

Scenario Group EU + East 2030

The EU and the East in 2030

*Four Scenarios for Relations between the EU,
the Russian Federation, and the Common Neighbourhood*



Friedrich-Ebert-Stiftung

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Berlin 2014

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Scenario Group EU+East 2030:

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Four scenarios for relations between the EU, the Russian Federation, and their Common Neighbourhood in 2030 were developed by a multinational Scenario Group over the summer of 2014. The scenarios do not attempt to predict the future, but offer different visions of possible and plausible futures. They can be helpful in enabling decision-makers and stakeholders to adapt their strategies in order to achieve or avoid a certain scenario.

Scenario I: Shared Home

All Europeans share one home — for pragmatic reasons

After a »lost decade« characterised by political crises and economic stagnation, the EU and Russia focus on shared interests from 2020 onwards. A new free trade agreement also integrates the Eastern Partnership countries, who are no longer forced to decide for or against either side.

Scenario II: Common Home

Europe is home to nations bound together by common values

A deep economic crisis in Russia leads to democratic and economic reforms that clear the way for improved EU-Russia relations. As new global powers rise, Russia and the EU join forces not only to resolve conflicts in Europe, but also to counter common threats.

Scenario III: Broken Home

The European home lies in ruins

The current confrontation between the EU and Russia continues up to 2030. A relative successful authoritarian modernisation in Russia and the energy transition in the EU give both sides the opportunity to act independently. The countries in the common neighbourhood, which are the objects of intense EU-Russia competition, form a zone of instability.

Scenario IV: Divided Home

Europeans live next door, but apart from each other

The EU and Russia are locked in a stalemate: significant deterioration is prevented by continued economic interdependence. Improvements, however, seem impossible due to widespread mistrust. No political and economic transformation takes place. Europe increasingly loses touch with the new global power centres.

The year 2014 has seen the deepest crisis in EU-Russia relations since the end of the Cold War. The conflict over Ukraine has put into question the premise on which the EU's Eastern Policy has been built so far. Apparently, it has become impossible for the EU to reach out to the Eastern Partnership (EaP) countries — Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine — and build a strategic modernisation partnership with the Russian Federation at the same time. One lesson learned is that the EU's policy approaches vis-à-vis its Eastern neighbours cannot be viewed independently from each other. If one looks beyond the crisis management that is necessary today, one has to consider an integrated approach for the EU's Eastern Policy in the future.

In late 2013, the Friedrich-Ebert-Stiftung (FES) decided to engage in this debate, by starting a project named »A Progressive Eastern Policy for the European Union«. The first step in this process was to launch the Scenario Project »The EU and the East in 2030«, the results of which are presented in this brochure. Using its dense European network, the FES invited 20 experts on EU-Russia and EU-EaP relations from 12 countries to engage in this intellectually demanding exercise. The expert network thus created will serve as a starting point to commence the Europe-wide debate on the EU's future Eastern Policy.

Why Scenarios?

Scenarios are one way to deal with the unpredictability of the future. The impossibility of foreseeing technological progress and its consequences, social processes, and political developments has historically led to many, famously wrong predictions: Readers of the *Literary Digest* in 1899 were assured that the automobile, the »(...) ordinary ›horseless carriage« is at present a luxury for the wealthy; (...) it will never, of course, come into as common use as the bicycle«. David Starr Jordan, President of Stanford University, wrote in 1913: »What shall we say of the Great War of Europe (...) ? We shall say that it will never come. (...) The bankers will not find the money for such a fight; the industries of Europe will not maintain it, the statesmen cannot«. And Margaret Thatcher is reported to have said in 1969: »It will be years — not in my time — before a woman will become prime minister«. Ten years later, the British government was indeed led by its first female prime minister: Margaret Thatcher herself.

Forecasting the future accurately, as these and other examples show, seems impossible. Scientists, like most other people, tend to overestimate current trends and events,

and are therefore tempted to simply extrapolate them. However, decision-makers in all areas somehow have to base their contemporary actions and strategies on assumptions of what tomorrow could be like.

Engaging in the intellectual exercise of scenario building is one way to overcome this problem. Originally an instrument of military planning, the scenario method enjoys increasing popularity in business and politics. Rather than reflecting on the most likely future, scenario builders discuss a number of different futures, and think about plausible pathways leading to them. They constantly keep alternatives — as well as potential critical junctures — in mind. The guiding question is — »what if?« The resulting scenarios do not provide a blueprint for future decisions. However, they can serve as a basic guideline to decision-makers, indicating what kind of actions could enhance the likelihood of one scenario materialising, and what should be done in order to avoid another.

The history of Europe is rich in unexpected twists and turns. Both the sudden collapse of the Soviet Union and German reunification are cases in point. To understand the challenge facing the Scenario Project »The EU and the East in 2030«, it is very instructive to imagine a similar exercise taking place in 1984. Would there have been a scenario entailing the end of the East-West confrontation in the course of less than a decade?

The events that have unfolded — unexpectedly to most observers — in the course of 2014 prove that it is worthwhile to »think the unthinkable«. The dynamics of the Ukraine-Russia Crisis illustrate — once more — that one should never be too sure, and that more of the usually unexpected is likely to happen in the future. With the four scenarios presented here, we hope to provide some additional food for thought on the necessary debate on the future of the EU and the East, as well as on elements of a progressive Eastern Policy for the EU.

The Project: Building Scenarios

Invitations to join the Scenario Group were sent out by the Friedrich-Ebert-Stiftung in early 2014, and 20 experts on EU-East-Relations joined the Scenario Group. The scenarios were built in three stages, split over three workshops taking place in Berlin in May, in Moscow in July, and in Brussels in September 2014. The three stages were:

- I. *Orientation*: In the first workshop in Berlin, the Scenario Group defined the issue at stake, analysed the present state of affairs and identified the most crucial factors that shape relations between the EU and the »East«.

- II. *Building*: The Moscow meeting was overshadowed by the shooting down of Malaysia Airlines Flight over Eastern Ukraine, just one day prior to the workshop. In spite of the difficult circumstances, the Group worked extremely well together, bringing the factors identified in Berlin into a systematic influence model. Based on this, different plausible combinations of the factors were used as starting points for building the scenarios. The scenarios were then drafted in August 2014.
- III. *Affirmation*: During the final meeting in Brussels, the draft scenarios were re-worked and tested for consistency and plausibility. In particular, so-called wild cards were played: The Group discussed in what ways a certain, unlikely but still possible, high-impact event (a »black swan«) would change a scenario. The results of these discussions are briefly summarised for four exemplary »wild cards« as an annex to every scenario. Finally, every single member of the Scenario Group gave his or her consent to every single scenario. *Affirmation* means that the Group as a whole thinks that the scenarios presented here are conceivable — not necessarily highly probable, but still possible.

All Scenario Group members participated in a personal capacity, and not as representatives of any institutions or countries. They were encouraged by the organisers to think outside the box of conventional wisdom and to disregard taboos. Long and controversial, but eventually very fruitful discussions ensued. The participants — despite their differing and partially contradictory positions — managed to agree on four possible scenarios. Thus, the scenarios are necessarily a compromise. They are symbolised metaphorically by different types of houses, which attempt to give a short answer to the question of what kind of home all Europeans will live in by the year 2030. Deliberately, it was decided not to judge for the reader which one is the best- or worst-case scenario, as this depends on the reader's own views and background. The beauty here is in the eye of the beholder.

Acknowledgements

We would like to acknowledge our appreciation to all the members of the Scenario Group who were so determined to make this project a success. The scenarios presented here are the product of their common intellectual efforts.

We would also like to express our gratitude to the many people involved in this project: our colleagues Kerstin Richter at FES Berlin; Olga Gladushevskaya and Rudolf Traub-Merz at the FES in Moscow; and Carolin Lebzien, Véronique Kieffer, Stefanie Ricken and Uwe Optenhögel at FES Brussels. Last but not least, we would like to thank Björn Kulp, who, as an experienced facilitator, has guided the team safely through the process.

Desmond Browne, former UK Minister of Defence, and Gernot Eler, the Coordinator for Intersocietal Cooperation with Russia, Central Asia and the Eastern Partnership Countries at the German Federal Foreign Office have agreed to take the project under their patronage. We are sincerely indebted to them.

All errors in the publication are the sole responsibility of the editors.

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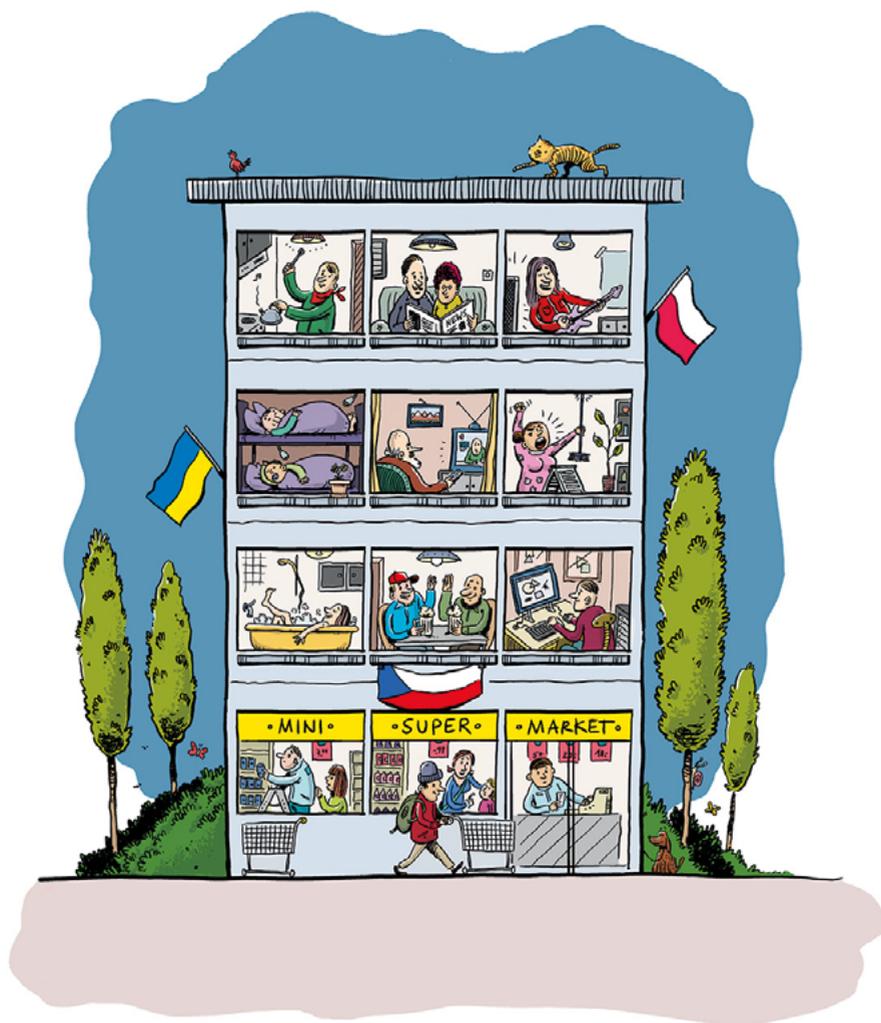
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Berlin, November 2014

Scenario I: Shared Home



Scenario in Brief

- *Stagnation First:* No significant breakthrough in mutual relations or economic growth policies in either the European Union (EU) or Russia is achieved until the mid-2020s.
- *Realism Returns:* In view of the »lost decade« for the whole of Europe, Russian elites initiate economic reforms, whilst EU member states are happy to re-engage with Moscow, not least to stimulate their stagnating economies.
- *Pragmatism Prevails:* The EU and Russia focus on shared interests and pragmatic cooperation, leading to a free trade agreement that also integrates the Eastern Partnership countries, who are no longer forced to take a decision for or against either side.

The State of Relations in 2030

A new, shared pragmatism allows for increasing cooperation in Europe — especially in the economic sphere — whilst respecting pluralism and diversity. The Russian Federation continues to pursue a non-aligned foreign policy with global ambitions, but economic dependencies and the need for diversification and modernisation are reflected in pragmatic relations with the European Union (EU). The EU has »muddled through« its financial crisis, but legitimacy problems persist, and its integration agenda has stalled, as have expansion ambitions in the Eastern neighbourhood. The six states of the former EU Eastern Partnership (EaP) are no longer faced with the choice between an alignment with the EU or Russia, giving them wider freedom to develop their domestic and foreign policy agendas.

The Road to 2030

The protests in Ukraine and the toppling of president Yanukovich in 2014 led to an open confrontation of interests between the EU and the Russia-dominated Eurasian Union, which came to be seen as competing, mutually exclusive projects. Georgia, Moldova, and Ukraine became contested ground, exposed to economic sanctions and, in the case of Ukraine, military conflict. Ukraine's territorial integrity was compromised, sanctions were imposed on Russia by the United States (US) and the EU, and the EaP countries were exposed to new trade wars. Kiev's nominal sovereignty was

eventually restored, with the exception of Crimea, but stabilisation of the situation did not alter the fundamental policy differences between Russia and the EU. Russia maintained some influence over Ukrainian internal and external policy, which, in combination with only partial implementation of much-needed reforms, slowed down further deepening of ties with the EU. The Ukraine crisis left the EU and Russia polarised, caught in an uneasy equilibrium, where open conflict remained a serious threat.

Stagnation in East and West

In Russia, the crisis reinforced a foreign policy doctrine based on polycentrism globally, and direct influence in its »near abroad«: in Armenia and Belarus, through integration into the Eurasian Union; in Georgia, Moldova, and Ukraine, through targeted actions including economic sanctions and interference in internal politics; and in Azerbaijan, by blocking cooperation initiatives with the West. The assertive strategy was supported by increasing military spending, as well as a more intense cooperation with the BRICS countries — in particular, China. Sanctions slowed down economic growth, but stable hydrocarbon exports in combination with strong patriotic feelings nurtured by the state, an increasingly toothless political opposition, and restrictions on media and organised civil society led to Vladimir Putin's re-election in 2018.

The EU overcame its economic crisis and a basic financial concord saved the Eurozone. Nevertheless, unresolved deficiencies remained, with growth uneven and low in global comparison over the following ten years. The EU experienced an enduring popular legitimacy crisis, with the increasing influence of fringe political forces across Europe stalling reform efforts and halting deepening integration. This increasingly led to power centres developing at a different pace and to more bilateral action, obstructing attempts to form an institutionalised foreign policy. No new countries were offered membership perspective after the Western Balkans, and the EU remained divided vis-à-vis Russia. The EaP was replaced by a less ambitious agenda for the eastern neighbourhood states, but the free trade agreement in effect with Georgia, Moldova — and to a lesser extent Ukraine — gradually increased EU economic ties with those countries. The global economic shift and the rising assertiveness of China — together with economic stagnation in Europe and relative stability in Central Asia — turned the focus of the US towards the Pacific, in effect diluting the transatlantic ties.

Dead Ends and Pragmatic Turns

Putin's fourth presidential term (2018–2024) was characterised by trends that increasingly created problems for Russia's centrally managed economy. Although global hydrocarbon prices remained high due to increasing demand from mainly East Asia,

Russia was not able to benefit proportionally. The rise of liquefied natural gas (LNG) and spot markets finally decoupled gas from the still high oil prices, whilst the distrust between the EU and Russia accelerated a gradual diversification of European gas supplies and, in some countries, growth of alternative energy sources. Increasing oil exports to China could not compensate for the shortfall in gas incomes, creating competition between social and defence spending and halting infrastructure investment. Years of capital flight, stagnating foreign direct investment (FDI), and largely unsuccessful state-directed modernisation programmes decreased Russia's global competitiveness. Due to restrictions on media and political freedom and a still functioning social contract with patriotic overtones, no serious political alternatives arose from the middle class. However, erosion of the National Welfare Fund had put the welfare system and pensions at risk, threatening discontent in the government's main electorate. Meanwhile, China's increasing economic presence began to alienate the wider population.

For these reasons, Putin's departure in 2024 — following the appointment of a successor candidate who was subsequently elected president — produced no break with official policy; but it gradually initiated elite-led changes, which eventually resulted in a pronounced shift in Russian domestic and foreign policy. The need for industrial diversification drove a modernisation campaign, this time followed by investment-friendly reforms and privatisation. State-controlled media began criticising the earlier anti-European rhetoric, and successful cooperation on a number of global issues re-established channels for dialogue. European countries mired in low growth swiftly opted for dialogue with Russia. European private companies spearheaded relations, initially becoming Russian technology partners. Swift scrapping of remaining EU sanctions was viewed favourably by Russia and, later, real signs of judicial reform gave the EU increased confidence in Russian intentions. Without an actual policy shift, signal gestures — such as the de facto freeze on NATO expansion and the downsizing of the Russian military presence in Transnistria and Abkhazia — enabled Russia and the EU to focus on common ground, including lowering trade barriers, increasing education exchange, and initial discussions on visa liberalisation. Lengthy negotiations eventually resulted in a breakthrough trade agreement, which was signed by Russia, the EU, and all six former EaP countries. In particular, the trade agreement found a way to include contested territories for the first time, without any party having to concede explicit political recognition. In the security sphere, some hope was expressed that a revived Organization for Security and Co-operation in Europe (OSCE) would be given momentum by the new pragmatism. The very same pragmatism also deepened cooperation on global security threats.

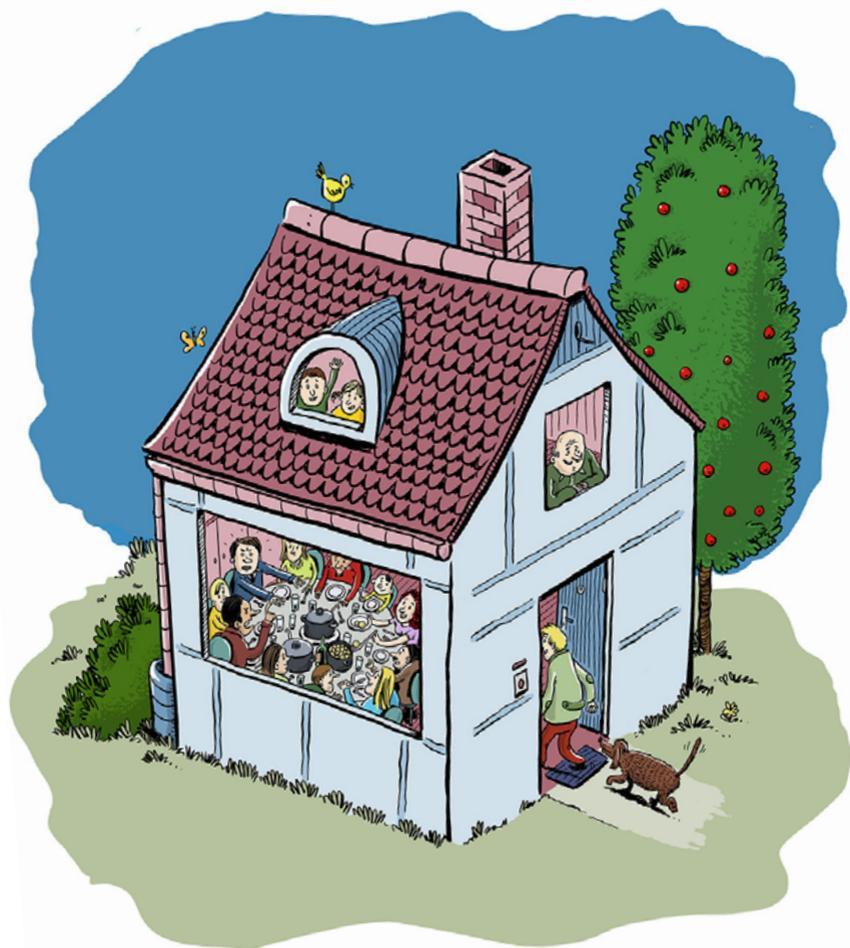
Common Neighbourhood: Potential Unleashed

In Eastern Europe, comprehensive reforms in Georgia and Moldova had not only contributed to their economic independence, but also served as an impulse for simplified EU legislation. Azerbaijan's authoritarian government, internally jeopardised after years of declining oil revenues, saw the benefit of deepening interactions with the EU and Russia to diversify its economy. Armenia and Belarus had become increasingly integrated in the Eurasian Union, but the Russian and Kazakh influence over their economies was now complemented by investments and exports to the EU under the new trade agreement. Given that this agreement would actually be implemented and the EU-Russia trust maintained, Ukraine's huge development potential — long held back by internal and external factors — seemed to be on the verge of materialising.

»Wild Cards«: What would happen if...

- **... the Eurozone broke up?** This would be the consequence of prolonged economic difficulties in Europe and disunity on how to remedy the situation. It would result in a substantial revision of the common market, reverse parts of the already achieved EU integration, and diminish the role of the EU as a common foreign policy actor. The revised European Union would be preserved, but its weakening would reinforce the trend towards rapprochement with the new Russian leadership after 2024. Hence, the scenario would be reinforced.
- **... a global energy transition marginalised the role of oil and gas in the world economy?** For Russia, this would have profound effects, as it would force any Russian leadership to modernise the economy at a faster pace. It would deplete the state budget, erode the welfare system, and affect the ruling elite in a system largely dependent on hydrocarbon incomes. Although the energy transition is a gradual process, it would possibly speed up Russia's transition to a modernising leadership described in this scenario.
- **... China occupied contested territories in East Asia?** Russia would initially view this as a vindication of its actions in Crimea. However, although Russia would not openly oppose China's actions in international bodies, it would be increasingly cautious about Chinese influence. Resentment at Chinese dependence would drive the power shift as described above, and from 2024 EU and Russian views on China may start to converge.
- **... there were an accidental use of force between NATO and Russia?** This would not substantially alter the scenario. If it occurs before 2024, the event would likely be contained between the weakening powers in Europe, but it would increase tensions and in effect accelerate developments. After 2024, this type of event would eventually be downplayed by both sides.

Scenario II: Common Home



Scenario II: Common Home

Europe is home to nations bound together by common values

Scenario in Brief

- *Transformed Russia:* Economic downturn leads to democratic and economic reforms, clearing the way for improved EU-Russia relations.
- *Depoliticised Energy:* The decreasing importance of oil and gas reduces conflict in the energy field.
- *Common Interests:* As new global powers rise, Russia and the EU join forces not only to resolve conflicts in Europe, but also to counter common threats.

The State of Relations in 2030

The new Russian President, who won elections judged as free and fair in 2024, used her six-year term to reverse the negative trends in EU-Russia relations. The economic situation in Russia has improved significantly, with its gross domestic product (GDP) per capita closing the gap with the average EU level. The EU struggles to find new engines for economic growth and knowledge-based economy by strengthening its ties with Russia. The atmosphere of trust has been gradually recreated. The successful policies ensured the President's re-election this spring. Visa-free travel is agreed between the EU, Eastern Partnership (EaP) countries, Russia, Kazakhstan, and Kyrgyzstan. Although the EaP states successfully implement reforms and strengthen their economies, they still do not attain EU membership. Conflicts around Transnistria, Abkhazia, South Ossetia, Nagorno-Karabakh, and Crimea continue to sour the international environment, but signs of gradual reconciliation are shown, allowing the mutually beneficial formation of a true common space to finally take place in the wider Europe.

The Road to 2030

Resolving the Ukraine Crisis

As the agreement on free trade between the EU and Russia comes into force, some recall the Ukraine crisis of 2014. Then, tensions were eased in a series of round tables; while they did not reconcile the different ways the conflict was viewed in the EU, Ukraine, and Russia, they did help to prevent the further spread of violence. Russia's annexation of Crimea was not recognised by the EU, but implicitly accepted

as a *fait accompli*. Ukraine introduced changes to the political system to accommodate the demands of the population in the east of the country. All sides recognised that the continued confrontation would cause unbearable costs. The sanctions were gradually lifted, but closer cooperation between Russia and the EU seemed impossible.

Russian Transformation

In the meantime, Russia went through a noticeable internal transformation, which was inevitable given the apparent economic downturn. In order to compensate for the stagnating salaries in the state sector, the government had to grant more freedom to small and medium-sized enterprises (SMEs) and finally got serious about fighting corruption. However, these efforts could not alleviate the negative effects resulting from the dominance of resource-oriented monopolies and the disruption of economic ties with the EU. The gradual decline turned into a large-scale problem, when the shale revolution — combined with the growing usage of renewable sources of energy — resulted in a rapid drop in oil and gas prices. The economic crisis only hit resource-based economies, causing the demands for political change to grow.

Putin, who seemed extremely popular in 2014, spent the 2018 elections proclaiming that the next six years would be the last term necessary to make Russia a world leader. However, economic troubles were a serious blow to these plans; and repressions did not help, as the protests became more widespread. The external conditions were also changing. China's continuing rise made it increasingly difficult for Russia to negotiate with the stronger partner. The Transatlantic Trade and Investment Partnership (TTIP) defeated the Russian government's hopes to play on differences between the EU and the US. The EU's fears of Russia's collapse led to the slow recovery of sectoral cooperation. In an attempt to engage with Russia, the EU liberalised visa regulations and enlarged opportunities for Russian workers. The Eurasian Economic Union (EAEU) had once been presented as an alternative rules-setting actor. However, Russian citizens hardly noticed the effects of the EAEU's existence, placing no hopes on it. Worried about the prospect of revolutionary change, the President agreed to a round table with civic forces, which developed procedures for free and fair elections — presented to the Duma and the Council of Federation in 2021 — thus creating a completely different political landscape. Parliament had become more representative. One of the popular opposition leaders ensured her victory in 2024 by promising economic reforms, a battle against resource monopolies, and closer ties with the EU. The change was praised in the West and seen with suspicion in China.

Depoliticised Energy Trade & Conflict Resolution

De-monopolisation had been performed along with significant modernisation efforts based on an influx of Western technologies. Russian market regulations were liberalised, creating a comfortable business environment. After the shale revolution, it was much easier to come to terms on trade in energy resources, which now played a lesser, hence healthier, role in EU-Russia interactions. Seeing the first positive results of these developments, business associations demanded a free-trade area (FTA) between the TTIP states and the EAEU. By that time, the EAEU neighbours in Eastern Europe and the South Caucasus worked well as positive examples of the FTA effects.

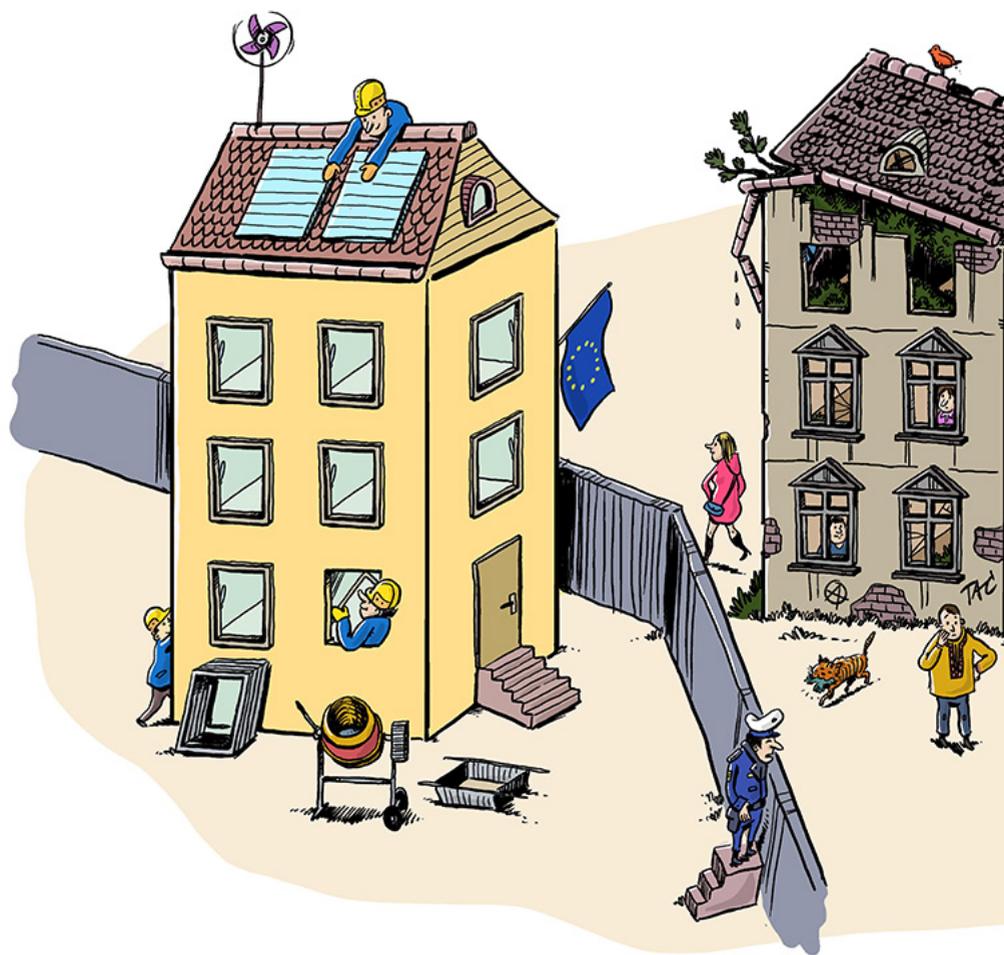
Economic cooperation could not proceed smoothly without the resolution of the long-lasting, conflicting situations in the common neighbourhood of the EU and Russia. European governments — including Russia's — reconfirmed their intention to keep borders in Europe intact. Negotiations on frozen conflicts became substantial. New elites in EaP countries were significantly more helpful in ensuring the reconciliation with breakaway territories. Russia no longer created obstacles to the integration of the common neighbourhood states into the EU. The EU-Russia Committee on Foreign and Security Policy — reminiscent of the Merkel-Medvedev initiative from fifteen years earlier — as established. The common stance on foreign policy issues outside Europe became regular. The commonality of interests was a result of a common understanding of the limits of influence by both Russia and the EU. Common security challenges — such as international terrorism, proliferation of weapons of mass destruction (WMDs), and the rise of China — looked ever more dangerous for the Euro-Atlantic from Vancouver to Vladivostok, forcing them to stick together.

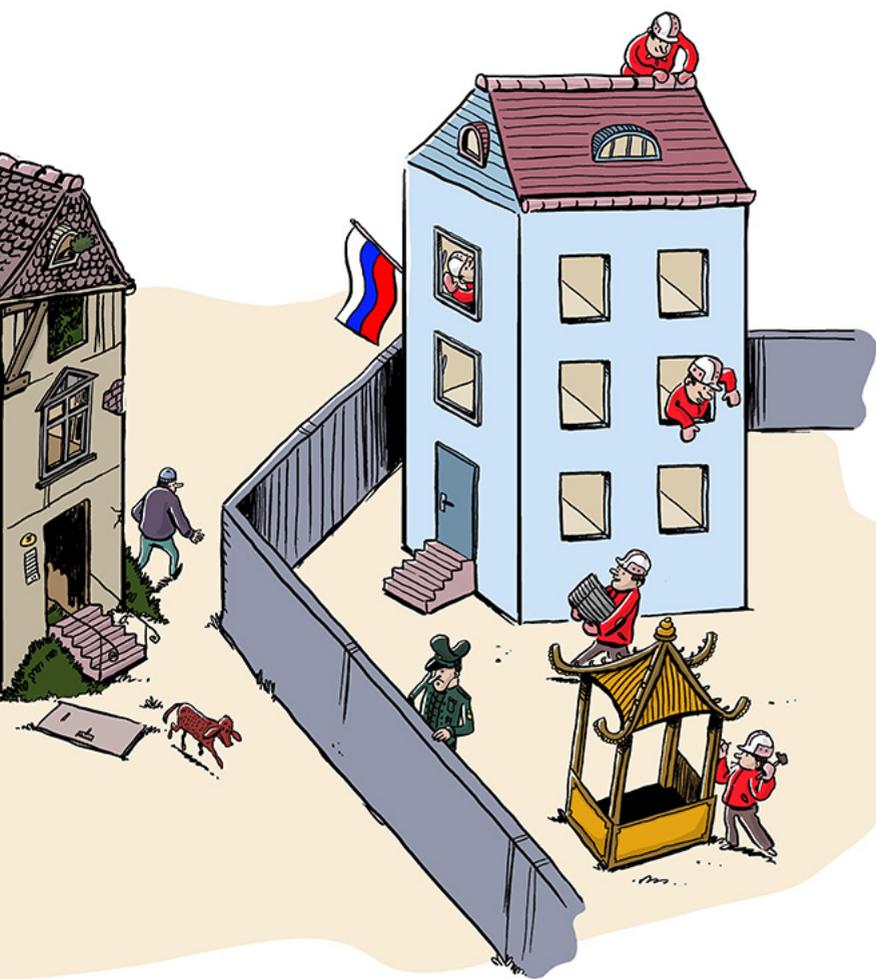
New biometric technologies simplified the remote control of migration flows and customs formalities, significantly reducing waiting times at the borders for people and businesses. This created the preconditions for the negotiations on possible inclusion of the EAEU countries in the Schengen agreements, on condition that they cooperate more closely with FRONTEX. The negotiations are supposed to start in 2031, though a number of influential political forces in the EU continue to criticise the move.

»Wild Cards«: What would happen if...

- **...the Eurozone disintegrated?** If this happened some time around 2027, it would be a short-term obstacle for the rapid progress in EU-Russia relations envisaged in the scenario. Still, the FTA would be beneficial for the EU and Russia, even if the EU or some of its members drop the euro. Slow recovery after the Eurozone crisis may increase the EU's interest in having an FTA with Russia, which could be used as an additional engine of growth.
- **...a technological breakthrough marginalized the role of oil and gas in the world economy?** This would only force Russia to become more cooperative and stimulate political change, which might come even sooner than expected in the scenario.
- **...China occupied a disputed territory in Asia?** The consequences would depend on the timing: If the event occurred before political change in Russia, the probability is high that Russia — given the bad state of relations with the West — would tend to tacitly support China, at the same time increasing its own military potential in Asia. This could result in a worsening confrontation, potentially leading to a real Cold War, in which Russia would climb on the bandwagon with China. If the »wild card« is played after the political change in Russia, the common stance of Russia and the West could either leave Russia neutral towards China or even prevent the occupation from happening.
- **...there were an accidental use of force between Russia and NATO?** This »wild card« would only have serious consequences if the use of force were not accidental, but the result of growing tension between the North Atlantic Treaty Organization (NATO) and Russia. While no one is ready to wage a war, we could expect a new arms race, which Russia could not bear. The scenario could be accelerated with the rapid development of economic misfortunes. A possibility exists that, given increasing internal and external troubles, Russia would turn to China, which would block this scenario. Nonetheless, this could lead to the creation of a close alliance — including an FTA and cooperation in multiple spheres — by Russia and China at some point beyond 2030.

Scenario III: Broken Home





Scenario in Brief

- *Protracted Conflict:* As no lasting solution to the Ukraine crisis is found, the confrontation between the EU and Russia continues up to 2030.
- *Interdependence Unwound:* The relative success of authoritarian modernisation in Russia and the energy transition in the EU give both sides the opportunity to act independently.
- *Unstable Neighbourhood:* The Eastern Partnership countries remain the object of intense EU-Russia competition. They form a zone of instability in Europe.

The State of Relations in 2030

In 2030, Russia and the West are locked in a protracted confrontation. The economic interdependence between Europe and Russia has proved insufficient to prevent the emergence of this confrontational dynamic. In fact, there has been a gradual unwinding of the economic interdependence, which had developed after the end of the Cold War, down to the level of the 1980s. There is a clear geopolitical dividing line from the Baltic Sea to the Black Sea and the countries of the (former) EaP have become »objects« of the EU-Russia confrontation. What the EU used to call its »eastern neighbourhood« and Russia called its »near abroad« has been turned into a zone of instability, in which low-intensity conflicts constantly threaten to flare up.

The Road to 2030

Increase of Military Tensions

After Russia's annexation of Crimea, the situation in Ukraine rapidly deteriorated. The EU accused Russia of destabilising Eastern Ukraine. When a Malaysian Airlines airliner was shot down in July 2014, killing hundreds of EU citizens, the EU and US blamed pro-Russian rebels. This event brought the EU closer together on its position towards Russia. In particular, it made taking decisions on the introduction of new sanctions easier. Russia, in turn, initiated counter-sanctions against the EU and its member states.

Politically, Russia began to take measures to resolve the conflict on its own terms. Given Kiev's increasingly determined resistance to Russian aggression, and its inability

to stop the pro-Russian rebellion in East Ukraine through military means, the West began providing military support to the Ukrainian government. This in turn mobilised Eastern European member countries of NATO — such as Poland and the Baltic states — who feared that Russia could also start a »hybrid war« against them to seek further security reassurances from NATO.

This led to a massive military build-up in Eastern Europe, which started a spiral of escalation: Russia reacted aggressively to NATO plans to increase its commitments on protection of the Eastern European member states. Russia deployed arms, particularly Iskander missiles, in Kaliningrad Oblast and other regions close to its Western borders. NATO adapted its military posture and Russia published a new military doctrine, in which it threatened to use nuclear weapons in response to a conventional attack. By 2020, an arms race was in full effect.

Deconstruction of Economic Interdependence

Although at the beginning of the crisis the situation seemed to be unsustainable in the long term because of potentially unbearable costs for the adversaries, circumstances had changed by 2020. Russia started to diversify its trade relations, and in particular attracted investment from the Far East and Asian countries. Chinese investment in Russian agriculture increased dramatically, thus satisfying the high demand for meat and dairy products in the growing Chinese middle class. In the long term, Russia was able to complete its project of authoritarian modernisation with moderate success. The EU, for its part, intensified the development of new technologies, which allowed it to reduce energy dependence from Russia. The emergence of an external threat also triggered closer cooperation in the security field, and strengthened the Common Foreign and Security Policy.

New ideologies emerged on both sides and hostility grew. Each side of the conflict saw itself as a status quo power, and the other side as a revisionist power. Narratives presented by the EU and Russia appeared to be mutually exclusive, and terms of rapprochement were unacceptable. Both sides perceived the adversary as an existential threat, and this became the main justification for the continuation of confrontation.

As the dependence on hydrocarbon exports/imports by both sides decreased, barriers to any kind of economic cooperation grew. Private Western companies increasingly avoided investment in Russia due to the fear of »naming and shaming«, and Russian firms were not allowed to invest in the EU. Additionally, under the conditions of »authoritarian modernisation«, targeted repressions became common in Russia, effectively discouraging those who wanted to build economic relations with the West.

Unstable Neighbourhood

The countries between the EU and Russia effectively became »objects« of the confrontation. Along with its military presence, Russia constantly used various carrots (e. g., financial aid) and sticks (e. g., energy cut-offs and trade restrictions). At the very beginning of the confrontation, the EU responded by offering more incentives to countries such as Moldova and Georgia, who were willing to take the economic and political reforms required. However, the EU still did not even offer them a membership perspective. More importantly, constant instability and threats led to a situation in which the populations of the space once known as the »eastern neighbourhood« were interested primarily in basic security, rather than economic reforms or the geopolitical orientation of their weak governments.

Ukraine remained deeply divided, with its eastern regions still controlled by pro-Russian separatists. The low-intensity conflict continued. Moldova remained neutral, because it feared Russia would use military force if it took steps towards NATO membership. Transnistria's status remained unchanged, as did the situation in Georgia. The EU's EaP initiative was now defunct. The only country in the region able to use the confrontation between the West and Russia for its own benefit — as Yugoslavia had done in the Cold War — was Kazakhstan, which skilfully maneuvered between the two sides. Armenia joined Russia's EAEU and became part of the Russian sphere of influence.

The confrontation between the EU and Russia remained limited to the region. China was unwilling to be drawn into the confrontation and essentially maintained a position of neutrality. At the same time, it was clear to Chinese decision-makers that their sophisticated connections with Russia through investment contributed to the general decline of the West, and thus allowed China to be more assertive towards the US by conducting an »Asia for Asians« policy.

»Wild Cards«: What would happen if...

- **... the Eurozone fell apart?** This would make the EU focus primarily on its internal problems. Such a development would undoubtedly lead to a serious economic crisis, and thus limit the resources necessary for the West to support central European states and maintain the confrontation in the long run. This »wild card« would thus become a bridge that transforms the »Broken Home« scenario into the »Divided Home« scenario.
- **... a global energy transition marginalised the role of oil and gas?** The scenario would be reinforced because it would make Europe less dependent on Russian energy.
- **... Chinese occupied disputed Senkaku Islands or other territory in Asia?** Such an event could result in one of two outcomes. On the one hand, it might force Russia to become a »junior partner« in an anti-Western coalition with China. On the other hand, it could lead Russia to abandon confrontation with the West to balance against China. In the first case, the regional confrontation between Russia and the EU would be transformed into a global one. In the second case, de-escalation could lead to situation of »Cold Peace« between Russia and the West, as described in the »Divided Home« scenario.
- **... there was an accidental use of force between NATO and Russia?** The logic of spiralling confrontation and growing hostility remains valid. However, a miscalculation leading to the accidental use of military force might accelerate the confrontation.

Scenario IV: Divided Home



Scenario IV: Divided Home

Europeans live next door, but apart from each other

Scenario in Brief

- *Cold Peace*: The EU and Russia are locked in a stalemate: Significant deterioration is prevented by continued economic and energy interdependence. Improvements, however, seem impossible due to widespread mistrust and a deepening value divide.
- *Contested Neighbourhood*: The EaP countries falter between East and West. Their economic and political development is severely hampered by constant conflict between rivalling integration projects: the EU and the Eurasian Economic Union (EAEU).
- *Lacking Transformation*: Under the conditions of »Cold Peace«, no political and economic transformation takes place. Europe increasingly loses touch with the new global power centres in Asia and America.

The State of Relations in 2030

By 2030, the political and economic systems of the EU, Russia, and most of the EaP countries have undergone surprisingly few changes. While the EU has some difficulty in defending its model of a liberal democracy against populist parties, the EaP countries still struggle to get rid of their post-Soviet heritage. Among them, Belarus and Azerbaijan have maintained their autocratic systems. Russia has reverted to a more authoritarian country; a development that is underlined by further restrictions on civil society and media.

Despite a climate of fierce political competition over influence on neighbouring countries and the impact of mutual sanctions, the EU and Russia continue to be bound by strong trade and energy links. Although economic interdependence prevents open conflict, economic relations are under constant stress and tensions are occasionally rather high. Frequent trade conflicts and the frozen conflicts — including in Ukraine — further hamper the economic and social development of countries in the immediate neighbourhood of the EU and Russia. Only Georgia and Moldova have experienced a certain rise in their standard of living.

Confrontation between the EU, the US, and Russia — sharpened by the Ukraine crisis in 2014 — has led to a power-based relationship between the former Cold War adversaries. This relationship is characterised by stagnation and — when it comes to EaP countries — by uncertainty. Due to its inability to bring lasting peace, prosperity,

and stability to its European neighbourhood, the EU is sidelined not only from global affairs, but also to a certain degree within the context of European security. As a consequence, NATO has considerably regained importance.

The Road to 2030

Consequences of the Crisis

The Ukraine crisis in 2014 significantly affected relations between the EU, Russia, and their common neighbours — Belarus, Ukraine, Moldova, Georgia, Armenia, and Azerbaijan — as well as the European peace order as it emerged at the end of the Cold War. First and foremost, the Ukraine crisis shifted attention away from the domestic towards the international scene, and from the postmodern world back to realpolitik. The conflict divided EU member states between those that depended economically more on cooperation with Russia and advocated a cautious approach to the Ukraine crisis, and those that advocate a more firm approach towards Russia's policy on Ukraine. Lacking a united EU position, no lasting solution to the Ukraine crisis was found. Parts of Eastern Ukraine became a semi-autonomous entity, where OSCE observers try to prevent the open conflict from emerging again.

The EaP countries struggled to strike a new balance in their foreign policies towards both the EU and Russia — with Ukraine, Georgia, and Moldova being more determined than others to integrate with the EU. Ukraine's aspirations in this regard were, however, seriously impeded by the ongoing territorial conflict in its East and its persisting internal instability. After an EaP summit in 2015, the EU realised that many of the EaP countries — discouraged by the absence of a membership perspective — have lost interest in the multilateral aspects of the EaP. Much more importance is given to bilateral relations of individual countries with the EU, Russia, the US, and other influential neighbours.

Few Transformations in Politics and Economics

Furthermore, due to the general crisis mood, the political decision-making systems of most of the players remained rigid and underwent few changes. While pluralism prevailed in the EU, politics in the EaP was marked by only a certain degree of pluralism. In Russia, even further restrictions could be observed regarding democratic participation. In the economic sphere, developments were similar. Despite the continuous aftermath of the economic and financial crisis and the negative impact of the mutual sanctions, the EU managed to uphold its social and economic model. The Russian economy became increasingly state-centric and continued to be highly politicised. Some of the EaP

countries started to actively fight corruption in an effort to show their citizens some kind of economic progress in the absence of broader reforms. Georgia and Moldova embarked on lengthy and painful reform processes, hoping that the EU would reward these efforts. In 2023, both countries applied for EU membership, which resulted in Transnistria renewing its declaration of independence.

Reduced Scope for Economic Cooperation

The lack of a lasting and mutually beneficial solution to the Ukraine crisis not only increased political and economic instability in the region, but also led to increasingly conflicting interaction between Russia, the EU, and the US. The shift from largely cooperative to predominantly competitive foreign policies between the EU and Russia clearly influenced the nature of their economic relations, including those with their respective neighbours in Eastern Europe and the South Caucasus.

First, the Ukraine crisis accelerated the process leading to the signing of Association Agreements (AA) and Deep and Comprehensive Free Trade Agreements (DCFTA) between the EU and Georgia, Moldova, and Ukraine. While the agreements slowly started to yield positive results for Georgia and Moldova around 2018, implementation was repeatedly delayed in the case of Ukraine, not least due to Russian pressure. As a result, important incentives for economic modernisation fell away, and political instability with frequent government changes prevailed. In 2017, another delay in DCFTA implementation led to another Maidan movement in Ukraine.

Second, Russia became even more determined to build up its own cooperation model with its neighbouring countries — i.e., the EAEU. However, this also led to a further politicisation of its economy and to increasing tensions related to migration to Russia. With Ukraine absent from the project, the long-term economic sustainability and attractiveness of the Eurasian project for Russia itself was questioned.

Third, intra-EU solidarity was continuously put under stress by the EU's economic sanctions against Russia and Russian counter-sanctions, which unavoidably hurt both European and Russian economic interests and hamper GDP growth.

Despite economic sanctions and political tensions, economic relations between the EU and Russia continued to be marked by a high degree of interdependence. This was mainly due to the importance of energy and trade and Russia's need for EU technology to modernise its economy. This pronounced economic interdependence prevented both partners from slipping into an open conflict. Personal contacts and business ties contributed further to maintaining this interdependence, even during the height of the Ukraine crisis.

In particular, the consequences of the stagnation in EU-Russia economic relations had direct consequences for EaP countries: chronic trade irritants between Russia on one side and individual EU member states and some of the EaP countries on the other — especially those that have signed AA/DCFTA with the EU — hampered economic development in the Eastern neighbourhood. Therefore, many of the positive effects generated by the AA/DCFTA were in the mid-term perspective eroded by recurring trade conflicts and tariff wars.

Growing Divide

Due to an increasing political alienation between the EU and Russia, no progress was made — either towards building a Single Economic Space from Lisbon to Vladivostok or concerning the previous objectives of a reviewed visa facilitation agreement, or even a visa liberalisation agreement. By necessity, this also pushed Russia into an unprecedentedly intense contractual relationship with China, which deepened the already significant asymmetry between the two.

Faced with the need to explain to its citizens why they suffer from economic stagnation and cannot benefit from similar freedoms, Russia toughened its stance on cooperation with the EU. As a result, the values gap between the EU and Russia widened. Conservatives contributed to its exacerbation, especially with regard to the role of the state, family values, and sexual minorities. As a symbol of this and in opposition to the Eurovision Song Contest, 2018 saw the birth of the Eurasian Song Contest.

European Security Architecture Questioned

The lack of adherence to the rules jointly agreed upon since the end of the Cold War (and even before) considerably weakened the European security architecture. Neither closer NATO-EU, nor wider EU security and military cooperation emerged. With the US increasingly busy containing China in Asia and the spread of radicalism in the Middle East, global attention shifted away from Europe. Against the weakened transatlantic link and confronted with rising China and Russia's increasingly assertive foreign policy, the EU found itself more and more sidelined in the security domain. As a consequence, the role of NATO in European security matters increased again. In 2019, Finland and Sweden applied for NATO membership, but voters rejected this idea in referenda in 2021. NATO's stance on Russia and its straightforward policy line vis-à-vis the EaP further fuelled the rivalry between Russia and the West. Forty years after the end of the Cold War, relations between the EU, Russia, and their immediate neighbours are thus still marked by a power-based relationship and EU-Russia competition over the attractiveness of their differing models for regional cooperation.

»Wild Cards«: What would happen if...

- **... the Eurozone disintegrated?** The thus weakened EU would no longer be able to sustain the EaP programme, which might reduce the competition over the common neighbourhood.
- **... an accidental use of force between NATO and Russia occurred?** This might turn the »Divided Home« scenario into the »Broken Home« scenario — i. e., the cold peace would reappear in the best case as a cold war.

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Abbreviations

AA	Association Agreement
DCFTA	Deep and Comprehensive Free Trade Agreement
EAEU	Eurasian Economic Union
EU	European Union
EaP	Eastern Partnership
FDI	foreign direct investment
FTA	free-trade area
GDP	gross domestic product
LNG	liquefied natural gas
NATO	North Atlantic Treaty Organization
OSCE	Organization for Security and Co-operation in Europe
SME	small and medium-sized enterprise
TTIP	Transatlantic Trade and Investment Partnership
US	United States of America
WMD	weapon of mass destruction

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