specific sanctions in place, as well as those targeting dual-use technologies and the Russian military-industrial complex, along with the personal sanctions. Russian and European markets responded favorably.
In mid-February, elections were held in separatist-held areas under modalities agreed by both sides. Monitors from the OSCE’s Office for Democratic Institutions and Human Rights observed the vote, which was said to suffer from a lack of genuine political competition, but was, on the whole, fairly administered. By the spring, the Minsk process talks had produced a new constitutional draft that devolved significant powers to the rebel-held areas, as outlined in the Minsk agreement.

Meanwhile, widespread strikes and social protests against both the worsening economic situation in the country and the government’s IMF-mandated austerity package had altered Ukraine’s domestic political landscape. The fervent militarism of 2015 had given way to desperation about the country’s economic viability, especially as Ukrainians increasingly realized that neither the United States nor the EU was prepared to spend any more to bail out the Ukrainian economy. Some elites became increasingly wary of Western insistence on structural reforms and greater transparency, both of which threatened entrenched interests. Soon a number of deputies in the Rada began defecting from the more nationalist blocs to the centrist governing coalition. As a result, Poroshenko was able to push through the constitutional amendments. The Russian withdrawal from Donbas accelerated. By July 1, the only remaining personnel were so deeply integrated with the new Donbas authorities’ “People’s Militia” that OSCE monitors on the ground could report that the withdrawal was complete. Ukraine’s control over the border remained more formal than real – its border patrol units were far outmanned and outgunned by the “People’s Militia” – but the new status quo was deemed acceptable by decision-makers in capitals.

The United States was initially very skeptical of these new developments. However, the Ukrainian government’s consistent public appeals – and the EU’s private exhortations – overcame this initial reticence, and Washington eventually cautiously supported the new developments. The EU’s decision in January 2016 to relieve the financial and energy sanctions on Russia was not welcomed by hawks in Washington. But by the spring, positive momentum on the ground and pressure from U.S. businesses losing market share to their European counterparts, gave the outgoing U.S. administration reason to mirror the earlier EU move in an effort to leave its successor a more stable U.S.-Russian relationship.

Sanctions relief was anything but a binary on/off process in this case. Following the financial and energy sanctions, there was a lull until after the June 30, 2016 Minsk deadline had passed. When both sides agreed that Russia was largely in compliance, in late summer Brussels and Washington jointly
Charap

announced that several other firm-level sanctions on big banks and energy companies had been reversed. However, many sanctions remained on the books. The United States and the EU agreed that the dual-use export licensing restrictions for Russia would remain in place indefinitely, as would the sanctions on Russia’s military-industrial firms. The transatlantic consensus was that barring a dramatic change in Russian policy, the West would no longer be in the business of facilitating Russian military modernization. This did mark a fundamental shift from the pre-2014 status quo, bringing Russia policy in line with China policy in this respect.

The Crimea-specific sanctions regime that had been imposed in parallel steps by the United States and the EU in December 2014 remained in place; in fact, both Washington and Brussels committed to making it permanent and strengthening it—until and unless Ukraine renounces its claims to the territory. This area-specific sanctions regime was nearly as harsh as the Iran sanctions package. Western businesses essentially could not operate on the peninsula. But large Russian firms devised increasingly innovative mechanisms for doing business there while avoiding sanctions. They and sanctions enforcers at the Treasury Department’s Office of Foreign Assets Control engaged in a continuous cat-and-mouse game that allowed the Russian side to stay in business. Further, the personal sanctions relating to Russia’s actions in Ukraine also remained in place indefinitely, and thus Russia’s sanctions on individual Americans remained as well. These sanctions, which covered a range of figures in the executive and legislative branches of both countries, maintained a relatively heightened level of personal enmity in bilateral ties and also contributed to the “thinning-out” of the bilateral relationship, as key parliamentarians could no longer visit each other.

Meanwhile, events on the ground in Ukraine stabilized as Minsk II was implemented, though in a far less clear cut way than many in Kyiv and the West had hoped. Violence all but ended, barring the occasional attack by more extremist elements, though many of the barriers erected during the conflict remained unofficially in place: locals on either side of the former Line of Contact continued to describe travel in either direction as “crossing the border.” The “People’s Militias” provided a crude form of law and order, maintaining some elements of martial law enacted in 2014. Newly-elected local officials took full advantage of their rights stipulated in Minsk II to revive the war torn region’s economy. A portion of the new international assistance package was earmarked for the Donbas, while local officials busily set about deepening connections to Russia. As Kyiv’s control of its border remained, as it was before the conflict, largely nominal, it was impossible to accurately trace
the flow of rubles and goods into the country. Following a special election, MPs from the Donbas returned to Kyiv to fill seats left vacant during the war.

But Minsk II implementation in itself could not provide a sustainable, stable environment for Russia’s relations with the West. Political instability and geopolitical competition made another potential clash in one of the Eastern Partnership countries, and especially in Ukraine itself, almost inevitable. To avoid this, efforts were taken on both sides to take steps toward a more inclusive regional architecture. Rather than a “Yalta redux” or some other sort of grand bargain, which would have been impossible to negotiate and politically toxic, this process was gradual, non-linear, and piecemeal. It began with an EU-Russia-Ukraine working group on the Deep and Comprehensive Free Trade Area (DCFTA), which by the end of 2016 had reached consensus about slight modifications to the DCFTA and Commonwealth of Independent States free trade agreement that allowed Ukraine to remain a party to both. This model was then applied to the Georgia and Moldova DCFTAs. From there, talks began on a free trade framework agreement between the European Union and the Eurasian Economic Union. By the end of 2017, negotiators initialed a draft document. Although the document was not nearly as ambitious as either the DCFTA or agreements like the North American Free Trade Agreement or the Trans-Pacific Partnership, it did harmonize some sensitive tariff lines and regulations. The impact on EU-Russia trade was modest, but it did allow DCFTA implementation in Georgia, Moldova, and Ukraine to proceed without overt Russian attempts to undermine the process.

By the end of 2016, the NATO-Russia Council began meeting again. The immediate task was to forge new confidence and security-building measures (CSBM) to avoid the dangerous close-encounters in the skies and on the seas that had become a regular occurrence since early 2014. By mid-2017, the parties had completed talks on a comprehensive CSBMs package. It created shared airspace zones along NATO-Russia borders where military flights had to be pre-notified, along with flight plans. In announcing the deal, each side declared victory. Additionally, it extended the bilateral US-Russia Incidents at Sea Agreement to the NATO-Russia level. NATO-Russia relations were limited to mutual threat-reduction; none of the pre-2014 areas of cooperation were renewed.

The United States and Russia began talks in the same period on their respective build-ups in the Baltic and Black Sea regions. The dynamic of 2014-2015 had seen increasing U.S. deployments in the Baltic states, particularly following the then-Secretary of Defense Ashton Carter’s announcement in June 2015 that the Pentagon would pre-position battle tanks and infantry fighting vehicles, as
well as other heavy weapons, in eastern and central Europe. The problem for the United States was that these deployments partially accomplished the objective of reassuring nervous NATO allies, but they in no way resolved the fundamental problem of their indefensibility in case of a fully-fledged Russian attack. Any reinforcement up to the level to address the indefensibility problem would produce a counter-deployment from Moscow, leading to a spiraling of tensions that could get out of control very quickly. The United States thus sought to avoid that scenario by establishing a revised conventional arms control and transparency regime for the Baltic region. The proposal was to verifiably limit deployments of those categories of weapons – from missiles to heavy armor – that could create instability and miscalculation. While Russia had previously resisted any limits on its own territory, concerns about U.S. reinforcement pushed Russian military leaders to the bargaining table. The document that emerged from extensive talks, which concluded in 2017, was akin to a “CFE for the Baltic”; a tailored regime that covered the Baltic states, Kaliningrad, parts of Poland and 200 km of Russian territory, measured from its borders with Latvia and Estonia.

With these new instruments in place, the new normal in European security began to take shape. The risk of a NATO-Russia conflict due to misperception, misunderstanding, or miscalculation was dramatically reduced compared with the period of 2014-2015. Geopolitical competition in the Eastern Partnership countries had dissipated, and some mutually beneficial trade ties were established. But each of these states except for Belarus contained unresolved conflicts that created social tensions on the ground and between Russia and the West. Tensions occasionally flared up as well due to zero-sum steps taken by actors on one or the other side. These tensions, however, were manageable, especially as neither side wanted to repeat the confrontation over Ukraine. A degree of political stability in the region had been achieved, even if genuine democratic governance and market reforms had not. The improvement in managing the tensions on the ground did not, however, revive the dream of a unified Euro-Atlantic from Lisbon – let alone Vancouver – to Vladivostok. That idea was still completely off the table; no serious actors on either side continued to harbor such aspirations, as they did before the Ukraine crisis.

Cold War-style political-military talks remained the primary vehicle for NATO-Russia engagement, producing a Cold War-like stability of sorts on the continent. As the situation in Eastern Europe stabilized, Europe gradually became a secondary issue in U.S.-Russian relations. Military planners continued to hone contingency options, and a true peace seemed beyond the realm of the possible. But the intensity of the conflict lessened significantly.
The Intermediate Nuclear Forces (INF) Treaty dispute tied together European security and the broader questions of strategic stability in U.S.-Russian relations. Beginning with a U.S. public declaration of intent to implement military countermeasures to the Russian development of a treaty-busting ground-launched cruise missile (GLCM) in 2015, the political leadership in Moscow began asking questions about the weapons system. As it turned out, a missile design bureau had, without the knowledge of arms controllers in the Ministry of Foreign Affairs or even the Ministry of Defense leadership, developed and tested the GLCM on the assumption that Russian leaders were poised to abrogate the treaty. But that assumption proved false. Without admitting anything publicly or even in bilateral diplomatic channels, the Kremlin killed the new system before it was deployed. The State Department concluded in the 2017 Arms Control Compliance Report that Russia was once again in compliance with the INF Treaty.

But larger bilateral strategic stability issues that had remained a concern before the 2014 crisis had by no means disappeared. Russia continued to be concerned about US technological advancements in fields such as cyber-warfare, Conventional Prompt Global Strike, ballistic missile defense, and increased accuracy of existing strategic warheads. The potential that the United States might one day be able to credibly execute a disarming counterforce first strike drove Russian military strategists to ever more inventive countermeasures. While the New START treaty continued to be implemented through 2021, the future of strategic stability remained a question mark. Bilateral talks continued on these issues, but the United States was not prepared to limit weapons systems development in such a way that would assuage Russian threat perceptions. As a result, further strategic nuclear reductions were off the table. At the same time, New START provided a baseline of stability.

Geopolitical competition between the two countries continued at a level greater than that prior to the Ukraine crisis, but nowhere near as high as the level obtained during the crisis itself. Russian arms sales to Iran continued to cause consternation in Washington. At the United Nations Security Council (UNSC), the two countries found themselves on opposite sides of any number of initiatives. But these disputes, though unpleasant, did not completely undermine the functioning elements of the relationship. Both sides effectively compartmentalized their disputes from their cooperation and pursued both vigorously.

Beyond the strategic and diplomatic realms, adversarial statecraft remained at heightened levels. Both sides continued to practice cyber espionage, with periodic public flaps in the United States such as those surrounding the State
Department, White House, and Joint Chiefs intrusions in 2015. The Russian Federal Security Service (FSB) continued its harassment of U.S. diplomats in Moscow, severely constraining their ability to engage beyond official channels. The U.S. Federal Bureau of Investigation (FBI) would periodically announce the expulsion of Russian intelligence officers operating under diplomatic cover in the United States. The United States continued to pursue extradition of Russian suspects in third countries. Washington continued to seek means to skirt Russian legal restrictions on foreign funding of Russian non-governmental organizations (NGOs), operating through third parties or providing funds for activities outside Russia. Radio Free Europe/Radio Liberty and Voice of America made attempts to boost their internet presence inside Russia. The Russian television station RT continued its virulent anti-American broadcasts.

Both sides continued to operate on worst-case assumptions about the other’s intentions. The Kremlin assumed that Washington sought regime change in Russia; the United States assumed that Russia might invade another neighbor at any time. Actors in both governments engaged in testing and probing of the other side—some to provoke a response, others to test intentions – but the fallout from this behavior was more or less contained. The bilateral relationship came to resemble elements of the U.S.-Chinese relationship: no aspirations to genuine strategic partnership; strong regional disagreements; adversarial behavior in the military and intelligence realms; tactical cooperation when international circumstances demanded; strong and pervasive mutual suspicions of each other’s intentions. The lack of economic ballast, when compared to US-China ties, made U.S.-Russian relations inherently more subject to domestic political shifts in the future.

As the geopolitical confrontation faded, the fervent nationalism that gripped large swathes of the Russian population at the height of the crisis began to die down. Instead, Russians began to demand more from their government in terms of economic reform, especially in terms of quality of life improvements, and combating the corruption that permeated all levels of society. While no revolutionary shift was in the offing, modest reforms and improvements in governance did proceed as the Kremlin sought to renew the legitimacy of the political system.
A DIVIDED ALLIANCE

NIKOLAS K. GYOSDEV

Throughout 2016, the status quo holds in Ukraine and gains a degree of de facto legitimacy. Ukraine increasingly resembles post-2008 Georgia, though on a much larger scale, as the conflict in the Donbas region freezes without further major military confrontations. Indeed, European governments adapt to a divided Ukraine as they earlier adapted to a long-term frozen conflict between Russia and Georgia that left Moscow-backed regimes in control of some 20 percent of Georgian territory, without Russia fulfilling all the conditions of the French-brokered ceasefire (especially the provision calling for complete withdrawal from all internationally-recognized Georgian territories). Over time, many elements of the pre-Crimea Europe-Russia relationship gradually reemerge, though Europeans remain deeply suspicious of Moscow.

Notwithstanding their concern over Russia’s intervention in Ukraine, key European governments acquiesce to an enduring unresolved conflict. Because few are willing to confront Russia on a sustained basis, many European governments see a mostly effective ceasefire and the beginning of a political process in Ukraine as sufficient to allow for slow resumption of ties to Russia, despite objections from Russia-skeptic European nations and the United States that Crimea, Donetsk and Luhansk remain outside Ukraininan government control. By mid-2016, these governments are prepared to declare Ukraine’s tentative peace a victory and move on.

“Ukraine fatigue” is a key driver of this process. Many Europeans in and out of government are frustrated with Ukrainian political and economic elites whom they see as unwilling to address corruption and therefore unable to promote economic reform and good governance. This saps enthusiasm among all but Kyiv’s strongest backers and prevents national governments and EU-level structures from committing large amounts of increasingly scarce financial resources to Ukraine’s transformation.

In parallel, European business leaders and publics begin to conclude that breaking Ukraine out of Russia’s orbit and rebuilding it along European lines is not only too expensive but unnecessary. A neutral Ukraine, which serves as a buffer between the EU and Russia, satisfies most if not all countries—other than Ukraine’s immediate neighbors and Baltic governments—and requires much less effort. Other issues seize official and public attention, including the ongoing Greek financial crisis, weak economies along the EU’s southern
periphery, migration from the Middle East and Africa, and heightened fears of terrorism in the wake of the November 2015 Paris attacks. In early 2016, sharp divisions open between those who urge greater attention to Europe’s collapsing southern frontiers and those seeking to redouble the EU’s eastward enlargement. Some European-origin extreme nationalists return to their home countries from fighting in Ukraine (on both sides) to attack and harass Muslim refugees. While they are a small minority—and more peaceful political opponents of refugee settlements are a minority too—their actions produce widespread political turmoil. Moscow covertly facilitates what the extremists call the defense of Europe’s Christian civilization.

In addition to France’s post-Paris outreach to Moscow, Greece, Hungary and Austria are also especially vocal in calling for a new southward orientation. As both the countries that have absorbed the brunt of the migration crisis and leading critics of EU sanctions on Russia, they take the lead in confronting the EU’s Russia-skeptics. Seeing little solidarity in response to calls to “redistribute” migrants and refugees, populations and then governments are less willing to make further sacrifices for solidarity against Russia. Several governments become more assertive in pursuing national interests at the expense of common positions. In September 2015, Austrian chancellor Werner Faymann threatened to reconsider Austria’s financial commitments to the EU if other states refused to bear a fair share of the migrant burden. Similar statements multiply and, even when primarily intended for domestic political consumption, they wear away at European unity across the board.

All of this makes compromise over Ukraine more attractive, to limit Europe’s exposure to Ukraine’s messy domestic problems and free attention and resources to concentrate on more immediate problems. At the same time, European leaders reassess what political change they can actually bring about in the Eurasian space and determine that they would prefer saddling Moscow and Beijing with the region’s economic problems to seeking greater responsibility themselves. Indeed, some calculate that China’s steadily growing role in Central Asia might preoccupy Russia if EU-Russia tensions subsided.

These sentiments contribute to broader “expansion fatigue” within the member-states of the EU. Over 2016 and 2017, outreach to the post-Soviet space wanes in favor of European consolidation, which further facilitates a new approach to Russia. As one EU official said in the aftermath of the 2015 Eastern Partnership summit in Riga, “We will act more carefully with regard to Russia in the future. Perhaps there was not enough carefulness, not enough outreach, not enough dialogue before.” Another added, “We don’t want to provoke Russia and give them one more reason to be aggressive. We need to
be extremely careful.” Such statements become the dominant theme in Europe’s management of its relations with Russia and EU leaders weigh a possible wide-ranging dialogue with the Russian-sponsored Eurasian Economic Union as the basis for reaching a plausible, lasting settlement in Ukraine and for restoring stability along Europe’s eastern frontiers.

NATO and the EU effectively halt eastward expansion in 2016 and 2017, an outcome Russia welcomes. During the 2000s, the Kremlin had sent signals that while it opposed the extension of invitations to former Soviet republics to join NATO, it was open to these states expanding their interaction with the EU. As Putin’s vision of the Eurasian Union began to take shape, however, Moscow increasingly realized that institutional links between prospective Eurasian Economic Union partners and the EU would preclude deepening Eurasian integration. Putin also began to see the EU’s so-called “Eastern Partnership”—an EU offer of closer institutional relations short of full membership to other former Soviet states—as a geopolitical threat to Russia and as a tool crafted by Russia-skeptic states within the European Union, especially Sweden, Poland and the Baltic States, to challenge Russian interests.

Divisions over the EU’s reversal in some ways echo disagreements over the Iraq war as southern and then western European leaders become frustrated with central and east European determination to pursue a confrontation with Moscow that they cannot sustain on their own. Over a decade after the fact, former French president Jacques Chirac’s pre-Iraq war criticism of central European support for the U.S. invasion—“I think they missed a good opportunity to shut up”—generates Twitter memes in multiple languages directed at Polish and Baltic politicians aligning with Washington in maintaining a hard line toward Russia. Some southern and western European politicians, particularly on the nationalist right and the peace-oriented left, begin to denounce the hardline governments (and the United States) for dragging Europe into a needless confrontation with Russia over Ukraine. Many Europeans return to a view widely held before 2000, that the former Soviet border should mark the EU’s furthest eastward extent.

Europe’s retrenchment significantly complicates U.S. foreign policy. Washington had been relying on NATO and particularly the EU to carry the burden of extending the Euro-Atlantic zone eastward while permitting the

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United States to focus on the Asia-Pacific region. The United States rejects Europe’s slide toward acquiescing to what it sees as an unsatisfactory outcome in Ukraine, but has little interest in shifting attention or resources away from its rebalancing policy in Asia to bolster anxious central and east European states vis-à-vis Russia.

The United States also finds it more difficult on its own, or even with the help of a few European states acting in a coalition of the willing, to build up a balancing coalition of Eurasian states to offset Russian predominance. Seeing U.S. and NATO disengagement from Afghanistan and the EU’s declining interest in the Eastern Partnership, Central Asian governments look even more intently toward Beijing and view Moscow as important in balancing a rising China. At the same time, governments in the Caucasus region realize that they are on the far side of an emerging boundary and that Western governments are unwilling to offer meaningful security guarantees or financial assistance. As a result, across the former Soviet region, leaders sustain open lines of communication with Washington but express great reluctance to do anything that could trouble the Kremlin.

As the political and economic interests of individual European countries regain prominence in policymaking towards Russia in 2016, new sanctions against Moscow become a nonstarter. More than that, advocates for sustaining the sanctions already in place find it difficult to do so as several European capitals become more ambivalent about appeals to maintain trans-Atlantic and European solidarity at their expense. Most non-Crimea sanctions end in mid-2016. European Commission President Jean-Claude Juncker’s statement in October 2015 that “we cannot let our relationship with Russia be dictated by Washington” emerges as a guiding principle for the European approach, while central and east European Russia-skeptics lose ground.

Moscow, for its part, looks for opportunities to accommodate key European concerns at the margins. With Europe more accepting of continuing Russian influence in Ukraine, Putin becomes more flexible in reaching a durable settlement there. Kyiv looks to Washington for diplomatic support, but without clear unity among the Western allies, the United States is rhetorically supportive without offering much practical help. President Petro Poroshenko and his supporters reluctantly determine that Ukraine has few practical alternatives to offering significant autonomy to the Donetsk and Luhansk

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regions. Backlash against Europe among Ukrainian nationalists allows Kyiv to make concessions that are still unpopular.

At the same time, Moscow throttles back its military “annoyance campaign” against European countries and halts provocative moves by aircraft, ships and submarines. Putin seeks to remove any clear security-oriented justification for hard-line European policies and to strengthen the political hand of the “engagers” in both the EU Commission and in the individual member-states who want to move past the Ukraine crisis. This further unravels earlier consensus within the EU and between Europe and America.

In 2016 and 2017, Putin attempts to fashion an image of statesmanlike legitimacy by presenting Russia as a “problem solver” on Syria, the migration crisis and even in Ukraine. European leaders are increasingly willing to meet Putin and to discuss topics other than Ukraine, like the Russian president’s June 2015 meeting with Italian Prime Minister Matteo Renzi. This pattern continued with Putin’s meeting with Merkel and Hollande in October 2015, when Russia’s intervention in Syria displaced Ukraine as the principal subject of conversation, and his November meeting with Hollande to discuss ISIS – all serving to facilitate Russian efforts to divide Europe and to counteract an increasingly unrealistic U.S. narrative that Russia remains isolated on the world stage because of its actions in Ukraine.

Within Europe, Russia builds new political clout. While Putin and Russia have lost ground among the European establishment, and struggle to win it back despite the establishment’s pragmatic willingness to engage Moscow, the Kremlin successfully cultivates links with both the “new left” and the “new right” throughout Europe and in some cases provides covert financial assistance. These emerging political movements are more skeptical about the European Union, suspicious of calls for “solidarity” that seem to sacrifice their interests for others, and concerned about American dominance of the global system.

The “new right” movements in particular are also worried about the erosion of traditional values and cultures in the face of a multicultural homogenization across Europe. Many of these parties—including UKIP in Britain, the National Front in France, PEGIDA in Germany, Jobbik in Hungary, Syriza in Greece, or Podemos in Spain—take positions similar to Russian perspectives on some international issues. Some of their leaders and members see Moscow as a check on the United States or a defender of “conservative values” against a cosmopolitan EU political elite. Others argue that expansionist European elites and Washington provoked trouble with Russia that works against their
individual national interests. As these movements take power or, more commonly, join ruling coalitions or simply influence the positions of mainstream parties—the fragile consensus on Russia policy erodes further.

Meanwhile, in Germany, the political and business establishments increasingly oppose Angela Merkel’s willingness to hold the line on sanctions and Merkel grows isolated in her Russia policy. The earlier trans-Atlantic consensus on Russia that emerged after 2014 was possible in large part due to Merkel’s personal distrust of Putin and her ability to coordinate Germany foreign policy via her chancellery staff rather than the Foreign Office. As 2017 begins, and Merkel looks toward Germany’s next election, her government’s Russia policy is increasingly a political liability—and Berlin’s tone softens. Other key European countries are also less prepared to devote attention to containing Russia, especially the United Kingdom, whose politicians and voters focus overwhelmingly on their own country’s relationship to an increasingly dysfunctional EU.

Like the European Union, NATO is also plagued with internal differences and national preoccupations that block attempts to formulate a coherent plan of action vis-à-vis Russia. The alliance adopts a defensive crouch, reassuring existing members while eschewing talk of further expansion. Some allies openly criticize what they call “provocative actions” toward Russia by others. The United States blocks renewed NATO-Russia dialogue, or any other easing toward Moscow, but is unable to win consensus for any new steps either. Through paralysis, the alliance seems to be moving away from its 2014 objective to show a unified front backed by serious deployments of force in order to coerce the Kremlin into compliance with Western demands.

Beyond this, many European NATO members fail to meet the defense spending commitments they pledged to undertake at the 2014 Wales Summit. Indeed, some countries make further cuts in military procurement and readiness. Former U.S. Defense Secretary Robert Gates’ 2011 comments on the “blunt reality” that the United States would have a “dwindling appetite and patience” to devote more funds to NATO while European members cut their defense capabilities seem prescient in 2016. At the same time, politicians in some of NATO’s top contributor nations assail others who urge a harder line without spending to match their rhetoric. These internal divisions create room

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for Russian maneuvering while also limiting America’s freedom of action vis-à-vis both Russia and global security challenges.

The Pentagon’s October 2015 reaffirmation that the United States will not increase its permanent deployments in Europe defines U.S. policy, which rests on dispatching “rotational” forces to demonstrate America’s commitment to defending its European allies. As the 2016 election approaches, however, populist candidates complain about U.S. spending on these symbolic missions to countries that they say many Americans don’t even know are U.S. allies. One candidate’s dismissive remarks about the Baltic States dominate coverage in those countries for several days in early 2016, adding to existing doubts about U.S. commitment to their defense resulting from the modest and short-term U.S. deployments to this region.

As the U.S. and European approaches to Moscow diverge, Washington is less willing, and less politically able, to allow its European allies to take the lead in conducting negotiations on behalf of the West as a whole. Outsourcing a good deal of the day-to-day engagement with Putin to European leaders, notably German Chancellor Angela Merkel and French President Francois Hollande, originally worked because differences between Europe and the United States on Russia were modest and because souring personal relationships (especially between Merkel and Putin) stiffened European positions. Moving through 2016 and 2017, U.S. leaders face a dilemma, in that they are simultaneously reluctant to intensify direct U.S. engagement with Moscow—which they see as legitimizing to Moscow and unlikely to produce results—and to restrain U.S.-Russian dialogue, which gives more active European capitals with different perspectives a leadership role by default. As European leaders apply greater pressure on Kyiv to negotiate directly with separatist leaders in Donetsk and Luhansk, Washington’s perceptible withdrawal of tacit support for this European diplomatic effort antagonizes German and French leaders who see America’s relatively confrontational approach as unsustainable, costly, and dangerous.

These disagreements revive differences that had already existed prior to 2013. As Vladimir Putin returned to the Russian presidency in 2012 for a third term, the Kremlin reinied in protests and pushed for the creation of a Eurasian Economic Union. The United States reacted to both measures with disapproval, further impeding the already faltering “reset.” However, some European states remained committed to outreach and engagement with Russia, notwithstanding growing skepticism of Moscow’s intentions among others. Germany, France, Italy, Spain and several smaller central and southern European states pursued efforts to augment economic, political and security
relationships with Russia after Putin’s return to the presidency, even over the objections of the United States. Washington took an especially dim view of French and Italian defense cooperation with the Kremlin, particularly when French shipyards agreed to sell Mistral helicopter carriers to the Russian Navy. The United States also looked negatively on the European decision to effectively abandon the so-called Nabucco pipeline to bring energy to Europe from non-Russian sources in Central Asia—strongly endorsed by America—in favor of the Russian South Stream project, which would directly connect Southern European markets to Russia and bypass Ukraine.

Even before the Ukraine crisis, many in Washington saw such moves as evidence of European willingness to prioritize economic cooperation over security in dealing with a Russia that exhibited greater interest in challenging the parameters of the post-Cold War settlement. European officials defended their actions as necessary to build trust that could lead to a more lasting partnership with Moscow. At that time, many European governments were willing to overlook some of the Russian flaws that drew American ire in part because they believed that long-term trend lines favored Russia that would draw institutionally closer to Europe.

Notwithstanding greater suspicion of Moscow, many European governments continue to see this as the only viable strategy in 2016 and 2017—the long-term costs of confrontation with their nuclear-armed neighbor seem too high. Having survived decades as the central front in one Cold War, they are quite reluctant to pursue another.

Thus, in 2016, the United States is managing the strengthening of individual European states’ interests as drivers of policy. Most European governments see no immediate and direct national security threat from Russia but do see damage to their economies from sanctions. They are inclined to repair relations with Moscow, at least to an extent, and to push much harder in 2016 for amelioration of sanctions and restoration of many contacts. While conceding that Western sanctions have not been easy on Russia, they argue that the Kremlin has adequate reserves to fund its budgets throughout 2016 and 2017. At the same time, the Russian government is able to navigate successfully between inflation and a weak ruble to prop up its exports. Russia’s economy remains under strain, but it does not collapse; indeed, after the Middle East refugee crisis, many European governments reassess whether collapsing Russia’s economy should be a policy goal. These governments also argue that it is highly unrealistic to expect that continuing sanctions will force major changes in Russia’s policy anyway and that turning Russian public
opinion against the European Union will undermine efforts to integrate Russia, under other leadership, into the West.

As progress towards implementing the Minsk accords moves slowly forward, it becomes harder for a number of the Russia-skeptic European governments to continue to insist on maintaining the full panoply of sanctions, especially when sanctions relief would also benefit European economies. Because EU sanctions require renewal every six months, a committed minority of states are soon able to defy attempts to maintain consensus behind the sanctions and force a compromise plan to remove most non-Crimea sanctions. By mid-2016, European negotiations lead to partial sanctions relief, including the rollback of sectoral sanctions targeting financing and technology transfer.

With even a partial lifting of sanctions, European firms look to be in a better position to resume both partnering with Russian companies to develop new energy sources and constructing new infrastructure to bring Russian energy directly into the EU, bypassing troublesome transit countries such as Ukraine. This sustains Europe’s existing dependence on Russian supplies of energy—supports Russia’s energy-export economic model, and maintains Russia’s leverage over European economies while diminishing Ukraine’s importance to European economic and energy security and thus the strategic logic of supporting its process of political and economic transition. At the same time, continuing low global energy prices slow efforts to export U.S. natural gas to Europe and keep unconventional energy development projects in central Europe on hold.

Few are confident that the United States, NATO, or the EU are really prepared to underwrite the costs of a strategy of confronting Russia. Such objections in the past, especially from France, Italy and Germany, helped to torpedo a U.S. effort to push for NATO membership for ex-Soviet republics like Ukraine and Georgia, notably at NATO’s 2008 Bucharest Summit. Such objections now look to reactivate those tendencies. Not one to lose an opportunity, the Kremlin begins exploiting these differences in the West.

The end of many EU-level sanctions on Russia forces U.S. policymakers to ask whether America can risk its own commercial ties with Europe, or jeopardize the emerging Transatlantic Trade and Investment Partnership, to impose third-party sanctions on European firms that take advantage of new policies, especially European banks. U.S. leaders are reluctant to reignite the real tensions that emerged in the trans-Atlantic relationship during the 1990s and the 2000s over secondary sanctions related to Iran, especially since Russia’s economy is considerably larger, more European businesses are involved, and
the economic and political impact would be much greater. Still, many in Congress are eager to punish European firms dealing with Russia, and the White House must expend considerable effort managing these pressures. This forces the administration to look for new unilateral options to punish Moscow that expand the gap between U.S. and European policy in a less destructive way.

Yet, tacit U.S. acceptance of Europe’s retreat from sanctions undermines American efforts to maintain a wider coalition pressuring the Kremlin. Japan—already only weakly behind the attempt to isolate Moscow—renews its diplomatic engagement with Russia and goes one step further, agreeing to regular 2+2 meetings involving both nations’ foreign and defense ministers and a military-to-military dialogue after Russia scales back provocative flights near Japanese airspace. Japan also resumes talks with Russia on high-profile energy projects. Tokyo eagerly seeks Russia as a partner, if only symbolically, to balance China; crumbling attempts to isolate Moscow simultaneously reduce pressure on Russia’s government to defer to Chinese sensitivities vis-à-vis Japan. Moscow skillfully courts Japanese leaders by implying that a settlement to the long-standing dispute over the Kuril Islands, known in Japan as the Northern Territories, may be possible.

By early 2017, slackening European sanctions and intensified Japanese-Russian economic ties fuel considerable pressure on the U.S. government from the business community to loosen U.S. restrictions on dealing with Russia. Business leaders argue that even in areas where sanctions have limited economic impact, the sanctions are discouraging Russian firms from working with American companies. They cite statements from leading Russian parliamentarians denouncing American companies as sanctions-supporters and threatening investigations of their Russian partners. In fact, as EU sanctions fade, official Moscow pivots from accepting trade or investment from any source to politically-driven selectivity that works against American firms. Vladimir Putin invites ten top European business leaders to Sochi for a two-day Europe-Russia business forum. At the end of the session, Putin publicly announces new investment projects and declares that he has given each CEO his chief-of-staff’s mobile telephone number to ensure that the Russian government does whatever is necessary to avoid bureaucratic obstacles.

The focus on continental affairs—whether in business, security or politics—likewise tempers how European governments, and the EU, pursue their extra-European interests and creates new tactical alignments between some EU members’ governments and Russia on certain issues. Thus, despite questions
about Iran’s implementation of the 2015 nuclear deal in late 2016, Europe’s UN Security Council members are disturbed by the prospect of sanctions “snapback.” The EU demands stronger evidence of Iran’s alleged violations and European Security Council members indicate tentative backing for a Russian-drafted resolution to block new sanctions, raising the possibility that Washington may have to veto a resolution that some of its allies support.

Likewise, in Syria, European governments are increasingly amenable to a Russian-backed compromise to end the Syrian conflict—one of the main sources generating the flood of migrants into the EU—despite the real prospect that President Bashar al-Assad could remain in power. Meanwhile, Russian naval vessels in the eastern Mediterranean intercept and turn back several ships packed with smuggled refugees bound for southern Europe. Despite consternation within NATO, Greece offers Moscow civilian port access and an airfield for reconnaissance aircraft to help spot additional vessels used by human traffickers. Russian Prime Minister Dmitry Medvedev declares a new era of peace between Russia and Europe, in which warplanes formerly devoted to testing European defenses—and even penetrating them—are now helping to secure Europe.

Bulgaria permits Russian overflights to the two facilities in Greece as well as a rail link from the Black Sea. Moscow also sends a modest but significant quantity of food and other humanitarian aid to assist Bulgaria and Greece in coping with their refugee populations. After dispatching a few ships from Novorossiisk, Moscow demonstratively launches a freighter from Sevastopol as a gesture of goodwill from the people of Crimea.

Notwithstanding America’s increasingly complex relations with NATO and the EU, the improved Europe-Russia relationship has one important benefit for the United States: it slows Moscow’s earlier desperate embrace of Beijing. With European-Russian trade gradually increasing, and new energy agreements looking increasingly possible (and requiring less up-front investment, mainly due to Europe’s more compact geography), Russian energy companies take stiffer positions in dealing with their Chinese counterparts. Japan’s eagerness to work with Russian companies likewise reduces their dependence on China. Moscow also begins to reconsider some sensitive military technology sales to China.

As a new U.S. administration takes office in 2017 and deliberates about its foreign policy priorities, Washington policymakers debate U.S. priorities. Should the United States make containing Russia the central organizing principle in its foreign policy, even if it further strains ties to key European
governments? Or should Washington focus on Beijing? Senior military leaders advise the president that declining budgets, an exhausted force, and divisions inside NATO require a choice between the two—America cannot do both.
By early 2016, it has become clear that the Minsk framework agreements for resolving the conflict in Southeastern Ukraine have no chance of full implementation. Summer and autumn have come and gone, bringing continued sporadic shelling and limited engagements between well-dug-in troops on both sides, but with no major escalation or significant Russian intervention like that which occurred in August 2014 and February 2015 and had been expected by many observers in late 2015. Yet there also has been no progress from the Russian and separatist side in evacuating heavy weapons from the line of contact with Ukrainian forces, turning over control of the Russian-Ukrainian border, or holding new elections in compliance with Ukrainian law. Under the circumstances, the government in Kyiv continues to reject calls for implementation of its political obligations under the Minsk agreements, particularly any substantial concessions of constitutional authority to the self-proclaimed separatist republics.

Although political leaders are reluctant to use the term publicly, the situation in the Donbas has effectively become the latest and largest frozen conflict in the post-Soviet space. Like the Moldova-Transnistria conflict in the years following the 1990-92 war, the Donbas conflict has begun to settle into familiar patterns of conflict management between the armed forces, de facto separation of the region’s social and economic life, and both local and national politics, which have adapted to the reality of a divided space even as they pay lip service to the prospect of a negotiated reunification. Also like Transnistria, this new reality permits a relatively stable framework for managing limited contacts between the security forces, governments, businesses and ordinary citizens of the conflicting parties, even without an overarching political settlement.

Ironically, the relative stabilization of the conflict in Donbas does not bring renewed stability or normalization to relations between East and West; instead, it hardens the growing tendencies toward Cold War-esque confrontation on the geopolitical level. The sheer size and political salience of Donbas as a twenty-first century frozen conflict in the heart of Europe ensure that relations between Russia and the West suffer from deepening hostility and distrust, with

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1 Opinions and analysis about possible future developments expressed here are those of the author only. The author would like to thank Nicholas Tonckens for his diligent and creative research in support of this paper.
both sides predisposed to pursue confrontational and mutually isolating policies, not only in and around Ukraine, but on other regional and global issues where cooperation might once have been possible. Although the direst consequences of renewed confrontation prove containable, the Ukraine conflict marks an enduring and negative shift in Russia-West relations.

Europe’s New Frozen Conflict

It has become clear to all sides that the Minsk agreements are inadequate to actually resolve the conflict between Ukraine and the Russian-backed separatist forces of the self-proclaimed Luhansk and Donetsk people's republics. At best, the ceasefire provisions of the agreements, and the involvement of key outside parties, including the Normandy Group (Russia, Germany and France) and the Organization for Security and Cooperation in Europe (OSCE), have helped the Ukrainians and separatists with basic conflict management to keep potential flashpoints contained and allow minimum necessary interactions across the line of control.

At the same time, both the separatists and the Ukrainians have reoriented their politics around the constant state of war, so that it is now impossible to significantly demilitarize the conflict. The military dimension of the conflict introduces a constant element of uncertainty, since there are many loosely regulated armed groups on both sides of the line of control and command discipline is imperfect on both sides. There are continued internal conflicts on both sides, in which rival factions and military commanders jockey for control of territory and resources. Meanwhile, fighters on both sides provoke incidents across the line of control that continue to produce dozens of casualties each month as the low-intensity conflict drags on indefinitely. Despite a major overhaul of the Ukrainian military, with substantial weapons and training contributed by NATO countries, and despite the establishment of now semi-permanent Russian bases mere kilometers from the Ukrainian border, the combatants avoid escalation to heavy fighting like that seen in late 2014 and early 2015.

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While avoiding describing the situation as a frozen conflict per se, leaders on all sides recognize the similarity of the current state of the Donbas conflict to that of other post-Soviet conflicts, in particular the situation between Moldova and Transnistria following their 1990-92 war. One positive dimension of this similarity is that the initial strong interest of key international actors and the heavy OSCE presence through its Ukraine Special Monitoring Mission (SMM) help the conflicting parties to transition the macro-level Minsk negotiations on political settlement and final status into a more micro-oriented conflict management framework similar to the 5+2 process in Moldova over the past decade.\(^5\) This new framework, dubbed the Normandy Process, aspires to maintain regular contact between the political leadership of the Ukrainian and separatist sides, with participation from senior Russian, European and OSCE representatives. As with the Moldova-Transnistria process, the agenda can eventually include discussion of social and economic reintegration for the Donbas region and Ukraine, even as the political relationships enter a deep freeze.

The Ukrainian and separatist authorities also agree to create a Joint Control Commission (JCC) for facilitating military-to-military discussions, with Russia and the EU as observers, and with OSCE as the main facilitator. The purpose is to make sure the armed forces can communicate with each other to protect the civilian population, allow minimum transit of humanitarian supplies, and prevent minor incidents from spiraling out of control. The sides cannot agree, however, on admitting international peacekeepers to the conflict zone, and so the conflicting forces remain in dangerous direct contact with one another.

While civilians in and around the conflict zone regain relative freedom of movement and the ability to engage in trade and economic life, including travel from the separatist regions to the rest of Ukraine and Russia, most of the over 1 million refugees who fled the region do not return.\(^6\) The poor conditions in which many resettled refugees now live in Ukraine and Russia still seem better than the risks of returning to an unknown and possibly hostile reception in


\(^5\) OSCE overview of 5+2 process available here: http://www.osce.org/cio/119488

\(^6\) “Ukraine crisis has created more than 2 million refugees, UN reports,” *Euronews*, April 22, 2015, http://www.euronews.com/2015/04/22/ukraine-crisis-has-created-more-than-2-million-refugees-un-reports/
their home towns and villages in Donetsk and Luhansk. So much basic infrastructure and housing stock has been destroyed that most refugees correctly consider property they left behind to be a total loss—either destroyed, occupied by others who remained behind, or seized outright by the de facto authorities. Since the departures from Donbas included many of the region’s most highly educated and internationally connected citizens, their continued absence leaves a gaping hole in the already war-ravaged economy.

Thanks to limited Russian subsidies including free and heavily discounted gas and oil, social payments for veterans, pensioners, and the very poor, and emergency humanitarian aid from Russia, Ukraine, and the international community, the separatist regions are able to survive economically, even in formal isolation from the global economy.\(^7\) Coal mines, power plants and other critical infrastructure owned by Ukrainian and Russian companies continue to operate in the separatist regions with the explicit approval of local authorities, who recognize that they lack the capacity to nationalize the region’s industry and maintain the few critical private sector jobs it provides. Almost all consumer products and foodstuffs not produced locally are imported from Russia, but prices are more than double those in Russia and Ukraine because of extremely high corruption. Therefore, most residents of the separatist regions find it necessary to cross into Russia and Ukraine regularly for shopping trips or to supply their small businesses, and there is a diverse and growing black market trade on both sides of the border.

Officially, Moscow maintains the same position towards Donbas that it has had on Transnistria—that the separatist regions are and should remain parts of the parent country.\(^8\) In this way, Moscow claims that it respects Ukrainian territorial integrity and sovereignty. However, Ukrainians are alarmed at the frequent visits not only of middle-level Russian state officials to Donetsk and Luhansk, but of Russian nationalist politicians, who hold large rallies together with local authorities and separatist fighters, calling for reunification of former Russian Imperial territories under the banner of Novorossiya, or New Russia. The latter are not known to be organized or approved by the Kremlin, but are seen as a necessary pressure release valve for Russia’s hardline nationalists,\(^7\) Russian commentators with close ties to the Kremlin have proposed precisely these sorts of arrangements to provide ongoing economic assistance to the Donbas. See, e.g., Vitaliy Leybin and Valeriy Fadeyev, “My Ikh Ne Brosim (We Will Not Abandon Them),” Ekspert, June 9, 2014, http://expert.ru/expert/2014/24/myi-ih-ne-brosim/

who might otherwise turn on their own leaders in anger over economic conditions and Moscow’s failure to absorb the Donbas into Russia.

Ukrainians are also alarmed at Russia’s decision to establish small, consulate-type diplomatic presences in Luhansk and Donetsk, where local residents are invited to apply for official travel visas to Russia, or to surrender their Ukrainian passports in exchange for Russian citizenship. Following a precedent established over the past two decades in Transnistria, the Russian government frames its “passportization” policy in Donbas as a humanitarian gesture towards Russian speakers who ended up living outside Russia’s borders after the Soviet collapse. Russian officials describe it as particularly important to facilitate pension payments for elderly people in the region, including several thousand veterans of World War II, venerated by Russians as the Great Patriotic War. The Ukrainian side fears that Russia’s policy of providing passports to Donetsk and Luhansk residents is a prelude to outright Russian annexation, since protection of Russian citizens has been Russia’s stated justification for intervention and seizure of territory in the past, including in Crimea in 2014 and South Ossetia in 2008.

Although the Donbas conflict itself does not expand beyond the borders of the two oblasts, sporadic violent incidents continue to take place, targeting Crimea and other Ukrainian regions seen as vulnerable to Russian and separatist influence. Following the attacks on former Regions Party offices in Kharkiv and a bombing that cut power to Crimea in 2015, there are new attacks targeting an office and an apartment building in Odessa, plus bombings of vehicles belonging to former Regions Party officials in Kharkiv and Kyiv. Ukrainian authorities blame these attacks on Russian-backed terrorists and agents of the Russian security services; however, they do not identify individual perpetrators, and many Ukrainians speculate that the attacks are provocations staged as part of pre and post-election fights for political power in Ukraine.

In the remainder of 2015 and into 2016, the Ukrainian government stumbled along a well-worn path, maintaining the status quo on the Donbas conflict, partially implementing much trumpeted reforms, and suffering from continuing low public confidence. Western support for Ukraine, especially for President Poroshenko personally, and for the Yatseniuk government, prove critical for the government’s survival, since Western loans and high level pressure on private lenders prevent a default in 2016, which becomes a mild positive turning point for Ukraine’s longer term economic recovery. Still, the country is in desperate shape, as the grinding Donbas conflict taxes social capital reserves to the limit, human and physical infrastructure deteriorates throughout the country, and the people as a whole abandon their previous enthusiasm for sacrificing day-to-day welfare in the name of revolutionary change.

As expected, the October 2015 local elections served as a referendum on the first full year of the Poroshenko-Yatseniuk government. The results were not favorable for either the President or especially the Prime Minister, whose party did not even compete due to its extremely low support. The biggest beneficiary of Poroshenko and Yatseniuk’s relative decline is the Opposition Bloc, composed largely of former Regions Party politicians and their allies, and headed by former Yanukovych Deputy Prime Minister Yuriy Boyko. The Opposition Bloc and allied independent candidates win pluralities in six regions in the south and east.

Since the vote is a regional election only, and no other single figure emerges with a clear nation-wide mandate, President Poroshenko claims a de facto victory for his agenda, and continues with his national program of the preceding year. However, by late 2016, the frustration of ordinary people with the slow pace of reforms, the trickle of seemingly needless casualties from Donbas, and uncertain prospects for economic recovery result in plummeting government approval ratings, which creates opportunities for highly visible, although still relatively small, public protests in Kyiv and other major cities. As the inheritor of the Euro-Maidan legacy, President Poroshenko recognizes that he cannot ignore the growing discontent represented by the protests, so he takes steps designed to give the appearance of a major government shake-up, but which in reality strengthen his control over the national government.

12 Steven Kull, “The Ukrainian People on the Current Crisis,” Program for Public Consultation (Affiliated with the School of Public Policy at the University of Maryland) and Kiev International Institute of Sociology, March 9, 2015, http://www.public-consultation.org/studies/Ukraine_0315.pdf
The biggest symbolic gesture is the removal of Prime Minister Yatseniuk, whose personal brand and national clout have been so attenuated by the unpopular reform process and poor local election showing that members of his own bloc in the Rada signal their willingness to vote with Poroshenko against their leader. The role of high profile foreign “imports” in the government is increased dramatically, with the appointment of Finance Minister and former U.S. diplomat Natalie Jaresko as Prime Minister, and the promotion of several other foreigners from deputy minister to minister jobs, especially in the areas of state security and finance. These steps help strengthen Poroshenko’s control over key power centers in Kyiv, since the foreigners lack their own bases of political support, and are de facto members of the President’s bloc, even when they are formally independent non-partisan figures.

Former Georgian President and new Odessa Governor Mikheil Saakashvili is increasingly seen as one of Poroshenko’s key allies, and the architect of an elaborate strategy aimed at matching apparently liberal reforms with iron-fisted internal security and concentration of executive power. Together with the government shake up, Poroshenko reiterates Ukraine’s goal of applying for EU membership in 2020 and working with NATO leaders to develop a membership action plan in the same timeframe. Kyiv is undeterred in either undertaking by the lukewarm enthusiasm of most major European heads of state, who tell anyone who will listen that while they support Ukraine’s “European choice,” they hope to see much more concrete progress on its reform agenda and economic recovery before they would expect European governments to approve a concrete membership perspective.

Ukraine’s oligarchs—especially former governor Ihor Kolomoiskiy and Viktor Pinchuk, but even former Yanukovych allies Dmytro Firtash and Rinat Akhmetov—remain important power brokers, though their influence wanes relative to that of former midlevel players, such as the President himself, Lviv Mayor Andriy Sadoviy, and a handful of other individuals close to the government, whose business interests benefit despite the overall economic slump in 2015 and 2016. The political tabloids are filled with speculation about which Ukrainian or European moguls might be dating the President’s twin daughters Yevheniya and Oleksandra, since Ukrainians cannot help wondering

who might fill the role of the new “son in law,” a la Viktor Pinchuk, who in 2002 married the daughter of then-President Leonid Kuchma.\textsuperscript{14}

Although the promised constitutional reform process goes forward in 2016, it is seen by Ukrainians and international experts as largely symbolic. The key levers of power over budgets, appointments, and security forces are held exclusively in Kyiv, under direct authority of the Presidential Administration, and the reforms mainly shift public accountability for social services, education and infrastructure to the local level, without providing local councils with the ability to levy their own taxes or withhold transfers to the central government. The stunted constitutional reform is an indicator of Kyiv’s bristling hostility toward any attenuation of central control over its remaining territory.

Crimea remains a serious sore spot between Ukraine and Russia, with Ukraine pursuing claims against Russia in every available international forum, usually with the backing of the United States and Europe. Ukraine secures resolutions condemning Russia’s occupation of Crimea and intervention in the Donbas from various international humanitarian organizations, and lobbies hard against Russia at the United Nations, the International Olympic Committee, and FIFA, soccer’s global governing body, securing promises from several dozen smaller countries to boycott Russia’s hosting of the 2018 Football World Cup. As a result, trade relations between Ukraine and Russia plummet to almost negligible levels, and already depressed output in Ukraine’s most unreconstructed Soviet-era factories grinds to a halt, forcing several major metallurgical and machine building plants into bankruptcy.

Not surprisingly considering the continued downward spiral of the Donbas conflict, low overall confidence in the market, and a continuing debt crunch, the Ukrainian economy contracts once again in 2015, this time by over 5%, an improvement over 2014’s double-digit decline, but still a worrying sign.\textsuperscript{15} Signs of hope begin to emerge by late 2016, when most indicators point to growth of 2-4%, and a slow, steady turnaround in investment and job creation.\textsuperscript{16} Capital flight, however, remains consistently high, which retards both


investment and consumption in Ukraine. The main driver of Ukraine’s return to growth and relative stabilization in 2017 and beyond is continued IMF and Western government assistance in averting a debt crisis.

Another significant contributor to Ukraine’s return to growth is the European Union Deep and Comprehensive Free Trade Area (DCFTA), which comes into force from early 2016. The DCFTA promises duty free status for nearly 100% of Ukraine-EU trade by value, and proves especially beneficial for a handful of Ukrainian manufacturers that have made new capital investments in the past decade, such as Viktor Pinchuk’s Interpipe, and Arcelor Mittal’s KrivoiRizhStal. A majority of Ukraine’s manufactured and industrial exports are for the first time directed to the EU in 2016. Agriculture and food products are the other major beneficiaries of DCFTA, with almost half a billion Euros in total cuts to duties charged on agricultural and processed food exports from Ukraine, resulting in an immediate increase of nearly a billion Euros in exports to EU markets. Overall, these positive figures underscore a recovery of several billion Euros in Ukrainian exports, from a low point of near 17 billion Euros in 2014 to over 20 billion in 2016—still well below the pre-conflict high point, but significant considering the reorientation of the Ukrainian economy away from its traditional Russian and Eurasian markets.

Ukraine’s biggest liability remains the unresolved territorial conflict in the Southeast, not only because of the prospect of reescalation or larger scale war between Ukraine and Russia, but also because of its continuing severe impact on Ukrainian society. In the months and years following the ouster of Yanukovych, Russia’s annexation of Crimea, and the outbreak of fighting in the Donbas, Ukrainians’ initial euphoric patriotism is partially displaced by a feeling of humiliation and simmering resentment, directed largely toward Vladimir Putin and Russia, but also toward Ukrainian business and political leaders who are seen as having been complicit in weakening the country to such a state of vulnerability. This resentment is a ubiquitous X factor in Ukrainian politics, making every election or policy battle potentially explosive, since confidence in individual political leaders remains extremely low, and readiness to protest very high.

19 “First-Ever IRI Ukraine National Municipal Poll: Ukrainians Deeply Concerned Over Corruption; Remain Committed to Europe and Democracy,” International Republican
At the same time, divisions between Russian and Ukrainian speakers in Ukrainian society are exacerbated by the lingering tension and anger over the conflict with Russia. Ukrainians in the West and Center of the country are increasingly convinced of the need to sever all ties with Russia, not only in the modern political and economic sense, but in the deeper and more sensitive spheres of language, history and culture. Projects initially contemplated after the 2004-5 Orange Revolution and launched following the Euromaidan come into full swing in 2016 and afterwards, including the intense promotion of Ukrainian language and culture by schools, government offices and government-supported NGOs, and the rewriting of official Ukrainian history textbooks to confine the role of Russia and the Soviet Union to that of villain and oppressor, and to rehabilitate Ukrainian nationalist heroes such as seventeenth-century Cossack ruler Hetman Ivan Mazepa and World War II-era anti-Soviet fighter Stepan Bandera. All of these efforts enjoy the strong vocal and financial support of the Ukrainian diaspora in the West.20

Ukrainian society as a whole suffers from post-traumatic stress disorder, as veterans and victims of the Donbas conflict filter back into their hometowns and villages and attempt to reenter the working world. Frequent and high profile cases of gruesome domestic and workplace violence are mystifying to police and government officials, but are explained by psychologists as the consequences of a frontline mentality forced to transition immediately to peacetime conditions, with little or no support infrastructure available, despite the valiant work of NGOs and free clinics for veterans and their families throughout the country.21 A further destabilizing factor is the position of the more than one million internally displaced former Donbas residents, who now compete for jobs and social services with local residents, especially in Kyiv and in Eastern Ukraine. Despite the establishment of government agencies for refugee resettlement and social welfare, more than half of the IDPs are unemployed and stuck in temporary housing. Perhaps the single most dangerous factor in Ukrainian society post-2015 is the ubiquity of weapons and unaccountable armed groups. The proliferation of small arms from the closing days of the Euromaidan through the Donbas

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An Enduring Confrontation

Conflict has deepened and underscored a longstanding problem in Ukraine—the strengthening connections among weapons, political power and wealth. This troubling phenomenon is evident in alliances between so-called volunteer commanders and oligarchs, and renewed waves of “corporate raider” attacks on small and medium sized businesses. Some observers describe the situation in Ukraine’s regions as Ukrainian-style warlordism, which deepens the sense of insecurity among Ukrainians in the South and East, who are already uncomfortably close to the ongoing separatist conflict and the attendant lawlessness.

Russia

With the war in Donbas on a slow boil after 2015, and sustainable peace and reconciliation between Russia and Ukraine seeming increasingly improbable, there can be no face saving opportunity for either Russia or the West to back down from their mutually isolating trade, travel and financial sanctions. Of course, these measures damage the Russian economy far more than those of Europe or the United States, and combined with continuing low oil prices (well below the $80/barrel on which Russia’s long term budgetary welfare depends), plus Russia’s own structural economic dysfunction, growth is severely constrained. 23 2015 and 2016 both end with low single-digit GDP declines; however, prospects of growth reappear late in 2016 and into 2017, thanks largely to a slight increase in global energy and commodity prices, driven by Asian economic growth, and reorientation of the Russian commodity export sector to take fuller advantage of the still devalued ruble. 24 Although the Eurasian Economic Union (EEU) is in force from 2015 onward, investment across Russia, Belarus, and Kazakhstan remains flat, as all three major partners look to Europe and Asia for trade and investment opportunities.

Despite poor macroeconomic news, the Kremlin holds course on its planned military spending in 2016 and afterward, taking advantage of the relatively lower cost of purchasing domestic made military hardware and paying salaries with a devalued ruble. Plans to abandon mandatory military service for young men are put on hold, as Moscow recognizes the need for enough personnel to cover the country’s far flung security challenges, from the European front, to the Caucasus and Central Asia, to the Arctic. Instead, the General Staff of the Russian Armed Forces announces a new mobilization of conscripts to meet the threat of invasion by Ukrainian neo-fascists, which will entail extending all one-year service terms by six months. In practice, only those without better prospects and the financial resources to buy exemptions serve the additional time, however this nominal increase in manpower allows the military to increase deployments on several fronts.

Russia’s concerns with the continuing instability around the Donbas conflict have not diminished by mid-2016, and it is especially afraid of the spillover of heavily armed radical Russian nationalist groups into Russia itself. Accordingly, by the end of the year, Russia completes construction of a security fence along its border with the Donetsk and Luhansk separatist regions, which is nominally controlled by special border police units and sophisticated electronic surveillance. In practice, fighters, weapons and smuggled products of all kinds routinely cross between Russia and the separatist regions of Ukraine, and local militia commanders, regional officials, and enterprising businessmen make healthy profits from these illicit flows of people and goods.

Amid a renewal of Russia-NATO tension stemming from the Ukraine crisis, Russia pushes forward with its military modernization program, increasing forward deployments of missiles, vehicles, and personnel in Kaliningrad and across Russia’s Southern and Western military districts. These additional deployments are an attempt to match increases in NATO forces now stationed semi-permanently in Poland, the Baltic States, and Romania, and a rise in pro-NATO sentiment from Sweden and Finland. Although the Kremlin recognizes the high risk and relatively low reward of strategic bomber flights close to NATO airspace, these provocations continue as a way of reminding...

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Washington that Russia retains substantial power projection capabilities and should be taken seriously.\textsuperscript{27}

Though the war of words with NATO and distrust between Russia and the West drive increased militarization on the European front, the Kremlin’s main security worries are from the South. The North Caucasus region is restive, with limited flows of weapons and jihadis appearing to originate from Syria and Iraq. Chechen fighters and other Russian-speaking Muslims with experience fighting with ISIS, the Taliban and Al Qaeda, are clearly beginning once again to plot and execute attacks on Russian territory.\textsuperscript{28} Though the overwhelming majority of planned attacks are discovered and disrupted thanks to largely compliant and utterly brutal local authorities, plus the FSB’s extensive networks of internal security agents in the North Caucasus, Russian officials and well informed citizens live in fear of a successful major terrorist attack on a Russian population center. If such an attack were to occur with clear evidence linking the perpetrators to anti-Western groups in the Middle East, this could bring sufficient attention to the shared problem of radical Islam that Russia and the West would restore quiet counter-terrorism cooperation despite the stalemate on Ukraine.

Also in response to the threat from the South, Russia increases its military engagement in Central Asia, via the Collective Security Treaty Organization (CSTO) and bilateral agreements with Central Asian governments. Russian border control, counter-terrorism, and special operations forces are dispatched to train and assist local forces in Kyrgyzstan, Kazakhstan and Tajikistan, where Moscow and local elites share a concern about the increasingly uncontrollable security situation in Afghanistan after the withdrawal of US and NATO forces.\textsuperscript{29} The significant presence of Russian forces in the region also helps assuage concerns in Moscow and Astana about what may happen when the elderly Kazakh President Nursultan Nazarbayev, about whom constant health-related rumors swirl, finally leaves the scene.


In the Arctic, Russia’s refurbishment of military bases continues, and small numbers of special troops and naval assets are rotated into the region to demonstrate a strong Russian presence. Although Russia simultaneously mounts a concerted campaign to claim undersea resources on a continental shelf it claims extends from Russia to the North Pole, the Kremlin reiterates its commitment to free passage of all commercial ships over the Arctic sea route, and states that as the littoral power, it will take responsibility for maritime safety and rescue operations along the route. This is assurance enough for Chinese shipping companies CSCL, COSCO and Evergreen, which announce their intentions to divert significant amounts of China-Europe shipping to the Northern Sea Route during the three or more months per year when it is reliably ice-free.

Patriotism in Russian society is running high in the aftermath of the acute phase of conflict with Ukraine, and many Russians find appeal in the ethno-nationalist message adopted by the Kremlin. Although ultra-nationalists are highly visible in the Russian media, and are given frequent favorable coverage on state television, they do not enjoy any significant political power. Their role is analogous to that of the “show” opposition of the Liberal Democrats and the Communists in the Russian Duma—visible and vocal enough to remind the majority of Russians why they prefer Putin’s firm but pragmatic hand. Moreover, the state security services work to identify the most radical Russian nationalists and either coopt them, or send them to Donbas, where they can make trouble for the Ukrainians, or be “killed in battle” without too many


31 Russia’s 2002 continental shelf claim was rejected; Russia resubmitted it in August 2015, partly relying on data collected during expedition that planted Russian flag on sea floor below North Pole: Andrew E. Kramer, “Russia Stakes New Claim to Expanse in the Arctic,” The New York Times, August 4, 2015, http://www.nytimes.com/2015/08/05/world/europe/kremlin-stakes-claim-to-arctic-exppanse-and-its-resources.html

questions being asked. Dead heroes, Russian security experts advise, are far less threatening to state security than live radicals.

Observing what it considers a very effective Chinese model, the Kremlin asserts ever greater control over Russian media, including increasing internet censorship. This drive to control public discourse extends to universities and research institutes, where liberal-minded figures are forced into quiet retirement or exile abroad. This trend in media and the academy is symptomatic of society as a whole: “brain drain” rises to levels not seen since the 1990s as the so-called creative classes from Moscow and St. Petersburg pursue work opportunities abroad, the pro-Western intelligentsia depart for self-imposed exile, and ever more upper middle class workers nearing retirement age simply deploy their “golden parachutes” by taking up full time residence in their second homes in places like Finland, Latvia, and Bulgaria, returning to Russia only frequently enough to manage the sale of their cars, primary homes and dachas, and to cash their pension checks. Altogether, the years 2014 to 2016 witness more than a 100% increase in emigration from Russia compared with any preceding three-year period since the 1990s, and totaling nearly half a million people.

Despite negative long term indicators for economic and population growth, Russia does not give the impression of a declining power. President Putin is still very popular, with reliable polls reporting approval numbers well above

70%. Putin maintains a high public profile both within Russia and on the international stage, traveling frequently and giving bold, inspiring speeches about Russia’s historic destiny as a gatekeeper between Europe and Asia. Putin embraces his role as the defender of Russia against a hostile West, while preserving enough cooperation with other countries to appear statesmanlike and pragmatic—close observers say his preferred comparison is with the modernizing and expansionist Russian Emperor Alexander I, certainly not with Stalin or any other Soviet leader.

Public protests occasionally take place, but they are few and far between, and they are mostly small, not more than a few thousand people in Moscow and even fewer in other cities. Nothing comes close to the scale of the “White Movement” protests in 2011 and 2012, and the authorities aim to keep it that way, preemptively detaining individual dissident leaders, organizing large counter-demonstrations whenever an anti-government rally or march is permitted, and sponsoring a barrage of aggressive media reports designed to intimidate any ordinary citizen from taking part in an anti-government rally or meeting. Above all, the hand-in-glove partnership between the state security apparatus and the media succeeds in depicting opposition—whether leftist liberal or far right nationalist—as fundamentally disloyal and destructive to Russia.

With the wider world seeming increasingly bleak and dangerous to Russians, and the prospects of conflict with NATO rising thanks to the conflict in Ukraine, Russians are even less willing than ever to contemplate alternatives to Putin and his relatively stable system of government. Besides, Putin continues to play one individual or faction within his power circle against others, such that no single credible rival has emerged, although a small handful are seen as potential successors who could maintain basic stability within the system, were something to happen to Putin himself. While many of the most influential players in Putin’s inner circle remain largely unknown to the general public,

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the stars of Alexei Kudrin, Sergei Sobyanin, Sergey Shoigu, Igor Sechin and Sergei Ivanov are still rising, and all five are considered possible candidates for Prime Minister and constitutional successor to the presidency, should Putin decide to replace Dmitry Medvedev before or after his 2018 reelection campaign.

U.S.-Russian Relations

Thanks to a relatively healthy U.S. economy in the preceding year, the 2016 presidential primary and general election campaigns feature a more significant focus on foreign policy than in any election since the end of the Cold War. The most hotly debated foreign policy challenges are the still controversial Iran nuclear agreement, and the linked challenges of ISIS and radical Islamic terrorism. However, Russia and Putin are convenient bogeymen for candidates from both parties, who seek to out-tough each other in their commitment to “stand up to Putin.” As a result, the 2016 campaign features a rising chorus

42 The Russian public voted him “Person of the Year” (second to Putin) for the last three years, and the second most-trusted public figure (second to Putin) in April 2015: Ivan Nechepurenko, “Shoigu at 60: Russia’s Next President?” The Moscow Times, May 22, 2015, http://www.pressreader.com/russia/the-moscow-times/20150522/281487864937838/TextView
45 The 2016 race is likely to include a major debate over foreign policy per se, as distinct from homeland or national security as in past post-9/11 elections—2004 and 2008—not only because of the tumultuous state of geopolitical issues such as Iran, Syria, and Ukraine, but because of the high likelihood that the Republican candidate will be campaigning against Hilary Clinton, who is strongly associated with the Obama Administration’s foreign policy. See, e.g. Steve Inskeep, “Republicans Are Making Foreign Policy the Obamacare of the 2016 Election,” NPR, April 14, 2015, http://www.npr.org/sections/itsallpolitics/2015/04/14/399435501/republicans-are-making-foreign-policy-the-obamacare-of-the-2016-election
46 E.g. Hillary Clinton’s harsh rhetoric since leaving State Department: compared Vladimir Putin to Adolf Hitler, called out European leaders for being “too wimpy” in their dealings with him: (S.A. Miller, Hillary Clinton’s hawkish position on Russia troubles both sides of aisle,” Washington Times, June 9, 2015, http://www.washingtontimes.com/news/2015/jun/9/hillary-clintons-hawkish-position-on-
of Russophobic and anti-Putin rhetoric, punctuated by grandiose commitments to outdo the Obama Administration in aiding and arming Ukraine, and promises to welcome Ukraine, Georgia, and any other willing ally into NATO with open arms.47

Russia is further associated with other bad actors, including the Iranian, Syrian and North Korean regimes, becoming in effect the senior member in the new U.S.-designated “axis of evil.” Analysts explain that even though the Cold War style hostility toward Russia is not born out in concrete U.S. policies—the security and political situation in Eastern Europe remains largely status quo—Russia has become an ideal “Goldilocks” adversary in the collective national psyche. Whereas tough talk and concrete threats about Iran could complicate implementation of the still sensitive and controversial nuclear deal, possibly leading to an actual war, Americans assume that both Russia and the United States have sufficient incentives to avoid escalation to armed conflict, which could easily cross the nuclear threshold. Similarly, while insulting and demeaning the Chinese government could easily sour vital trade relations and lead to Chinese retaliation, US-Russia economic ties are so anemic that most American politicians see little to be lost or gained in relations with Russia. The bottom line is that in 2016, tough talk on Russia and Putin are just free political points, and the candidates seek to score them left and right.

To the younger generation of American voters, which has grown up entirely after the end of the Cold War, Russia is not even an adversary so much as a recurring punch line.48 Putin, rather than a second coming of Brezhnev, Khrushchev, or even Stalin, is seen as something more like Kim Jong- Un of North Korea—a vaguely disturbing but basically ludicrous autocrat who is

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much more threatening to his own people than to Americans anyway.\(^4^9\) This “Bond villain” portrayal of Putin and accompanying caricature of Russia becomes the dominant meme across social media and news sites popular with American millennials, underscoring a growing generational gap between them and their baby boomer parents, for whom the US-Russia conflict carries shades of the Cold War.\(^5^0\)

The result is that while middle-aged political and business leaders cut ties with Russia in compliance with trade and financial sanctions, young people give up altogether on already anemic travel and exchanges with Russia, which they see as an utterly unhip backwater in the modern world. Although eased visa rules for Russians and Americans agreed to after the Obama-Medvedev “reset” remain nominally on the books, in practical terms travel and exchange becomes all but impossible, as Russian institutions cease providing invitations to Americans, air carriers pare their service between the US and Russia back to an absolute minimum, and privately funded exchange programs close their doors.

Without progress on the Ukraine conflict, neither the outgoing Obama Administration nor the new administration entering office in 2017 can justify lifting U.S. sanctions on Russia. Rather, the sanctions continue as if on their own momentum, with inter-agency expert groups meeting regularly to recommend adjustments to the list of individuals and companies targeted.\(^5^1\)

One of the Obama Administration’s last acts in this area is to identify more than a dozen U.S. and European citizens and entities alleged to have assisted

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\(^5^1\) Jack Farchy, “US frustrates Russian oligarchs’ cat and mouse over sanctions,” Financial Times, August 9, 2015, http://www.ft.com/intl/cms/s/0/3a5326d0-3ce4-11e5-bbd1-b37be06f590c.html#axzz3iYchS4jy
Russian companies in evading sanctions, and to subject them to penalties. Not surprisingly, Russia retaliates asymmetrically in 2016 and 2017, adding U.S. manufactured goods and U.S. branded machinery, including passenger cars and trucks, to its list of prohibited imports. Though Russian businesses are further pinched, relying ever more on Asian imports, the measures have little effect on U.S. businesses, except to force the closure of several U.S.-owned manufacturing facilities in Russia itself.

The closures of prominent U.S. brands in Russia are described as temporary responses to the overall economic conditions in the region, but the signals are unmistakable: Russia has become a no-go zone for U.S. investment. The only exceptions are a few intrepid hedge funds that are prepared to invest in undervalued Russian companies, and some U.S.-based service providers with largely local employees in Russia, which operate in what they view as a legal gray zone, providing services to sanctioned Russian companies without per se helping them evade sanctions. Overall, sanctions are estimated to have cost the United States no more than a few billion dollars in lost bilateral trade with Russia, though U.S. energy companies are dissatisfied and deeply suspicious of what they view as a short-sighted policy that will only benefit European and Chinese competitors.

On the wider global stage, it is clear that the era of post-Cold War U.S.-Russian cooperation on global security has come to an end by 2015. Both Russia and the United States remain significant players on conflicts in the Middle East, developments in Central Asia, and other issues, but they cease to coordinate or even discuss common interests, and each instead pursues its own priorities, often in competition with the other.

This is most dangerous in Syria, where all efforts at a multi-lateral peace process founder on the poisonous U.S.-Russia relationship. Defying international conventional wisdom, Russia sustains and reinforces its air strikes in Syria throughout 2016 and—with Moscow’s help—President Bashar al-Assad clings to power. In mid-2016, the United States reluctantly decides to establish a no-fly zone in northern Syria, which Moscow repeatedly challenges with very brief but dangerous incursions. Russia reciprocally declares two smaller no-fly zones around Damascus and Latakia. Despite symbolic strikes against ISIS in the aftermath of the November 2015 terrorist attacks, Moscow resumes its bare support for Syrian Army operations.

Syria and broader differences in U.S.-Russia relations derail earlier hopes for an era of steep U.S. and Russian nuclear reductions, and non-proliferation cooperation. A concerted global effort to control and eliminate fissile materials
is in a deep freeze by mid-2016. The 2012 New START agreement between Moscow and Washington is seen as an accomplishment from a bygone era of cooperation, however it remains in force and inspections continue in the mode of Cold War arms control agreements. The treaty maintains effective limits on nuclear buildups by either side, providing a limited measure of transparency; however, there is no trust between the two sides and arms control ceases to be viewed as a foundation for improvement of the relationship more broadly or for work on other cooperative endeavors. In the dominant U.S. perspective, there is no point in dialogue with Russia on arms control or any other issue, because the Putin regime cannot be trusted, as it has demonstrated repeatedly in the Ukraine conflict and in Syria. Even if some agreement could be reached, Americans are largely convinced that Russia is a declining and increasingly irrelevant power, so few in Washington believe it has much of a role in solving big international problems, except as a potential spoiler.\footnote{Russia seen as a declining power on the left and right: Richard Weitz, “Can We Manage a Declining Russia?”, Hudson Institute, November 2011, https://www.aei.org/wp-content/uploads/2011/12/-can-we-manage-a-declining-russia_152701899417.pdf; Joseph Nye, “The Challenge of Russia’s Decline,” Project Syndicate, April 14, 2015 http://www.project-syndicate.org/commentary/russia-decline-challenge-by-joseph-s--nye-2015-04}

The US-Russia Bilateral Presidential Commission (BPC), launched in 2009 as a reincarnation of various longstanding institutions for managing cooperative undertakings from public health to energy efficiency, is fully dead by 2016.\footnote{The following notice now appears on the official State Department website of the BPC: “In response to Russia's ongoing violation of Ukraine's sovereignty and territorial integrity, the United States has temporarily suspended several projects and meetings planned under the auspices of the U.S.-Russia Bilateral Presidential Commission (BPC). Funding for these activities has instead been used to contribute to a package of U.S. assistance to Ukraine, which is supporting economic reform and addressing other pressing needs, including combatting corruption and recovering stolen assets.” http://www.state.gov/p/eur/ci/rs/usruussianbpc/} There have been no formal or informal working group meetings for over two years, and many of the officials who developed personal ties over the Commission’s previous four years of work have left government—undermining the BPC’s founding vision that Americans and Russians would always know whom to call on the other side. Even in international space cooperation, where the United States remains dependent on Russian launch vehicles to access the international space station, cooperation is reduced to an absolute minimum, and both sides pursue future space technologies in isolation from one other.

\begin{center}
\textit{An Enduring Confrontation}
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One beneficiary of the chilly atmosphere with Russia is the U.S. Department of Defense, which finds ready support for its budget requests in the Congress, and accordingly awards new procurement contracts to the U.S. defense industry. Thinking within a renewed Cold War framework helps to justify acquisitions of astronomically expensive new weapons platforms, including a new generation of nuclear powered aircraft carriers for the Navy, and a new main battle tank for the army.\textsuperscript{54} In an era of ever smaller and more autonomous weapons systems, and smaller and more flexible military units, these large-scale expenditures are seen as a windfall for the US defense industry, which returns the favor with huge soft money donations to both parties in 2016 and beyond. Still, spending increases are not adequate for simultaneous efforts to balance both Russia and China militarily and to pacify the Middle East.

U.S. military spending is not only for homegrown products, services and personnel. Fearing Russian, Iranian and Chinese “encroachment” in U.S.-dominated regions from Latin America to the Persian Gulf, Congress and the White House become more inclined to supply weapons and provide training and advisors to small states that espouse “American values.” The path to U.S. military assistance begins to look much as it did during the Cold War: a small state need only stake out an uncompromising position against its larger neighbor and adopt pro-American rhetoric, even without any genuine commitment to U.S.-style democracy.

In another blast from the Cold War past, the UN Security Council grinds to a halt as Russia and China routinely veto US-sponsored resolutions on managing regional security crises, and the US and its European allies return the favor by blocking Russian and Chinese resolutions on respecting state sovereignty. As a consequence, inter-ethnic and regional skirmishes more easily expand into armed conflicts between and within states, fueled by weapons and advisors from outside powers, especially the US and Russia. Although both the outgoing Obama Administration and the new US President speak about the need to promote diplomatic settlement of longstanding regional conflicts, the warring parties themselves recognize the new dynamic between the US and Russia as an opportunity to create facts on the ground by force.

Russia and Europe

Relations between Europe and Russia continue to suffer not only from the negative status quo in Ukraine, but from Russia’s unconvincing economic prospects, which limit the incentives of EU companies to push for restoration of normal trading ties, and from continuing deterioration in US-Russia relations, which constrains the EU from full engagement with Moscow on a political level. Although the EU sanctions are twice renewed in 2016, there is no drive to expand or update the lists of sanctioned individuals and entities to match the more dynamic US approach to sanctions. Some European companies become adept at skirting sanctions to make limited investments in specially created Russian entities not included on the sanctions lists and to conduct business even with Russian state companies via third parties and intermediaries. Of course, these maneuvers are easily exposed in the press, and the EU’s loose compliance with its own sanctions becomes one more political controversy among European governments, along with the continuing migration and Eurozone financial crises. Still, EU political solidarity on Russia holds through 2017, and the dominant view is that no concessions will be made without progress on Ukraine.

The entry into force of the EU DCFTA with Ukraine in 2016 opens up only very limited and gradual investment by European firms in Ukraine. However, trade volumes increase, and the number and visibility of Ukrainian firms doing business in Europe also rises, deepening the feelings of many Europeans that Ukraine is, in fact, a European country. Although feelings towards Russia are far less accommodating, enhanced EU-Ukraine trade reminds European businesses and political leaders of the potentially great value of Ukraine as a bridge to the large Russian market if free trade could be restored between the former Soviet neighbors.

Compared with their American counterparts, European leaders are milder in their criticism of Russia, and they almost entirely avoid personal demonization of Vladimir Putin. They continue to meet with Putin and other Russian officials in bilateral summits and in multilateral forums where contact is unavoidable, such as the UN, the G20, and the IMF/World Bank meetings. They produce no results. More broadly, there is no appetite for new initiatives, such as the now defunct EU-Russia modernization partnership, as the EU’s institutional focus has turned almost entirely towards better integration of its

existing and impending members in the Balkans and Southern and Eastern Europe in general. Although this leads to considerable intra-EU tension, it proves vital for Europe’s long-term political health and institutional stability.  

In view of the festering Ukraine conflict, European states are more convinced than ever that they must keep their U.S. allies actively engaged in European security. Since Americans no longer see any positive incentive for U.S.-Russian cooperation, this becomes a case of Europeans preaching to the choir about the Russian threat. Thus, NATO is once again seen by all European states as the dominant instrument for collective security and stability, and the EU’s vaunted post-Lisbon common security and foreign policy is refocused on addressing challenges such as migration, counter-terrorism and cyber security, as well as forays into global initiatives on these topics. Russia’s borders with EU countries such as Poland and the Baltic states are increasingly militarized and sanitized, although trade and travel continue between Russia and the EU. Rather than closed borders as in the Cold War, the situation is reminiscent of Europe’s sea borders with North Africa, or the United States-Mexico border, where neither side harbors serious expectations of armed conflict, but there is strong public pressure to prevent infiltration by undesirable elements, or a spillover of the Ukraine conflict into the EU itself.

One of the most significant developments in the EU-Russia relationship is thanks to the accelerating flow of Russian migration, “brain drain” and capital flight in 2014-16. Tens of thousands of Russian economic migrants and quasi-refugees relocate to major European cities such as London, Berlin, Amsterdam and Paris, provoking uncomfortable local political dynamics. On the one hand, Russians have been a common sight in the EU for more than a decade, and private Russian wealth was a critical buoy for real estate prices and overall economic growth in European cities and resort areas before, during, and after the last financial crisis. On the other hand, local residents have trouble distinguishing between ordinary successful Russians, including the

56 “EU enlargement: The next seven,” BBC, September 2, 2014,  
http://www.csmonitor.com/USA/Foreign-Policy/2014/0904/NATO-summit-Pugnacious-Putin-provides-new-purpose-for-alliance-video  
58 “The Russians Are Coming: NATO’s Frontier,” Vice News, July 24, 2015,  
vicehttps://news.vice.com/video/the-russians-are-coming-natos-frontier  
59 Economic Development Ministry: $110b net outflow for 2015; nearly $40b decrease over 2014: “$110 Billion Expected to Flee Russia This Year as Sanctions Bite,” The Moscow Times, May 28, 2015,  
exodus of the anti-Putin liberal intelligentsia and creative classes who have settled among them, and the beneficiaries of the Putin system who are taking advantage of European cities as havens for their ill-gotten gains. While there is some sympathy for the former group, the latter is a natural and convenient extension of the Putin bogeyman for increasingly nativist European politicians. 60

This tension is made worse by the Kremlin’s efforts to exploit the vast Russian diaspora in Europe to meddle in European politics. 61 There are now so many Russians living legally in Europe that it is child’s play for the Russian security services to infiltrate operatives into social and civic organizations, businesses, and even European governments. Although many such agents are caught and quietly returned to Russia or sent to third countries, European governments have no effective tools against overt pro-Russian “agents of influence” in their midst, who with direct or indirect financial support from Moscow, engage in grassroots and media activism designed to discredit individual European politicians, promote Russian interests, and generally “stir the pot” of dissent and unrest in hopes of weakening European unity on Ukraine, Russia, and related issues.

For all the perceived and real Russian influence in Europe, what does not occur is the nightmare scenario of “little green men” appearing in Eastern Estonia or Latvia, or on Poland and Lithuania’s borders with Kaliningrad. Of course, fears of such Russian-backed hybrid operations against the EU’s eastern flanks drive new waves of patriotism and even reactionary nationalism in Poland, the Baltic states, Romania, and elsewhere. However, in Latvia and Estonia, reason eventually prevails, and representatives of the dominant political parties and ethnic Russian community leaders come together to discuss what can be done to promote better social harmony and integration of Russian-speakers with the ethnic Estonian and Latvian population.

Although the formal constitutional requirements for citizenship are not changed, in 2016, first Tallinn and then Riga announce that the government will facilitate full voting citizenship status for any current citizen who can prove

their local residency for 25 years. Recognizing that these gestures will affect at most a few thousand pensioners but win significant goodwill from the Russian population and the rest of Europe, the two governments bite the bullet and end a quarter century of legalized discrimination against Russian speakers, while in the process shoring up their own security against potential pro-Russian separatism.

Russia and China

In the aftermath of the Ukraine crisis, the ongoing Donbas conflict, and deterioration in Russia’s ties with the West, Moscow turns increasingly to Beijing for political, economic and strategic partnership. It is in most respects an ideal match—Russia brings geopolitical savvy, considerable military resources, and reinforcement of China’s voice in important international forums, while China offers vast economic potential, manpower and a ready rejoinder to the triumphalism and moralizing of the West. While the Chinese appreciate this opportunity to improve their relations with their large and resource-rich northern neighbor, they remain wary of appearing to take Russia’s side too ardently or often, and thus alienating their principal trading partners in Europe and the United States.

Relations between Putin and Chinese President Xi Jinping grow ever closer in the years following the breakdown over Ukraine. Both men are popular and charismatic, viewed by their respective populations as transformative leaders, and they each see mutual benefit in supporting one another publicly. Even as Xi comes into his own as a leading international player in the late 2010s, while Putin struggles to maintain his personal momentum and brand after nearly two decades at Russia’s helm, the relationship is still necessarily one of mutual respect between relative equals. Still, Xi recognizes that he has the upper hand in the relationship, since Russia is by far poorer, weaker and more isolated, and he seeks to preserve that advantage by stopping short of joining in any Russian behavior he perceives as too overtly anti-Western. Instead, he uses the continuing development of Chinese-led Eurasian institutions around his signature “one belt one road” initiative to coopt Russia and its former Soviet neighbors into de facto endorsement of the new Chinese regional and global leadership role. Lacking other significant international partners, Moscow unhappily swallows China’s expanding influence in Central Asia despite its long-term threat to Russia’s role there.

With a view to hosting the 2022 Winter Olympic Games in Beijing, Xi launches a concerted effort to avoid what he views as Russia’s embarrassment and isolation at the 2014 Sochi Winter Olympics.\footnote{Frances Weaver, “The many, many problems of the Sochi Olympics,” The Week, January 27, 2014, http://theweek.com/audio/452179/many-many-problems-sochi-olympics} He well understands that China’s best hope of emerging as the clear global leader in the 21st century is to keep the established international players, most of all the United States, fully engaged in a mutually beneficial relationship.

Accordingly, China invites U.S. experts to collaborate with Chinese officials and companies on infrastructure projects for the games, and even hires Western security consultants to develop plans for crowd control and preventing potential acts of terrorism or disruptive protests, a clever means of neutralizing at least some likely Western critics.


Joint Russian-Chinese infrastructure investments are not limited to the energy sphere. Long-discussed special preferences for Chinese investors in Siberia and the Far East are signed into law by President Putin in 2016, and Chinese companies begin construction of transportation and manufacturing infrastructure in Siberia itself, extending the reach of Chinese business hundreds of kilometers beyond the border cities such as Blagoveshchensk/Heihe that have traditionally witnessed most Russian-Chinese interaction. In the Transbaikal region, a Chinese company sets up
farming operations to grow root vegetables, sugar beets and cereal grains, under the terms of a half billion dollar fifty year deal.  

Similarly, preferable terms are extended to small- and medium-sized Chinese manufacturers setting up shop on the Russian side of the border to produce textiles and light manufactured consumer goods for the Russian and region-wide market.

The Chinese move swiftly to take advantage of these preferential investment terms in 2016 and 2017, encountering their biggest obstacle not in the harsh Siberian climate or limited infrastructure, but in the shortage of reliable skilled labor. When the Russian government passes laws suspending quotas on Chinese migration to help supply labor to the Chinese-led Siberian and Far East industrial development zones, this unleashes a minor maelstrom of localized protests, including campaigns by Siberian politicians and local business elites to block what they view as a Chinese invasion. But Moscow remains resolute, and keeps a lid on local discontent through a combination of cracking down on, or buying off, the most vocal protest leaders, while local officials easily identify opportunities to siphon corrupt payments from the new businesses setting up shop in their jurisdictions.

At the same time as it cuts deals with Chinese investors on the local and national levels, the Russian government endorses symbolic measures to constrain Chinese influence in Russian society, media and politics. In 2015-16, Chinese state-sponsored Confucius Institutes in Russian cities are labeled foreign agents and undesirable organizations and forced to close their doors, just as pro-Western liberal groups have had to do throughout Russia since 2011-12. Chinese TV and radio are also banned from the Russian airwaves. Ironically, the decision is enforced by censoring streaming signals on the internet just as the Chinese have done for more than a decade, and by using the same blocking technologies in the Far East and Siberia that are deployed against Western broadcasts in European Russia. Thus, while Russia views energy trade with Beijing and Chinese infrastructure investment as top priorities, it is no more welcoming of political and social influence from China than it has been towards that of the West.

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In the security sphere, Russia and China launch a series of muscle-flexing joint exercises from 2015, designed to remind the United States and its NATO and Asian allies that together, the Russians and Chinese can project considerable power from one end of the vast Eurasian landmass to the other, and in all the world’s oceans. In May 2015, Russian and Chinese ships undertake joint exercises in the Mediterranean, which are quickly followed by August 2015 air and sea exercises in the Sea of Japan, and an early 2016 joint exercise in the South China Sea. Although they are formally described as defensive exercises and simulated disaster response deployments, the clear purpose of these joint military maneuvers is to signal to the United States that in case of a conflict over Taiwan, Russia could support China, making a U.S. response far costlier, if not impossible. Shaken by the implications of this exercise, Taiwanese voters overwhelmingly support a conciliatory position toward China, forcing even the most ardently anti-Beijing politicians to tone down their pro-independence rhetoric.

In Central Asia, where Russia has scaled up its military presence since 2014 under CSTO auspices, Beijing and Moscow establish a modus vivendi based on separate but complementary spheres of influence, at least for the time being. China recognizes that Russia will be the dominant security and political player in the region, at least for the foreseeable future, although Beijing enjoys good bilateral relations with each of the regional governments. Likewise, Russia recognizes China’s growing economic preeminence in the region, and embraces a nominal vision of linking the Eurasian Economic Union’s single trading area with the series of trade and investment agreements that constitute Beijing’s “one belt one road” strategy across the region. As a beneficiary of the new wave of Chinese regional trade and investment in Siberia and the Far East, Russia is reluctant to upset the apple cart, even as some analysts bitingly comment that Moscow has allowed Beijing to achieve exactly the type of


73 “Russia, China agree to integrate Eurasian Union, Silk Road, sign deals,” RT, May 8, 2015, http://on.rt.com/dhhhios
political and economic hegemony in Central Asia that it feared the EU would have in Ukraine.\textsuperscript{74}

Although the China-Russia entente appears far more stable and substantive by 2016 than many Western observers had predicted, it does not offer much in the way of a global vision, nor does it live up to Russian hopes of attracting other significant countries to join a new anti-Western alliance. Instead, Russian-Chinese cooperation is focused on a few key spheres of mutual interest, such as development of Siberian energy resources and cross-border trade and investment, plus mutual back scratching in the security sphere. When it comes to addressing longstanding or urgent global challenges such as the risk of a new North Korean nuclear crisis, or the threat of Islamic State terrorism, Beijing and Moscow are most often grudging observers, and sometimes even reluctant partners in Western-led multilateral responses. This abdication of global ambition reflects both Russia and China’s preoccupation for the foreseeable future with shoring up their own positions of regional dominance andremedying their most pressing domestic political and economic vulnerabilities.

Conclusion

The failure of the Minsk agreements to deliver a lasting settlement to the Donbas conflict is a final straw in relations between Russia and the West that had followed a rollercoaster of disappointed expectations and strategic drift throughout the post-Cold War period. The Donbas region and Ukraine settle into a dangerous but established pattern similar to other post-Soviet frozen conflicts, and this negative new reality infects relations among Russia, Ukraine and Europe. Though Ukrainian politicians trumpet their reform agenda and encourage widespread anti-Russian views, politics in Kyiv basically amounts to business as usual, and Ukraine’s economy recovers slowly thanks to continuing Western support.

Neither side in the geopolitical contest for Ukraine realizes the ambitious visions for regional economic integration developed over the preceding decade, as relations between Russia and Europe are increasingly characterized by mutual mistrust and hedging, even as basic trade, diplomatic, and people-to-people interactions continue. The role of the growing number of Russians who move themselves, their families, and their economic potential to Europe

proves especially important, with both positive and negative consequences for EU-Russia ties.

Although hostile rhetoric between Washington and Moscow rises to levels not seen since the Cold War, neither side pursues active confrontation. Instead, Americans and Russians increasingly convince themselves that they are better off without one another, which for Washington tracks with the widely held view that Russia is in terminal decline, and for Moscow underscores a renewed commitment to partnership with China.

For the Chinese, Russia’s interest is a welcome opening, spurring not only major energy deals and attendant infrastructure construction, but expansion of trade and investment in Siberia and the Russian Far East. Each Chinese investment brings Russia closer into the embrace of China’s own regional economic integration vision, President Xi’s signature “one belt one road” initiative. By the end of the decade, it becomes clear that Xi and China have been the biggest winners from the Ukraine conflict and the deterioration of relations between Russia and the West. When praised for his strategic foresight in outmaneuvering both Russia and the West, Xi channels Zhou Enlai’s famous quip about the outcome of the French Revolution—“it’s too early to say.”
CONCLUSION

PAUL J. SAUNDERS

Whether or not one views each particular event described in the three preceding scenarios as probable or improbable, the narratives demonstrate that the future evolution of the U.S.-Russia relationship is far from preordained and that it could have profound implications for U.S. national interests.

Most troubling are the potential consequences should America’s interactions with Moscow get worse. Yet, as difficult as it might seem, the relationship could also get better, with some more favorable consequences for U.S. interests. The scenarios are especially useful in suggesting some of the factors that may be most significant in shaping how U.S.-Russia relations evolve. U.S. and Russian decisions are very important but will not be the only drivers—other factors will affect the environment in which leaders in Washington and Moscow make decisions.

The scenarios self-evidently do not reflect the full range of possibilities in the U.S.-Russia relationship. Most notably, they do not include a slide into direct conflict—a danger of which many have warned—that could result from escalation in Ukraine or, perhaps, from events in or around Syrian airspace. Neither do they incorporate a return to the pre-Crimea status quo, much less to the level of cooperation early in the Obama administration’s “reset.” Nevertheless, the narratives do effectively sketch out some of the principal pathways between these two extreme boundaries.

All three scenarios underscore the centrality of the current dispute over Ukraine to the U.S.-Russian relationship. This is hardly surprising, in that disagreements about and competition over Ukraine catalyzed the collapse in U.S.-Russia ties. However, the scenarios also illustrate the degree to which U.S. and Russian policy, and thus relations between the countries with the world’s two largest nuclear arsenals, have come to depend upon developments in Ukraine that are largely beyond their control.

Most important among these is of course the ability of Ukraine’s government and the Donbas separatists to reach a mutually satisfactory and sustainable political agreement. While Washington and Moscow can exercise influence over the parties, and each appears to have done so to some extent, neither is able to encourage both sides to make a deal. Further, since the United States is not playing a leading role in talks with Russia on this issue, and has sent mixed messages to Ukraine by encouraging a settlement but also creating
incentives for a harder-line approach, America and Russia cannot effectively facilitate an agreement through cooperative management of the dispute.

Indeed, Washington’s approach relies upon Moscow imposing a settlement on the separatists on Kyiv’s terms. To the extent that the United States attempts this without applying much greater pressure on Russia, with all the risks that would involve, the Obama administration’s strategy is unlikely to succeed. This makes some form of “frozen conflict” more probable and, ironically, makes “Ukraine fatigue”—Western frustration with Ukraine’s complex and costly challenges, especially its slow progress toward necessary reforms—more probable too, by extending the time period during which Kyiv requires extensive external support.

“Ukraine fatigue” is most significant in Nikolas Gvosdev’s scenario, in which it contributes to willingness to acquiesce to a less-than-satisfactory resolution of the Donbas conflict, particularly in western and southern European capitals. Conversely, in Matt Rojansky’s scenario, Ukraine’s increasing integration into Europe contributes to a long-term confrontation between the West and Moscow. Interestingly, in Sam Charap’s relatively positive scenario, “Ukraine fatigue” has its greatest impact inside Ukraine itself, producing a political realignment that facilitates a political settlement in the Donetsk and Luhansk conflicts.

The scenarios also illustrate the widely-acknowledged role of trans-Atlantic relations and unity (or the lack of it) within NATO and the European Union. This is most dramatic in Nikolas Gvosdev’s description of a breakdown in Europe’s consensus toward Moscow that also divides Washington from some of its close allies, reducing solidarity to a rhetorical device rather than a practical guide to policy. Europe also plays an important part in the other two scenarios, however, whether in pulling the United States and Russia toward one another in Samuel Charap’s new modus vivendi or in reinforcing America’s strong reservations about Moscow in Matthew Rojansky’s long-term confrontation. Notably, even in the latter scenario, Western European governments continue to seek greater engagement with Russia than the United States.

For Washington, the modus vivendi and confrontation scenarios usefully present America’s strategic choices in dealing with Moscow as well as the strategic consequences that flow from America’s definition of the greatest threats from Moscow. In Samuel Charap’s scenario, U.S. policymakers determine that America will be in a better position to manage the risks of Russia’s unsustainable domestic economic model, and its potential impacts, if the
Conclusion

United States and Russia reestablish a wary but functional bilateral relationship. Conversely, in Matthew Rojansky’s scenario, U.S. leaders seek to exploit those weaknesses to force Russian policy concessions on Ukraine.

These two alternatives appear in part to stem from fundamentally differing views of the preeminent dangers to U.S. national interests that Russia presents. For example, a strategic decision to avert a sustained confrontation with Moscow would likely emerge in no small part from concerns over the dangers of instability in one of the world’s largest nuclear powers (as in Charap’s scenario) or, alternatively, over the dangers of escalation that could lead to direct conflict, with the possibility that Russia (the weaker party) could use or credibly threaten to use nuclear weapons. Conversely, a strategic decision to confront Russia relies on minimizing these dangers. From this perspective, America’s foreign policy experts and commentators have already re-started Cold War era debates.

Yet, today’s rivalry with Moscow is far different from the Cold War—among other obvious changes, Russia is not even pretending that it could successfully export its political and economic model. More significantly, however, the international system is no longer bipolar—it is far more complex. Thus, the United States must manage not only Russia’s assertiveness, but also China’s expanding economic and military power and wider shifts in the contours of the global economy that strengthen larger developing countries and fuel dissatisfaction with post-World War II institutions.

At the systemic level, America’s two broad options in its policy toward Russia seem to rest upon divergent assessments of the Russia-China relationship and its possible longer-term implications. Those recommending tougher measures, such as arming Ukraine and intensifying sanctions, typically argue that Moscow and Beijing have too many strategic differences to cooperate against the United States; those calling for efforts to avoid a deeper confrontation—while protecting core U.S. interests—find their possible collaboration more plausible and more disturbing.

Matthew Rojansky’s confrontation-oriented narrative concludes by singling out the potential strategic benefits to China of an extended U.S.-Russia rivalry that curtails Moscow’s economic and political engagement with the West. Notwithstanding enduring mutual suspicion, Samuel Charap’s de-escalation illustrates some possibilities to stabilize the European security environment, which would in turn allow the United States to focus on other challenges, including China. The eroding Atlanticism in Nikolas Gvosdev’s scenario suggests not only how difficult it might be to sustain U.S.-European efforts to
isolate Russia over time, but also that in the absence of Europe’s essential support, Washington could be hard pressed to maintain support among other key allies—especially Tokyo, where leaders see much greater threats from China than from Russia.

As a practical matter, it is almost surely a mistake to the future of the Russia-China relationship in binary terms of cooperation or competition—their interaction already includes, and is likely to retain, elements of each. Most visibly, Moscow and Beijing frequently cooperate in the United Nations Security Council to restrain what they view as dangerous U.S. foreign policy initiatives even as they compete for influence in Central Asia behind the façade of their shared membership in the Shanghai Cooperation Organization. In East Asia, Russia’s on-again off-again efforts to cultivate Japan cannot but frustrate Beijing. Yet Moscow’s resumption of high-tech arms sales to China, including the advanced S-400 air defense missile system, will demonstrably improve China’s anti-access area-denial capabilities.

At the same time, both Russia and China clearly value their relationships with the United States and are reluctant to “choose sides” in an irreversible manner. Russia’s economic and military cooperation with China was comparatively limited until America and the European Union imposed economic sanctions as well as political efforts to isolate Russia. Since then, China has not been prepared to support politically or subsidize economically Moscow’s confrontation with the United States and the West; new energy deals have been on commercial terms that appear more favorable to China. Yet the two governments increasingly appear to have a shared interest in new rules of the game in the international system that provide them with what they see as the prerogatives of major power status.

Moscow’s intervention in Syria—an unprecedented move for post-Soviet Russia—is especially interesting from this perspective, in that it shows Russia’s continuing interest in working with the United States (though so far on terms undesirable to the Obama administration). Prior to sending ships, aircraft and troops to Syria, Russia made a sustained effort over a period of months to build an international coalition including the United States and its allies. Before ordering airstrikes, Vladimir Putin personally attempted to persuade President Obama to join his effort in their meeting at the United Nations General Assembly. Given the limits to what his country can accomplish on its own in Syria, the Russian president may well have displayed some flexibility if the United States had engaged on this issue (where U.S. policy has also been short on successes). This suggests that in a different political environment,
Washington may have been better able to align Moscow’s actions more closely with its own preferences.

That said, today’s political environment—and the profound distrust that underlies it in both America and Russia—is the one we are living in and the one that the Obama administration and its successor must manage. Yet distrust is far from the only problem; Washington and Moscow are increasingly defining their national interests in ways that make a conflict more likely rather than less.

Vladimir Putin’s Russia is intent on global great power status. This inherently requires sufficient security and stability in Russia’s immediate neighborhood to permit Moscow to devote attention and resources to international rather than regional affairs. And from Russia’s perspective a secure and stable neighborhood is one in which former Soviet states to its west and southwest do not challenge Russian foreign policy preferences and those to its southwest and south have strong leaders capable of suppressing (or at least containing) violent extremism.

For its part, the United States has defined its national interests in ways that are nearly opposite this. Washington wants Russia’s neighbors to be independent but measures their independence in their opposition to Moscow. In supporting their independence, America thus supports their opposition too. Similarly, U.S. officials see greater stability in democracy than strong leaders and, in supporting democracy, undermine systems and individuals that Russian officials see as broadly friendly bulwarks against terrorism.

This difference of opinion is so significant because Russians generally consider their nation’s great power status and the regional security and stability it requires as existential or near-existential matters. This view is not unique to Russia; the United States, the European Union, and China are all simultaneously attempting to impose their particular conceptions of security and stability on their neighbors in their own ways. However, only Washington has sufficient power to have largely succeeded in this task. The areas where these approaches collide—Ukraine, Syria, and the South China Sea—are the greatest points of tension in the world today.

In fact, a sizable share of America’s foreign policy elite have come to view Russia’s role in Ukraine as existential due to broader concerns about the future of Europe. Unfortunately, collisions between leading states involving existential issues can be quite dangerous, especially when many of the parties possess nuclear weapons. Trying to avoid those collisions, or at least to
minimize the resulting damage to vital U.S. national interests, is a good reason to look ahead at the road we are on.
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