

**Arkady Moshes**

**RUSSIA-LITHUANIA: PRESERVING INTERACTION**

In the second half of the 1990s, when the earlier indiscreet Russian Baltic policy distinctively split into three individual relationships, Lithuania was implicitly allotted the role of a “better guy.” compared to Latvia and Estonia, in Russian public opinion and, apparently, in the official approaches. This was a maximum result for a relationship, burdened by historical memories, including very fresh ones, relating to the fact that Lithuania was the first in the USSR openly challenge Moscow during the independence struggle, as well as the highly destabilizing issue of NATO enlargement.

Formal recognition of this new view of Lithuania took place at the moment of President Brazauskas’ visit to Moscow in the fall of 1997, when the two countries signed the border treaty which, although still waiting for ratification, remains until now the exception among Russian Baltic relationships. At the moment of signing, this document clearly indicated the will of political leadership of both sides to promote bilateral stability not only *de facto* but also *de jure*.

Since that time, sustainable interaction has prevailed in the bilateral relations, notwithstanding noticeable political opposition to this in both states and residual respective claims to Klaipėda and Kaliningrad by nationalists. High-level contacts between Moscow and Vilnius have been upheld (again an exception vis-à-vis Riga and Tallinn). During the visit of the Lithuanian Prime Minister Paksas to Moscow in June 1999, his Russian counterpart Stepashin was quoted as admitting that Russian-Lithuanian relations were “more advanced than those with other Baltic countries.”<sup>1</sup> One year earlier, the then Russian Foreign Minister Primakov said in Vilnius that, aside from the issue of NATO enlargement, where approaches of the two countries were “absolutely different.” there were no problems in the Russian-Lithuanian relations.<sup>2</sup> The culminating point of bilateral interaction has been the “Nida Initiative.” launched in February 2000 – a joint project of border cooperation to be included into the Northern Dimension Action Plan, which was an unprecedented step in many respects.

Three major factors seem to have provided the background for what has been achieved in the bilateral relations. The first one, critically important, is well-known. This is the so-called “zero option” which guaranteed Lithuanian citizenship to all people who were residents of the country when it regained independence. Absence of the major stumbling bloc, which the depriving a large part of the population of political rights would have constituted as it did in Russian-Latvian and Russian-Estonian relations (and which is totally different from concrete problems of integrating non-titular ethnic population into emerging societies) certainly facilitated interaction between Moscow and Vilnius, although, admittedly, this factor was practically recognized by the former somewhat belatedly.

Second, Russia and Lithuania, each in its own way, face the problem of Kaliningrad. The need to deal with the issue enhances the significance of the whole bilateral relationship. In spite of the fact that prioritization can be positive or negative, depending on the matter (in Russia, Lithuania as an economic partner for the *oblast* may be assessed differently from the military transit problem, while Kaliningrad was

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<sup>1</sup> Nezaivisimaya Gazeta, 30 June 1999.

<sup>2</sup> Nezaivisimaya Gazeta, 16 June 1998.

and, in fact, is still seen by many in Lithuania not as an economic opportunity, but as a military challenge), the prevention of uneven economic development in the area is believed to be in the interest of Vilnius as well as in the interest of Moscow.

Also, the impact of Kaliningrad helps to balance an obvious asymmetry, namely, that Russia is a more important counterpart for Lithuania than vice versa. A reverse asymmetry emerges, this time making Kaliningrad more dependant on trade with its Lithuanian neighbors.

The third factor, largely connected with and resulting from the Kaliningrad issue, but having autonomous dynamics and impact on the bilateral relations, is the cross-border movement of people. In the second half of the 1990s Lithuania was the absolute leader among non-CIS countries most frequently visited by Russians (over 1.1 million entries annually in 1997-1999). Respectively, regarding the number of visits to Russia by citizens of non-CIS states, Lithuania in recent years was also among the top three (about 800 thousand entries annually in the same years).<sup>3</sup> These flows of people, their business and personal contacts, provide a good illustration concerning the point about a “security community.”

In addition, a balanced approach of both Lithuanian presidents towards relations with Russia should be mentioned among the factors that influenced the situation positively. The most recent example of the efforts to prevent steps, potentially able to destabilize these relations, is the refusal of President Adamkus in June 2000 to sign the legislation which demands that Russia compensate the damage to Lithuania allegedly incurred during the Soviet period (see below).

Currently, however, one can witness the emergence or strengthening of several trends which can impede further progress in bilateral relations. Largely these do not fall into a category of risks, but nevertheless, where possible, they should be fully taken into account in order to neutralize or overcome the effects.

First of all, it is becoming clear enough that the two countries failed to establish a solid ground for sustainable economic cooperation which, theoretically, should be the driving force of interaction between Russia and individual Baltic states. It is highly unlikely that critically important economic interests will prevail in the bilateral agenda any time soon. On the contrary, economic cooperation is de-intensifying and no reversal of this trend is on the horizon.

In this context, the case of the privatization of the Mažeikiai refinery in 1999 is of crucial importance. As is known, control over the refinery (and, for this matter, over the oil terminal in Būtingė) was given by Lithuanian authorities to a US company “Williams International” while the bid of the Russian oil giant “LUKoil” was rejected without consideration despite the role of “LUKoil” in the oil supply of Lithuania.

It was far too easy to forecast that “Williams” which did not have oil-extracting capacities of its own, would encounter problems in supplying the refinery with crude oil. Indeed, Mažeikiai ended the year with considerable losses while the whole affair brought about detrimental effects for the Lithuanian economy as a whole. Also, Mažeikiai was constructed and designed to work with the Russian oil of *Urals* standard and the use of other oil standards would most likely entail additional costs.

The decision, therefore, was taken on non-economic grounds. The final argument was clearly geopolitical. “Victory” of a Western company over a Russian one was interpreted as intended to symbolize that Lithuania was successfully “going West.” Whether such a demonstration was really necessary, can be debated –

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<sup>3</sup> Rossya v tsifrah. Goskomstat, Moscow. 1998, p. 111-112; 1999, p. 142-143; 2000, p. 136-137.

Lithuania's principal choice hardly needed further proof. In what concerns relations with Russia, however, the evident prevalence of political motivation over the economic one will have a fundamental, and maybe, long-term negative impact, going beyond the details of future commercial ties between Russian oil suppliers and "Williams."

As for economic relations in general, they decreased as a result of both the Russian economic crisis of 1998 and the process of the reorientation of the Lithuanian economy towards the West. While in 1998 Russia was Lithuania's leading trade partner (16.5 percent of country's exports and 21.2 percent of imports), in 1999 it held only a third position (7 percent and 20.1 percent respectively).<sup>4</sup> Even though overall trade indicators can stabilize or slightly grow due to high world energy prices, which constitute a lion's share of Russian exports, it is hard to find ways to increase Lithuanian exports to Russia.

Newly-built or modernized Lithuanian transit capabilities (the ports of Klaipėda and Būtingė) are theoretically considered as one of these, at least as far as exports of services are concerned. Recently, an agreement was signed between the Russian oil company "Yukos" and "Mažeikiai Nafta." according to which the former would use Būtingė terminal for exports of 4 million tons of oil annually for 5 years<sup>5</sup>. However, hopes for a growing role of Lithuanian transit in the Russian oil export will not necessarily materialize. The competition in the Baltic transit market is already tough for Lithuania (taking into account the fact that objectively the Latvian port of Ventspils is in a more advantageous position for several reasons), and it will be even tougher after Russia's own export infrastructure in the Finnish Gulf becomes operational (this may take place as early as the fall of 2001).

The closure of the Ignalina nuclear power plant will add to the shrinking economic cooperation between Russia and Lithuania. In a broader sense, the need to produce energy in Kaliningrad weakens ties of interdependence and somewhat draws the attention of Moscow away from Lithuania.

The above-described situation in the economic sphere raises particular concerns as long as at the moment the whole bilateral agenda faces the risk of a return towards a counterproductive and over-politicized dispute challenging the positive background of current relations. This risk has become real due to the adoption of the law on compensation adopted by the Lithuanian parliament in June 2000, claiming that Russia should cover what are considered to be economic losses of Lithuania in 1940-1991. Speaker Landsbergis, the main proponent of the law, initially estimated the amount of compensation due to be paid as 276 billion USD.<sup>6</sup>

Needless to say, such claims are unrealistic. Any negotiations on this matter would require Moscow to recognize the fact of occupation, which is absolutely out of question for a number of reasons. Lithuania has very little leverage that it could use to exert pressure on Russia (outside the area of transit tariffs, but in that case Russian countermeasures would hit the Lithuanian economy probably harder than vice versa). Also, precedents established by Latvian and Estonian territorial claims to Russia rather demonstrated the futility of these actions: both countries had to withdraw their claims. Furthermore, engagement in such a dispute with Russia, if it receives a high profile, would hardly facilitate the task of Lithuania's accession to European institutions.

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<sup>4</sup> Lithuanian official data. <http://www.std.lt>.

<sup>5</sup> Vremya Novostei, 11 September 2000.

<sup>6</sup> Vremya Novostei, 19 May 2000.

The only result which this legislation can bring about is to re-trigger an emotional and predominantly mutually unfriendly debate of the early 1990s, ranging from general issues of interpretation of the Soviet period in Lithuanian history to very specific cases of property rights (for example, the embassy buildings in Paris and Rome). This debate will eventually worsen the perception of Lithuania in Russia<sup>7</sup> which will not serve the interests of bilateral cooperation. Thus far, public opinion has largely ignored the issue due to its non-implementation in practical policy. Hopefully, this pattern will be continued by post-election Lithuania. However, if Vilnius really tries to make it a negotiation item, as the legislation requires, negative resonance in Russia and, consequently, deterioration of bilateral relations will become unavoidable.

Finally, special attention should be paid to the fact that in short-term perspective, outside international factors will not influence Russian-Lithuanian relations positively. Rather they will add concerns to the bilateral agenda.

Lithuania's as well as the other Baltic states' strivings to join NATO in the shortest term possible is irreconcilable with Russia's wish to prevent this from happening. This antagonism has been largely debated in recent years and, therefore, does not need an elaborate comment. The only thing which needs to be emphasized again is that after the NATO war against Yugoslavia, Moscow will have to view the expansion of the Alliance through the prism of its implications for Russia's military security. In its report, the Russian non-governmental Council on Foreign and Security Policy, while generally advocating further improvement of relations between Russia and the Baltic states, on this particular matter stated that there is "no doubt that in case of quick NATO enlargement to include the Baltic states, Russia will consider this factor as an increase of the direct military threat."<sup>8</sup>

In order to neutralize this threat, Russia will have to undertake a number of measures, which will inevitably directly concern the security of Lithuania, a front-line state. Although at the moment these measures can be discussed only hypothetically, clearly enough, they would include enhancing Russian-Belarusian defense cooperation and building-up Kaliningrad defenses (analytically, re-deployment of tactical nuclear weapons cannot be excluded under certain circumstances).

Even if the Baltic enlargement could be carried out by Moscow and Brussels in a compromise manner, which does not seem to be likely, with regard to Russian-Lithuanian relations it would revitalize a hard and conflict-prone question of military transit to Kaliningrad. Moreover, a clear-cut deal between Russia and NATO on this issue would have to be made one of the core components of the compromise. Taking into account that several years ago an idea was aired in Moscow to demand the West Berlin-type of corridor for Kaliningrad in case the enlargement takes place, one should expect tough negotiations, maybe in the trilateral format, in a highly sensitive atmosphere in Russian and Lithuanian politics, with an unpredictable finale.

Unfortunately, the EU enlargement does not facilitate the bilateral agenda either. Of course, there is nothing destabilizing in this process and, on the contrary, in certain areas it may even stimulate cooperation. At the same time, however, all Russia's general concerns with regard to enlargement will be particularly visible in

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<sup>7</sup> An editorial in an influential newspaper wrote that "by adopting the law on compensation... Lithuania got equal to other Baltic states regarding the level of anti-Russian contents in its policy". See V. Sokolov. Moscow Should Claim Compensations from Vilnius. *Nezavisimaya Gazeta*, 28 June, 2000.

<sup>8</sup> *Rossya i Pribaltika* (2). *Nezavisimaya Gazeta*, 23 September 1999.

the Lithuanian case due to its relation to Kaliningrad. The introduction of new standards and regulations as well as EU trade preferences to developing countries will further impede Russian exports, those from the *oblast* first and foremost, deepening an emerging geoeconomic divide. A restrictive Schengen visa regime, especially if Russia reciprocates, will seriously limit the freedom of movement and diminish the intensity of people-to-people and business-to-business exchanges which are one of the factors promoting stability. Kaliningrad residents would need visas even to visit the rest of Russia by land, which means nearly total isolation (due to economic constraints these people have no money to fly to mainland Russia).

So far, the EU has been refusing to acknowledge responsibility for the matter, which is largely a by-product of enlargement. On the one hand, treating the Kaliningrad problem in its new form as a bilateral issue and stressing that Russia's concerns should not interfere in the negotiations with candidate countries. On the other hand, the EU restricted the applicants, in this case Lithuania, and tightened and deprived them of maneuvering space (of a non-Schengen option in particular). While Moscow often receives just criticism for its wish to deal directly with Brussels and neglect the capitals of small states, in this case it would be mostly ungrounded since the latter were left with little autonomy in what concerns managing their entry into the EU.

The development of Russian-Lithuanian relations in a stable and cooperative manner to a large extent depends on whether Moscow, Vilnius and their partners will successfully approach the present-day agenda, which, as it was shown above, includes a number of rising problems. Several recommendations seem to be appropriate.

The two sides should prevent the relations from focusing on domestically popular, but totally impractical, heavily politicized issues, which can only provoke the return towards fruitless debates of the early 1990s and enhance lingering, mutually negative perceptions. Instead, it is worthwhile to continue working, building upon already accumulated experience on a pragmatic agenda ranging from economic and environmental matters to (at least soft) security.

The decrease of economic cooperation is not in the interest of both countries, although Russia, except for Kaliningrad, has much broader alternative options for its main exports to and transit through Lithuania, than vice versa. Realization of this fact requires the business(es), Lithuanian business first, to lobby against further erosion of economic ties, should such erosion be a result of political factors.

Russia and Lithuania, each for its own reasons, are not interested in a potential isolation of Kaliningrad by a new economic and visa "fence." Therefore, together with their Baltic Sea partners they should promote the recognition by the EU of the special status of the area and, correspondingly, of the border between Lithuania and Kaliningrad (ideally, of the border between Kaliningrad and Poland as well) for a certain period of time.

Hopefully, the Russian-Lithuanian relationship will succeed in avoiding the pitfalls which have been indicated, as previously accumulated potential for interaction provides grounds for cautious optimism. However, further progress cannot be taken for granted, but requires in current circumstances a good deal of political will, energy and skills on both sides.