EU-Canada Network Policy Brief

Moving Beyond Crisis Management in Relations with Russia: The EU, US, and Canada

Joan DeBardeleben¹
Carleton University

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¹ Joan DeBardeleben is Chancellor’s Professor for the Institute of European, Russian, and Eurasian Studies (EURUS) at Carleton University in Ottawa, Canada. Additionally, she is the Jean Monnet Chair in the EU’s Relations with Russia and the Eastern Neighbourhood and the Co-Director for the Centre for European Studies at Carleton University.
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Executive Summary

Over five years have passed since the Russian Federation annexed Crimea, an action that elicited a period of crisis in relations between Russia and the West. This policy brief compares responses of the United States (US), the European Union (EU), and Canada to the situation. The author identifies five parameters that differentially affect US and EU policies, which are characterized by both similarities and differences. After reviewing Canadian approaches since 2014, the author argues that Canada should more closely align its position and policies with those of the EU. Such an approach would continue many elements of current policy (e.g., clear and concrete support for Ukraine, pragmatic engagement with Russia in areas of shared interests, and cooperation in multilateral arenas), but with stronger support for people-to-people contacts, including research cooperation, civil society linkages, and student exchanges.

Over five years have passed since the Russian Federation annexed Crimea. This action, in February 2014, heralded a sustained period of crisis in relations between Russia and the West, involving Western sanctions and Russian counter-sanctions. The question addressed in this policy brief relates to the way forward in relations between Canada and Russia. While Canada, on its own, may have minimal influence over the broader trajectory of relations between Russia and the West, even a middle power like Canada can gain leverage if its actions are coordinated with more influential actors. This policy memo argues that Canada should align its policy toward Russia more closely with the European Union.

Like the European Union and United States, Canada largely froze formal relations with Russia because of the Crimean annexation. Relations have not yet returned to normalcy and, in fact, the crisis has been further aggravated by alleged Russian interference in Western elections, the Skripal poisonings in Salisbury, England in March 2018, and by the seizing of Ukrainian vessels by Russia in the Kerch straits in November 2018. The EU has regularly renewed the 2014 economic sanctions

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3 The ships were reportedly returned to Ukraine in November 2019, but Ukrainian officials complained that they were in poor condition. Reuters, 20 Nov 2019 https://www.reuters.com/article/us-ukraine-crisis-russia-ships/ukraine-says-russia-returned-ships-in-bad-condition-idUSKBN1UXU1P8 (accessed 5 Dec 2019)
against Russia, most recently in December 2019 until July 31, 2020. Further, the EU has tied the lifting of sanctions to Russia’s fulfilment of conditions of the Minsk II Protocol⁴, signed by Ukraine, Russia, France, Germany, and Ukrainian separatists in February 2015. Likewise, Canada put sanctions in place on March 17, 2014; they are still in force and were extended to additional individuals and entities on March 15, 2019.⁵ The United States also maintains a broad range of sanctions, related not only to Russia’s action in Crimea and eastern Ukraine, but also to a variety of other issues.⁶ While the Crimea and Ukraine-related sanctions of the EU and US are largely congruent, there are some differences, perhaps the most important being that the US sanctions have extra-territorial effect, that is, they can be used to punish foreign entities that violate US sanctions.⁷ This became an issue of contention in relation to the re-imposition of sanctions on Iran by the US; however, it could also affect EU-Russia relations with US White House efforts to implement sanctions in relation to the construction of the Nord Stream 2 pipeline between Russia and Germany.⁸

Despite a general congruence of approach regarding sanctions between the EU, the United States, and Canada, some differences in policy have emerged in the overall approach to Russia. These are particularly evident when comparing the US and EU approaches. These differences are not surprising, given the different types of factors that may influence policy decisions. These influences can be encapsulated in five points. The first relates to proximity and distance. The EU not only currently has an extended border with Russia, but throughout history has been profoundly influenced by geographical proximity, nowhere more evident than in the fact that several current EU member states were formerly part of the Russian-dominated USSR (the Baltic states) or Soviet bloc (countries of Central Europe). The US, on the other hand, despite sharing the Bering Strait between Alaska and the Chukotka district (okrug) of Russia, is geographically distant from Russia.

Second, the EU has a high degree of trade interaction with Russia. The EU is, by far, Russia’s largest trading partner overall, making up 42.8% of Russia’s combined imports and exports in 2018.⁹ On the other hand, the US was Russia’s fifth largest trading partner in 2018 (also behind

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China, Belarus, and Turkey), but only representing 3.7% of the total, at a level similar to trade with Turkey and South Korea. Similarly, while Russia is the EU’s fourth largest trading partner, with 6.4% of total trade in goods\(^\text{10}\), for the US, it does not even rank in the top 15.\(^\text{11}\)

Third, the primary factor driving US-Russian relations is security, the two countries representing the world’s largest nuclear powers. For the EU, while security is an important issue in its relations with Russia, this has been mainly the case since the eruption of the Ukraine crisis in 2014. Even here, that aspect of the relationship is channeled most importantly through NATO rather than the EU itself. In terms of sectoral focus, energy is key for the EU, since Russia remains the EU’s most important import source for both natural gas (over 40% of total value of imports) and petroleum oil (over 27% of value) in 2018.\(^\text{12}\)

Fourth, the US relationship with Russia was marked historically by superpower competition during the Cold War; this experience shapes conceptions of Russia in the United States even since the collapse of the USSR. The EU, and especially its constituent member states, have a much richer array of historical experiences with Russia on which to draw, so the relationship is more multifaceted, expending into multiple arenas beyond security concerns. Finally, the US and Russia act out their relationship on the global stage, whereas the dominant focus of EU-Russia relations is regional, particularly relating to the countries located geographically between or near the two powers.

Accordingly, responses of the EU and Russia to the crisis resulting from the Crimean annexation are characterized by both similarities and differences. As mentioned, since 2014 both the US and EU have maintained strong sanctions against Russia. However, since 2016, US responses been heavily influenced by domestic political drama; the US response has been characterized by mixed messaging, highly politicized rhetoric, and inconsistent contacts. Conciliatory messaging from the US President has, at various times, even raised the spectre of a ‘great power bargain’ between the US and Russia at the expense of Ukraine; career diplomats and strong Congressional voices have successfully resisted this trajectory. On the other end, sometimes-hostile rhetoric toward Russia has become normalized in the media and in some Congressional circles on both sides of the aisle.

Official US policy has also seen a partial freeze in relations and the termination of several important agreements involving the US and Russia. According to the Department of State website, many activities of US-Russia Bilateral Presidential Commission Working Groups have been suspended.\(^\text{13}\) The US withdrawals in May 2018 from the Joint Comprehensive Plan of Action with Iran (which Russia helped to craft) and from the Intermediate-Range Nuclear Forces Treaty in August 2019 have increased tensions, and were carried out over the objections of European leaders. This complex of actions represents a pattern of sustained crisis response; it is not yet clear whether it

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indicates a paradigmatic shift in US-Russia relations, since the trajectory could well see adjustment with a change in the presidential administration, should that happen as a result of the 2020 elections.

The EU, on the other hand, has maintained a more consistent approach to Russia since 2014. To be sure, member states have sometimes taken divergent positions on some issues. For example, the leaders of some countries (e.g. Hungary and Italy) have, at various times, expressed doubts about the continuing sanctions, and the Baltic States and Poland have objected to the Nord Stream 2 gas pipeline connecting Germany and Russia. EU policy, therefore, represents a compromise between the members states, and, in part for this reason, discourse from EU spokespersons has been characterized by measured rhetoric and has not been highly politicized. The EU’s measured response has involved, on the one hand, a continuing constructive engagement with Russia in the energy sphere (including ad hoc meetings and contacts), an expressed willingness to cooperate in areas of the ‘clear EU interest’\textsuperscript{14}, and avoidance of explicit threat discourse. In addition, lower level contacts have been continued or restored, in order to deal with particular sectoral arenas and some less sensitive arenas of interaction, particularly relating to education, research, cross-border cooperation and civil society contacts. While sanctions relating to Russian actions in eastern Ukraine and Crimea have been continuously renewed, the EU has articulated a clear standard for removal of sanctions relating to Russian actions in eastern Ukraine, which is Russia’s fulfilment of its obligations under the Minsk II protocol.

Simultaneously, the EU has maintained its strong support for Ukraine and for the sovereign choice of other post-Soviet states; has thus far refused to recognize or officially negotiate with the Russian-led regional integration scheme, the Eurasian Economic Union; has activated a program to counter disinformation emanating from Russia\textsuperscript{15}; and has, along with individual EU member states, shown strong coordination with NATO in reinforcing Europe’s defensive potential, with individual member states providing battlegroups in Poland and the Baltic States under NATO’s Operation Reassurance. Most avenues for official EU-Russia dialogue have been frozen (e.g., the Energy Dialogue and Visa Dialogue). Discussion on the adoption of an EU version of a European Global Human Rights Sanctions Regime, following the US Global Magnitsky Act was underway in 2018 and 2019.\textsuperscript{16} In summary, the EU has reacted to the events of 2014 with a consistent set of crisis response measures (primarily sanctions, freezing formal relations, and countering disinformation) combined with some efforts at selective engagement.

The overall EU objective seems to be to avoid a further escalation in relations and to use ‘small steps’ to move Moscow closer to a cooperative stance regarding Ukraine. But overall no paradigm shift is evident. At the same time, a strategic direction for the relationship following the Ukraine crisis is also not apparent. The EU seems to be biding its time, unable to reach a consensus on how


\textsuperscript{15} See EU vs. Disinformation, https://euvsdisinfo.eu/about/ (accessed 5 Dec 2019)

to exit the current stalemate with Russia, but not wishing to aggravate it. This position is no doubt strongly influenced by geographic proximity, economic and energy interdependence, historical complexity, and the EU’s regional commitments, particularly to those countries with which it has recently signed Association Agreements (Ukraine, Moldova, Georgia).

Canada’s position has some distinctive qualities compared to those of the EU and US. While Canada is geographically distant from metropolitan Russia, the two countries share a common Arctic interface. Canada is similar to the US in its low trade intensity with Russia, but, on the other hand, both Canada and Russia have an important energy sector, which influences national policy. This similarity, combined with the importance of the North and Arctic regions for both countries, creates the potential for both competition and shared concerns. Russia and Canada have reportedly worked constructively within the Arctic Council and Arctic issues have arguably been the most important foundation for interest-based relations between Canada and Russia. Furthermore, it appears that disputes over control of the continental shelf that involve Russia, Denmark, and Canada will be resolved in a regularized manner through mechanisms established under the UN Convention on the Law of the Sea (UNCLOS). The effort to channel disagreements through established international mechanisms encourages multilateral solutions with the involvement of Russia, and mirrors EU approaches.

At the same time, Canada maintains a critical position regarding Russia’s actions in Ukraine. Like the EU and the US, Canada imposed a freeze in most arenas of the bilateral relationship. In October 2017, the Canadian Parliament passed a bill commonly known as Canada’s Magnitsky Act (Justice for the Victims of Corrupt Foreign Officials Act), which resembles the US Magnitsky Act adopted in 2012. The Canadian law resulted in additional sanctions against Russian officials due to alleged violations of human rights, and, as recently as March 2019, additional individuals and entities were added to the sanctions list by Canada. In addition, Canada has contributed to NATO’s Operation Reassurance, as the lead country providing a military presence in Latvia to serve as a tripwire for possible Russian aggression. Canada concluded a free trade agreement with Ukraine in 2017.17

In terms of aid to Ukraine, Lian King provides a comparison of US, EU, and Canadian contributions. He observes that from 2014 and 2018, the US provided $1.96 billion, including $800 million of military assistance (including training and advisors). EU aid outpaced this, providing almost double this amount, plus loans and investments from the European Bank of Reconstruction and Development. These figures do not take into account contributions of individual EU countries, with Germany alone contributing, according to King, $860 million from 2014 and 2017. According to Global Affairs Canada, Canada has also provided substantial aid in the amount of $784 million CAD since 2014 (unclear what the end date of this figure is),18 in the form of development assistance, a Peace and Stabilization Operations Program, support for police reform, and election

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observer missions. These figures suggest that both the EU and Canada are contributing significantly more aid to Ukraine, relative to GDP, than the US.

While the EU approach to Russia seems unlikely to produce dramatic breakthroughs, or even less so a clear exit from the current crisis, it seems less likely than the US approach to produce harm or to escalate the tension. The hope that a sanctions regime will alter Russian behavior in relation to Crimea and eastern Ukraine has been dashed. However, EU member states, with EU support, continue to seek new avenues to revive the Minsk II process, which remains the EU’s fundamental condition for lifting sanctions.19 An example is the resumption of the Normandy Format discussions in Paris on December 9, 2019, involving France, Germany, Ukraine, and Russia. On October 1, 2019, the new Ukrainian president signed an agreement on the Steinmeier Formula, an approach put forth by former German Foreign Minister Frank-Walter Steinmeier as a way to reinvigorate the Minsk process.20 This ‘formula’ seeks to break the deadlock of provisions in the Minsk II Accord regarding decentralization and elections in the east. Whether this particular proposal provides the needed impetus for movement, the continuing effort to find a path to compromise at the moment seems the best possibility for ending the stalemate.

An approach of measured response, involving strong support for Ukraine combined with a search for compromise and reduction in the risk of escalation, seems the wisest strategy at the moment. Guided by these principles Canada should more closely align its position and policies with those of the EU. In addition to clear and concrete support for Ukraine, this can involve measures such as the following:

- Continued (and expanded) pragmatic engagement with Russia in areas of shared interest (such as the Arctic);
- Continuing support for institutional cooperation in multilateral arenas such as the Arctic Council, the Organization for Security and Cooperation in Europe, the World Trade Organization, the Paris Agreement on Climate Change, and the Council of Europe;
- Support for people-to-people contacts, particularly in areas such as research cooperation and student exchanges.

Such measures may keep dialogue open while not sacrificing fundamental principles or commitments to Ukraine’s sovereignty and sovereign choice.

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