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The European Union and Achieving Peace in Ukraine

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Abstract: The war between Ukraine and Russia does not only harm their respective populations: the rest of Europe is heavily affected. While some welfare losses for the EU are salient, the most significant one is not: it is the risk that the war escalates into a major nuclear conflict. A promising policy to minimize those losses exploits the desire of both Ukrainians and Russians to join the EU. I propose that they should if they immediately cease all fighting and subscribe to a distinctive, incentive-compatible, peace agreement brokered by the EU. Such an agreement would come at small costs to the EU, costs that would vanish in comparison to the risk of nuclear holocaust.

Keywords: Ukraine war; European Union; Nuclear risk

JEL Classification: H56; H70

1 Introduction

The war initiated by Russia in the Ukraine is an unmitigated catastrophe for the directly involved people. In addition, it keeps inflicting substantial welfare losses for indirectly involved people in Europe. Welfare losses accruing to European third parties come in five main varieties. First, Europeans suffer from economic losses due to the disruption of trade flows, especially in the energy sector. Second, European taxpayers carry the burden of fiscal costs caused by their governments' support of the Ukrainian military effort and the relief they offer to Ukrainian refugees. Third, in places with a large inflow of those refugees, European citizens face increased congestion costs, especially within their national health system and with respect to the availability of public housing and other social services. Fourth, and more difficult to quantify, are the moral costs inflicted upon those Europeans who feel compassion and grief for those who directly suffer from the war and who feel anger or disgust from seeing their continent once again ravaged from a brethren war. Fifth, the war

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in Ukraine implies a formidable loss in expectation, namely the danger that the current conventional war escalates into a nuclear holocaust that may completely destroy Europe and, eventually, most forms of life on earth.

It goes without saying that these welfare losses outweigh by orders of magnitude the pecuniary gains to European arm producers and their shareholders. By implication, Europeans have a positive aggregate net willingness to pay for terminating the war in Ukraine by means of a fair peace agreement. The European Union, as the main institution that is to represent the interest of the European peoples, is called upon to examine the rationale for a possible major effort in order to achieve that outcome. The more so, as Article 3 of the Lisbon Treaty begins by claiming: “The Union’s aim is to promote peace, its values and the well-being of its peoples”.

An aim of this article is to put forward the significance of the fifth kind of welfare loss mentioned above: the risk of nuclear holocaust. Some hints at a rough quantification of that welfare loss will be offered. The main contribution of this article is a succinct blueprint of a fair peace agreement that would eliminate that risk. The peace agreement I propose would have to be brokered by the European Commission: it would offer *both* belligerents a distinctive path to full EU membership in exchange for durable peace. This perspective brought in by a third party – the EU – would overcome an otherwise persistent impasse of negotiations, an impasse due to the inexistence of a peace bargain that only includes Ukraine and Russia and is acceptable to both sides.

2 How Likely is this War to Bring About a Nuclear Holocaust?

Currently, neither Russia nor the U.S. – the two major nuclear superpowers – endorse a policy of “no-first-use” of nuclear weapons.¹ Official Russian doctrine is embodied in the 2020 decree on the basic principles of the Russian Federation’s state policy in the domain of nuclear deterrence. It states that “The Russian Federation retains the right to use nuclear weapons ... also in the case of aggression against the Russian Federation with the use of conventional weapons, when the very existence of the state is put under threat” (Holloway 2022). Following the annexation of parts of Ukrainian territory by the Russian Federation, there has been a serious concern that a military loss of those territories by Russia could be seen by the Russian government as a sufficient condition for admitting the possibility of first use of nuclear weapons.

¹ China and India are the only nuclear states with a no-first-use pledge. The USSR made such a pledge in 1982 that was discontinued in 1993.

The military loss of original Russian territory would count even more as a possible enabling factor of first use of nuclear weapons, but this eventuality currently seems so remote that I will neglect it.

The main scenario leading to a nuclear holocaust thus begins with a hugely successful Ukrainian counteroffensive in its currently occupied territories that pushes back the Russian army towards the original Russian border and the naval base of Sevastopol in Crimea. If the Russian government infers that it cannot stop such a counteroffensive by conventional military means, it may consider using one or more tactical nuclear weapons. They would produce so many casualties in the Ukrainian army that it may end its counteroffensive, and possibly compel the Ukrainian government to sign an armistice on terms that are favorable to Russia.

Various factors militate against a Russian decision to employ nuclear weapons in the wake of an irresistible Ukrainian advance. These factors suggest that the probability of such a decision is relatively small. First, by dropping nukes, Russia would definitely become a pariah state in international relations. Possibly, it would be temporarily excluded from the United Nations and be facing economic sanctions by most countries in the world, including China and India. Large Russian financial assets that are currently frozen abroad would likely be confiscated in toto by some international courts or foreign governments. Some Russian embassies would be assaulted by the mob; their personnel, as well as other representatives of the Russian state abroad, would risk being lynched. What's more, the first use of nuclear weapons after Hiroshima and Nagasaki may prompt a declaration of war by NATO – or a U.S.-led alliance of the willing – which would thus join Ukraine's fight against Russia. The use of nuclear weapons, causing the death of tens of thousands or hundreds of thousands, many of which civilian noncombatants, would be seen as the definite proof of the equation "Putin equal Hitler", and thus offer a formidable argument for initiating a conclusive fight of good against evil.²

While arguments – not to speak of emotions – in favor of such a war declaration would be strong, equally strong would be the reasons of those arguing that such a war should be averted because of its possibly fatal consequences for mankind. Once a war between NATO and Russia has begun, it may namely escalate into an all-out nuclear conflict.

A conventional military conflict in which the entire force of all or most NATO states is brought upon against Russia would almost surely end with a relatively rapid

² Another conceivable development has the U.S. responding to Russian nuclear use by giving Ukraine some nuclear tactical weapons for retaliation – without a U.S. declaration of war to Russia. I believe that this would be very unlikely because the U.S. government would hardly be willing to give up the control of a portion of its nuclear arsenal by transferring it to the Ukrainian government. If control of the nuclear tactical weapons given to Ukraine to hit Russia rests with the U.S. command, its use would be tantamount to a U.S. war declaration to Russia.

physical elimination of the command-and-control structure of the Russian state and a defeat of its military.³ Hence, the Russian government would again recognize a reason for enabling the use of nuclear weapons. But this time it would face a nuclear superpower, further enhanced by the British and the French nuclear arsenals. On its face, this would reduce the Russian incentive to employ nuclear weapons. But things could nevertheless evolve towards nuclear holocaust. Technological and strategic superiority of the U.S. nuclear arsenal has kept intact in some influential American minds the belief in the feasibility of a nuclear first strike that is so successful as to decapitate the Russian leadership, avert a massive retaliatory second strike, and thus avoid any serious damage to the U.S. homeland (Long and Rittenhouse Green 2015). To the extent that the Russians believe that such is the belief endorsed by the U.S. command, this could prompt them to launch a desperate preemptive nuclear strike; this line of reasoning would induce similar incentives on the other side to strike immediately.⁴

Alternatively, both governments may be convinced that even an own completely successful first nuclear strike would ultimately be suicidal, so that they would choose to abstain from launching it. As nuclear scientists have explained, the thermonuclear explosions that are necessary to destroy a superpower's ability to retaliate are so powerful that they would cause nuclear winter. After massive fall-out and lasting obscuration of the planet, famine and epidemics would likely annihilate human civilization, as well as most other forms of life on our planet (Diaz-Maurin 2022). Because of this, there can be no victory in an all-out nuclear exchange between the two superpowers.

Alas, even if both political leaderships want to avoid risking a nuclear holocaust, this may nonetheless occur as a consequence of each superpower having a "doomsday machine" (Ellsberg 2017). A doomsday machine automatically or semi-automatically starts a massive launch of nuclear missiles against the enemy following electronic alarms that a nuclear attack by the opponent is imminent or actually occurring. Its rationale was thought precisely to be the elimination of the enemy's incentive to launch a first strike that could decapitate its opponent's command leadership. However, also a doomsday machine is no perfect device and, especially in a scenario like the one contemplated here of a conventional war between NATO and Russia, it

³ Thanks to Finland's entry, NATO can now threaten the entire Russian-Belorussian western border. NATO's official partners Georgia, Azerbaijan, Armenia, Kazakhstan, Mongolia, South Korea, and Japan may help NATO to achieve an almost global encirclement of Russia. In terms of numerical military capabilities, NATO has some 5.8 Mio total military personnel against 1.3 Mio for Russia; power ratios are similar in the realms of air force and navy. See Statista (2023).

⁴ This logic of nuclear war planning has been extensively studied during the Cold War; on the characterization of instable situations and war initiation, see e.g. Intriligator and Brito (1984) and Mayer (1986).

may be triggered without the approval by a superpower's political leader. It could be triggered on a false alarm of the enemy attacking. It could be triggered on an accidental detonation of own nuclear arms put on state of high alert. It could be triggered on a devilish terroristic attack with nuclear material. It could be triggered in the wake of an unauthorized launch by subordinates with limited delegation in the enemy's military. In each case, "omnicide" would eventually occur.

To sum up, the likelihood that a nuclear holocaust arises out of the current Ukrainian conflict may be assessed as the product of the following conditional probabilities:

Prob {Ukrainian counteroffensive is hugely successful | Ukrainian war} *

Prob {Russia drops tactical nuclear weapon | Ukrainian counteroffensive is hugely successful} *

Prob {U.S. declares war to Russia | Russia drops tactical nuclear weapon} *

Prob {escalation to all-out nuclear war | U.S. declares war to Russia} *

Prob {nuclear holocaust | escalation to all-out nuclear war}.

The product of these five probabilities yields the probability that the chain of events mentioned in the parentheses occurs. Although one can conceive further chains that might lead to a nuclear catastrophe, I think that this particular chain is the most likely one. In order to evaluate its likelihood, I am going to tentatively put some numbers on those probabilities. The following ones seem fairly plausible:

Prob {Ukrainian counteroffensive is hugely successful | Ukrainian war} = 1/4

Prob {Russia drops tactical nuclear weapon | Ukrainian counteroffensive is hugely successful} = 1/20

Prob {U.S. declares war to Russia | Russia drops tactical nuclear weapon} = 1/2

Prob {escalation to all-out nuclear war | U.S. declares war to Russia} = 2/3

Prob {nuclear holocaust | escalation to all-out nuclear war} = 1.

Using these subjective probabilities, and neglecting other chains of events, the likelihood of a nuclear holocaust being unleashed by the war in Ukraine is 1/240 or 0.417 %. The probability of nuclear explosions of tactical weapons on the territory of Ukraine is 1.25 %.

Should we worry about such probabilities? At the time the atom bomb was just a theoretical possibility, the scientists of the Manhattan Project realized that the explosion of an atom bomb might start a process of atmospheric ignition, with global consequences that are not too dissimilar from those scientists nowadays expect in case of a nuclear holocaust. The person in charge of the whole project decided that they would nonetheless proceed with it, and eventually test the atom bomb, only if the probability of atmospheric ignition was computed to be less than three in a million (Ellsberg 2017, ch. 17). My probability of about four in a thousand for the risk of a nuclear holocaust unleashed by the war in Ukraine suggests that we are accepting to take a significantly worse gamble.

3 The European Peoples' Willingness to Pay for Peace

My subjective probability that a nuclear holocaust may happen out of the war in the Ukraine may easily be wrong by one order of magnitude. It would still be true that, however small, that probability is not negligible. Multiplying a plausible probability by the welfare loss in case of a nuclear holocaust gives a measure of the expected loss. Since the realized welfare loss would be huge, the expected loss is dreadful even if the probability of a nuclear holocaust is small.

How large may be the (maximal) aggregate willingness to pay to avoid this risk for the whole population in the European Union? Given its almost 450 million inhabitants and an average equivalized annual disposable income of about 20,000 € per inhabitant, such a willingness to pay must be large. Even an average willingness to pay just €200 annually during ten years would result in an aggregate willingness to pay of €900 billion. To put this in perspective, such a (almost surely underestimated) willingness to pay is higher than the €750 billion of NGEU – the hitherto largest expenditure program conducted by the EU.

A large willingness to pay for achieving peace in the Ukraine suggests that the EU would be legitimated to incur substantial costs in order to bring about that outcome. According to Article 3 of the Lisbon Treaty, it would actually be its constitutional duty. As it turns out, the EU could sponsor a fair peace agreement that avoids the risk of nuclear war at costs that are substantially lower than its population's willingness to pay for it. The following five-point blueprint aims at evoking such a fair peace agreement. Key to it is Article 4, entailing the exchange of a credible perspective of EU membership for *both* belligerents against their commitment to cease any military hostility and to engage in mutual economic and political cooperation.

4 A Possible Peace Agreement Brokered by the EU

The European Union, the Russian Federation, and the Republic of Ukraine agree on the following:

Article 1: All military hostilities between Russia and Ukraine immediately cease and all Russian military leaves the territory of Ukraine (as defined by its borders before 2014), except for the naval base of Sevastopol, within three weeks of the signature of this agreement.

Article 2: Crimea is by that same date established as an independent state with a Constitutional Assembly. The EU supports the United Nations in setting up an

institutional framework during the transition period of this novel state until its first democratic government is elected.

Article 3: The two Donbass provinces are part of the territory of Ukraine. They are guaranteed by the Ukrainian government a constitutionally anchored regional autonomy of a similar extent and nature as the one enjoyed by the two provinces of Trentino Alto-Adige in Italy.

Article 4: Russia and Ukraine become on January 1st, 2024 temporary members of the European Union. They have time until December 31st, 2029 to introduce reforms so as to satisfy the current criteria for permanent membership of the European Union. Upon accomplishment, they will become regular member states of the EU.

Article 5: As soon as circumstances permit, a similar path towards EU membership is offered to the novel state of Crimea.

Accompanying policies of economic and financial cooperation between the EU and Ukraine, Russia, and Crimea will follow the signature of this agreement.

5 Remarks on Article 4

This proposal's essence lies in the welcome of both adversaries, Ukraine and Russia, in the EU as a prize for having ceased their military conflict. This would entail a process of far-reaching economic integration, not only between each belligerent nation and the current EU, but also between Ukraine and Russia. The EU should additionally announce that any side of the conflict that rejects the agreement cannot hope to become a member of the EU in the foreseeable future.⁵

The Ukrainian desire to join the EU is apparent. Turning to Russia, before the Ukrainian crisis the attitude of the Russian government towards the EU has significantly changed over time. Since the demise of the Soviet Union, at several junctures the Russians have expressed their desire to develop strong ties with the main political institutions of the West, not only the EU but also NATO.⁶ Things turned out differently, partly because of Western reservations. While the current relationship between Russia and the EU is at its lowest level ever, this could drastically change once this peace initiative is officially endorsed by the EU and well-received by the

5 The notion that institutionalized economic cooperation among states can be a lasting force for peace goes back to Keynes' "The Economic Consequences of the Peace". In its final chapter, Keynes (1919) famously explained why especially a free trade union among the former belligerents would have been an imperative step in order to preclude revanchism, vengeance, and horrors even worse than those Europeans had experienced in the previous five years.

6 Remarkably, in January 1994 the Russian president (Yeltsin) informed the U.S. president (Clinton) that Russia wanted to be the first new country to join NATO.

Russian polity. Furthermore, rejecting such an offer would be politically extremely costly for the Russian government. The educated urban sections of the Russian population are likely to favor strongly the perspective of becoming “full Europeans”. The same is true for the staff of exporting industries that could resume their traditional commercial ties with Europe and develop them further. The same applies to those who depend on imports from the EU. Membership in the EU would imply the repeal of the sanctions and the end of the corresponding welfare losses for Russia. For all these reasons, a Russian government that rejects such a deal would risk being overthrown by its own people. In sum, such a European peace initiative would likely prompt the Russian polity to welcome it, in particular by reshuffling its governing bodies so as to be in the best possible position to successfully cooperate with the EU in a truly historic process of economic and political integration.

Article 4 distinguishes between an initial “temporary membership” and a permanent membership to be granted after a transition period if the existing criteria for membership are fulfilled. The precise definition of the status of “temporary membership” should be the focus of the work of the European Commission in the short run. Clearly, not only Russia, but also the Ukraine, are currently very far from fulfilling the criteria for a full membership in the EU. But by means of far-reaching reforms they could manage to fulfill them in a number of years. “Temporary membership” would be the institutional arrangement that gives them the needed time for adjustment and reform, while offering a credible commitment about the sincere will of the EU to welcome Ukraine and Russia into the larger European family. The rights and duties of those temporary members vis-à-vis the EU should be ambitious enough so as to tangibly improve the living conditions in Ukraine and Russia from day one; however, they should take the status quo into account and be calibrated so as to avoid disruptions and chaos. A realistic and clearly designed path from temporary to regular membership would then work as a powerful incentive device for both Russia and Ukraine, since a state’s misbehavior could be punished by the EU just by severing that path. Defining temporary membership, designing the steps toward regular membership, and monitoring progress or lack of it on this path would be a historic, challenging task for the Commission. Given its generous endowments in terms of both human capital and material resources, it is a challenge that can be met.

The activities of the Commission in this area and the financial aid that the EU will channel to Ukraine and Russia will entail costs that are ultimately borne by the citizenry of Europe. However, they are likely to be substantially lower than their maximal aggregate willingness to pay to avoid the risk of nuclear holocaust. Moreover, from those costs you have to subtract the economic gains for the countries of the EU from resuming and developing the commercial and financial flows between the EU and Russia. In the long run, a fully integrated economic space between Lisbon

and Vladivostok would generate enormous gains from trade and factor mobility. The deepening of scientific, cultural, and personal ties would generate further substantial benefits.

6 Remarks on Articles 2 and 3

According to Article 2, Crimea would become a novel sovereign state. This would be a promising development in light of this region's recent history (Petro 2022). Back in 1991, a referendum took place there which gave a huge majority in favor of Crimean sovereignty as an independent state. In 1992, the Supreme Soviet of Crimea declared total independence, but this was successfully undermined by the Ukrainian state. Similar aspirations of independence were suffocated in the subsequent decades, with the Crimeans having to submit first to the Ukrainians and then to the Russians. Establishing a sovereign Crimea would be just to its people and a fair compromise for Ukraine and Russia. Moreover, as implied by Article 5, Crimea would soon be offered temporary EU membership, with the perspective to achieve permanent membership if and when the criteria for it are fulfilled. This would provide the Crimean polity with strong incentives to create effective arrangements of power sharing among its various ethnic constituencies:⁷ discrimination of minorities by the Crimean government could be punished by the EU by revoking the Crimean membership path.

As mentioned in Article 1, some Russian military would still be allowed in the Crimean naval base of Sevastopol. Until the Russian annexation of Crimea in 2014, a treaty between Ukraine and Russia allowed the latter to maintain a Black Sea fleet there in exchange for monetary compensation to the former. The Kharkiv Pact, signed in 2010, extended the lease to Russia until 2042, with an option of renewal. Along with the establishment of a novel state of Crimea, a novel international treaty about the presence of Russian military in the Sevastopol base would have to be signed. A natural approach would ground it on a rejuvenation of the Kharkiv Pact, with some necessary modifications including a proviso that the monetary compensation paid by Russia be fairly split between Crimea and Ukraine.

As of Article 3, the two Donbass provinces that were occupied by the Russian army in 2014 are granted autonomy within the Ukrainian state. As a possible model, the two provinces of Trentino Alto-Adige are mentioned. These provinces are part of Italy but, following a long history of ethnic and linguistic conflicts, they have developed a very successful form of self-government that respects local realities. Italy's and Austria's membership in the EU has helped to strengthen this institutional

⁷ On various crucial issues of power sharing in multi-ethnic societies, see Cederman, Hug, and Wucherpfennig (2022).

arrangement. Adopting a similar type of autonomy for the Donbass would make its people more politically responsible and satisfy the crucial concerns of both the Ukrainian and the Russian government.

Something that is not touched upon in this proposal is the relationship of Ukraine and Russia to NATO. I think that this issue will lose a great deal of its relevance once this proposal is accepted and both countries are in the EU. A military conflict between EU countries is unconceivable. Making war in Europe impossible was a central aim of establishing such a supranational institution. After two world wars in which they had massacred each other, French and Germans deliberated to discontinue that bloody path: they jumped over their own shadows and joint their forces to create a novel community that later became the European Union. The founding fathers of Europe knew that by laying the grounds for a steadily growing familiarity among the peoples of Europe they would ban a European war from their people's imagination – and thus from reality. A similar outcome can be expected for the Ukrainians and the Russians once they become members of the larger European family.⁸

7 Conclusions

The war between Ukraine and Russia does not hit only their respective populations: the rest of Europe is heavily harmed too. European welfare losses are often appreciated only when they are salient, like in the case of rising energy prices. But the most significant loss is likely to be something which is just threatening and has not materialized: the risk that the current conventional conflict escalates into a global nuclear war.

The peoples of Europe need not accept to live with the carnage of an attrition war on their continent, a war that may last for years and end with the use of nuclear weapons. Ukrainians and Russians cannot find a peace agreement on their own; but they crave for joining the European Union. Europe should say that its door is opened for them if they immediately cease all fighting and subscribe to a fair peace agreement brokered by the European Commission. Such an agreement may entail some significant cost for the EU in the short term, costs that would likely be more than offset by the long-term benefits from creating a fully integrated economic space from

⁸ There are more issues to a full-fledged peace treaty that are not mentioned in my blueprint. They include the disarmament of militias and their outlawing, programs for the support of veterans, provision of reconstruction aid to Ukraine, and its financing (Becker et al. 2022). I think that once the underlying philosophy of the proposed blueprint is accepted, there would be enough room for acceptable compromises on these and related issues.

Lisbon to Vladivostok. But first and foremost, those costs would vanish in comparison to the risk of a nuclear holocaust created by the war in the Ukraine.

Unmitigated disasters and extreme threats call for a bold course of action. The war in the Ukraine calls for a bold peace initiative coming from Europe.

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