

## **CROSSROADS OF COOPERATION: THE FUTURE OF EU-RUSSIAN RELATIONS AND THE IMPACT OF THE BALTIC STATES**

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When Russia stopped oil shipments to Ventspils, Lithuania threatened in February 2007 to add its veto to Poland's on the renegotiation of the Partnership and Cooperation Agreement. This highlights the challenges Russia-EU relations are facing. Russia's domestic trajectory has raised alarms, yet the country remains vital to European interests. The colour revolutions of Eastern Europe put pressure on the EU to strengthen its Eastern policy. The Russia-EU legal framework is no longer adequate; a new one needs the consent of ten new members with very sceptical views of Russia, among them Estonia, Latvia and Lithuania, whose relation to Russia is unique.

How different are the policies and the perception of common threats among the EU, Russia and the Baltic states? What interests do they have concerning future relations? What contribution can the Estonia, Latvia and Lithuania make towards a new EU-Russia policy, given the frame conditions? The article designate a strategic gap in Eastern Europe due to the EU and Russia's inability to adequately respond to rapid change in the region and shows how the perceptions of common energy security and other challenges differ not only between the EU and Russia, but within the EU itself. As full EU-members the Baltics are facing the challenge to bring their particular experiences and interests to EU-Russia relations and realize their potential as an advocate for European policy reform and transition in Eastern Europe.

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## Introduction

In 2007 the relations between Russia and the European Union have reached a critical juncture. As their common border has steadily expanded over the accession rounds of 2004 and 2007, so too have the significance and intensity of Russia and Europe's relationship. Accession has not only broadened the range of common issues, but also increased the number of actors within the EU who hold high stakes in how Europe's Russia policy is conducted. Among the ten Central and Eastern European states now in the EU, the Baltic countries Estonia, Latvia and Lithuania find themselves in a particularly crucial position. Not only do they share the "communist experience" with the other new EU member states, but also the "USSR experience" together with non-EU Eastern European countries. They have close yet difficult historical relations with Russia which colour bilateral relations even today. As EU members in this unique situation, the Baltic states are expected to add their specific contribution to the Union's decision making process and Common Foreign Policy.

The aim of this paper is to identify the potential of the Baltics' policy input to EU-Russian relations against the background of differing concepts of integration, threat perceptions and interests. It draws on a number of policy paper contributions, which have been submitted as follow-ups to the second roundtable in the conference series "Russia, the EU and the Baltic states" of the Friedrich-Ebert-Foundation Moscow and the Center for Applied Policy Research Munich. The working group attempts to integrate viewpoints of the participants from Russia, the Baltic states, Finland, Germany and Poland.<sup>1</sup>

The call for increased Baltic policy input could not come at a more crucial time. Today, Russia and the EU are locked in a close interdependence highly energy, trade and security issues. Most EU member states, particularly the Baltics, depend on Russia for a large proportion of their oil and natural gas. Russia, in turn, needs European know-how and investment to sustain its economic growth. Both actors are affected by instability in their Eastern European common neighbourhood. This region, still undergoing a period of political and economic transition, is torn between Russia's newly energized efforts to maintain

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<sup>1</sup> The results of the first meeting are documented in Buhbe, M., Kempe, I. (eds.), *Russia, the EU and the Baltic States – Enhancing the Potential for Cooperation*, Moscow: Friedrich Ebert Foundation, December 2005.

its sphere of influence, the after-effects of the rainbow revolutions in Ukraine and Georgia, and the persistence of frozen conflicts in Moldova and the Caucasus. The European Union is now confronted with demands to increase its role as an actor in this rapidly changing and often unpredictable environment.

The legal framework for dealing with these intensifying issues in EU-Russian relations is clearly outdated. The EU-Russia Partnership and Cooperation Agreement (PCA) of 1997, which treats Russia moving towards a free market democracy and does not incorporate the views of the new EU-member states, expires at the end of 2007<sup>2</sup>. Finding a consensus on drafting a successor or a revision of the document is proving difficult. An indicator for strained EU-Russian relations is the ongoing question of ratification of the EU Energy Charter by Russia. Furthermore, both the EU and Russia have failed to formulate a successful policy towards their neighbourhood which would guarantee stability. Instead, the focus of attention has shifted towards Russia itself: The EU-Russia summit in Helsinki on November 24, 2006 is a case in point. Not only was the summit overshadowed by Poland's veto of drafting a new PCA; it also saw renewed criticism of the domestic situation in Russia. The murders of Russian journalist Anna Politkovskaya and former secret service agent Alexander Litvinenko gave momentum to critics of Russia's human rights situation and democratic standards. These developments have brought fresh considerations about the question as to which extent EU-Russian cooperation can be seen as including common values or not.

To answer the challenge of rethinking the management of the European-Russian relationship, Estonia, Latvia and Lithuania have yet to develop their full potential. As a part of the former USSR that has succeeded in the transition to democracy and a market economy, they can act as a bridge to countries with shared Soviet experience, such as Ukraine, Georgia or Moldova. Their political relations to Moscow, however, remain strained by differing perceptions of history and a number of unsolved foreign and domestic issues, including the treatment of ethnic Russian minorities and border disputes<sup>3</sup>. In contrast to pre-

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<sup>2</sup> *Agreement on Partnership and Cooperation establishing a partnership between the European Communities and their Member States, of the one part, and the Russian Federation, of the other part*, 1997 <[http://ec.europa.eu/comm/external\\_relations/ceeca/pca/pca\\_russia.pdf](http://ec.europa.eu/comm/external_relations/ceeca/pca/pca_russia.pdf)>, 27.02.2007.

<sup>3</sup> Kononenko, V., "'Normal neighbours' or 'troublemakers'?" The Baltic States in the context of Russia-EU Relations" in Kasekamp, A., ed.: *Estonian Foreign Policy Yearbook 2006*, Tallinn, Estonian Foreign Policy Institute, p. 69., <<http://www.evi.ee/lib/valispol2006.pdf>> 28.02.2007.

dictions that tensions between Russia and the Baltics would ease after the latter joined the NATO and the EU, relations have remained fraught, and the countries' contribution to EU-Russian relations has been slight.

The round-table meeting has revealed three topics of examination, which can provide the background for a stronger Baltic contribution to EU policy:

*(1) The identification and evaluation of compatible (or converging) policies in the EU-Russian common neighbourhood.*

Both the European Union and Russia are experiencing the limits of their policies in Eastern Europe as they fail to deal with the rapid changes affecting the region. Russia's concept of a "Near Abroad" has been rebuffed by the rainbow revolutions while the European Neighbourhood Policy lacks the attractiveness to provide for a stable development and transition in Eastern European states. The Baltic countries lie at the crossroads of these overlapping policy and integration spaces and have shown potential to add their own specific policy brand and ideas to the definition of European policy in its neighbourhood.

*(2) The differing perception of threats and challenges, particularly energy policy within the EU, the Baltic states and Russia.*

Though common challenges such as energy security are realized by all sides of the table, there is a strong divergence in their concrete interpretation and in threat perceptions. In evaluating their own and each others policies the European Union, the Baltic countries and Russia are drawing on different institutional, economic and historical perspectives, which have led to friction in certain areas.

*(3) The future of Russian-EU relations in consideration of interests and policy projections of the various actors in the region.*

The expiration of the PCA in December 2007 provides for vivid debates, on the nature of EU-Russian relations. The interests of all three actors, mainly Russia, the Baltic states as part of the EU and the EU as such, highlight the various possibilities of how these relations can be shaped in the future.

## **1. A changing political landscape in Eastern Europe: overlapping spaces of EU integration and Russian foreign policy**

*Through its Neighbourhood Policy the European Union has become an actor in Eastern Europe, while Russia retains a strong interest in the region. What are the Russian, European and Baltic policy priorities towards the former Soviet countries in Eastern Europe? To what degree do they achieve their goals? To what extent do they collide and what are the differences in approach?*

### **1.1. The Russian policy of a “Near Abroad”**

Perceiving them in their role as former members of the Soviet Union, Russia continues to define Ukraine, Moldova, Belarus and the states of the Caucasus as part of its “Near Abroad”. Russia has attempted and continues to attempt to link these countries to its sphere of strategic, economic and political interests. Rather than follow an EU-like path of integration, Russian regional policy is made up of various instruments in its regional policy<sup>4</sup>. Three major tools can be identified: influencing domestic policy, attempts at economic integration and the use of its energy monopoly as a political tool<sup>5</sup>.

The first strategy has been to sustain networks of loyal decision-makers in neighbouring countries to influence domestic political and economic decisions<sup>6</sup>. The deployment of Russian armed forces in the autonomy conflicts of Transdnistria, Abkhazia and South Ossetia has been described by some Western observers as following a similar motivation – though solving such “frozen

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<sup>4</sup> Moses, A., „Priorität gesucht: Die EU, Russland und ihre Nachbarn“ in: *Osteuropa*, year 57, issue 2-3, Feb./March 2007, p. 23.

<sup>5</sup> For an alternative analysis of Russian foreign policy tools see: Spruds, A. “Russia’s Policy Towards Europe’s “New Neighbours”: in Pursuit of Partnership or Domination?” in: Lejiņš, A. (ed.), *An Enlarged Europe and Its Neighbourhood Policy: the Eastern Dimension – Research Project*, Riga, Latvian Institute of International Affairs, 2004, p. 29.

<sup>6</sup> See: Solonenko, I., Kempe, I. “International Orientation and Foreign Support” in: Kurth, H., Kempe I. (eds.), *Presidential Election and Orange Revolution: Implication for Ukraine’s Transition*, Kiev, Friedrich-Ebert-Foundation, 2005, p. 124., see also: Petrov, N., Ryabov, A. “Russia’s Role in the Orange Revolution” in: Åslund, A., McFaul M. (eds.), *Revolution in Orange, The Origins of Ukraine’s Democratic Breakthrough*, Washington DC, Carnegie Endowment for International Peace, 2006, p. 145.

conflicts” without Russia remains unthinkable. The limits of influencing the domestic agenda were illustrated by the rainbow revolutions, particularly in Ukraine. The attempt to support Viktor Yanukovich as a presidential candidate in December 2004 backfired on Russia after widespread public support, fair elections and a vibrant support by media and civil society swept Viktor Yushchenko into power instead.

A second policy tool has been the attempt to initiate deeper economic integration between Russia and its neighbours in Eastern Europe. The Commonwealth of Independent States (CIS) and the Single Economic Space (SES), both of which involve Ukraine, have however seen little of the expected success. First, such integration is perceived as too Moscow-centred, and second, the incentives have proven quite weak when compared to the potential alternative benefits of European Union membership.

The only exception might be the construction of the Belarus-Russia union based on treaties signed between 1995 and 1999. Even this relationship has taken a blow with the Russian-Belarus row over oil and gas prices in 2006/2007<sup>7</sup>. It is Ukraine where Western and Russian economic integration have overlapped the strongest. A Ukraine that would see itself forced to make a choice between EU-integration or ever closer economic ties with Russia remains the largest challenge for Moscow. The degree to which integration concepts will continue to conflict in Ukraine will heavily depend on whether the EU offers any strong form of integration or even membership.

Finally, Russia’s position as the world’s largest producer of oil and natural gas has led it to utilize its advantage to put pressure on neighbouring states in Eastern Europe. Most of these states rely heavily on Russia for their supply of cheap energy and fuel. In mid-2006, Russia was supplying gas to former Soviet countries at different prices, all below the world market price of roughly \$230 per 1000 cubic meters (e.g., \$47 for Belarus, \$110 for Georgia)<sup>8</sup>. Prominent examples of Russian attempts to raise the gas price to world market stand-

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<sup>7</sup> For an assessment see Lindner, R., “Friendship” Blockaded: The Russia/Belarus Conflict Is a Post-Soviet Tuning Point, Berlin, Stiftung Wissenschaft und Politik, 2007 <[http://www.swp-berlin.org/en/common/get\\_document.php?asset\\_id=3704](http://www.swp-berlin.org/en/common/get_document.php?asset_id=3704)> 27.2.2007.

<sup>8</sup> Numbers taken from Whitmore, B.: Russia/Belarus: *Possible Gas Price Hike Could End Warm Ties*, Radio Liberty/Radio Free Europe, <<http://www.rferl.org/featuresarticle/2006/06/fd976f93-2af0-4623-b09c-86eb42b8bb45.html>>, 01.06. 2006.

ards, as in Ukraine in December 2005 and Belarus in December 2006, led to short-term shut-downs of energy transit to both Eastern and Western Europe. These prominent examples, and an incident of Russia closing down pipelines to Lithuania and Georgia in 2006, have continued to harm Moscow by damaging its credibility as a reliable energy supplier for Europe.

While valid economic reasons for all these developments can be found, many observers point out that price rises and technical difficulties seem to coincide with domestic political developments in the countries affected which are considered unfavourable by the Russian administration (such as the Orange Revolution in Ukraine or the arrest of Russian citizens for spying in Georgia). This suggests that Russia might continue to manipulate energy prices as part of a “carrot-and-stick” approach to punish or reward the behaviour of its neighbouring states.

### **1.2. The European Neighbourhood Policy: Europe’s policy tool**

In 2004, the European Union adopted the “European Neighbourhood Policy” (ENP) with regard to the post-enlargement situation in Eastern Europe. Aimed at creating a “ring of friends” around the Union (Romano Prodi), it attempts to offer neighbouring states participation in the freedom of movement, labour, goods and services related to their state of transition, and thereby promote prosperity and stability. Country reports and national action plans to be implemented by the neighbouring countries are supposed to provide tailor-made strategies for each individual ENP-country. The ENP coincided with the unprecedented EU-enlargement of ten new member states, most of them bordering in Eastern Europe.

When viewed as a strategy for Eastern Europe, however, the ENP has so far not lived up to the high expectations it had been met with<sup>9</sup>. While the ENP documents that the European Commission has acknowledged the strategic importance of policy beyond its eastern borders, a reality check two years after its adoption reveals numerous deficits. It combines the neighbouring countries in Eastern Europe and the Mediterranean, regardless of possible differences be-

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<sup>9</sup> For a detailed critique of the ENP see O’Donnel, C., Whitman, R. “Die Konstruktionsfehler der ENP” *Osteuropa*, year 57, issue 2-3, Feb./March 2007, p. 95.

tween the two regions. Finding an agenda for Eastern Europe was fuelled by the neighbouring countries'—first and foremost Ukraine's—demands for EU membership. The Mediterranean countries were included in the ENP in order to assuage the fears of Southern member states that the EU would massively shift its policies towards the East. Indeed, 70 per cent of ENP-related funds are still allocated to the Mediterranean states, a distribution which does not reflect the original incentive.

The ENP has proven inflexible in reacting to regional developments. For instance, the European Commission proposed the first Ukrainian action plan on 9 December 2004<sup>10</sup>, a month before the Orange Revolution and free and fair elections took place. Consequently, parts of the action plan related to a democratic election process were already outdated when the plan came into force. At the other end of the spectrum the authoritarian character of the Lukashenka regime has led to Belarus being excluded as a “blank spot” from the European strategic framework. Without a minimum standard of democratic norms and Western orientation, the ENP concept offers no incentives for the transition from an authoritarian regime to democracy.

It also does not foster regional cooperation between ENP states themselves, nor is it harmonised with the European Union's Russia policy. The great diversity of actors, interests and perceptions within the EU contribute to the complexity of prospective policy towards the Eastern European neighbourhood and Russia – though simultaneously the addition of eight new Central and Eastern European members (as well as the subsequent admission of Romania and Bulgaria in 2007) has markedly increased the awareness for the need to adjust the ENP.<sup>11</sup>

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<sup>10</sup> See *European Union Action Plan for Ukraine*, <[http://ec.europa.eu/world/enp/pdf/action\\_plans/ukraine\\_enp\\_ap\\_final\\_en.pdf](http://ec.europa.eu/world/enp/pdf/action_plans/ukraine_enp_ap_final_en.pdf)>, 27.2.2007.

<sup>11</sup> Indeed the European Commission has recently published a paper aimed at strengthening the ENP, which takes into account the need to improve regional cooperation and increase the incentives for transition by offering deeper economic and people-to-people exchange, while reallocating funds. The document, however, does not offer a specific Eastern dimension. See: European Commission, *Strengthening the European Neighbourhood Policy*, COM(2006)726, Brussels, Dec 4 2006 < [http://ec.europa.eu/world/enp/documents\\_en.htm](http://ec.europa.eu/world/enp/documents_en.htm) > 27.02.2007.



### 1.3. Baltic contributions to policy in the EU neighbourhood

Of all the EU-member states, the Baltics (and Poland) have been among the most adamant critics of the lack of efficiency in European policy towards Eastern Europe. Their position is also coloured by stronger scepticism towards Russian policy. Nevertheless, in part due to their strong economic ties to Russia, the Baltic countries realise the significance of their engagement in EU neighbourhood activities. Three dimensions of Baltic involvement might be considered here: One is an increasingly active participation in the inter-EU discussion on the reform of ENP, the second is strong advocacy of regional cooperation and the third the bilateral support for democracy in Eastern Europe.

Overall, the Baltic countries advocate a more coherent, coordinated and active EU policy in the post-Soviet region, with a stronger application of ESDP and ENP instruments<sup>12</sup>. The EU should play a more important role, equal to that of Russia, the United States and individual EU members in the region. A Lithuanian non-paper from September 2006 suggests a distinction between “European Neighbours” and “Neighbours of Europe” to rectify the Mediterranean/Eastern Europe divide within the ENP. While the need for this distinction within the ENP is increasingly acknowledged by other member states as well as the 2007 German EU presidency<sup>13</sup>, the Baltics take advancement of the status of Ukraine, Moldova and the Caucasus states a step further: Unlike a number of large Western European countries, the Baltics are supportive of keeping EU membership open for these countries, provided the Copenhagen criteria be met<sup>14</sup>. Preliminary steps possibly ending in membership would include integration treaties, closer cooperation with EU foreign and security policy, as well as improved institutional dialogue and sectoral agreements.

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<sup>12</sup> for an analysis on the ENP from a Baltic perspective see Raik, K. “A bleak version of enlargement: The EU’s democracy promotion policy in the eastern neighbourhood” in Kasekamp, A. (ed.), *Estonian Foreign Policy Yearbook 2006*, p. 27 ff. <http://www.evi.ee/lib/valispol2006.pdf>, 28.02.2007.

<sup>13</sup> Schmid, F., Zepelin, J. „Merkel plant neue Nachbarschaftspolitik. Engere Partnerschaft mit EU-Anrainern soll Alternative zu Mitgliedschaft werden“, in *Financial Times Deutschland*, 15.6.2006, p. 14.

<sup>14</sup> Galbreath, D., Lamoreaux, J., “Bastion, Beacon or Bridge? The Role of the Baltic States in the EU’s Relationship with the Eastern ‘Neighbours’ in: Kasekamp, A., Pääbo, H. (eds.): *Promoting Democratic Values in the Enlarging Europe: The Changing Role of the Baltic States from Importers to Exporters*, Tallinn, Estonian Foreign Policy Institute, 2006, p. 99 <<http://www.evi.ee/lib/Promoting.pdf>> , 27.02. 2007.

Due to its geographic location and proximity to both Poland and the Kaliningrad region, Lithuania had taken the role of a “lighthouse” for EU-Russian relations even before it joined the EU in the Kaliningrad issue. Profiting from less tension due to a much smaller ethnic Russian minority than in Estonia or Latvia, Lithuania was a driving force behind finding an acceptable transit visa regime for travel between Kaliningrad and mainland Russia. This constructive path has been continued by installing a joint committee for regional development between Lithuania and the Kaliningrad region.

Alongside participation in the EU “neighbourhood” activities, the Baltics have attempted to engage actively in regional and bilateral efforts. While bilateral relations with Russia for instance remain tense, there has been increased improvement in close regional cooperation between towns, such as Tallinn and St. Petersburg. Economic benefits from tourism and trade are one motivation factor to keep such cooperation going.

The Ukrainian Orange Revolution gave momentum to the Baltic-Black Sea regional cooperation, an initiative directed at intensifying cooperation between the new EU member states and EU Eastern neighbours in order to advance democratization and Europeanization processes in the region. Riga, Vilnius and Tallinn have been among the initiators of the Community of Democratic Choice<sup>15</sup> based on the 2006 Bojormi declaration<sup>16</sup> by Georgian President Saakashvili and Ukrainian President Yushchenko. At the founding moment, the Baltic states were the only EU-members in this initiative, aside from Slovenia. The Community was seen as a regional follow-up to the rainbow revolutions in Georgia and Ukraine. While the EU, the OSCE and the United State were granted observer status, Russia has not participated, which has led to claims that the initiative is meant to balance Russian influence in the region.

Finally, bilateral democracy promotion also takes on a crucial role for the Baltic states, which in this context have also pointed out the case of a missing strategy to deal with Belarus, where they are particularly active in promoting democratic structures. For Lithuania and Latvia the regional proximity to Belarus has led to both closer cooperation in civil society as well as economic ties

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<sup>15</sup> see *Declaration on the Community of Democratic Choice* <<http://nsc.gov.ge/download/pdf/declEN.pdf>> 27.02.2007.

<sup>16</sup> Bojormi Declaration in *CEPS Neighbourhood Watch*, Issue 7, August 2005, p.1 <http://www.ceps.be/files/NW/NWatch7.pdf> 27.02.2007.

(Belarus is among the top-three non-EU trading nations for Latvia). The European Humanities University, exiled from Minsk, now has been re-established in Vilnius. Lithuania has also promoted regional cooperation, particularly with the Grodno region in Belarus which also has a large ethnic Polish population.

The Baltic states provide development and technical assistance to post-Soviet countries. Latvia, for instance, has defined Moldova and Georgia its development assistance target countries. Support in the domains of democratization, Europeanization, institutional capacity building and human resource development have been envisaged and already implemented. Belarus is included in the list, however the autocratic regime has forced Latvia to limit its assistance efforts in the country to establishing and consolidating civil society structures<sup>17</sup>.

## **2. The origins of conflicting policies: divergence in threat perceptions**

*Mutual interest in economic and political stability for the common neighbourhood has not led to common policies. Rather, it is challenged by differing threat perceptions. How do the Baltic countries, the European Union and Russia perceive the common challenges they face, in particular the key issue of energy policy? What are the reasons for differing perceptions?*

The policies of Russia, the EU and the Baltic states can all be traced back to how the actors evaluate the threats and challenges in their common neighbourhood. The way perceptions on foreign policy in Eastern Europe converge or diverge not only shows why the actors in the region are currently pursuing the courses they are, but also illustrates the extent to which policy can be coordinated in the future. In very basic terms, there is a consensus on common threats: international terrorism, drug trafficking, arms trade, trafficking in persons, the proliferation of weapons of mass destruction, environmental catastrophes and the destabilizing effect of failed states are perceived as dangers by Russia, the EU and the Baltics. A general desire for a stable development of economic ties and

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<sup>17</sup> *Latvian Foreign Policy Guidelines 2006-2010*, <http://www.am.gov.lv/en/policy/guidelines>, 27.02.2007.

the demand and supply of oil and gas in Greater Europe can be found among all three parties.

However, in their interpretation of these principles, Russia, the Baltics and the European Union itself hold diverging views of the others' policy in Eastern Europe. Some security issues reveal wide gaps, such as to which threats the label "terrorism" should apply. The best example to illustrate the gaps in threat perception is the differing stances taken on energy interdependence with Russia. Other relevant differing threat perceptions include what strategies to pursue in solving frozen conflicts and towards Ukraine and Georgia since their democratic elections.

### **2.1. The European Union perspective: different ways of seeing Russia**

The crisis of the EU's constitution treaty and management of the 2004 enlargement had initially led to a very "inward-focused" discussion about the EU's institutions for some time and stalled the discussion on future external policy priorities. This domestic fixation is, however, slowly receding, as is indicated by the signing of new ENP action plans with the Caucasus countries, the draft of a new ENP strategy paper and particularly a newly energized debate about the nature of Russian-EU relations.

Russian-EU relations today are perceived to a very large extent through the lens of energy interdependence. The common goal of energy security is interpreted differently by the EU member states: The large economies of Western Europe, e.g. France, Great Britain and Germany import large quantities of Russian gas at high international standard prices. However, Russian energy supply constitutes but a part of energy imports to Western Europe, hovering around a fifth of overall consumption. In Central and Eastern Europe, on the other hand, Russia still provides for 60 to 100 per cent of the affected countries' gas imports, in part at prices below world market level.

While Western European economies have a widespread energy mix and high levels of energy efficiency, post-transition economies in Eastern Europe are still subject to a Russia-focused energy infrastructure established before 1989 and lag behind in energy efficiency. While Western EU-members therefore tend to perceive Russia as an additional source of diversification for energy imports and

take the large amounts paid to Russia as a guarantee for its reliability the new member states remain wary of the dominant position of Russian energy supply. They neither have the alternatives nor the purchasing power to bargain with. This imbalance of interdependence with Russia, along with the historical experience of Soviet occupation in Central Europe has led to increasing discussion of how strongly the European Union should follow a coordinated approach in energy policy – among its members and in its neighbourhood. Though all members share an interest in diversifying the sources and transit routes of energy, as well as energy-efficiency and alternative energy technologies, the degree to which such issues seem pressing varies greatly. Poland, for instance, has advocated an “energy NATO”, while Germany, whose largest energy company E.ON is Gazprom’s largest foreign shareholder, pursues a strong bilateral policy. These difficulties were clearly illustrated by the internal EU controversy surrounding the Northern European Gas Pipeline (NEGP), which circumvents Poland and the Baltics to directly supply Germany with Russian natural gas<sup>18</sup>.

In its economic as well as its energy policy, the EU has been following a path of competition, liberalization and organisational transparency. These principles are also at the core of the Energy Charter which has yet to be ratified with Russia. Russia’s behaviour towards foreign investors affects the interests of the large EU countries. Recent attacks on Western investments in the energy and commodities sector, such as the handover of a majority of the Sakhalin project by Shell to Gazprom, have increased European awareness on the whole of the need to aim at better guarantees for the investments of its companies.

Differing perceptions of Russia affect other fields of policy as well. This dilemma of the European Union has become obvious in its failure to react to the rainbow revolutions or effectively address the issue of frozen conflicts in its neighbourhood: Though the goal of promoting stability and democracy is shared by all members, the idea of to which degree these goals should be addressed greatly differs. New EU members stress that the Eastern European neighbourhood should be closely linked to the EU to avoid Russian intervention, and that Europe must strengthen pro-Western and pro-democracy forces in its neighbourhood and discuss the idea of eventual Ukrainian or Georgian

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<sup>18</sup> Götz, R. *The North European Pipeline: Increasing Energy Security or Political Pressure?*, Berlin, Stiftung Wissenschaft und Politik, SWP Aktuell 41, September 2005 <[http://www.swp-berlin.org/en/common/get\\_document.php?asset\\_id=2439](http://www.swp-berlin.org/en/common/get_document.php?asset_id=2439)> 27.02.2007.

EU-membership. This approach contradicts a long-held view of some policy makers in Western European states which want to avoid a conflict between European involvement in democracy promotion and Russian security interests.

The fault lines are complemented by the European Commission's growing desire to hold a moratorium on accession issues in order to "digest" the two enlargement rounds of 2004 and 2007 and reform the EU's institutional framework, before addressing any further geographical extension of the Union.

However, views on the necessity of a stronger European strategy for its Eastern neighbourhood are converging, and in no small part due to Russia itself. Ukraine's Orange Revolution has been an example for many EU-member states of how the Kremlin used energy dependence to exert influence on Ukraine's domestic situation. The interruptions at the beginning of 2006 in Ukraine<sup>19</sup>, and the Russian-Belarusian conflict over oil transits at the outset of 2007 have brought home Europe's vulnerabilities in energy and are hurting confidence in Russia as a reliable supplier. This together with a changed domestic Russian political trajectory might cause Europe's capitals to re-examine their internal dispute over the EU's Russia policy.

## **2.2. The Russian perspective: energy-rich regional power with insecurities**

The economic growth of the past years has increased the assertiveness of Russian policy makers, particularly with regard to its closest neighbours. It sees itself as having re-entered the stage of world powers, both economically and politically, after going through various crises during the 1990s. Accordingly, its role as an energy supplier in Europe is viewed both through an economic and a political prism. From the economic perspective, Russia has a keen interest in attracting foreign investment to modernize its pipeline system and resource extraction. The heavy reliance of the Russian economy on oil and gas revenues from the West (which make up about a full quarter of exports) on the one hand and low regulated prices for its domestic industry on the other have made it difficult for Russia to adhere to free market principles or allow other suppliers

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<sup>19</sup> Götz, R. *Nach dem Gaskonflikt: Wirtschaftliche Konsequenzen für Russland, die Ukraine und die EU*, Berlin, Stiftung Wissenschaft und Politik, SWP Aktuell 3, January 2006, <[http://www.swp-berlin.org/en/common/get\\_document.php?asset\\_id=2716](http://www.swp-berlin.org/en/common/get_document.php?asset_id=2716)>, 27.02.2007.

into its pipeline network, hence the economic unwillingness to sign the EU's Energy Charter, which would call for stronger liberalization.

From the political viewpoint, control over natural resources is regarded as crucial to national security, a position originating in a long tradition of etatism. This interpretation has also allowed for the political use of Russia's wealth of resources. While the NEGP, for instance, viewed from the Russian economic perspective certainly might make sense, it is also to be seen against a background where opinion polls show a majority of Russians believing the Baltics to be hostile towards the country. (When asked to name five countries the most hostile to Russia, respondents of a Levada-Center conducted survey in 2005 answered 49 per cent Latvia, 42 per cent Lithuania and 32 per cent Estonia, landing all the Baltic states among the top four perceived enemies of Russia.).

While the EU still is coming to terms with its new presence in the region of Eastern Europe, Moscow regards itself as a status quo power, experiencing a historical retreat over the past decade and a half due to the changing political climate in Eastern Europe. Many in the Russian political class have designated this as a fundamental geopolitical shift, an interpretation which has perhaps made Russia overly sensitive to signs of a change in the status quo which could result in a further reduction of the country's influence in post Soviet space. In these circumstances, the controversy over the Ukrainian Orange Revolution in 2004 has had a much larger impact than two consecutive rounds of NATO eastern enlargement and the wave of EU enlargement together, making Moscow highly sceptical of regional cooperation such as the Community of Democratic Choice or the Baltic-Black Sea Cooperation. Russia feels that any further integration of states into Western institutional structures is automatically directed against it – a perception based on the “flight” of former Warsaw Pact countries into NATO during the 1990s.

However, the European Union is not perceived in Moscow as the primary challenger of the status quo in Eastern Europe. This role is rather ascribed to the United States and NATO. As the ENP in its current form is considered a lesser challenge for Moscow, the European Union is not believed to be able to act at the expense of Russia any time soon. With governments in Ukraine and Georgia seeing the path to Western integration via NATO membership and close relations with the United States – as well as EU integration – Russia sees

a pro-American camp becoming stronger in Greater Europe, as well as within the EU, with Poland and the Baltic states consolidating a Russia-sceptic policy. The “Near Abroad” concept insofar is not directed against the ENP, but rather seems to be a “Cold War light”, based on geopolitical interpretations<sup>20</sup>.

### **2.3. The Baltic states: history still a major factor**

From a strictly economic viewpoint, the Baltic states are closely interconnected with Russia, particularly in the energy sector. Virtually 100 per cent of the gas needs of all three countries are covered by Gazprom (about 5 bln. cubic m); oil and oil products, gas and mineral fertilizers from Russia amount to almost 75 per cent of Lithuanian, 60 per cent of Latvian and 50 per cent of Estonian imports. The income from the Russian energy transit made up for 25 per cent of the Latvian and 20 per cent of the Estonian and Lithuanian state budget. Also, Gazprom owns blocking share packages of the gas-distribution companies in the three countries. Despite their strong linkage and the countries’ geographic specifics as the neighbours of Russia, the Baltics retain very tense relations with Russia, strongly coloured by sensitive history-related issues, particularly the Soviet occupation of the Baltic states following the Molotov-Ribbentrop pact. Until now, Russia has not recognized any historic responsibility.

The experience of Soviet occupation has not only become an integral part of Baltic identity, but has also led to numerous obstacles for cooperation, e.g. when in 2005 Estonian president Arnold Rüütel and Lithuanian president Valdas Adamkus turned down the Kremlin’s invitation to visit Moscow on 9 May for celebrations of the 60th anniversary of the defeat of Nazi Germany<sup>21</sup>. Only Latvian president Vike-Freiberga attended the event. Estonia still has not signed a border treaty with Russia and it took the Latvian government until 2007 to do so. The question of potential compensation for material damages and deportation of Baltic citizens by the Soviets during the occupation remains an issue. History also overshadows the integration of Russian-speaking minori-

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<sup>20</sup> For additional reading see Lo, B.: *Vladimir Putin and the Evolution of Russian Foreign Policy*, London, Royal Institute of International Affairs/Blackwell Publishing, , 2003.

<sup>21</sup> Kononenko, V. (note 4), p. 72.



ties in Latvia and Estonia. In short, deep distrust and fear of over-reliance on Russia remain strong in the Baltic states.

As far as Baltic-Russian-EU relations are concerned, energy relations recently have been burdened by the Northern European Gas Pipeline<sup>22</sup>. As the project circumvents the Baltic states to connect the Russian city of Vyborg with Greifswald in Germany it has been considered a violation of economic and geo-strategic interests, particularly by Lithuania and Poland. Though there is the fear of a potential loss of transit fees, the largest concern is the perceived decrease in energy security. The new pipeline offers Russia, at least in theory, the possibility of cutting off gas deliveries to the Baltic states and Poland for political reasons, while continuing to supply Western Europe. The NEGP has also resulted, however, in a domestic political discussion within the Baltic states of how energy dependence on Russia can be lessened and how to transform the Baltic energy strategy. Similar to the “oil shock” of the 1970s for the West, the NEGP might lead to an increase of use in alternative energy and stronger energy efficiency measures (these also being an aim of the EU in general). In Latvia’s expert community voices have been making themselves heard advocating just that. These discussions not only indicate that the Baltic states might slowly be diversifying their perspective on energy security and their focus on Russia, but also enable them to bring valuable input into a new European energy strategy<sup>23</sup>.

### **3. The Future of EU-Russian relations: Projections from three perspectives**

*The relations between the EU and Russia are set for a new round of negotiations. The Partnership and Cooperation Agreement between the two will expire by December 2007 and while it might be prolonged to avoid short-term cleavages on how to deal with Russia, there can be no doubt that in the long term, the EU member states*

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<sup>22</sup> Ibid. p. 74.

<sup>23</sup> for further reading on Baltic energy security and energy policy see Budrys, K. “EU-Russian Energy Dialogue and Lithuania’s Energy Security” in *Lithuanian Foreign Policy Review*, issue 02/2006, <<http://lfpr.lt/uploads/Flie/Ctrent/Budrys.pdf>> 27.02.2007 and Kasekamp, A. (ed.) *Energy Security of Estonia in the Context of the Energy Policy of the European Union*, Estonian Foreign Policy Institute, 2006, <<http://www.evi.ee/lib/Security.pdf>>, 27.02.2007.

*and Russia will have to find a new consensus on how to manage their relations. What are the projections expected to shape the new partnership?*

The increasingly conflicting policies and divergent perceptions of threats lead on to the question of how EU-Russian relations are to develop in the future and what part the Baltic states can play in this constellation. The nature of future EU-Russian relations will greatly depend on the actors' ability to find common, non-conflicting solutions and adapt their dispositions to a number of key issues, which include:

- What is the appropriate legal and treaty framework for the future of Russian-EU relations? Should there be a complete overhaul or should the existing Partnership and Cooperation Agreement of 1997 simply be prolonged or amended<sup>24</sup>?
- What is the future of the "common values" between Europe and Russia which have more recently been called into question?
- Can the EU and Russia find common policies or at least coordinated and non-conflicting policies towards their neighbourhood? To what degree can regional cooperation, security issues and the defusing of frozen conflicts be embedded in a Russian-EU framework?
- How should common energy and trade issues be regulated between Russia and the EU and how can obstacles to a common energy strategy be overcome?

### **3.1. Russian interests and projections**

#### *Framework*

As far as the future institutional framework is concerned, Russia would prefer new basic principles to reinvigorate its relationship with the EU. Though it is automatically extended every year as long as none of the partners withdraws from the treaty, it was concluded in an international and domestic political en-

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<sup>24</sup> for an overview of scenarios see also: Barysch, K. "Scenarios for a future Partnership and Cooperation Agreement, Notes from the 4th roundtable" in: *Partnership with Russia in Europe: Scenarios for a Future Partnership and Cooperation Agreement*, Fourth Discussion Circle Meeting, Friedrich Ebert Stiftung, 2006, p. 6 ff. <<http://library.fes.de/pdf-files/id/04227.pdf>> 27. 02. 2007.

vironment that has dramatically changed<sup>25</sup>. Russian policymakers have pointed out that the PCA in its current form regards Russia as a transition state en route to a free market economy and that its main principle is gradual adoption of the EU regulatory framework in numerous fields. They believe a new framework should treat Russia and the EU as equal partners on a level playing field, with Russia having been accepted as a market economy facing WTO accession. Common regulation should follow the principle of mutual convergence rather than one-sided adoption of EU standards. The principle of equality also means that any conditionality (e.g. concerning domestic developments) be removed from the joint framework. Which form such a new framework should take remains under discussion. Though a thorough redrafting of the PCA could include a maximum of adaptation to the new situation, it runs risk of getting stuck in the EU ratification process, particularly in the Baltic states and Poland.

### *Common values*

From Russia's perspective, the argument on "common values" is seen too often as an instrument to pressure the country into changing its domestic policies. Russia is not opposed to declarations of joint values, as long as they are not accompanied by a conditionality principle. Furthermore, while there is (and historically has always been) a strong discussion on whether Russia is a European country or rather retains its own specific Eurasian character, Russia's economy, its exports, its elites and its young people are overwhelmingly oriented towards Europe in one way or another. A complete lack of formulated common values would be received with at least as much disappointment as a conditionality catalogue aimed at influencing Russia's domestic trajectory.

### *Common policies in the neighbourhood*

Russian security interests assert that further NATO enlargement to Ukraine, the Caucasus and Moldova is not acceptable (Belarus being a special case).

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<sup>25</sup> Schwall-Düren, A. "Wir brauchen eine Neue Europäische Ostpolitik für Russland" in *Gesprächskreis Partnerschaft mit Russland in Europa: Die Zukunft der EU-Russland-Beziehungen: Ist ein neues Abkommen notwendig? Drittes Treffen des Gesprächskreises*, Berlin-Moskau, Friedrich-Ebert-Stiftung (FES) /Stiftung Einheit für Russland (SER), p. 18, <<http://library.fes.de/pdf-files/id/03607.pdf>>, 27.02.2007.

Gradual integration with the EU for these countries, though not exactly a priority on Europe's own agenda, is a far less threatening perspective. However, the parliamentary elections in Ukraine in 2006 which saw pro-Russian forces back in power and ongoing difficulties in both Georgia and Ukraine with transition have led to a reprieve for Russian policy for the time being. Coordination with the ENP remains a distant prospect, as can be seen in the escalation of the Russian-Georgian conflict over the alleged arrest of Russian spies. Russia also seeks to maintain its military presence in Transdnistria, Abkhazia and South Ossetia, claiming the territorial conflicts there are legitimate independence movements.

However, Russia is also interested in stronger security cooperation with the EU in the way of "counterbalancing" American influence. Russian proposals go so far as to conceive a Russian-EU "Security Council", mirroring NATO-Russian cooperation. Beyond these issues of "traditional" security policy, Russia also remains concerned about the treatment of the large population of ethnic Russians living in the Baltics and Eastern Europe, as well as in the exclave of Kaliningrad. In this context, Russia would also like to see the long-term introduction of a visa-free regime or minimally lowered standards for visa for Russian citizens travelling to the EU, as well as closer economic and technological cooperation<sup>26</sup>.

### *Trade and energy relations*

The strongest link between the EU and Russia remains their interdependence in economic and energy affairs. Here, Russia holds a strong interest not only to increase its non-energy product exports to European markets, but also to increase the opportunities of Gazprom to acquire stakes in energy downstream businesses and gain access to European consumer markets. However, as a state-controlled entity and given the current European perspective on Russia's political system, Gazprom is still viewed with caution by European regulators and energy companies alike. The issue of free access to the European energy market is further complicated by Russia's ambivalent treatment of Western investments in its own energy and resource sector, as observed in mounting regu-

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<sup>26</sup> See Arbatova, N., "Russia-EU Quandary 2007" in: *Russia in Global Affairs* No. 2, April/June – 2006, <<http://eng.globalaffairs.ru/numbers/15/>> 27. 02. 2007.

latory pressure which lead to Shell handing over the majority in its Sakhalin project to Gazprom. Despite these signals, Russia remains highly interested in increasing the flow of technology and capital from EU countries into Russia, which are necessary to tap into new sources of gas and oil, upgrade the country's infrastructure and diversify its economy.

### **3.2. EU interests and projections**

#### *Framework*

There seems to be a growing sentiment that a new or revised PCA or similar framework with Russia would run the risk of a long, exhausting and painful process of renegotiating and ratification. The EU's Russia policy is far from unitary, oscillating with some countries pursuing a Russia-first approach and others opting for maximum strategic distance. Finding a consensus on a new EU common strategy on Russia is prone to arouse criticism from the Baltic states and other Central and East European countries on Russian shortcomings in implementing democratic values and its tendency to pursue hegemonic external relations. While both the Finnish and the German EU presidencies nonetheless announced their aim to at least renegotiate some of the PCA, the search for a new framework remains a rocky road, as the Polish veto in Helsinki<sup>27</sup> shows, and is bound to lead to a heated debate during the ratification process<sup>28</sup>.

#### *Common values*

Originally, relations between the two partners were based on "common values" such as democracy, free market principles and the rule of law. Although these were considered underdeveloped in Russia's political system, they were nevertheless regarded by Europeans as a shared basis for cooperation that would

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<sup>27</sup> European Union, *Press Release on EU-Russia-summit in Helsinki*, 24.11. 2006 <<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1626&format=HTML&aged=0&language=EN&guiLanguage=en>>, 27. 02. 2007., see also: *Joint Communiqué of the Meeting of the Presidents of Estonia, Latvia, Lithuania and Poland*, 6.11. 2006 <<http://www.lfpr.lt/uploads/File/Current/Joint%20Communique%20of%20the%20meeting%20of%20the%20Presidents.pdf>>, 27.02.2007.

<sup>28</sup> For further reading see Kempe, I., Smith, H., *A decade of Partnership and Cooperation in Russia-EU relations. Perceptions, Perspectives and Progress – Possibilities for the Next Decade*, Helsinki/Munich, May 2006.

strengthen with increasing integration into the EU's economy and financial and technical assistance. The experience of domestic development in Russia as well as the continued strong-handed foreign policy in the neighbouring region has drastically changed this perception. Today's debate within the EU is not so much one of whether common values form the basis for a future EU-Russian relationship, but whether there still exists the potential to develop and include at least a rudimentary consensus on values whether, the value-based approach should be abandoned completely and cooperation be based only on the grounds of mutual economic and security interests. A debate on influencing Russia's current trajectory, which is leading the country away from multi-party pluralism towards an authoritarian centralised state, risks becoming counterproductive by endangering stable relations without gaining much. At the same time, member states do agree that cooperation with Russia can not be successful without any underlying principles.

#### *Common policies in the neighbourhood*

Democratic advancement and free market reforms remain the centrepiece of the EU's agenda for its Eastern European neighbourhood<sup>29</sup>. Unlike the Russian perspective, the EU regards democracy and the free market simultaneously as prerequisites to regional stability. However, there is no consensus yet on which policy tools are the most feasible. While conditionality remains a core approach for influencing domestic developments in the Eastern European neighbourhood, the search for an instrument that is neither enlargement, nor interference and yet offers enough incentives for successful transition in Ukraine, Belarus and the Caucasus goes on. The European Union does not intend its preference for democratic transition in Eastern Europe to threaten Russian security interests or economic involvement in the region and there is a wide consensus that without cooperation with Russia, strategic issues concerning Ukraine, Georgia, Belarus and other successor states of the former Soviet Union cannot be completely resolved. To which degree the EU's aim of promoting democracy and market economy in Eastern Europe might be compromised with Russia's priorities is likely to be increasingly influenced by the state of EU-Russian relations.

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<sup>29</sup> Moses, A. (note 5), p. 31.

Russia's stop of oil supply through Belarus was perceived throughout the EU as highly negative. Further developments such as these might promote an intra-EU shift of opinion and policy away from the "Russia first" approach in regional strategy. At the same time, Romania's and Bulgaria's EU accession will increase the pressure on the EU to take a more active stance in resolving the region's frozen conflicts (Romania, in particular, will point to the Transdnistrian conflict in Moldova), which again would require Russian-European consensus on conflict-solving. Finally, while the EU still does not intend to play a more active role in the Caucasus for the time being, mounting problems of illegal trafficking in persons, drugs and weapons, terrorism and energy security will increase the Union's interest in stability in that region, as well.

#### *Trade and energy relations*

The growing Russian economy has already attracted a large amount of European investment, despite remaining anxieties about how strongly the rule of law permeates Russian business and to which degree state and energy sector are being held separate. Brussels and the EU capitals would welcome improved conditions for their companies in Russia, including stronger guarantees on investments, particularly in the energy sector. While the EU no longer aims at a maximum of integration of Russia into its economic structures (which was originally conceived to strengthen democratic transition), the adaptation of market principles and a reciprocity-related approach for economic relations between the two countries continue to be priorities. The European Union's aims of diversifying energy supply and origins require a balanced approach to Russia as a supplier. Too much reliance on Russia is increasingly being seen as harmful to energy security, while a rapid deterioration of Russia's role as a supplier would only shift energy dependency to other geographic regions.

### **3.3. Baltic interests and projections**

#### *Framework*

Though at first sight, they are among the most critical EU-members of Russia, the Baltics have the most to lose in the long term if the framework and

the PCA remain as they are. For one, the documents were negotiated before these countries joined the EU, which would leave an agreement in place to which they have never brought input. With the passage of time the PCA would furthermore lose any remaining cohesive influence it does on the EU's Russia policy and EU-Russian relations would be even more undermined by bilateral relations between Russia and individual member states. Such a bypass of a common framework threatens to marginalize small EU-members, such as the Baltics. This is particularly dangerous, because the bilateral framework between Estonia, Latvia and Lithuania and Russia still remains fragmented in specific issue areas (even though Latvia's recent ratification of the border treaty with Russia signifies improvement).

Both conditionality in adherence to democratic and human rights norms, and reciprocity in economic issues are part of what the Baltic states would initially demand from a new policy framework. The end result might be something slightly different: For the Baltics, the inner-EU ratification process would provide a lever in their bilateral relations with Russia and prospectively could contribute eventually to solving a number of open bilateral issues with Russia, which have been prevented by a complicated character of political relationship. Hence, a renegotiated PCA may provide stimulus for "normalization" and "economization" of Russia-Baltic interaction<sup>30</sup>.

### *Common values*

The Baltic experience of "bottom-up" democratization and civil society lets them advocate a stronger support for civil society and a stricter monitoring of human rights and democratic development in Russia as a continued component of the EU-Russian relationship. However, this approach and current tense relations between Russia and the Baltic states are not likely to further the discussion on common values. The question is, whether the aim of continuing a value-based component in a partnership with Russia is focused at facilitating cooperation and showing potential future goals or meant as a benchmark for evaluating

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<sup>30</sup> For additional information see also *Lithuanian foreign policy agreement between political parties*, <[http://www.urm.lt/popup2.php?nr=1&item\\_id=255&m\\_e\\_id=4&menu\\_i\\_id=162;163&no\\_cache=>](http://www.urm.lt/popup2.php?nr=1&item_id=255&m_e_id=4&menu_i_id=162;163&no_cache=>) 27.02.2007) and Minister of Foreign Affairs of the Republic of Estonia Kristiina Ojuland addressing the Riigikogu on behalf of the Government of Estonia, *Main Guidelines of Estonian Foreign Policy*, 4.11. 2003, <[http://www.vm.ee/eng/kat\\_140/4131.html](http://www.vm.ee/eng/kat_140/4131.html)>, 27.02.2007.



its domestic development. The Baltic approach of strengthening democracy by gradually encouraging the development of strong civil society structures is a strategy that other EU members are more likely to find consensual.

*Common policies in the neighbourhood*

A stronger involvement of the European Union, aimed at furthering democratic transition as well as establishing an involvement in security issues and frozen conflicts features prominently on the agenda of the Baltic states. Reform of the ENP in Eastern Europe and regional cooperation feature prominently in the foreign policy priorities of Estonia, Latvia and Lithuania, but they do not so much call for coordination with Russian influence but rather for counterbalancing it via the integration of Eastern Europe in European and transatlantic structures. From a Baltic perspective, the EU should put the “Europeanization” and “modernization” of Eastern Europe first. This would require closer inner-EU coordination and a strong role of individual EU actors (e.g. Germany) in shaping the Eastern Europe agenda. “Europeanization” would also include expansion of common spaces towards Ukraine and the Caucasus, which would bind these countries to the EU through more relaxed visa regimes, higher aid and funding levels and expanded free trade agreements, all pointing at a long-term membership perspective. This approach is fuelled by the Baltics’ own transition experience, which has made them such an avid advocacy voice for the region.

*Trade and energy relations*

Economically, the Baltics would certainly support improving conditions for a more intensive economic cooperation with Russia and avoid discriminatory measures in taxation, transportation and energy sector interaction. The Baltic countries also want to see Russia ratify the Energy Charter and related documents on transit. While the Baltic states would profit from more economic cooperation, their current confrontational stance on a number of bilateral issues (trade agreements, energy security, border treaties) remain an obstacle to improvement. This stance also shows a lack of confidence in the EU’s ability to prevent a deterioration e.g. of Russian-Baltic energy relations. If Baltic energy

security could be convincingly guaranteed from both the Russian and the European side, then a large obstacle to further economic integration would have disappeared.

#### **4. Baltic input for future EU-Russian relations: proposals for vision instead of revision**

As to the current strategies, threat perceptions and interest-based perceptions among all three sides involved, a number of proposals are necessary to facilitate the search for renewed partnership between Russia and the EU. The same is true for the increasingly growing strategic gap that spans the post-Soviet countries in Central Eastern Europe. The Baltic states have the potential to play a key role in this process. If Estonia, Latvia and Lithuania fully embrace a constructive and forward-looking role they can provide valuable input and become a crucial driver of the EU policy process. A prerequisite for this is finding a mechanism that prevents the historical burden with Russia to interfere with Baltic policy planning. The following proposals are aimed at adapting the strategies currently active in Central Eastern Europe, slowly converging the threat perceptions and bringing together the various interest-based scenarios.

##### *Vision instead of revision*

The Baltic states have already taken a strong proactive stance on promoting change in the European Union's neighbourhood policy, pointing at the ENP's deficits and making substantial suggestions to how it might be revised. So far a similarly constructive role on EU-Russian relations has failed to surface because of the large number of bilateral Baltic-Russian difficulties, which are troubled by historical burdens. The Baltics should realize the risks of this bilateral approach to Russia as opposed to the benefits of European policymaking. In order to make their mark on Europe-wide strategic planning, they will have to offer new, forward-looking concepts that are based on a vision of the future, rather than a review of past events.

*Overcoming “zero-sum-thinking”*

Baltic EU-membership has propelled the three countries into a realm, where zero-sum thinking will not longer provide for an adequate advancement of Baltic interests. The security and energy challenges of the 21<sup>st</sup> century are too complex to be viewed in absolutes of losses or gains. Overcoming this old thinking will also have to take place in Russia, as well, particularly concerning the use of economic assets as tools in regional power politics. But Baltic integration in Western institutions provides ample economic and security guarantees for initiating this process of rethinking.

*Promoting balanced realism in EU-Russia policy*

A new EU-Russia policy should be in the strong interest of the Baltic states. Rather than use bilateral issues as an obstacle to joint EU development, the Baltic states should promote a new brand of Russia-policy which treats Russia “as it is”: a “European” power both culturally and politically, a crucial and strategic partner for the EU with its own, to some extent legitimate interests, but whose priorities do in part sometimes conflict with the EU’s. This will require some compromise on the hand of the Baltics, but offers the opportunity of Baltic interests being on the whole better represented within the frame of a balanced EU agenda.

*Regional focus as a starting point*

All three Baltic countries share borders with Russian territory (though Lithuania’s is merely with Kaliningrad). They lie at the crossroads between Russia, the EU, Eastern, Central and Northern Europe and are the EU members most directly affected by developments in Kaliningrad and Belarus. Lithuania has originally been successful by bringing up the topic of Kaliningrad<sup>31</sup> and should continue to do so. Estonia and Latvia could be drivers for improving Russian-EU cross-border management or visa regimes. There is a large potential for trade and tourism between the Baltics and Russia. Improved cross-border transit would allow the Baltic states’ economies to stronger profit from the eco-

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<sup>31</sup> See Government of Lithuania, *Lithuania’s Cooperation with the Kaliningrad Region of the Russian Federation*, <<http://www.urm.lt/index.php?-1164946521>>, 27. 02. 2007.

conomic growth of Russia and its consumer boom<sup>32</sup>. Additional fields include market access, investment, trade, technology transfer and, of course, energy. Departing from a “frontier”-perception which sees the Baltic states under constant pressure to ward off the threat of dependence on Russia, the countries could promote themselves and the region politically, economically and culturally as a hub and intersection. Instead of using deficits in cooperation (as has been the case with the Polish veto on PCA renegotiation), Estonia, Latvia and Lithuania could develop a joint program for expanding and improving common-interest fields which they then could promote within the EU policy process.

#### *A motor for ENP-reform*

The Baltic states point out that the EU is not living up to the responsibility it has for creating bridges to Eastern Europe and avoiding new dividing lines. As strong supporters of a new “Eastern Dimension” in European external policy, Estonia, Latvia and Lithuania could aid in reshaping the ENP. This could be achieved on two levels: On the policymaking level, the three states should closer coordinate their policy contributions within the EU decision-making process and act as alliance-builders which could bring together new EU member states and some of the more members more sceptical towards ENP extension in Western Europe. The goal here would be both to restart a discussion on further European integration, as well as introduce coherent policy proposals for an ENP redraft. At the operational level the Baltic states should put forward their experience and expertise in transition issues together with other new EU members in strengthening democratic governance and economic reform in Eastern Europe.

#### *A positive advocacy role for individual Eastern European states*

The Baltic states could become advocates for the integration or transition needs of individual Eastern European countries. For instance, Lithuania might expand on its advocacy role for Ukrainian EU integration and Latvia could take over the role as a voice for Belarusian civil society. In both cases, improving the

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<sup>32</sup> See also Mikenberg, E., Euroregion – A new level in Estonian-Russian relations? in: Kasekamp, A. (ed.): *Estonian Foreign Policy Yearbook 2006*, p. 85 ff. <http://www.evi.ee/lib/valispol2006.pdf>, 27. 02. 2007.

freedom of movement for persons and trade is also a key to successful Eastern Policy. Such a coordinated division of labour would help bring attention to prominent aspects of the widely spaced challenge of a European perspective for these countries.

*Relegation of history to inter-societal dialogue*

There needs to be a genuine paradigm change in how history shapes the Baltic policy towards Russia. The differing views on history between Russia and the Baltic states should no longer be allowed to so strongly colour day to day policy. Rather, reconciliation and common assessment of history can be achieved by strengthening Baltic-Russian and European-Russian inter-societal dialogue. Some of the Russian roundtable participants went so far as to even suggest a “moratorium” on historical debate. In any case, the Baltic states could encourage the EU to take a more active stance in promoting the exchange between representatives from post-communist societies.

*Start an honest dialogue on values*

Whatever the future framework of EU-Russian relations, it does require a certain set of principles. Further economic progress and partnership in security issues can not be achieved without a commitment to the rule of law, international accountability and reliability. Adherence to such principles, with origins in universal values both necessary and inherent for EU-Russian relations, should assuage the Baltic states’ fear of Russia being an unreliable partner. Further going questions of common values are best discussed in a dialogue framework. Russia, for instance, remains concerned about the treatment of ethnic minorities in the Baltics, while Europeans are concerned about Russia’s domestic trajectory. Issues of how democracy and civil society are defined by Russia and the EU can provide for a discussion group which covers such issues on a basis of mutual inclusion, rather than one-sided conditionality.

*Strengthen societal dialogue*

The Baltic states’ strength lies, among other things, in their focus on societal dialogue and strengthening civil society. Their experience with both modernisa-

tion and the establishment of civil society structures should be introduced more strongly into EU policymaking. “Bottom up” cooperation in business, science, education and civil society should be strengthened in order to create a sustainable long-term basis of understanding. A dialogue between the civil societies is a necessary prerequisite both for the long-term convergence of threat perceptions as for the formulation of durable common values.

*Develop a consensus on immediate risks and threats*

All actors should acknowledge the dangers posed by “failing states”. Beyond any issues of autonomy or separatism, zones beyond state government control (as are all frozen conflicts in the region) will require joint commitment to a solution. The open question as to which degree the EU can and should be involved in the solution of frozen conflicts and security issues must be resolved and a tighter strategy based on genuine European interests must be established. Here, the Baltic states can initiate a discussion on the basic security and stability needs of all partners to provide ample basis for closer cooperation. The development of joint “minimum scenarios” could aid in concretising the risks posed by asymmetries and failed governance in Eastern Europe to a point where all actors assess them similarly.

## **Conclusions**

The need for new common ground in both relations between Russia and the EU, as well as for the European Neighbourhood Policy, is obvious. While both Russia and the EU are in many fields mutually interdependent, Russia is no longer a country poised for democratic transition. Its domestic trajectory contrasts with the colour revolutions in Ukraine and Georgia, have opened up new perspectives for democracy and pressure the EU into strengthening the Eastern dimension of its external policies.

The EU must also take into account the internal shift that has accompanied the accession of ten new Central and Eastern European members. Of these, the Baltic states Estonia, Latvia and Lithuania are in a particularly good position to make a positive contribution to a new EU Eastern policy based on their transition experience and proximity to Russia. They advocate a leading role for

Europe in supporting democratic transition beyond its borders as a counter-weight to a Russian “Near Abroad” policy, which today already conflicts with the goals of the European Neighbourhood Policy. Such a leading role would include membership perspectives for the countries concerned.

With relation to the common challenges faced by the EU and Russia, such as energy, security or strategies related to Eastern Europe, the Caucasus and Central Asia the perceptions of Russia vary greatly. While Russia sees itself in the pursuit of legitimate geopolitical and economic interests, the European Union is split over the issue of “Russia first”. The Baltic states and the countries of Central and Eastern Europe feel more vulnerable to dependency on Russia, than do the large Western European countries. However, Russia’s own misuse of energy as a political tool towards Belarus and Ukraine might slowly be closing this gap.

The Baltic states agree with most other EU states, as well as Russia, that the framework for EU-Russian relations is outdated and that it requires a new basis. Interdependence in economic and security issues make good neighbourly relations a vital goal of Baltic foreign policy. While the Baltic states would like a principle of conditionality linked to common values, there is no realistic scenario in which Russia would accept this. Further differing interests pertaining to how frozen autonomy conflicts should be resolved and Russia’s unwillingness to sign the energy charter might however lead to a minimum scenario, in which only the most pressing adjustments are made to the legal framework in order to avoid a painful ratification process.

Estonia, Latvia and Lithuania could improve their position in the EU policymaking process by offering a new, forward-looking concept for the EU’s Eastern policy. They can contribute by providing a cross-border cooperation approach, using their regional advantage as a starting point. The Baltic states can promote a balanced realism that treats Russia neither with scorn, nor ignores its democracy deficit and redesign their advocacy-role for Eastern Europe to highlight specific issues, such as Kaliningrad or democracy in Belarus. The Baltics’ experience in civil society could be both brought as input for transition support in Eastern Europe, as well as to strengthen societal dialogue with Russia. The latter would also provide a more adequate forum for historical and value-related issues for the time given.