

# Russia's Influence on Europe

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**The transatlantic community awoke on March 18, 2014, to a strategic surprise: the Russian Federation, a “strategic partner” of the European Union, had formally annexed Crimea.**

This was an event not seen since Adolf Hitler annexed Austria in 1938. On that same day, Vladimir Putin articulated a new guiding doctrine for Russian foreign policy, stating that Moscow will preemptively act to “protect” ethnic Russians wherever they live. This policy became reality as Russia quickly moved to destabilize eastern Ukraine in support of pro-Russian separatists.

The post–Cold War era and order has come to an abrupt end. We have yet to identify what this new period will bring. What does the future hold and how should the transatlantic community respond to Russian malfeasance in its neighborhood? What are Putin’s long-term intentions? How do regional leaders perceive Russian actions? What transatlantic policy responses will be most effective with regard to sanctions, energy, civil society, and defense? Perhaps most importantly, can Europe and the transatlantic alliance hold together despite Russia’s pervasive economic and political influence within the European Union?

As this collection goes to print, the Russian flag still flies over Simferopol, the capital of Crimea; the conflict in Ukraine’s Donbas region is now Europe’s latest and greatest frozen conflict; and the United States and Europe have yet to fully address the growing threat that Putin’s revanchist ambitions pose.

When Central and Eastern Europe threw off the Communist yoke and the Soviet Union collapsed, Europe and the United States transformed their Soviet policy of isolation and containment to one of political and economic integration with the Russian Federation. This approach had been largely successful over the past 25 years. Russia joined the Group of Eight (G8) in 1998, the World Trade Organization in 2012, and was considered for membership in the Organization for Economic Cooperation and Development (OECD). In the past 10 years alone, the value of Russia’s global trade has





nearly quadrupled from \$210 billion in 2003 to \$802 billion in 2013. Last year, Russia's trade with the EU represented 48.5 percent of its total. Although U.S.-Russian trade ties remained subdued by comparison, the two former superpowers developed a measurable degree of economic interdependence, as evidenced by the International Space Station and Russian-made titanium for Boeing's 787 fleet. This transatlantic policy of integration came to an abrupt halt on March 18, 2014.

Over time, Russia's economic integration with Europe—and specifically with the countries of Central and Eastern Europe—has gradually devolved from a positive source of growth into a

negative and corrosive force, serving only to widen economic and political rifts within Europe. Europe's reliance on Russian energy and financial resources and its accompanied political influence has hindered its ability to formulate a swift, unified, and robust response to Moscow's violation of Ukraine's territorial integrity. Europe's policy hesitancy is in actuality a delicate political balancing act in which Europe must weigh the normative benefits of defending international legal principles against the tangible, self-inflicted economic costs of imposing sanctions against Russia. While Europe's sustained sanctions campaign has seemingly tipped the scales in favor of democratic principles for the time being, its asymmetrical economic impacts are raising questions about the durability of this

commitment. Nowhere else is this equilibrium teetering more than in Central and Eastern Europe where Russia has begun to reclaim its influence.

Presciently, in a July 2009 Open Letter to President Obama, a group of pro-American leaders from Central and Eastern Europe, such as former Polish President Lech Walesa, foreshadowed the dark side of Russia's integration with the West: "Russia is back as a revisionist power pursuing a 19th-century agenda with 21st-century tactics and methods. . . . It [Russia] uses overt and covert means of economic warfare, ranging from energy blockades and politically motivated investments to bribery and media manipulation in order to advance its interests and to challenge the transatlantic orientation of Central and Eastern Europe." Despite being full-fledged members of the European Union for over a decade, the countries of Central Europe are experiencing an erosion of the rule of law and good governance.

Freedom House's 2013 *Nations in Transit* report noted that only two (Latvia and the Czech Republic) out of 10 Central European countries have improved their democracy "score card" after being members of NATO and the European Union for over a decade. The other eight countries' ratings dropped in the areas of media freedom, electoral processes, judicial independence, and corruption. Increasingly, there appears to be a strong correlation between a marked decline in transparency, rule of law, and democratic practices, and the extent of Russian economic and political engagement in these countries.

In the case of Bulgaria, recent media reports

estimated that as much as one-third of Bulgaria's economy is owned by Russian entities, with particular concentration in the energy, financial, and media sectors. Bulgaria's political landscape is highly volatile and opaque; the country has already seen four governments in the past two years. Consequently, Transparency International ranked Bulgaria 77 out of 177 countries on perceived levels of public-sector corruption—the second lowest in the European Union.

There also appears to be a linkage between Russian influence and the rise of populist, nationalistic, and xenophobic political parties as many of these entities receive financial support from Russian-affiliated nongovernmental organizations (NGOs). Taking advantage of Europe's economic malaise, these increasingly successful fringe parties have contributed to the weakening of political support for the European Union and governments across Europe. Their impacts, however, are most evident in the former Eastern Bloc, where institutions and civil society remain underdeveloped and susceptible to the revitalization of former Soviet networks.

In the case of Hungary, many of these trends have toxically blended to produce an increasingly authoritarian regime. Over the last decade, Hungary has maintained strong economic and political ties with Russia. Russia is Hungary's largest trading partner outside the European Union, and the country remains 80 percent reliant on Russian energy. As Russia's grasp on Hungary's economy has tightened, nationalist and xenophobic groups—such as the neo-fascist Jobbik party—have also risen to prominence, further undermining the country's Western, liberal orientation. Moreover, Hungarian Prime Minister Viktor Orban has articulated a significant shift in national direction and policy orientation, declaring in July that Hungary must strive to build "an illiberal new state based on

national foundations” as evidenced by legislative motions to restrict free speech (including an oppressive advertising tax), centralize authority (Hungary’s new constitution has been amended five times), and erode the independence of the judiciary. Noting that the geopolitical “wind is blowing from the East,” Orbán has credited Moscow for these latest Russian-styled Hungarian “reforms.”

These illiberal trends have been accompanied by distinctly pro-Russian foreign policies in Budapest. Orbán has consistently derided the EU’s sanctions against Russia, and Hungary abruptly discontinued its sale of excess gas supplies to Ukraine after a visit from the CEO of Gazprom this fall. Hungary received a 10 billion euro loan from Russia for a new nuclear power plant facility, increasing Hungary’s energy dependence on Russian technology and financial support. Negative developments in Hungary and its neighbors threaten to derail wider European efforts to restrain Russian recidivism.

Although the 21st-century East-West confrontation does not bear the ideological vestiges of the Cold War, there is a clear ideological component. This contestation is between liberal versus illiberal, transparency and good governance versus corruption and “managed democracy.” The unqualified success of Central Europe’s transformation from Communism to liberal democracies and market economies is not immutable, and we should not trick ourselves into believing it is so. ►