

A stylized map of Europe composed of a grid of grey dots. Several dots are highlighted in red, representing specific countries or regions. The map is centered on the continent of Europe, with the British Isles to the west and the Mediterranean coast to the south.

# A Shared European Home

## The European Union, Russia and the Eastern Partnership

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May 2016

- The conflict in and around Ukraine has shaken the principles of cooperation in post-Cold War Europe. It has also called into question the premises of the EU's relations to the East. The EU thus needs to revise its policy towards Russia and the Eastern Partnership (EaP). This paper proposes the vision of a Shared European Home as a guiding principle for the EU's Eastern Policy. It sets out concrete policy recommendations for putting this vision into practice.
- The vision of a Shared European Home has one core principle: Disagreement over major policy issues should not prevent interest-based, pragmatic cooperation in other fields. In concrete terms: The Ukraine conflict and the deep crisis in EU-Russia relations should not prevent the EU from seeking opportunities for cooperation with Russia. These can be found in the economic sphere, in technical and scientific cooperation, in civil society exchange, and in global politics.
- At the same time, the EU should prepare for even more negative developments in the future – and should think systematically about how to render these less likely. One important step in this regard is to safeguard, and possibly enhance, economic interdependence between the EU, the Eastern Partnership countries, and Russia. Trade and mutual investments do not form a »magic wand« that guarantee friendly relations or economic and social transformation. However, they do improve the chances for economic and social stability, and can serve as an »insurance policy« that can prevent relations going from bad to worse.



## I. Introduction

In 2014, the Friedrich-Ebert-Stiftung invited twenty experts from twelve European countries to jointly develop scenarios for the future of relations between the European Union, the Russian Federation and their Common Neighbourhood.

The Scenario Group came up with four equally plausible scenarios of how relations between »the EU and the East« might develop between now and 2030.<sup>1</sup> The scenarios proposed four different types of »home«, as metaphors for the kind of circumstances all Europeans from Lisbon to Vladivostok might experience in 2030:

1. A Shared Home, in which pragmatic cooperation characterizes relations between the EU, Russia and the six countries »in-between«. A commonality of interests, but not of values, leads to a gradual rapprochement among all concerned after the deep crisis of 2013–16.
2. A Common Home characterized by interest-driven cooperation and a commonality of values.
3. A Broken Home, where a European Home as such no longer exists. Instead, by 2030 Europe is back to a Cold War-like situation with confrontation instead of cooperation, without common interests, and clearly without common values.
4. A Divided Home, also called the Cold Peace, where the current status quo continues, with a few common interests, some conflict and increasing divergence in values.

In the course of 2015, these four scenarios were presented to experts and policymakers in thirteen capitals throughout Europe and North America. All in all, the scenarios were discussed with over nine hundred researchers, diplomats, politicians, students and journalists in various settings, from one-to-one conversations to expert workshops and larger conferences. Debates centred around the question of what kind of scenario Europe is currently heading for, how one scenario could evolve into another, which scenario would be preferable, which

1. The scenarios are described in detail in: Scenario Group EU + East 2030 (2014): *The EU and the East in 2030: Four Scenarios for Relations between the EU, the Russian Federation, and the Common Neighbourhood*. Berlin: Friedrich-Ebert-Stiftung, <http://www.fes.de/lnk/eueast2030> (18 May 2016).

should be avoided, and how to act today to pave the way for the most preferable scenario to materialize by 2030.

One consensus that emerged from all these debates was that – against the backdrop of the deep crisis in EU-Russia relations – the Common Home scenario was unlikely to materialize by 2030. It could, however, serve as a vision to guide policymakers in the EU in their long-term strategy. As one participant in the Bucharest debate remarked: »The Common Home is like the North Star – it can show us the way, but at the same time we know we will never reach it.«

The actual developments unfolding in Ukraine, and between the EU and Russia, seemed to point in quite a different direction: At times, wider Europe seemed firmly on track towards the Broken Home scenario, or in other words, towards a new cold war. By autumn 2015, with the ceasefire in Ukraine's Donbas area more or less holding, and media and political attention turning towards Syria and the refugee crisis, the Divided Home scenario seemed increasingly likely to many interlocutors. Yet both scenarios were generally regarded as inherently unattractive to all sides concerned, not least because they bear the danger of turning from bad to worse: the Divided Home is inherently unstable and might easily turn into a Broken Home, while the new cold war described by the latter might turn hot.

The conclusion of all these debates is the following: If the Common Home seems out of reach for the moment, then the EU should avoid the Broken Home, stabilize the Divided Home we currently seem to be heading for, and try to achieve the Shared Home as a medium-term policy goal.

## II. The Shared Home as medium-term policy goal

If the Shared Home scenario were to become a medium-term policy goal for the European Union, what would its defining features be? The aim for the next five to ten years would be to return to pragmatic cooperation not only with Russia, but also with all the countries of the Eastern Partnership (EaP), based primarily on shared interests. The underlying assumption is that pragmatic cooperation would stabilize the relationship and make relations more predictable, to the benefit of all coun-

tries concerned. In a European Shared Home, conflicts of interest and serious differences in internal political set-up, world view and foreign policy approach would continue to exist, but they would not hinder pragmatic cooperation in areas where interests coincide. The crucial immediate goal is to move attention away from existing conflicts as the driving force of relations, and instead to focus on searching for a basis for pragmatic cooperation. One important component of this approach is to reduce competition over integration of the six countries in the shared neighbourhood between Moscow and Brussels, creating conditions for the compatibility of two integration projects and improving possibilities for the shared neighbourhood countries to participate in both arrangements.

Three essential conditions need to be fulfilled in order to establish pragmatic cooperation:

1. The EU must be clearly aware of and agree on its own interests and objectives, and must acquire a deeper understanding of the interests and objectives of the countries in the Eastern Neighbourhood and Russia.
2. The EU must be able to see its own policy through the eyes of public and civil society representatives of the target countries, in order to be able to anticipate reactions, conflict and counter-measures. Of course, this also pertains to Russia, whose sensitivities have to be taken into account, but not at the price of granting a *droit de regard*.
3. EU member states must be willing to prioritize long-term and common interests in relations with Eastern neighbours over short-term and domestic interests.

Firstly, the EU's primary interest in the East is security at its borders, including the absence of »hard« military and »softer« threats originating from conflicts, terrorism, migration, possible disruptions of energy supplies, cybercrime, climate change and other sources. Economic growth, social development: prosperity and improved living standards for the vast majority in the countries of the Eastern Partnership and in Russia should be another aim of the EU's policy – for its own best interest.

Secondly, for the EU to be able to pursue its interests and anticipate the effects of its policies, analytical capabilities and constant dialogue are key. Information collected by

EU member states, including relevant intelligence, needs to be made available not only to all EU members but also to the EU institutions in charge of EU external relations. Strengthening the European External Action Service (EEAS) – which is, to date, de facto still alarmingly detached from the EU member states' resources and decision-making – is imperative. Moreover, the EU needs to be transparent in communicating its policy objectives. It should refrain from presenting *faits accomplis* – whether in the political or military arena – as ideally Russia and the other Eastern neighbours should too. Trust should be re-established by intense communication in all ranks and levels.

The third condition is a lesson learned from the past, when the EU's relations with countries to its east were sometimes seen as a playground for scoring points with the domestic electorate by certain politicians both inside and outside the EU. The events of 2013–15 have shown that this relationship is too crucial for the EU to treat it lightly; this is a point that could be stressed more often by EU representatives in the context of the dialogue with the United States and Canada.

Finally, while focussing on the Shared Home scenario as the preferred outcome, EU policymakers should not forget about the other scenarios. If the past three years have taught us anything, it is that one should always be prepared for the unexpected. Not all developments have to be negative; the EU should also be quick to seize positive openings, should they arise. For that, preparedness, flexibility and responsiveness (as opposed to slow bureaucratic turns) are essential.

### III. Preventing the worst: Interdependence as an insurance policy

What can be done, then, to prevent developments that would further damage relations between the EU, Russia and the Eastern Partnership? The EU should make use of an »insurance policy« that decreases the likelihood of negative scenarios: It should try to preserve economic interdependence.

Fundamentally, economic exchange based on mutually accepted rules contributes to increasing prosperity and improving socio-economic development in wider Europe, which can help to prevent social instability as a trigger of

conflict. On the one hand, the crisis in EU-Russia relations shows, contrary to what some EU policymakers might have expected before 2013, that strong trade and investment relations are no absolute safeguard against relations spiralling into crisis. On the other hand, the strong economic ties that connect the EU and Russia might have played their part in containing the crisis, and preventing its further escalation. In other words: The conflict might have become much worse without the economic interdependence that can be described schematically as the EU's dependence on imports of Russian energy, and Moscow's dependence on the EU countries as its main source of revenue and high technology and consumer goods. Finally, the EU's response to Russia's military actions vis-à-vis Ukraine – to choose diplomatic and economic sanctions, but not to resort to military means – was only possible because of economic interdependence. Without such economic interdependence, economic sanctions would not have yielded any effect.

The EU should not give up economic interdependence too easily. While not a guarantee against a deterioration of relations, it renders a termination more costly and thus more unlikely. In its relations with Russia, the EU should therefore try to preserve as many trade and investment links as possible, and in the mid- to long-term should aim to increase them. Sanctions should therefore always be linked to clear and attainable goals, and should always come with an exit strategy. They should in no way be seen as an end in itself. Moreover proliferation of sanctions and their long duration might decrease the EU's political leverage in future.

The Eastern Partnership countries should be encouraged to develop their economic relations with the EU. At the same time, this should not in itself be an encouragement to decrease economic exchange with Russia, which is not only vital for economic stability in the region, but would also ensure that at least some costs are entailed when relations go from cooperation to conflict.

The biggest problem here lies in the asymmetry of economic interdependence between small nations such as Latvia or Georgia on the one side, and Russia on the other. Inside the EU, Brussels can devise compensating mechanisms by increasing intra-EU solidarity, most notably in the energy sphere. The goal should not be to gain complete independence from Russia or to eliminate

market mechanisms, but to reach symmetrical interdependence between the EU as a whole and Russia.

In the case of the Eastern Partnership countries, this is more difficult. The countries that seek closer relations with the EU and successfully implement required reforms should benefit from greater competitiveness and diversification of trade in the longer term, leading to increased prosperity and foreign policy independence. However, an honest analysis shows that the EU in its current state would not be able to compensate any EaP state for the complete loss of the Russian market, so keeping economic links intact becomes a matter of preserving social stability and a precondition for any positive development. What the EU could aim for is not to replace Russia as a trading partner for the EaP states, but to be helpful in expanding the alternatives at hand. The goal would be to enable all the EaP states to diversify their economic relations. The EU's policy should also aim at facilitating economic interaction between the EaP countries, as this would help them to become less dependent on rival cooperation options and make them less vulnerable to external economic pressure.

While the EaP states are dependent on arrangements that Moscow and Brussels will work out between them, EU policy should aim to empower them in order to avoid them becoming mere objects of the EU-Russia relationship. This, however, implies that political elites in the Eastern Partnership countries must assume political and economic responsibility for the decisions they take and the policies they formulate.

#### IV. Recommendations: Making the Shared Home more likely

What can be done to make the »Shared Home« more likely by 2030?

##### IV.1 Dealing with the conflict in and around Ukraine

The EU will have to find a lasting solution to the conflict in and around Ukraine. The immediate goal should be to **ensure implementation of the Minsk agreement**, first and foremost by putting an end to all hostilities and thus preventing further bloodshed. To achieve this goal, it might be necessary to turn the OSCE Special Moni-



toring Mission into a fully-fledged peacekeeping force equipped with a UN mandate, or at the very least to agree to boost the OSCE observation mission at the line between separatist-controlled territories and the territory under the control of Kiev authorities. Moreover, placing an OSCE observation mission at the border with Russia should also be considered.

In parallel, EU policymakers should prepare for a situation where it becomes impossible to fully implement the agreement, be it for reasons attributable to Russia, to the separatists or to the Ukrainian side. Since neither side is likely to be in full compliance for some time, the EU response should be proportional to the breach and aimed not primarily at punishment, but at reaching compliance. Therefore, the EU should not let Russia pull back from its commitments, but at the same time be cautious not to link too many issues to full implementation of the agreement. Kiev should also be held accountable for non-compliance with the Minsk agreements. The sequence of implementation of Minsk provisions should also be clarified. The list of concrete doable and verifiable steps for each side should be elaborated and approved by all parties. Simultaneously, the EU should invest in a dialogue to develop a post-Minsk vision for the Donbas area, which would also take place on an expert or civil society level. Most importantly, the reconstruction of economic ties and people-to-people contacts between the separatist territories and Ukraine should be encouraged. For this, setting up a **Donbas Reconstruction Fund** with contributions from the EU, Ukraine and possibly Russia could be worth considering.

#### IV.2 Defining common interests and opportunities for economic cooperation

Economic cooperation has, naturally, not only the function to prevent the worst, but could also serve to achieve the better. If shared interests form the basis for pragmatic cooperation in line with the vision of a Shared Home, they should first and foremost be sought in the economic sphere.

One format in which to search for these interests would be an **institutionalized form of dialogue between the EU and the Eurasian Economic Union (EEU)**. This would be advantageous for at least three reasons: The EEU channel could be an important way to reach out to

Belarus and Armenia, which in the current state of affairs are not accessible for the more traditional elements of EU neighbourhood policy or Eastern Partnership. Moreover, taking the EEU seriously as a supranational body would enable leaving disagreements between Moscow and Brussels aside in this particular instance, and focus on shared interests instead. Russia's promotion of the EEU increases the chances of productive dialogue in this forum. Finally, the format could also be used to establish new trade relations between the EEU and the countries that have concluded Deep and Comprehensive Free Trade Agreements (DCFTA) with the EU – Georgia, Moldova and Ukraine.

Relations with Armenia and Azerbaijan should be used as test cases for **developing alternatives to the Association Agreements (AA) and Deep and Comprehensive Free Trade Agreements (DCFTA)**. Current negotiations with Armenia should result in a thorough verification of technical compatibility between components of the DCFTA and the Eurasian Economic Union. The resulting EU-Armenia agreement should be deep, comprehensive and conditional, but not marketed as a full alternative to the AA with DCFTA. Azerbaijan's wish for a »modernisation partnership« should be considered, with the eventual goal to replace or complement the current Partnership and Cooperation Agreement (PCA), even if with something far less ambitious than an AA. In particular, the EU could focus on improving conditions for much-needed economic diversification in Azerbaijan.

The EU should also seek ways to increase positive economic interdependence not only with Russia, but also with the EaP states and – in the best case – between all three sides concerned. One idea to support in this regard would be to **create a trilateral gas transport consortium with Ukrainian, Russian and EU stakeholders to run and modernize the Ukrainian pipeline system**. If this project were to succeed, it could depoliticize the EU-Russia gas trade, guarantee future transit revenues for Ukraine, and take off the agenda controversial projects such as Nord Stream II that cause conflict within the EU.

In the energy field, the EU should engage in a **technical dialogue with Russia and the Eastern Partnership on renewable energy sources, energy efficiency and fighting climate change in line with the Paris agreement**. The potential to interconnect and modern-



ize the national electricity grids should also be considered. A visionary pan-European electricity grid extending from Lisbon to Vladivostok could balance out the excess capacities and shortages associated with power generation using sun and wind. A technical dialogue on the feasibility of this vision could lay the groundwork for future political initiatives.

The general idea of the EU's approach in the economic sphere should be **to expand economic cooperation and increase positive linkages**. Possible areas for projects of interest to stakeholders from the EU, Russia and the Eastern Partnership include the aerospace industries and the health sector. The EU should also support dialogue on industrial policy, discussing potential development paths and opportunities for joint projects as well as further and deeper alignment of standards for goods and services and their production methods.

If the EU wants primarily to support the stability and economic development of the EaP countries, it should be prepared to **refocus its European Neighbourhood and Partnership Instrument on economic reforms and infrastructure projects**. Direct financial support for infrastructure projects should be made available to all the EaP countries and possibly Russia, giving preference to projects that increase interconnections between all parties in the region.

#### IV.3 Maintaining a sustained dialogue

One precondition for identifying interests shared by all parties concerned – the EU, Russia and the EaP countries – is **to engage in sustained dialogue with governments and societies**. A crisis in relations on the inter-governmental level should be countered – sometimes counterintuitively – by increasing dialogue, not by reducing it. Speeding up the process of visa liberalization for all Eastern neighbours, including Russia, would contribute to strengthening dialogue at the societal level. Visa liberalization should not be linked to other policy matters, and should not be treated as a reward for government policies in other areas. Civil societies cannot be held hostage to government policies, as this only encourages conspiracy theories. The same applies to all forms of societal links, including educational exchanges. A positive vision for the future would be the inclusion of the whole Eastern Neighbourhood into the Erasmus+ program.

#### IV.4 Global politics: Focusing on common challenges

The formula **»let us agree to disagree on some issues, but still try to find common ground on others«** should be a guiding principle for EU policy vis-à-vis Russia, also when confronting global policy challenges. This principle should be one cornerstone of the attempt to build the Shared European Home. It would prove its value especially if the EU and Russia were able to create – smaller or bigger – **»success stories«** of cooperation despite the current, deep disagreements over Crimea and eastern Ukraine. One example at hand is the Iranian nuclear programme; constructive cooperation resolving the conflict in Syria could become another. Weakening resilience of some of the countries in Central Asia may turn into instability in the region, forming another common challenge. Scaling up the scientific and expert dialogue on climate change and its consequences especially for Eastern Europe would also prepare the ground for increased political cooperation in the future.

#### IV.5 Reconfirming house rules for the Shared European Home

In a Shared European Home based on pragmatic cooperation between all neighbours, there should be a shared understanding of the house rules upon which the cooperation is based. The year 2016 should be used to start a dialogue on these rules, based on the central OSCE principles of 1975 and 1990. However, it might be necessary to have a **dialogue on the differing interpretations and the essence of those principles**: What do we mean when we talk of **»sovereignty«**, what constitutes an **»intervention in internal affairs«** under the conditions of the twenty-first century, what are the limits of self-expression and how should a referendum be prepared if there is a need? Such a dialogue, be it on an expert or a political level, might serve as milestone towards reaffirming the house rules.

In parallel, the EU should encourage the United Nations to form a consultative body of widely acknowledged international lawyers, experienced diplomats and conflict mediators from all continents mandated to issue independent expert verdicts on disputed cases of international law, such as Crimea or Kosovo, or suggest solutions for the status of these territories.



## V. Conclusion: Know your limits

The events unfolding in Eastern Europe after the Vilnius Summit in November 2013 have shown that there is little reason to be optimistic about the region, and every reason to be cautious when trying to describe a vision for relations with these countries. This paper attempts to outline a cautious, pragmatic vision that could guide policymakers: the Shared Home is not a happy place for a jolly family of European nations. It resembles more a big block of flats, where neighbours get along with each other not because they like each other so much, but because they have to. And that we have to get along with each other for our own good is another lesson that can be learned from the events of 2014 and 2015.

When working to construct relations with its neighbours to the east, the EU should be well aware that many of the influencing factors are beyond its reach. The dynamics of US-Russian, US-Chinese and Russian-Chinese relations are just three cases in point. A good policy should, therefore, always be aware of its own limitations and also take a balanced and systemic perspective. This also concerns the ability to influence domestic policies in neighbouring countries – be it Macedonia, Ukraine, or Russia. The challenge of the coming months and years will be to get a clear picture of who wants what and to formulate shared interests on that basis – and to convince policymakers in the EU, Russia and the EaP states alike that it is in their own best interest to return to pragmatic, interest-driven relations.





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## Imprint

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ISBN  
978-3-95861-492-5