

**EU SOFT SECURITY: MYTH OR REALITY?
RUSSIAN ECONOMIC PRESSURE ON EU'S CENTRAL EUROPEAN
MEMBERS**

Keith C. Smith

February 11-12, 2008

SOFT SECURITY OR SOFT POLICY

When the new democracies of Central Europe were accepted as members of the European Union, there was widespread expectation that being part of the EU would provide non-military, "soft security" against possible military or economic pressure if Russia reverted to more aggressive policies. Indeed, some of the original members of the EU argued that membership in the Union would provide all the security possibly needed. Their thinking was that NATO was not necessary for Central European security; that it would only provoke a psychologically wounded Russia into feeling even more insecure. Therefore, membership in the EU would provide whatever protection was needed against any attempt to roll back the economic or political sovereignty of that part of Europe once dominated by the Soviet Union.

Sadly, however, the inaction of the European Commission regarding the Russian-German Nord Stream gas pipeline again demonstrated that the new democracies of Central Europe cannot count on the European Union to blunt Russia's bid to dominate the economic space between the Russian border and that of "old Europe." If the Central Europeans intend to protect their newly won independence and the integrity of their democratic institutions, they must move quickly to build a "coalition of the willing," composed primarily of the smaller EU countries that are concerned about ceding greater political and security influence to an increasingly authoritarian and aggressive Russia. They should also demand a stronger voice in energy decision making within the Commission.

The larger or wealthier member states, led by Germany, Austria, France and Italy appear significantly less concerned than the newer EU members to their East about becoming more dependent on Russian energy resources. Still more troublesome, they are increasingly willing to be partners for a Kremlin determined to play a larger role in Europe's internal decision making. This may stem from an over confidence in the combined strength of the EU and of its ability to ward off any attempt by Moscow to dominate or distort Europe's financial and economic institutions resulting from growing energy dependence on Russia.

The fall of the Berlin Wall and the collapse of the Soviet Union led to expectation in the West that Russia would become a “normal European state”, or at least a benign neighbor who could at last be counted on to engage in mutually beneficial business and cultural relations. And throughout the first term of President Putin, there were good reasons to be hopeful. Now, however, the ongoing transformation of Putin’s Russia toward an Oriental-style “democracy” has created nervousness in Western Europe about Russia’s foreign and defense policies. Nevertheless, this new concern has not translated into increased defense spending to match Russia’s significant defense budget increases, nor has it resulted in coordinated policies to counter Moscow’s successful move to dominate the energy infrastructure and control natural gas markets throughout Europe.

To the contrary, Western European defense budgets continue to decline as Russia’s defense budget increases and its military now routinely conducts cold-war type exercises off the coasts of Europe. Many Europeans are counting on the next generation of Russians to construct a modern democracy, even while polling data demonstrate that the new university graduates in Russia are considerably more nationalistic and anti-Western than their parent’s generation. Meanwhile, the hopeful talk in Europe over the past ten years about creating an independent EU defense force has resulted in only modest coordination of military efforts in the Balkans. Serious defense efforts are still limited to a handful of EU member states. Immediately after 9/11 all NATO members declared their intention to assist the U.S. in combating terrorism. Unfortunately, the present NATO operations in Afghanistan demonstrate that most of Europe’s EU/NATO members (with some notable exceptions) do not have sufficient manpower or equipment for sustained combat or non-combat operations. Nor do most members have the will to put their forces in harm’s way. Instead many argue that their willingness to build schools and hospitals in Afghanistan is just as important as participation in battle-field operations.

The same comforting rationale is too often used in confronting Putin’s Russia. There is a widespread impression in many European nations that the best way to deal with a resurgent, nationalistic Russia is not to answer the Kremlin’s more aggressive talk, or to demand reciprocity in Russian-EU commercial relations, but instead to embrace Russia, its companies and leadership. The hope persists that accommodation is the best way to turn Russia toward a democracy with a greater affinity for European values. In Western Europe, only the UK seems inclined to push back against the Kremlin’s harsher stance. The Litvinenko poisoning and the harassment and closure of British Council offices throughout the Russian Federation have had a deep impact in the UK, but it is difficult to detect in the rest of Western Europe a determination to take a closer look at the conduct of Moscow or its energy companies operating abroad. The lure of profit from Russia’s energy resources checkmates EU and national laws and regulations requiring transparent and competitive business practices.

CAPITULATION ON ENERGY PIPELINES

Meanwhile, Putin is locking up one energy deal after another, each one countering the EU's declared policy of building pipelines to bring more non-Russian oil and gas supplies to Europe. The EU leadership has publicly announced its support for construction of the Russian-German Nord Stream pipeline that will be placed on the Baltic Seabed between Vyborg in Russia and Griefswald in Germany. The project will cost at least four times as much as two alternative routes (Yamal II and Amber pipelines), and it threatens the Baltic Sea with serious environmental hazards. The Nord Stream project is clearly more motivated by political and strategic rather than commercial reasons. Once completed, it will increase Russia's economic and political hold over the Baltic States and Poland, as well as increase the overall cost of energy to the European consumer. It makes a sham of the EU's purported policy of promoting greater competition in energy supplies and diversification of the continent's natural gas sources.

Even Russia's independent energy specialists believe that the project has little justification economically. The EU Commission has not explained how Nord Stream will increase European energy security or how it will provide European taxpayers with reasonably priced energy. There is good reason to believe that Qatari LNG can be landed in Europe for less than piped gas from the Yamal or Shtokman fields. Why saddle the European consumer with the enormous recovery costs of the project, particularly in light of its environmental and security risks? Why this support for a project clearly opposed by at least five EU member states – those whose sea beds are threatened, and who will be even more vulnerable than now to Russian energy blackmail when the pipeline is completed?

At almost the same time that EU hearings on Nord Stream were taking place, Mr. Putin, through direct negotiations with the leaderships of Italy, Bulgaria, Serbia and Austria, managed to gain approval from those countries for the Gazprom-controlled South Stream natural gas route – a direct challenge, if not the fatal blow, to the EU's priority "Nabucco" project, designed to bring Caspian Sea gas to Europe without going through Russia. What was the reaction of the EU to this undermining of a key energy project? Silence. Even as the Russian military continues to complain about encirclement by NATO, the Kremlin is successfully encircling Europe from north and south with gas pipelines, ensuring Europe's greater economic and political dependency on Russia.

The same passive reaction came from the EU in 2006 after Russia cut the supply of crude oil to EU member state Lithuania following the sale of the country's refinery to a Polish, rather than a Russian company. Although Russia's monopoly oil supplier, Transneft, first stated that the flow of oil was stopped due to a sudden break in the Druzba pipeline to Lithuania, it later dropped this sham explanation and

simply declared that Lithuania would in the future receive no crude oil via the Druzba pipeline. After a long delay, EU President Barroso wrote a letter to President Putin asking for an explanation. The Barroso letter was simply ignored by Moscow. How much support did little Estonia receive from the EU after Russia initiated a massive cyber attack on the political and financial institutions of that member state? Very little. Unfortunately, the EU has thus far clearly failed the hopes of its newest members that they can rely on this institution for help in confrontations with their large and increasingly aggressive neighbor.

One still hears from Western Europeans that “Russia has always been a reliable supplier of energy.” Yes, it has generally been a reliable supplier to Western Europe, but why ignore the repeated politically-motivated disruptions that have faced the Central Europeans – even after the later have become full-fledged EU members?

ALL FOR ONE? (WHICH ONE?)

It is no great surprise that Europe is divided on energy issues. Each country’s “national energy champion,” are jockeying with the others to secure a foothold in developing Russia’s tightly controlled energy fields. High world energy prices have translated into greater political influence for Russia and given the Kremlin direct access to Europe’s political leadership. While the EU claims that it has no competency to approve or disapprove Russia’s pipeline initiatives in Europe, high-level officials give a ringing endorsement to Russia’s projects while at the same time publicly lamenting the EU’s inability to diversify sources of imported energy. Small wonder, then that many of the smaller member states have concluded that EU membership will not protect them from Russian economic coercion. This leaves them more vulnerable to direct pressure from Russia for agreements that may be against their long-term interests and those of the region at large.

Yes, the EU is a community of very diverse nations, and the institution is relatively new, still lacking transnational power in many areas. But the East Europeans face an uphill battle even to simply get consideration of their interests. France and Germany can ignore the Union’s competition rules by refusing to unbundle their own energy companies. But when an East European member state such as Hungary attempts to protect its own energy firm MOL from a hostile takeover by Austria’s OMV bid, the EU applies pressure to the Hungarians, even though a foreign takeover of OMV has been made impossible. Many in the region, believe that an Austrian takeover of MOL would result in Gazprom gaining control of the region’s best oil refinery at Szazhalombata. Austria recently ceded control of its crucial gas storage area at Baumgarten to Gazprom, thereby creating even less security for its Central European neighbors. Russia may have been a “reliable partner” for the Austrians, but not for Austria’s neighbors.

Shouldn't Russia's ongoing attempts to roll back the independence of its former satellite states be resisted, rather than assisted by the EU? The EU should be more active in curbing non-transparent energy producers, in enforcing anti-trust laws and in combating corruption in the energy business. Yes, the new member states must do more themselves to ensure business transparency and to weed out corruption within their own countries. The large amount of money generated for special groups as a result of energy imports from the East has had a visibly corrosive effect on the "new democracies." The EU (and the U.S.) should work more closely with Central Europe to counter these corrupting influences. The larger and wealthier members of the EU would also be protecting their own long-term interests by defending the newer member states against the corrosive effects of imported corruption and non-transparent business practices. And, Russia itself, would benefit from being forced to adopt more competitive and less coercive commercial relations with its neighbors. An aggressive energy policy by the Kremlin is in no one's interests – except for those few who benefit financially.

With some justification, the term "multilateralism" has become associated with U.S. lack of cooperation with the international community to resolve tough issues. At the same time, however, there is a striking lack of "multilateralism" within the EU on energy security issues. This makes it all the easier for the Kremlin to exploit divisions among the larger states to successfully pressure the newest and weakest members into striking concessionary energy deals. Some of these agreements will unquestionably weaken the newly-gained sovereignty of states so recently part of the Soviet system. Surely this is not an outcome we all anticipated during the hopeful days of the Cold War's demise.

Keith C. Smith is a Senior Associate with the Energy and national Security Program at the Center for Strategic and International Studies in Washington

The views expressed above are solely those of the author and do not necessarily represent those of the Center for Strategic and International Studies.