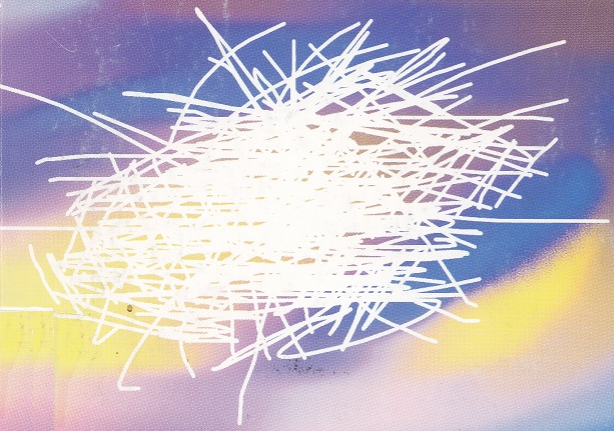
Edited by Atis Lejins

# Baltic Security Prospects at the Turn of the 21st Century



KIKIMORA PUBLICATIONS

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Edited by Atis Lejiņš



KIKIMORA PUBLICATIONS
Series B : 8 Helsinki 1999

Baltic Security Prospects at the Turn of the 21st Century

ISBN 951-45-9067-8
ISSN 1455-4828

Aleksanteri-instituutti
Graphic design: Vesa Tuukkanen

Gummerus Kirjapaino Oy
Saarijärvi 2000

# Contents

# Foreword

The Hanseatic League of the 15th Century has always been considered to reflect the golden age of the Baltic Sea region. With the growth of trade and collective security, this alliance of north European trading towns developed into the most significant and influential actor of its time. As the geopolitical framework of the region has changed once again, the underlying principles related to trade and security politics begin to sound familiar.

The most important strengths of the Baltic region are the existence of an educated workforce and the functional connections between the ports of the Baltic Sea. A stable environment for economic life and an unobstructed movement of capital give a competitive edge to the area. In addition, the efficiency of the taxation system is an essential component of the economic success of the Baltic region.

The enlargement of the European Union brings new players to the politics of the region. The dramatic rise in foreign investments in the Baltic states is a valid endorsement of their EU membership. Actually, in terms of the amount of investments, Latvia is overtaking Estonia and Lithuania. The competitive position of these countries as small ones in a group of several transition countries presents one risk factor. However, the most significant risks of the economic development of Estonia, Latvia and Lithuania concern the historically conditioned political tensions vis-à-vis Russia, their dependence in energy procurement on their eastern neighbour and the emphasis on the service sector in their production infrastructure. Baltic officials regard the volatile foreign policy of the Russian Federation as the most important threat to the development of their countries. And in case relations to Russia

deteriorate, foreign investors will navigate to calmer waters.

In Russia, the inadequacy of the country's possibilities for influencing the decision-making of NATO is seen to be the crux of the problem, not the Baltic states' membership in the alliance as such. It is essential that democratic decision-making mechanisms retain their central position in Russian politics. Russia however feels very strongly that it will be isolated in terms of foreign and security policy in the Baltic Sea region if the Baltic states join NATO.

A sign of American activity in the Baltic region is the nascent interest towards a new Hanseatic region, which includes the regions of St Petersburg and Novgorod. The increase of US influence in the region is a new force of change, in particular if the historical roles of Germany and Russia as guarantors of hegemonic stability of the Baltic Sea are considered.

In the Baltic states themselves, the idea of a new Hanseatic region has been received in different ways. In Latvia and Lithuania, memories of the German aristocracy and land-owning class are still in fresh memory. We must bear in mind that the Hansa was not only a zone of harmonious trade relations and cultural development but also an alliance based on stormy relations and active state of war.

The enlargement of the European Union is the best guarantee of Baltic Sea security: trade creates wealth, co-operation yields security. The participation of the Baltic states in NATO's Partnership for Peace programme and the emerging co-operation in training border control troops with the Nordic states are both proving to be fruitful. It is clear that Estonia, Latvia and Lithuania are not going to be accepted as members of a WEU that is co-opted into the EU, if they do not join NATO simultaneously. The EU's leading troika – France, Germany and Great Britain – are not prepared to defend the Baltic states if the US does not act as the guarantor.

Contrary to Finland, the Baltic states regard independence in security policy not as a solution but as a threat. In addition, shadows of danger are shed on the shores of the Baltic Sea by the expanded bureaucratic machinery of the EU. The security-building mission of the Union is in danger of being watered down. In the near future, the enlargement processes of NATO and the WEU may even be separated from



each other. This would imply a final dead-end to the endeavours of Estonia, Latvia and Lithuania to enter under the protection of the alliance's umbrella. The security policy position of the countries would float in an unspecified state between partnership for peace and various favoured nation treatments.

This book is the joint statement of the Latvian Institute for International Affairs and the Aleksanteri Institute in promotion of the EU accession negotiations. It includes the latest assessments of Baltic security prospects on the eve of the new Millennium. Latvian top experts on security issues Atis Lejinš, Zaneta Ozolina, Ineta Ziemele and Aivars Stranga analyse both NATO and EU enlargement and their consequences for the economic-political status of the three Baltic states between Russia and the European Union. The assessment of Baltic-Russian relations is timely as we approach Russia's up-coming presidential elections.

The LIIA expresses its gratitude to the Swedish government and NATO for financing the research undertaken for this book.

**Timo Hellenberg**
Aleksanteri Institute

# Joining the EU and NATO: Baltic Security Prospects at the Turn of the 21st Century

**Atis Lejiņš**

## Introduction

The aim of this chapter is to assess the security prospects of the three Baltic states eight years after the restoration of their independence in 1991.The history of the 20th century has for the most part been a veritable catastrophe for Estonia, Latvia, and Lithuania: two devastating "hot wars" and a long "cold war," during which they were occupied for almost fifty years by a world power. The result brought two of the Baltic nations – Estonians and Latvians – to the brink of national extinction.

The collapse of the Soviet empire, in which the Baltic peoples played a significant role, did not bring within its wake the millennium – guaranteed peace, security, and high living standards. The "return to Europe" has proven to be a laborous journey giving rise to new costs, dangers and challenges. With a total area of 175.000 km$^2$ and a population of 7.8 million people the Baltic states continue to form, though increasingly less so as the world geopolitical center shifts to Asia, a sensitive security space along a still existing East-West faultline. Even

though this faultline created by centuries of East-West conflict is increasingly becoming a social and economic divide as Russia continues to decline, nevertheless old perceptions and habits both in the "old West" and Russia cannot but leave their mark on the Baltic search for security, which, ultimately, is defined as gaining full membership in the EU and NATO.

A study of the security of the Baltic states and the twin enlargements now reshaping the Transatlantic space bring into poignant relief the particular "security problem" of the Baltics as independent states before the Second World War, "former republics of the Soviet Union" yesterday, neighbours of Russia today, and full members of the Transatlantic community in the not too distant future.

In 1991 when the Baltic states regained their independence only four months before the Soviet Union was officially declared dead, few would have ventured to say that these three small countries could break the geopolitical shackles imposed upon them by the 20th century and would come a long way in joining the European family of states. Yet this is exactly what has happened as the century draws to a close.

By February 1998 the Baltics had become associated member states of the EU and were, in addition, included in the EU accession negotiations process with Estonia one step ahead in the process. Furthermore, a year earlier at the Madrid summit NATO indirectly referred to the Baltic states as future candidates for membership, an important point of principle augmented by the 50th anniversary NATO summit in Washington in 1999, where the Baltics were specifically named potential members.

Economically all three states suffered a setback in 1998-99 due to the collapse of the Russian market. The net result, however, will be positive in the sense that an accelerated market reorientation to the West is taking place which will make the Baltic states even less dependent on the depressed Russian economy and discriminatory trade practices. If the new European security architecture based on cooperative security will succeed in overcoming old East-West lines of division dating back to the 13th century, then the foundation for solving the "riddle" of Baltic security will be laid for the next century. Even if this great peace project fails with a Russia unable to reconcile herself with



loss of past imperial glory, a Russia beset by internal problems and real threats from the South and East will be too preoccupied to destabilize the Baltic states which are emerging as an economic area contributing to Russia's hard currency earnings.

## Background

The year 1997 was a momentous year for Baltic security: the EU decided to enlarge eastward and included one Baltic country – Estonia – to begin accession negotiations on the so-called fast-track level; NATO at its Madrid summit decided to admit Poland, Hungary and the Czech Republic and referred indirectly to the Baltic states as making progress toward membership.

In the same year the EU and NATO concluded partnership agreements with Russia: while the character of the EU-Russian relationship is mainly economic and political in substance, with only indirect security implications, the NATO-Russian Founding Act and the Joint NATO-Russian Permanent Council is "hard" security by definition alone and has direct bearing on Baltic security. The NATO-Russian relationship can be positive if it facilitates Baltic membership in NATO; or negative, if it does the very opposite.

At the same time the Baltic states, driven by pre-war experiences when they found themselves disunited on the eve of World War Two and easy prey to Hitler and Stalin in 1939–40, implemented on January 1 1997 the final stage in their Free Trade Agreement – the lifting of trade barriers to agricultural goods. This difficult hurdle has made the Baltics unique – neither the sub-regional Nordic or Benelux cooperation models were able to achieve this. Baltic cooperation, including the military dimension, has become the most successful example of regional cooperation in Central and Eastern Europe after the break-up of the Soviet empire.

An institutional framework of cooperation has been created based on the Nordic model, which has led to agreements beyond free trade, to the abolishment of non-tariff barriers and common transit procedures

based on EU norms and regulations. Despite the tensions arising between the Baltic states in the race to join the EU and mutual economic competition, the "four freedoms" (freedom of movement of people, capital, goods and services) in the Baltics are being progressively implemented.

However, though NATO (and the USA as expressed in the Baltic-American charter) put inter-Baltic cooperation at a premium even as each country is said to be judged on its individual merit, the opposite is true of the EU. The Baltic states earn no "points" in this regard from the EU; in fact, the EU approach – differentiating the three Baltic states – has, on occasion, given rise to tension between these countries and may, in the end, prove destabilizing if Latvian and Lithuania are not soon put on the fast accession negotiation track. At the same time, the EU approach was welcomed by Estonia and would have been welcomed by Latvia or Lithuania if they hade been given the Estonian option; the need to rid themselves of the "former republics of the USSR" ghetto label and respectability in the West is paramount in the national politics of each state.

This chapter is restricted to the impact of EU and NATO enlargement on Baltic security. It is the thesis of this analysis that the Baltic states, though at somewhat different speeds, are firmly engaged in the EU integration process but less so with respect to NATO. After the EU Luxembourg summit in 1997 and subsequent meetings, the roadmap to EU membership has become clearer with the "Russian factor" fading into the background, only to be replaced by the issue of faltering EU internal financial and institutional reforms that have emerged as the main impediments to Baltic EU membership.

Latvia gained the endorsement of the EU Commission, subsequently confirmed by the Vienna EU summit in December 1998, that fast-track accession negotiations could begin in 1999. Though Lithuania was praised for progress made, "1999" was missing from the evaluation.

In the case of NATO membership, the "correlation of forces" (to use a Marxist term) both in the West and Russia are less favourable to the Baltics, even though joining EU is much more difficult. NATO has no 80.000 page *acquis* to be adopted as a condition for membership. Rather, the decision is overwhelmingly of a political nature even as it was for the three CEE states already admitted, only even more so; the Baltics are much closer to Russia than the present three new members.



Russian opposition to Baltic NATO membership is the main obstacle while the Baltic "lobby" in NATO is basically restricted to that of the USA and Denmark. The role of the USA is key to Baltic membership in NATO, but even here there is a strong desire for a pause to further enlargement after the initial three eastern new members are "digested" in the alliance system, which itself is undergoing change in response to new threats and challenges.

However, the insecurity of the Baltics is also the insecurity of Europe in the sense that Russian foreign and security policy toward these "former republics of the Soviet Union" is also a barometer of Russia's ability to distance itself from the Soviet past. If Russia still considers these states her special domain, that the incorporation of them into the Soviet Union in 1940 was legitimate, then the European security model based on cooperative security for the next century will become wishful thinking and interstate matters can revert to those that prevailed throughout this century.

This would happen because, as pointed out by Stephen Blank in his study on NATO enlargement and the Baltic states, any "threat to the Baltic states or acceptance of their diminished security also endangers the other littoral states and thus Europe."[1] Blank cites Volker Ruhe, Germany's former Minister of Defence as saying "the Baltic states are the practical testing ground for meeting the challenges of reshaping NATO's missions, territorial scope, the relations between the United States and its European allies, the hoped for partnership with Russia, and, in general, for building the Europe we want to see."[2]

The US-Baltic Charter (signed 16 January 1998) and acknowledgement of the Baltics as future NATO member states, indeed, Russia's own offers of security guarantees to the Baltics in October 1997 attest to the validity of the observations cited above. But recognition of the legitimacy of Baltic security interests is only one part of the Baltic security equation which must add up to the desired end – as aptly put in the Latvian Foreign Policy Concept, to achieve "the irreversibility of restored independence". For this nothing better than NATO member-

ship is on offer but the missing part is reconciling the hesitancy of most NATO states to actually include the Baltic states in the next enlargement round.

The Baltic states, together with Finland and Poland, successfully broke away from Soviet Russia in 1918–1920 by defeating the Red Army but, unlike Finland and Poland, were incorporated into the Soviet Union in 1940. Though this annexation was not recognised by the Western democracies, no significant efforts were made by the West either to "Findlandize" or "Polandize" their status in relation to the Soviet Union during the Cold War years.

The Baltic states instead became provinces of Russia within the Soviet Union framework with the last vestiges of national territorial armed forces abolished in the fifties. All three small states were subjected to what is now called "ethnic cleansing" followed by systematic Russification which, however, hit the three Baltic states unevenly. Latvia bore the brunt of Russification while Lithuania, more on the periphery and with a much smaller industrial base than Latvia and Estonia, was able to best resist the tide of Russification. By the time independence was restored the percentage of Latvians and Estonians in their national homelands had sunk to barely a little over 50 and 60 per cent respectively.

Although the demographic situation for both Estonians and Latvians is gradually improving after the departure of the Russian imperial administration in 1991 and the Russian army in 1994, this aspect of the prolonged occupation has left a Soviet legacy of very large Russian minorities of 30 per cent in Latvia (of which 10 % are Latvian citizens belonging to Latvia's historic Russian minority) and 28 % in Estonia (unlike Latvia, Estonia had a smaller Russian historic minority) - which has security implications for both countries because Russia uses these minorities as an instrument in her foreign policy toward both Baltic states under the guise of human rights.

Lithuania, whose Russian minority amounts to only 8 % of the total population (Poles form the second largest minority of 7 %), on the other hand, "inherited" Russian rail and air military transit rights connecting Belarus to Kaliningrad, and the exclave itself, which is squeezed between her and Poland.



Even though Russian transit rights through Lithuania do not compare to the significance of the "Danzig corridor," nevertheless one cannot help but draw comparisons to it if the emerging international system based on cooperative security breaks down. Obviously, the Kaliningrad exclave is a factor to be reckoned with in the further enlargement of NATO. With the inclusion of Poland into NATO, Lithuania has become a NATO border country sharing also a border with Russia to the West (Kaliningrad) and Belarus to the East. According to the former Lithuanian Defence Minister Audrius Butkevicius, this might put Lithuania "in an exclusively vulnerable position."[3]

It is difficult to assess which legacy after fifty years of occupation – transit rights or the large Russian minorities – could pose the greatest security threat to the Baltic states should the "experiment"[4] with Russia on the part of the West fail and revanchist forces come to power in Moscow. Theoretically a Russia bent on dominating her closest neighbours and facing only feeble resistance on the part of the West could use both factors in destabilising the Baltic states. As the history of the USSR shows, particularly the events leading to the annexation of the Baltic states in 1940, any pretext can be invented to justify acts of aggression.

## The EU roadmap

Finding themselves placed in the unenviable "Soviet ghetto" – a condition for which the Baltic states themselves are not responsible – initially delayed the Baltics from integrating into the EU. The European Agreements with all three Baltic states were ratified by EU members states only by late 1997 and came into force on 1 February 1998. This was a consequence of the collapse of the Soviet Union in 1991: the other Central and East European EU candidate states, except for Slovenia, broke away from the still-existing USSR orbit already in 1989 and became associate states earlier. Slovenia became an EU associate state in 1996 only after property claims raised by Italy were settled

between Slovenia and Italy.

This historically determined timetable, however, does not mean that the Baltics lag behind the other CEE states today. An internal EU Commission note grading the ten CEE states in late 1996 showed that the Czech Republic, Hungary, Slovenia, Slovakia and Estonia were in the first, most economically advanced group. Poland, Lithuania and Latvia were placed second, while Romania and Bulgaria were deemed to be far behind in meeting membership criteria.[5]

Without the energetic lobbying of her Nordic neighbours the Baltics might have dropped "out of Europe" altogether. On 4 October 1994 the EU foreign affairs ministers meeting in Luxembourg decided to admit CEE ministers responsible for foreign affairs, finance, interior, transport and environment to take part in the so-called "structural dialogue" with the EU. The Baltic states, however, were not on the agenda and hence faced the very real prospect of being split off from the rest of the CEE states into a distinct "former republics of the USSR" category.

Due to the intervention of the Nordic countries (even before Finland and Sweden formally became EU members) the Balts were put on the agenda. The Finnish Foreign Minister Heikki Haavisto said that "by zeroing in on six countries that have already signed association pacts, the EU risked excluding Lithuania, Latvia and Estonia, which share so much tradition with Scandinavia."[6]

As a result, the EU Trade Commissioner Sir Leon Brittan promised to speed up EU association agreements with the Baltics in order to pave the way for membership negotiations. He "hoped that the three Baltic states would all be in a position to sign the so-called European Agreements and thus join the Central European six by the end of the year."[7] Sir Brittan proved over optimistic – the European agreements were signed in June 1995 – but a dangerous strategic gap between the seven central and south eastern and the three north eastern CEE countries was averted.[8]

Mr. Douglas Hurd, the British foreign minister in his remarks at the meeting indicated the geopolitical disadvantage that the Balts faced. According to diplomatic sources, he said that the proximity of the Baltic countries to Russia gave rise to security problems which could make their membership in the EU hard to accept. After the meeting he explained "we all have great sympathy for the Baltic states, not only in words. But we do not know how the security arrangement will be solved."[9]



The reluctance to admit the Baltic countries into the EU by Germany, France and Great Britain at that stage has also been noted in what has now become the classical *treatise* on the Baltic security challenge to the EU and NATO by the RAND analysts Ronald Asmus and Robert Nurick, *NATO Enlargement and the Baltic States*. They point out that after the December EU summit in Madrid "Chancellor Helmut Kohl argued that the Baltic states should not be considered in the first wave of EU enlargement because to do so would encourage their desire for a defence guarantee."[10]

The "security arrangement" within the EU membership framework became clearer in the following years and to the benefit of the Baltic states because shifting coalitions spearheaded by the Nordics within the EU acted to the advantage of the Balts. As made clear in the RAND report this position was also supported by the USA. However, the Nordics have not always been united and have themselves shifted sides when national interests so demanded.

When it came to the question of leaving out the Baltic countries from the first EU enlargement round altogether due to the negative attitude of the major powers in Europe, Finland and Sweden departed from their policy of a common start for all ten candidate states and pushed to have at least Estonia included in EU's first enlargement phase.[11] They succeeded as reflected in the 1997 Amsterdam EU Commission Agenda 2000 opinion on Estonia.

The rational advanced by the Finns to support their position was that countries such as France and Germany preferred to admit only the three that were being admitted to NATO. "There was no reason to sink the membership project of all Baltic states by insisting on all three."[12] This was foreseen by Asmus and Nurick – if the choice was presented to the Nordic countries of only admitting one Baltic state or none at all, they would opt for the first choice. Germany's support would be crucial, after which France and Great Britain would follow suit. They also argued that "ultimately" it was in the interests of all three Baltic states if one of them is included in the first EU enlargement round.[13]

After the Amsterdam Commission report, however, the danger immediately arose that only Estonia would break out of the "Soviet ghetto." Latvia and Lithuania appeared to fall into a grey area between Poland and Estonia. Furthermore, there was the likelihood that, because of the financial and institutional reform impasse in the EU, Latvia and Lithuania may slide into a "Turkish trap" and wait forever for invitations to begin accession talks. This state of affairs ignited a frenzy of diplomatic activity on the part of Latvia and Lithuania and compelled Sweden to switch sides back to Denmark calling for a common start for all CEE candidates.

The EU Commission recommendation carried the potential possibility of knocking out the corner stone of Baltic security – Baltic cooperation – and throwing the Baltics back to the disunity of the 1930s when each Baltic state pursued separate foreign and security policy objectives. This contradicted the EU's professed strong support for regional cooperation schemes – the Barents, Baltic and Black Sea areas, Central European Initiative, various initiatives in the Balkan region, etc., "as factors promoting stability and security in Europe, as well as European integration".[14]

Baltic Sea regional cooperation is impossible without close cooperation between the three Baltic states. Furthermore, Baltic cooperation is the "general rehearsal" for EU membership.[15]

The EU Council in Luxembourg in December 1997 reached a compromise between the two competing models on how enlargement should proceed, i.e. the stadium model in preference to the common start for all versus the group (best only) models. The stadium model was put forth by the German Foreign Minister Klaus Kinkel and was crucial to the security of the Baltics: while Estonia definitely moved out of a "grey" security zone the other two Baltic states were not doomed to remain in that zone.

The Council affirmed the Commission recommendation that Poland, Hungary, the Czech Republic, Slovenia and Estonia be the first countries to be invited to begin accession talks but also decided "to launch an accession process compromising the ten Central and East European applicant States and Cyprus" which "will form part of the implementation of Article O of the Treaty on European Union."[16]



It also stated, however, that the "decision to enter into negotiations does not imply that they will be successfully concluded at the same time" and that their "conclusion and the subsequent accession of the different applicant States will depend on the extent to which each complies with the Copenhagen criteria and on the Union's ability to assimilate new members."[17]

According to the stadium model, as elaborated by Dr. Kinkel to the three Baltic foreign ministers in Riga on October 17 before the Luxembourg summit, ten candidates march into the stadium together, but only those best fit begin to run (general screening with parallel bilateral talks leading to accession talks, i.e. the intergovernmental conference by the end of 1998) while the others undergo an EU-Fitness programme (bilateral talks only after general screening completed in March 1999), and then only allowed onto the track (intergovernmental conference). The essential point is that the late starters could overtake the frontrunners if they proved to be faster.[18]

Though Latvia and Lithuania preferred the common start approach to enlargement the Luxembourg decision was nevertheless hailed as a victory by Latvia and Lithuania for obvious reasons: it was incomparably much better than the "best only" group model and also because they expected to quickly to move to the forefront. It did, however, leave some hurt feelings between Sweden and Finland, because Finland supported only Estonia even at the Council meeting for reasons already noted.

It also left some hurt feelings between the Baltic states, needless to say. Latvia expressed fears that Baltic cooperation would suffer if only Estonia were to be admitted to the negotiation table. In addition, this would be a signal for Russia, which would try to increase her political and economic influence in Latvia and Lithuania.[19] This ruffled feathers in Tallinn since Estonia protested that she had no intention of abandoning Baltic cooperation. Yet Latvian fears that she could become vulnerable were partly founded as seen in the Latvian-Russian March crisis in 1998, when hidden economic sanctions against Latvia were implemented that are still partly in effect today in the form of discriminatory tariffs for transit goods.[20]

The EU did notice the possible results of its decision for Baltic co-

operation, if not security. When the EU Commissioner for Industry and Telecommunications Mr. Martin Bangemann expressed concern about possible rivalry among the Baltic states over prospects for joining the EU and NATO on a visit to Tallinn, the Estonian Prime Minister Mr. Mart Siiman assured him that Estonia's EU admission would boost the membership prospects of the other two.[21]

Lithuania's relations with Estonia appeared to be more strained than those between Latvia and Estonia. Latvia, though admitting that the Commission's opinion was a "cold shower", never claimed that she was ahead of Estonia except in some areas, for example, state pension reform. Lithuania appeared to give the impression that she was, in fact, better than Estonia across the board. At the close of the summit in Luxembourg the Lithuanian Prime Minister Mr. Gediminas Vagnorius reacted to the offers of help from the Estonian Foreign Minister Mr. Toomas Ilves that Estonia needed as much help as Lithuania. He claimed that Lithuania showed better macroeconomic data than Estonia and Latvia.[22]

Is the stadium model working according to the expectations of the "pre-ins?" The Composite Paper prepared by the EU Commission on progress by each of the candidate states in 1998 is not lavish in praise for the ten CEE candidates, criticizing especially the Czech Republic and Slovenia for backsliding, and warning them if "this stagnation continues it would create a problem for the capacity of these countries to meet their obligation as future Member States in the medium term."[23]

Latvia, though receiving the most praise, was not, however, put on the fast track, but did receive assurance that this could happen in 1999. "...the Commission wishes to highlight the particular progress made by Latvia. If the momentum of change is maintained, it should be possible to confirm next year that Latvia meets the Copenhagen economic criteria and, before the end of 1999, to propose the opening of negotiations."[24]

Lithuania followed closely on the heels of Latvia with this evaluation: "Considerable progress has also been made by Lithuania. However, additional measures are needed and some recent decisions need to be tested in practice before it can be considered to meet the Copenhagen economic criteria, which should allow the Commission to propose the opening of negotiations."[25] Estonia's evaluation was not particularly highlighted in either positive or negative terms.



Although the Commission asserts that the evaluation is based solely on objective criteria, the struggle within the Commission over each country's evaluation and the rearguard battle that was fought within the Commission up until the General Affairs Council meeting on the eve of the Vienna summit showed clearly the conflicting national interests of each member state and thus the role of politics in managing enlargement.

Though the General Affairs Council "generally endorsed the Commision's report, including the analysis in the composite paper,"[26] the Council's printed document could not hide the conflict of national interests over the question of enlargement. Latvia and Romania are a case in point.

In the Composite Paper the Commision states that Romania has made no progress since 1997 and she needed support from the EU and the international community to get back on track.[27] The General Affairs Council hides this grave assessment in the following sentence: "It also noted the progress made by Bulgaria and the reform efforts being made by Romania."[28]

This wording reflects the national interests of the EU southern states and France which are directed mainly toward the Mediterranean and the Balkans and not the Baltic sea region with regard to enlargement, and was one of the factors that contributed to the lack of dynamism at the Vienna summit, even though the European parliament strongly urged the EU to open accession negotiations with Latvia "without further delay."[29]

Latvia's standing was given a further boost by the positive results of the national referendum in October, preceding the Vienna summit, liberalizing the citizenship law as recommended by the OSCE and admission, as the first Baltic state, to the World Trade Organization (WTO) in the same month.

The Commission itself expected that the Vienna summit would give "a more or less precise date for the opening of negotiations" to Latvia and "also (to a lesser extent) Lithuania and Slovakia."[30] The Vienna meeting, however, became a "non-event" leaving outstanding issues to

be resolved during the German and Finnish presidencies in 1999. Enlargement has been left to the Helsinki summit in December and only then will the Commission say whether it is "disappointed" if accession talks are not opened based on its recommendations.[31]

The coalition in the Commission supporting the year "1999" for Latvia was spearheaded by commissioners from the Scandinavian states, including a hesitant Finland and the commissioner for external relations Hans van der Bruck. Opposing were France and her allies who kept their eyes on Bulgaria and Rumania while Germany was mainly concerned in addressing Agenda 2000 issues, i.e. the package of financial reforms that the Inter-governmental Conference (IGC) had not resolved in Amsterdam in 1997. Only after progress was made in this area during the German presidency could Latvia, Lithuania and Slovakia as the most likely candidates be invited to start substantive negotiations during the Finnish presidency. The new German Social Democratic and Green government was no longer willing to remain the paymaster of the EU.[32]

This development was not foreseen by Mr. Kinkel when he launched the stadium model, but was foreseen by the Commission when it inserted the conditional clause that further enlargment was depended also on the "ability to assimilate new members," (the "fourth Copenhagen criteria") as already cited.

This means that unless financial and also institutional reform of the EU is implemented, no new states can be admitted after the present five "ins" plus Cyprus join the EU since the existing EU institutions, already overstrained with 15, certainly cannot cope with more than 21 member states. This paramount question, in addition to reforms in the financial sector, are the two major "leftovers" from the Amsterdam IGC. It remains an open question whether these issues will be resolved before the first CEE candidate states are ready to join. According to the expectations of the five already on the fast track this should take place in the years 2002–2003. The general impression, however, is that this is a too optimistic scenario: if EU reforms are weak the EU may not decide to enlarge until 2007 when the next EU financing period begins. In addition, other factors may delay enlargement, i.e., a weak euro may cause instability in the European Monetory Union (EMU), or, for example a right-wing reaction in some EU states against feared "cheap labour" from new EU members.



Whatever the time frame that the EU may choose for enlargement, the security implications for the three Baltic states can be a destabilization of the region if all are not included in accession negotiations and accession itself with a minimum time lag between them. The former minister Klaus Kinkel underscored this possibility and the responsibility of Germany to ensure the region's stability and continued growth, which, he points out, is in the interests of not only Germany, but of Europe in general. He appealed that the other two Baltic states be invited to start talks already during the Germany presidency and that this would be especially important for Latvia. According to Mr. Kinkel, "it would be a clear signal to Russia that the Baltics belong to West Europe. While Estonia and Lithuania have partners in strong neighbours, mainly Finland and Poland, Latvia stands alone."[33]

The jury is still out whether the March Berlin EU summit in 1999 solved the conflicting financial interests of the EU member states in the hotly contested batttle for funds allocated by the Common Agricultural Policy (CAP), and the structural and cohesion funds for the financial period 2000–2006 in order to accomodate the "accession of new Member States starting from 2000" as claimed by the EU.[34] Although the Berlin summit reiterated that enlargement remains a "historic priority for the EU," the overall rationale for enlargement is often overlooked in the politics of reconciling the financial, institutional, and national interests of EU national member states. The rationale is basic to the security of the Baltic states: "The best long-term method of ensuring peace and stability in the region (CEE states) ... lay through bringing this swathe of ex-Communist countries into the EU family, however inconvenient and costly the process might be."[35]

Yet the war in Kosovo undersocred this rationale with a vengeance as the Cologne meeting in June demonstrated only too well before the mass media when President Ahtisaari returned from Belgrade with the good news that peace was at hand. The result may well be that the EU reverses itself in Helsinki and returns to the common start model for all candidates in order not to politically isolate Bulgaria and Romania, the weakest candidates. In so, then war and instability in the Balkans will

play a bigger role in the further dynamics of enlargement than peace and stability in the Baltics.

## The transatlantic link – NATO

The Baltic states from the very beginning of restored independence quickly made known their enthusiasm to join NATO. The former "enemy" was seen as the sole guarantor of independence against Russia, which was mistrusted and which had troops in all three states inherited from the Soviet era until 1994. Relations with Russia were strained not only because of the presence of the Russian troops which were viewed as symbols of the long occupation, but also because all three Baltic states had to accept that a large number of retired Soviet army officers remained living in their countries as part of the deal in securing the withdrawal of the Russian army. Latvia was left with 20.000 retired officers, twice the number in the other Baltic states. Coercive diplomacy on the part of Russia over the citizenship issue for "Russian speakers" and a massive international campaign alleging gross human rights violations in the Baltic states (in the beginning no distinction was made between the three Baltic states in this campaign) strengthened the political elite's striving for NATO membership.[36]

Although Russia's procrastination in signing border agreements with Estonia and Latvia cannot hinder these countries from joining the EU as evidenced by the Luxembourg summit decision to start accession negotiations with Estonia, the case of unsigned or unratified border treaties with Russia with regard to NATO membership is more problematic. Despite the readiness of Estonia and Latvia to cede territory to Russia that was "donated" by the two states when they were "socialist republics" at the end of World War Two, only Lithuania, which lost no territory to Russia during the Soviet occupation era and regained the Vilnius area lost to Poland before the war was able to achieve a border agreement with Russia by the end of 1997. It, however, still remains to be ratified by the Russian parliament. This may not be easily done, since influential nationalist and communist forces demand that Klaipeda be "returned" to Kaliningrad.[37]



In addition to the paramount Russian opposition to Baltic membership in NATO, unsigned borders merge into the larger, rather diffuse image the West has of the Baltics as "indefensible," which, when compounded by the problem of Kaliningrad and transit rights through Lithuania make Baltic accession to NATO a much greater challenge than it was in the case of Poland, Hungary and the Czech Republic.

NATO, until the launching and implementation of the Partnership for Peace Program in 1994, demonstrated a very cautious attitude to the Baltics not unlike that of the EU. An attempt to gain support for a common start for NATO partner countries floundered in 1996 at a meeting of the Nordic and Baltic defence ministers in Lithuania because of divisions between the Nordic ministers. A paragraph in the draft press statement essentially calling for a common start which "would allow NATO to tackle security problems in a comprehensive manner, without creating "grey zones," was deleted from the statement released to the press.[38]

Until 1996 when a number of Swedish anti-tank shoulder-fired rockets were delivered to BALTBAT, the Baltic Peace Keeping Battalion, an unofficial arms embargo was upheld against the Baltics.[39] The Western powers were very careful in their relations with the Baltics: a careful balance appears to have been struck between supporting Yeltsin and his reform policies in Russian internal politics and the nascent Baltic states. Support for the Balitc states gradually increased, especially after the Russian troop withdrawal and successful Baltic military cooperation in peacekeeping which attracted Western aid. The increasingly deteriorating internal situation in Russia and the example the Baltics set as the only successful "former republics of the Soviet Union" also played a role in increasing the confidence of the Western democracies in militarily aiding the Baltics.

By the beginning of 1998 the security situation for the Baltic states had improved considerably. Arms were being delivered to the Baltics and the last Russian military base in the Baltic states, the Skrunda ABM site in Latvia with several hundred military specialists ceased operations on 31 August.[40]

Photographs of Kohl and Chernomyrdin – leaders of the two coun-

tries which carved up the Baltic states into spheres of influence on 23 August 1939 – shaking hands with the Baltic prime ministers in Riga on 23 January 1998 at the Council of Baltic Sea States (CBSS) summit projected an image of the improved security climate. However, this could not hide the question posed by the German media to Baltic politicians why it took the Chancellor (unlike other European and Transatlantic leaders) so long to come to any one of the Baltic states – and when he finally did come – only within the context of an international conference? The politicians deftly side-stepped the question and stressed instead the significance of his visit to the Baltics. An honest answer would have been that German-Russian relations had primacy over German-Baltic relations.

The observation made by Asmus and Nurick in 1996 in the very first sentence of their RAND report that the Baltics and NATO enlargement is "one of the most delicate questions facing the Alliance" is still valid.[41] Deputy Secretary of State Strobe Talbott during his visit to the Nordic countries in January 1998 affirmed the validity of this observation by saying that ultimately, the Baltic states are "the litmus test for the success of NATO enlargement and for our European policy as a whole."[42]

The Baltic question is delicate because the three states – Poland, Hungary and the Czech Republic – that were invited to join NATO in 1997 and subsequently did join were the states least facing a threat from a possibly revanchist Russia and are, in addition, not militarily as weak as the three states that need a collective defence insurance policy most of all – Estonia, Latvia and Lithuania.

The explanation for this development, as given by President Clinton, was that the logic of winning support for NATO enlargement in the West demanded that "enlargement had to start with the strongest candidates or else it would not have started at all." He said that the Baltics will be invited but in the meantime their security would be increased by the initial enlargement because "stability was expanded to their borders."[43]

Yet the argument could be turned around to claim that the logic of winning support for enlargement in the West demanded that the Baltic states be left out of an expanded NATO, at least for the foreseeable future. Only the strongest candidates could be admitted because they



did not threaten the status quo, hence the security of NATO member countries. Since these countries could be defended, Russia would not think of upsetting the security of herself and Europe by taking measures against their inclusion in NATO. This led to the paradox that since the Baltic states "cannot be defended" their admission to NATO must be postponed until a point in time when they "can be defended."

This Catch-22 situation underlies the vulnarability of the Baltic states and gave basis to the question raised whether Poland's admission would improve or diminish the security of the Baltics in the debate before the NATO Madrid Summit.[44] An "Austrian solution" for the Baltic states, as proposed by Sir Douglas Hurd in a speech on 28 March 1996 at the International Institute of Strategic Studies in London, was not the answer to the paradox because the Baltic states would be dependent on Austria first joining NATO and, before the Balts could follow in Austria's footsteps, they would be left in an uncertain security limbo.[45]

Subsequent developments show that Austria – apart from the fact that drawing parallels with the Baltics is very tenuous – is split down the middle over the question of joining NATO. Austria's ambivalent attitude to NATO was demonstrated when she refused NATO planes to fly over her territory when NATO began bombing Yugoslavia (FRY) after the collapse of the Rambouillet peace talks in March 1999. NATO was compelled to redirect its planes over Slovakian airspace. The Baltic states, though situated in a much more exposed geopolitical location than Austria, expressed clear support for NATO's actions against the FRY.

According to a study on NATO after the first enlargement by Hans Binnendijk and Richard Kugler, the Baltics "pose perhaps the most difficult dilemma. The Western community faces a moral imperative to ensure that these democratic countries are made secure. Militarily, they are too poorly prepared to defend themselves, much less perform other NATO missions... NATO would be hard-pressed to rush reinforcements to them in time to ward off major aggression. NATO needs to avoid making hollow Article 5 commitments that cannot be carried out when needed."[46]

Despite Russia's vehement opposition – and that of the New York Times as the main vehicle for opposition to NATO enlargement in the

USA – the July NATO Madrid summit in 1997 invited Poland, the Czech Republic and Hungary to join the alliance and also took a step toward the Baltic states. The communiqué states: "At the same time, we recognise the progress achieved towards greater stability and cooperation by the states in the Baltic region which are also aspiring members."[47] There was no doubt which these states were since Poland was no longer an aspiring member and Finland and Sweden are not yet aspiring members.

Though Romania and Slovenia are named specifically, the wording leading up to them reflects a subtle difference in the perception of these countries: "With regard to the aspiring members, we recognise with great interest and take account of the positive developments towards democracy and the rule of law in a number of south-eastern European countries, especially Romania and Slovenia."(48)

Though uninvited, the Madrid declaration was welcomed by the Balts: the wording could have been worse. The relatively positive acknowledgement of the Baltics as aspiring members was brought about by Germany, Denmark, the USA and Great Britain after a protracted struggle between France and her allies which fought on behalf of Romania and Slovenia.[49] This "smoke-filled room" scenario late into the night was not repeated at the Washington summit on April 23–24 two years later: the war in Kosovo overshadowed all else, and no state objected to naming Estonia, Latvia and Lithuania together with the other aspiring members Romania, Slovenia, Bulgaria and Slovakia.

However, if Russia's opposition to the initial NATO enlargement was a smoke screen for the real battle – stopping the Baltics from joining, then the stakes have been raised now that the three central European states are in. The Russians are said now to have fallen back to their main "line of defence."[50]

Apart from geopolitical considerations, Baltic membership in NATO hinges on two more factors: participation in the Partnership for Peace program, the Membership Action Plan (MAP) launched at the Washington summit designed specifically for aspiring members, and the development of effective national defence forces.

The Partnership for Peace (PfP) program launched by NATO in January 1994 was enthusiastically embraced by Tallinn, Riga and Vilnius.



There was no initial scepticism as in the other CEE capitals; in the words of the Estonian ambassador to the EU Mr Clyde Kull, the PfP was an "elegant solution to a complex and evolving problem, or, in other words, the right step in the right direction at the right time (R3)."[51] The reason was, of course, a feeling in the Baltics that they were much more disadvantaged than the Poles or Czechs because of their geopolitical vulnerability.

Interaction between NATO and the Baltic armed forces quickly set standards which the latter had to meet in order to comply with the Individual Partnership Programs (IPP) within the framework of the PfP program. Though the Baltic forces had to be organised from scratch, ingrained habits from service in the Soviet military, especially among senior officers, could only be broken by Western training and acclimatisation in the Western military environment.[52]

Balts regularly participate in PfP exercises and in September 1997 the first PfP exercise "Cooperative Best Effort" took place in the Baltic states in Latvia. However, military exercises on Baltic soil with foreign participating countries involving all three Baltic states preceded "Cooperative Best Effort:" since summer 1996 American troops have taken part in annual "Baltic Challenge" exercises together with national units from the Baltic states involving over 5000 troops.

Military assistance and training to the Baltic countries comes from individual NATO and non-NATO states coordinated by several steering committees. The latter are made up of defence attaches and other military personnel mainly from Scandinavia, the USA, Great Britain, Germany and, to a lesser extent, France. The steering groups, with overlapping membership, and working together with Baltic military representatives, are responsible for the three joint Baltic military projects. They are BALTBAT, the Baltic peacekeeping battalion, BALTRON, the Baltic peacekeeping naval squadron, and BALTNET, the Baltic air-surveillance and control network, which, when developed, will be link to the NATO air-surveillance network through Poland. Their headquarters are located in Latvia, Estonia and Lithuania respectively.

The most recent addition to Baltic military cooperation is BALTDEFCOL, the Baltic defence college in Tartu, Estonia for Baltic middle level officers headed by a Danish director.

Many of the countries contributing to the development of these four cooperation projects do so in "the spirit of PfP" as part of their commitments agreed upon in their Presentation Documents within the PfP framework. The main foreign contributors are the Scandinavian countries, the USA, Great Britain and Germany. Training of BALTBAT began already in 1994 and its three national companies participate on a rotating basis in SFOR in Bosnia.

BALTBAT as a unit consisting of almost 500 men is in principle ready for operations if assisted by staff elements from other countries. While more time will be needed to train and equip BALTBAT as a light infantry battalion meeting all the standards of any similar war-fighting unit in the West, it is now the only battalion in the Baltics that meets Western standards and could well fit into any NATO or West European Union (WEU) armed task force. If the concept of CJTF becomes operational, BALTBAT can be the Baltic contribution.

BALTRON, consisting of 5 ships – two each from Latvia and Estonia, one from Lithuania., became operational in 1998. The naval personnel have already trained in various Western schools and have participated in many exercises, including the yearly BALTAP naval exercises organised by the USA in the Nordic and Baltic Seas. Germany's very cautious profile in assisting the Baltic military came to an end in 1997 when she became the chairman of the BALTRON steering group and refitted the ships she had previously stripped of all weapons and navigation systems before donating them to the three Baltic navies as described in note 39.

The easing of the unofficial weapons embargo on the part of the West against the Baltic states was signalled in the summer of 1996 when BALTBAT received older generation Swedish Carl Gustav anti-tank shoulder rockets and when the USA supplied BALTBAT with M16 rifles in 1997, together with large quantities of M14 rifles and ammunition to the armed forces of Estonia and Latvia. A year later in Sweden and Denmark plans were drawn to deliver artillery and anti-aircraft weapons systems in 1999 reflecting not only the diminishing role of Russia as an inhibitating factor in Baltic military development but also the need to defend the national interests of the Nordic states in the Baltics.

BALTBAT, a Baltic invention and the first Baltic military cooperative endeavour, played a key role in the lifting of the arms embargo: Baltic soldiers could not be sent to Bosnia or any other peace keeping or peace enforcing mission without arms. The Israeli willingness to sell modern infantry weapons to Estonia in 1994 and sales of Russian, Polish, Czech and Romanian weapons to the Baltic armed forces contributed to overcoming the West's hesitancy to arm the Balts. In addition, by not arming the Balts, the Western democracies faced the prospect of loosing their influence in the Baltic states.



The military aid programs within the framework of the four Baltic integrated regional military projects have approached levels where more coordinated donor efforts are called for. Piecemeal and haphazard assistance in the form of bits and pieces consisting of leftover military equipment is already creating a problem for the fledgling Baltic military services. Maintenance and the growing need of reserve parts for the bewildering array of older generation equipment received from different donor states is becoming a nightmare for the cash-strapped Baltic military.

In order to offset this, a Baltic security assistance coordinating body (BALTSEA) was established by the donor states, which now coordinates military aid programmes for the Baltics. Furthermore, individual studies by the USA and Sweden have been conducted on the needs of the Baltic states in planning and developing their embryonic defence institutions in order to meet NATO standards. Particular attention must be paid to the development of command structures, tactics, administrative procedures and military doctrine in the Baltic armed forces, areas which have been neglected in the PfP programme.

BALTSEA and advanced studies by donor states is a reflection of how, in the space of a few years, an increasingly complex military assistance program on the part of the NATO and non-NATO countries to the Baltic states has developed and grown in scope.

Nevertheless, notwithstanding military assistance to the Baltics on the national level, no Baltic state can yet field one, fully equipped and trained infantry battalion. Donor states, as a rule, spread their aid to all three Baltic states; Finland, however, has diverted most of her aid to Estonia, while Lithuania has received the bulk of Polish arms and equipment.

A new aspect in the evolution of relations between NATO Partner countries and NATO is the Euro-Atlantic Partnership Council (EAPC). This institution, which supersedes the NACC (the North Atlantic Co-operation Council) gives an increased say to Partners in NATO affairs as in the planning of PfP exercises and peace keeping tasks, and may also become a forum for debating NATO defence policy and strategy matters. The Partner Staff Elements (PSEs) concept allows NATO partner officers to be stationed at various NATO headquarters at the strategic and regional levels. The creation of PSEs at the sub-regional level, for the Balts at the NATO regional command BALTAP in Karup, Denmark, however, is still under consideration.[53]

If non-NATO Sweden and Finland together with Balts were to be stationed in Karup, the "strategic home" concept advocated by Ronald Asmus and Stephen Larrabee in *Foreign Affairs* and offered as an interim solution to the problem of the "have-nots", i.e., the Baltics who want, but cannot presently join NATO, would become a reality.[54] After NATO reformed its command structure system, the new subregional North-East Command in Denmark for the first time will be responsible for the whole Baltic sea region. This was earlier proposed by Asmus and Larrabee in 1996 when they said that the Danish command post "would be responsible for security in the region as a whole, not only at NATO's borders."[55]

Sweden and Finland cooperate with NATO through the Euro-Atlantic Partnership Council and PfP and both states plan to increase this cooperation with NATO in the future. According to the Finnish Foreign Minister Ms. Tarja Halonen Finland, Sweden and Austria, by not joining NATO can have a significant role to play in the interplay between NATO and aspiring NATO states, thereby enhancing stability.[56] The interdependence of the Baltic states, Sweden and Finland with regard to joining NATO is obvious – any step taken by any one of these countries individually would directly influence the security of the other states and the region in general.

Another possible NATO stability-enhancing measure could be an extension of the military cooperation agreement between Denmark, Germany and Poland to include the Baltic states. This agreement was implemented before Poland was invited to join NATO in 1997 and in



anticipation of Poland's membership in NATO in 1999, the headquarters for the established joint Danish-German-Polish corps was located in Poland.

Military aid is essential if the Baltic states are to qualify for NATO membership. Even though a future invitation to join NATO will be based on political considerations, underdeveloped defence will be a strong card for anti-enlargement proponents in the USA and Europe who will exploit the "indefensibility" argument. Today one can only speculate what the effect on the development of the Baltic armed forces would had been if the NATO states most interested in the Baltic region together with Sweden and Finland would had stepped in with a considered and coordinated military assistance program already in 1991.

The readiness or non-readiness of the Baltic states to meet NATO membership criteria has already been used in deferring their membership to a later date and influenced political decision making in the Baltic capitals. After the speech given by the then Secretary of Defence William Perry in Copenhagen on 24 September 1996, where he said that the Baltic states are "not yet ready to take on the Article V responsibilities of NATO membership"[57] each Baltic country, in the words of the Estonian Foreign Minister Hendrik Ylves, made a strategic decision: Estonia made joining the EU her main foreign policy goal while Lithuania opted for the very opposite – she doubled her efforts to join NATO. Latvia's position was "not clear."[58]

The author agrees with this assessment except that for Latvia the EU remained the main priority which, however, was not translated into the same level of intense diplomatic activity as carried out by Estonia until after the Amsterdam "cold shower" as already described. Reform of the Latvian armed services began in earnest in 1997 and was boosted when the military budget was raised by 42 per cent in 1999 to 0.92 per cent in the state budget and, depending on economic growth, to 1 per cent of the GDP by the end of the year.

Estonia achieved her goal but not Lithuania. Unlike the other two Baltic countries, Lithuania waged a full-scale diplomatic initiative eliciting the support of Lithuanian parliament and even the Baltic Assembly to convince NATO that Lithuania should be included in the first enlargement round. The *Seimas* (parliament) issued an appeal to all

NATO member state governments "to invite the Baltic states or at least one Baltic state to start NATO accession negotiations together with the first Alliance candidates."[59]

Similarly, the Baltic Assembly at its tenth session accommodated Lithuania's wishes and passed a resolution two days later urging NATO governments and the North Atlantic Council in Madrid to "invite at least one Baltic country to start the NATO accession negotiations together with the first new members of the Alliance," and "to block the way to any attempts to isolate the Baltic states from the full-fledged participation in the processes of Euro-Atlantic integration."[60]

The Lithuanian thrust toward NATO was based on the "Landsbergis doctrine." Formulated at the beginning of 1997, it signalled a shift toward central Europe away from the Baltic states and the perception that Lithuania stood a better chance to join NATO than the two other Baltic states. It was recognised that Estonia's close ties with Finland would help her to join the EU therefore Lithuania, as a central European state with a "strategic relationship" with Poland, would stand a much better chance to join NATO if she would not be considered as an integral part of the Baltics. This was also the viewpoint of the Lithuanian Foreign Minister Algirdas Saudargas who evolved the theory of the "Baltic ghetto" that was hampering the national interests of each Baltic state.[61]

There never was any doubt that the formula "at least one Baltic state" applied only to Lithuania. The Lithuanian parliament when debating its appeal to the NATO states, was unable to answer the question raised by the former Prime Minister of Lithuania Ms. K. Prunskiene as to what would happen if, instead of Lithuania, Latvia or Estonia would be nominated first to join NATO? She proposed that taking into account the common Baltic strategic aim of securing stability in the region all three Baltic states should be included in the first round.[62]

Earlier the Baltic Assembly in 1995 also had voted for the resolution tabled by Lithuania that "the achievement of one of the three States shall be regarded as the achievement of all three" indicates that at least Mr. Landsbergis, who headed the Lithuanian delegation, was already thinking ahead.[63]

After the failure to gain NATO membership, Mr. Landsbergis was



subjected to much criticism in Lithuania yet it appears that there has not been a debate on how realistic such a strategy was. Although questions about its validity have been raised, emphasis is put on such negative factors as insufficient time to lobby NATO states, the US Senate and public opinion. Further, it was hoped that Lithuania's "special activeness" will bring "certain dividends in the future."[64]

In this Lithuania has succeeded to a certain degree. Zbigniew Brzezinski, the former national security advisor to President Carter, has proposed that Slovenia and Lithuania should be next on the enlargement list. He argues to take all three Baltics in one bite would be to invite a quarrel with Russia that could be devisive both for Europe and for the Alliance itself. Since Estonia was already in advance status in negotiations with the EU, "it might be wise to make concurrent efforts to facilitate Latvia's entrance into the WTO and to open a NATO information office in Riga."[65]

The disequilibrium which would be caused by such a move is understood by Stephen Larrabee, who points out that Brzezinski's strategy "would need to be combined with strong economic, political, and military support for Latvia in order to discourage any effort by Moscow to put pressure on Riga."[66] But if this aid was to be forthcoming, it would lead to the paradox that Latvia may accrue more benefits from staying outside NATO than Lithuania inside NATO.

The Lithuanian thrust was matched by the highest planned defence expenditure (% of GDP) increases in 1997–1999 in the Baltic states:

| | 1998 | 1999 |
|---|---|---|
| Lithuania | 1.34 | 1.51 |
| Estonia | 1.12 | 1.19 |
| Latvia | 0.67 | 0.92 |

This does not include expenditures for the border guards, anti-terrorist, anti-crime armed units under the jurisdiction of the ministries of interior. If GDP spending for defence were to be calculated according to Latvian national defence criteria, Latvia's GDP percentage for defence

would be 3.2. Border guards and various elite police units would all become integral parts of the defence effort in time of war, a point which has been missed in the unofficial NATO mantra calling for 2 % GDP defence spending. Regardless, all three states plan to increase defence spending to 2 per cent in the near term future.

There is a clear danger, however, in raising military expenditure faster than economic growth would permit as seen in the Romanian case, once a strong favourite for NATO membership because of her impressive military assets. Little is gained if one fighting battalion is ready but the economic backbone of a country broken. In a longer perspective, Latvia's decision in first reforming the Soviet state pension system in 1996 (Latvia and Hungary are the only two CEE states to have carried through this painful reform) may prove to be a greater asset for NATO membership than the short-term gains of acquiring more military hardware that would help little in guerrilla warfare. The threat of waging partisan war is the only present military guaranty that the Balts have for safeguarding independence and may grow in importance after the Kosovo war is fully analysed.

Until 1999 Latvia's minimal defence spending (according to NATO criteria) raised concern in the other Baltic states that this could negatively reflect on prospects for the Baltic states to join NATO. The Estonian Foreign Minister Mr. Toomas Ylves expressed his concern in a speech on 10 March, 1998 at the University of Latvia in Riga. He underscored the widely held view that in the politics of security, the Baltic states are considered to be a united block and hence not likely to be invited to join NATO one-by-one. In defence, one Baltic country's strong points will work in favour of the other two – and vice versa.[67]

Joining NATO may be as long a process as joining the EU. The NATO 50th anniversary in Washington but for the Kosovo war, would have turned out just as predicted in Riga in 1997, a "celebratory affair, with the crowning act being the induction of three new members into the Alliance – Poland, the Czech Republic, and Hungary."[68] Though these three states joined NATO a month earlier and thus were able to participate in the historic summit no new candidates were announced as foreseen.[69] The only commitment made was that the enlargement process would be reviewed at the next summit in 2002.



The position of NATO to future enlargement was spelled out in two main principles by the Prime Minister of Great Britain Tony Blair on the eve of the Washington summit and which were incorporated into the Washington communique: 1. enlargement will continue at the right pace, i.e. once the applicants and NATO itself are ready; 2. Their inclusion in the Alliance strengthens European security as a whole.[70]

While following the road map (The Membership Action Plan – MAP) to join NATO, the concept of "third party deterrence" in the Alliance's doctrine may gain a tangible security significance for the Balts. The essence of this concept is "the effect that NATO's deterrence posture may have on the thought processes of a would-be aggressor who was contemplating military action against a European country which is not actually a member of NATO ... The more so if his target nation was adjacent to NATO's borders and a participant in the PfP Programme."[71]

Lessons drawn from dealing with Slobodan Milosevic in the Kosovo war may give added substance to the concept. On the other hand, if NATO had lost the war – it would have lead to a "neutering of NATO ... Rogues in Iraq or North Korea will know that asymmetric war renders the West impotent. Japan, South Korea and Taiwan in Asia, or the Baltic States in Europe will all know that if the West and the USA are impotent on NATO's borders, they will be even more likely to fail further afield."[72]

The "third party deterrence" concept may help in overcoming perhaps the biggest drawback the Baltics face, mainly, the preconceived opinion that they are "indefensible." Such a value judgement can leave the Baltics in a crisis situation ultimately isolated and hence vulnerable.[73] The latest report by the Swedish Defence Commission recognizes this and allows the possibility that Sweden can contribute to resolving conflicts in her adjacent areas by putting its armed forces at the disposal of the UN or OSCE together with those of other countries.(74)

The weakness of the latter two organizations in stopping aggression and in enforcing peace is well documented. Nevertheless, the Swedish willingness to recognise a possible worst-case scenario and to be prepared to react to it shows that military doctrine is catching up with the major changes and political and economic developments in the Baltic sea region since 1991.

## The American connection

In his speech at the Latvian Freedom Monument in downtown Riga on 6 July 1994 President Clinton said – "And as you return to Europe's fold, we will stand with you."[75] Subsequent events have borne out this promise. The Clinton administration is more sensitive to the needs of the Balts than was the Bush administration. After his meeting with US Secretary of State Warren Christopher on 8 April 1993, Latvia's Foreign Minister, Georgs Andrejevs, went away with the understanding that Clinton had departed from the previous administration's insistence on siding with Russia, for example, over the "automatic citizenship for Russian speakers" issue.[76]

America played the decisive role in persuading Russia to pull out of the Baltic states. In the talks between Clinton and Yeltsin over the question of Russian troop withdrawal and bases in Latvia the lease of the Skrunda ABM radar base was reduced to four years. Initially Russian wanted to keep Skrunda until 2003, the Liepaja naval base until 1999, and the electronics listening station in Ventspils until 1997. At President Clinton's insistence Russia was left with only a reduced term for Skrunda.[77]

America became involved in the three Baltic military cooperation endeavours already described, becoming the largest contributor to BALTBAT. More significant has been America's assistance in the design of the Regional Airspace Initiative (RAI) leading to BALTNET which will, after implementation, link the surveillance of Baltic air space to the NATO civil-military air traffic system through Poland. US bilateral assistance to the Baltic states evolved from the internal policy document" *Baltic Action Plan* and led to the "Charter of Partnership and Cooperation Between the United States of America and the Republics of Estonia, Latvia, and Lithuania."

This document, known popularly as the Baltic-American charter, was the brainchild of the American ambassador to Latvia Mr. Larry Napper and conceived in early 1997 when it was clear that the Baltic states will not be included in the first enlargement round.[78] It was signed



by President Clinton and the three Baltic presidents in Washington on 16 January 1998. It's essence can best be illustrated by the opinion expressed by the US ambassador to NATO Mr. Robert Hunter at an international conference in Riga: "... the freedom and independence of this country and its sister republics is critically important for the United States. We are not about to stand still for another 51 year period of the violation of the independence of Latvia and its two sister republics."[79]

This sentiment is formulated in the charter as follows: "Europe will not be fully secure unless Estonia, Latvia, and Lithuania each are secure." This is a strong commitment on the part of the United States but it also underscores America's continued commitment to European security and that the best way not the repeat the past experience of sending troops and treasure to Europe when either a hot or cold war has broken out is to achieve, as stated in the charter, a Europe that is "whole and free."

The recognition of the principle that the Baltic states belong to a united and free Europe is an enormous security gain to the Balts: residual Cold War thinking based on the Yalta line that divided Europe in half which had its pedigree in the infamous Molotov-Ribbentrop Pact of 1939 still influences the thinking of important segments of the political elite in the mature Western democracies. On occasion this gives rise to statements that the Baltics belong to Russia's spheres of "concern" or influence.[80] When such attitudes dove tail with thinking in Russia, which sees the Baltic states as a buffer zone between Russia and NATO, the results could be disastrous for the Baltics. As the history of Europe shows, buffer zones are a recipe for disaster.

America, despite a certain degree of domestic scepticism and even opposition, supports the integration of the Baltic states into European and transatlantic institutions and, in addition, also undertakes cooperative bilateral relations with each Baltic country in security and economics. As stated in the Charter, if a Baltic state feels that its "territorial integrity, independence, or security" is threatened it can consult the USA either bilaterally, or, together with the USA, use multilateral mechanisms that already exist for consultations.

Undoubtedly, the opportunity of security consultations on a bilater-

al basis with the USA is a significant security asset for three small states that have been more than once pawns in big power politics. Such consultations can weigh more that consultations within NATO's PfP framework. The inability of the major European states in reaching a common stand during the Bosnian conflagration and the major role US forces play in Kosovo strengthens the perception that the role of the USA is decisive in settling European, i.e. Balkan wars.

The Charter has already been tested during the March Latvian-Russian crisis in 1998 when the FBI helped investigate the bomb explosion at the Jewish synagogue in Riga which occurred on the very day Richard Holbrooke arrived for a visit, followed by a "sharply worded letter" sent by Secretary of State Madam Albright to Foreign Minister Primokov as the crisis deepened.[81]

Another test was the audio-visual market dispute between the EU and the USA concerning Latvia's admission to the WTO. Latvia chose the EU's position and eventually the EU won the dispute; Latvia, after all, was to become a member of the EU and the USA, as spelled out in the Charter, supported Latvia's EU membership. The dispute, however, delayed Latvia's membership in the WTO for a year, a long time for a state in transition desperately seeking new markets for its goods and contending with discriminatory trading practices on the part of Russia.[82]

Strategically, the USA sees the three Baltic states as key to regional cooperation based on the concept of the old Hansa trading area covering North-eastern Europe. Latvia, which processes the bulk of goods shipped from East to West has dubbed this concept the Amber Gateway; the USA calls it the North European Initiative (NEI).

This is a diplomatic initiative launched by the USA at a meeting of the Nordic and Baltic foreign ministers in September 1997. The initiative has three purposes: reinforcing the US's own ties with the countries of this region; helping the new democracies of the region become stronger candidates for membership in European institutions; and increasing cooperation with Russia.[83]

The EU at its Cologne summit in June 1999 adopted guidelines for a new concept called the Northern Dimension (ND). This overlaps in some aspects with that of the American initiative. Both initiatives must still be elaborated and their value for regional cooperation awaits to be tested in practical terms. But if projects within the framework of both initiatives and their implementation are agreed upon in a spirit of cooperation and compromise reached between opposing national interests and economic competition, the security of the Baltic sea region and hence that of the Baltic states would be only enhanced as old concepts of buffer states and spheres of influence are made obsolete. Baltic sea regional cooperation may well emerge as a model for other regions in the world.



## Conclusions

The Baltic states, after a generation of occupation and almost fifty years of life as Russian provinces have done well in building their security since the fall of the Soviet empire in 1991. All three have stable democratic institutions and functioning market economies and should no longer be perceived as "former republics of the Soviet Union." Any comparison between them and the situation in Russia and the other CIS states is no longer relevant.

Though there are few people who would say Russia presents a military threat to the Baltics today, Russia is also the only possible source of threats to Baltic security. The enormous power asymmetry between the three Baltic countries and Russia predetermines the need for Baltic integration into transatlantic and European institutions.

The Baltic states are now well on their way towards integration into the European Union which would bring about the desired "soft" security guarantees. Membership in NATO is much more problematic and will, in the end, depend on three factors: Russia's readiness to acknowledge Baltic membership in NATO; the Baltic peoples' readiness to accept the policy priority of their elites and costs of membership; and the readiness of NATO member states to pay for the inclusion of the Baltic states into NATO.

It is difficult to foresee future domestic developments in Russia other than to say that things will get worse before they will get better. One

need not automatically pronounce Baltic membership in NATO as "dead" due to Russia's hardened attitude to NATO as a result of Kosovo. The lesson that has been relearned from Kosovo is that only a determined demonstration of massive force displayed from the very beginning and readiness to use it can stop the tragedy of ethnic cleansing and aggression on the part of Eastern dictators – hesitation and a gradualist military reaction as on the part of NATO only multiplies the tragedy and increases the costs that must be paid later.

Although it is in the Baltic states that Russia can still demonstrate her lost great power status, this does not rule out the very opposite conclusion that Russia can draw. With the arc of instability ranging from the Balkans to Tadjikstan possibly spreading further north into Russia to compound an already grim domestic situation, the Baltics, as integral parts of the "new West," can better serve Russia's interests than weak buffer states that can be manipulated and played against each other according to the precepts of Great Power politics.[84]

The Balts have the rare quality of "former republics of the Soviet Union" that pay hard currency for Russian gas, indeed, the Baltic states together with Finland and Poland are the biggest consumers of Russian gas in Europe. In less than a decade Poland and the three Baltics should be EU members and Russia will have to deal with the Single European Market, and not parts of the former Soviet empire. The EU is already Russia's major trading partner and the only market for Russia's gas, which, in addition to oil, is the major hard currency earner for Russia. Even the little that Baltic Russians send to their relatives in Russia in the form of care packages, or the humanitarian aid given by the Baltics to Kaliningrad and other adjacent regions contributes to elevating, however little, impoverishment in Russia.

Russia's attitude toward the Baltics is closely linked to the need for reforms in Russia and the need for "new thinking" away from that moulded by centuries of imperial behaviour. One cannot succesfully reform Russia as a new state if one still regards the Soviet occupation in 1940 as legitimate and the Baltics as legally part of the Soviet Union. There must be a total mental break with the past in order for Russia to find a new identity and future as a European state in the next century.

The ideal situation would be if Russia simply "let the Baltics go"



and wished them every success in the quest of NATO membership. This would have a salutary effect for all parties involved, the Balts, NATO, and Russia. By making Baltic membership in NATO a non-political issue further enlargement after 2002 could be handled as EU enlargement now is – slowly but surely. It would take off the pressure on the Baltics to rush NATO simply for the reason that Russia opposes their membership. More energy and treasure could then be devoted to pressing social issues and to the building of a middle class, the very backbone of democratic and secure states. Russia, for her part, would demonstrate that she can overcome her past as a great imperial power and begin to cooperate with the West, which is the only key to her recovery and future success.

Unfortunately, the ideal world seldom matches the real world. But it is the task of statesmen and policy makers to strive for the ideal.

In commenting the US-Baltic charter, the *Washington Post* noted that the most important aspect of the charter was the recognition that Estonia, Latvia and Lithuania were not problems to be managed but partners to work with. The question now is whether Russia is ready to recognise them as such not only in word but also in deed?[85] If it does then the Balts should be able to walk through the open door leading to membership in the new NATO at the same time as they join the EU.

## Notes

1. Stephen J. Blank, "NATO Enlargement and the Baltic States: What Can the Great Powers Do?" Strategic Studies Institute, US Army War College, Carlisle, 1997, p. 5.
2. Ibid., p. 4.
3. Audrius Butkevicius, "Images of Security Policy of Lithuania," *Proceedings and Journal*, The Royal Swedish Academy of War Sciences, No. 3, 1997, p. 49.
4. This is the term used by General Klaus Neuman, chairman of the NATO military committee in a lecture in Riga on 24 July 97. The "experiment" is engaging Russia in Western institutions such as NATO, the EU, the G 7/8 in order to assist democratic forces in Russia and help Russia assume its share of responsibility in the international community.
5. Peter Ludlow, *Preparing Europe for the 21st Century: The Amsterdam Council and Beyond*, Centre for European Policy Studies, CEPS 3rd IAC Annual Report, Brus-

sels, 1997, p. 83.
6. C. Goldsmith, "North Stars: Scandinavians' entry as EU member states could effect policy," *The Wall Street Journal Europe*, 12 Oct. 1994. Also I. Hedström, "Svenskt inlägg för öst" (The Swedish contribution to the East), *Dagens Nyheter*, 5 Oct. 1994.
7. "EU takes step towards admitting Eastern Europe," *Reuters*, 4 Oct. 1994. Also Hedström, Goldsmith, note 6.
8. The role of Finland, and Sweden, together with Denmark, in "pushing the EU Commission for a more comprehensive Baltic policy" even before the former countries became EU members is supported by the Norwegian scholar Olav. F. Knudsen, "Cooperative Security in the Baltic Sea Region," *Chaillot Papers*, nr. 33, Nov. 1998, Institute for Security Studies, WEU, Paris., pp. 43-44.
9. Hedström, note 6
10. Ronald D. Asmus and Robert C. Nurick, "NATO Enlargement and the Baltic States," *Survival*, vol. 38, no. 2, 1996. With regard to Chancellor Kohl's position they cite (p.128) "Kohl snubs the Baltics," *Financial Times*, 15 Dec. 1995.
11. Editorial, *Helsingin Sanomat*, 6 Aug. 1997. The paper is a leading Finnish daily and according to the editorial, Estonia is closer to Finland and Sweden than Latvia, not to mention Lithuania.
12. Olli Kivinen, "Sweden and Denmark are wrong," *Helsingin Sanomat*, 11 Sept. 1997.
13. Note 10, p. 134.
14. Agenda 2000: For a stronger and wider Union, European Commission, Bulletin of the European Union, Supplement 5/97, p. 105.
15. For an analysis of Baltic efforts toward unity see Atis Lejins, "The Quest for Baltic Unity: Chimera or Reality?" in Atis Lejins and Zaneta Ozolina (eds.), *Small States in a Turbulent Environment:The Baltic Perspective*, Latvian Institute of International Affairs, Riga, 1997.
16. Luxembourg European council 12 and 13 December 1997 Presidency conclusions, Luxembourg, 13 Dec. 1997, DOC/97/24, Paragraph 10.
17. Ibid, Paragraph 26.
18. Auswärtiges Amt: Kinkel traf baltische Amtskollegen – Neues Modell fur EU-Annährung, 17 Oct. 1997. Also Auswärtiges Amt, pressereferat, 13 Oct. 1997.
19. See, for example, an interview in a Swedish daily with the Latvian Prime Minister Mr. Guntars Krasts; Elisabeth Crona, "EU–osäkerhet splittrar balter" (EU uncertainty splits the Balts), *Svenska Dagbladet*, 21 Oct. 1997.
20. It remains to be seen if Latvia's admission to the WTO will lead to the removal of discriminatory trade measures against her on the part of Russia, but a case can be made that economic sanctions would not have been implemented if Latvia, as Estonia, had been invited to begin accession talks.
21. EU Official Concerned about Possible Rivalry among Baltic States, *Baltic Security: News and View*, RFE/RL 12 May 1997.
22. Ola Hellblom, "Persson optimist efter EU–toppmötet" (Persson an optimist after the EU summit), *Dagens Industri*, 15 Dec. 1997. Also Latvian TV reporting on the



summit. Previously, the Lithuanian Minister for European Affairs Laima Andrikiene attacked Germany, especially Helmut Kohl for drawing new lines in Europe and claimed that Lithuania and Latvia were not invited to the negotiation table because of Kaliningrad. Her argument was that Germany bowed to Russia's interests not to isolate Kaliningrad from "mother Russia." See L. Andrikiene, "Ne seimynine nuotrauka, o realios deribos" (Not a family foto, instead real negotiations), *Lietuvos aidas*, 29 Oct. 1997.
23. Composite Paper: Reports on progress towards accession by each of the candidate countries, EU Commission, Brussels, Nov. 4, 1998.
24. Ibid.
25. Ibid.
26. Council Conclusions on European Union Enlargement, General Affairs Council 7 Dec. 1998, Annex III, Presidency Conclusions, Vienna European Council, 11-12 Dec. 1998.
27. Note 23.
28. Note 26
29. Report on Latvia's application for accession to the European Union with a view to the Vienna European Council (12/13 December 1998) (COM (97)2005 - C4-0377/97), Committee on Foreign Affairs, European Parliament, 19 Nov. 1998, A4-0430/98.
30. Europe, Nr. 7388 (n.s.) 22 Jan. 1999. The bulletin cites Mr. Francois Lamoureux, Deputy Director General of DGA.
31. Ibid.
32. This analysis is based on a reading of drafts on the candidate states put on the table during the sessions of the Commission and afterwards leading to the General Affairs Council meeting as well as from private conversations with specialists dealing with enlargement in various think-tanks.
33. Klause Kinkel, Vergesst die Balten nicht!" *Die Welt*, 12 Dec. 1998.
34. Presidency Conclusions, Berlin European Council, 24 and 25 March, 1999, EBSN 100/99.
35. Peter Ludlow, note 5 p. 86.
36. The campaign in the international fora began in earnest some six months after Russia recognized Baltic independence in 1991 and initially no distinction was made between the three Baltic states. See Atis Lejins, "Latvia in a Post-Cold War Europe," and Trimimi Velliste, "The 'Near Abroad' in the Baltic Republics: the View from Estonia," in Arne Olav Brundtland and Don M. Snider (eds.), *Nordic-Baltic Security: An International Perspective*, CSISS/NUPI, Washington, D.C., Oslo, 1994.
37. Nazi Germany occupied Klaipeda in 1938 and this is used by Russian rightists as a justification for demanding the incorporation of Klaipeda into Kaliningrad. For an analysis of the Estonian and Latvian territory transfers during the Soviet occupation see Bonifacijs Dauksts and Arturs Puga, "Abrene," and Indrek Jaats, "East of Narva and Petserimaa," in: Tuomas Forsberg (ed.), *Contested Territory: Border Disputes at the Edge of the Former Soviet Empire*, Edward Elgar, Aldershot, 1995.
38. Press Statement of the Nordic–Baltic Defence Ministers Meeting, Trakai, Lithua-

nia, 28–29 May 1996. This statement has only 9 paragraphs compared to the 10 paragraphs in the press statement drafted earlier titled "Nordic–Baltic Defence Ministers Meeting Communiqué," same date and place. The missing paragraph reads: " discussed the opportunity to start negotiations between NATO and partners at the same time. Such an approach would allow NATO to tackle security problems in a comprehensive manner, without creating 'grey zones'."

39. For an analysis of the embargo see Atis Lejins, "Latvia," in Axel Krohn (ed.) *The Baltic Sea Region: National and International Security Perspectives*, Nomos, Baden–Baden, 1996, pp. 40–60. Navy ships and patrol boats donated by Germany, Norway, and other states were stripped of everything resembling war–fighting capabilities, including mine–sweeping equipment and modern navigation systems. This policy was described as "striptease" by the Latvian naval commander to George A. Joulwan, SACEUR, during his visit to Latvia in June 1995. In 1997 Germany recalled the ships she had donated to Latvia and fully reequiped them, including fire–power systems.

40. Russia must dismantle the site by 29 Febr. 2000. During this time it will continue to pay USD 5 million for leasing the base.

41. Note 10, p. 121. Mr. Asmus is now Deputy Assistant of State for European and Canadian Affairs.

42. Strobe Talbott, "Opening Doors and Building Bridges in the New Europe," Address by the Deputy Secretary of State, The Paasikivi Society, 21 Jan. 1998, Helsinki. The quotation is from an answer to a question about the vulnerability of the Baltic states posed after the lecture. See also Mr. Talbott's speech with the same title presented to the Nobel Institute in Oslo on 19 Jan. 1998.

43. "Clinton Responds to Senators' Questions on NATO Enlargement," The White House, Washington, D.C. 12 Sept. 1997. The answers were addressed to Senator Kay Bailey Hutchison (R–Texas) who led a group of 20 Senators wishing to know how the enlargement of NATO would increase US and European security. See also, "NATO Enlargement: The American Viewpoint," US Foreign Policy Agenda, United States Information Agency, Vol. 2, No. 4, Oct. 1997.

44. Atis Lejins, "The 'threat' of NATO Enlargement to the Security of the Baltic States," *The Royal Swedish Academy of War Sciences: Proceedings and Journal*, Nr. 3, 1996, p. 78. The author in the article supported the position of the US Secretary of Defence that enlargement was in the interests of Russia as elaborated in his speech at the 33rd Wehrkunde conference in Munchen. It was in Russia's interests that the USA remained involved in European security, that Germany remained integrated in the European security structure, and that Russia should not be isolated outside of it. The problem was that Russia, as Mr. Perry said, agreed to each one of these postulates but not to their whole – NATO enlargement.

45. Ibid, p. 79.

46. Hans Binnendijk and Richard L. Kugler, "NATO After the First Tranche: A Strategic Rationale for Enlargement," *Strategic Forum*, National Defense University, Institute for National Strategic Studies, Nr. 149, Oct. 1998. http:www.ndu.edu/ndu/inss/nduphp.html. This study will appear in a forthcoming issue of *The Washington Quarterly*.



47. Paragraph 8, "Madrid Declaration on Euro–Atlantic Security and Cooperation Issued by the Heads of State and Government," NATO Press Release, 8 July 1997.

48. Ibid.

49. The internal politics in hammering out the declaration was explained to the author by a diplomat who had taken part in the deliberations. See also Michael Mihalka, "NATO Enlargement: From Dream to Reality," in *Annual Survey of Eastern Europe and the Former Soviet Union*, EastWest Institute, M.E. Sharpe, New York, 1997, pp.23-24. The author, however, omits the central role played by Germany.

50. This view, for example, was formulated by Dmitri Trenin at a conference in Tallinn:" A lot of sophisticated Russians are waging a political battle on the banks of the Vistula river and risking a medium political confrontation with the West with one thing in mind – to avoid having to fight a major confrontation along the banks of the Narva river." The Narva river separates Estonia from Russia. Speech by Dmitri Trenin "Baltic Security: Taking Stock Before the NATO Summit," Conference organised and proceedings published by the North Atlantic Institute and the International Advisory Board to the Baltic States, Tallinn, 19 - 21 February 1997. Unmarked page. The author participated in the conference.

51. C. Kull, 'Partnership for Peace: where do we stand?' Paper presented at the 10th Annual Strategic Studies Conference "NATO in the 1990's: moving from theory into action," Knokke–Heist, Belgium, 15–18 Sep. 1994.

52. A. Einseln, Interview with author, Tallinn, 11 Oct. 1994. General Einseln, a former US army colonel, was at that time commander of the Estonian armed forces. According to his experience as Estonian commander–in–chief, only Western Baltic officers or Baltic officers educated in the West could eradicate the particularly cruel Russian brand of hazing and ingrained habits of theft.

53. The potential of PSEs in enhancing the status of PfP states can be found in: Valdis Birkavs, Minister of Foreign Affairs, Latvia, Intervention at Meeting of the Euro–Atlantic Partnership Council in Foreign Ministers Session, 17 Dec. 1997, NATO HQ, Brussels, natodoc@hq.nato.int.

54. Ronald D. Asmus and F. Stephen Larrabee, "NATO and the Have–Nots: Reassurance After Enlargement, *Foreign Affairs*, vol. 75, no. 6, 1996.

55. Ibid, p. 19.

56. Speech by Minister for Foreign Affairs Ms. Tarja Halonen, Finland at the seminar, "Hard and Soft Security in the Baltic Sea Region," organised by the Aland Islands Peace Institute (Finland) and the Olof Palme International Centre (Sweden), Aland Islands, 29–31 August 1997.

57. Remarks as prepared for delivery, William J. Perry, Secretary of Defence, Seminar on the Future of Defence Cooperation Around the Baltic Sea, Copenhagen, 24 September 1996. The then Latvian Minister of Defence Mr. Krastins wrote to Secretary of Defence noting his concern. The Latvian papers widely published the wider context of Mr. Perry's speech, i.e. the Baltic states "are making very good progress in that direction (meeting Article V –author), and that "we should all work to hasten the day that they will be ready for membership," which took much of the sensationalism away from the original reporting from Copenhagen. The remarks were also delivered

in Norway, Bergen, at a meeting of NATO defence ministers shortly after.
58. Response by the Estonian Minister of Foreign Affairs to questions at the conference "The Northern Dimension of the CFSP," organised by the Finnish Institute of International Affairs and the Institute für Europäische Politik, 7–9 Nov. 1997, Helsinki. The author participated in the conference. For published papers see note 83.
59. Appeal to the Parliaments and Heads of State and Governments of the Member States of the North Atlantic Treaty Organisation, Seimas of the Republic of Lithuania, 24 April 1997, Vilnius.
60. Final Document, Baltic Assembly, Tenth Session, 26–27 April 1997, Pärnu.
61. The author listened to an expose of the "Landsbergis doctrine" in Vilnius during the seminar "The Baltic Case in European and Trans–Atlantic Integration: Maintaining and Going Beyond a Tri–Baltic Approach," organised by the Institute for East-West Studies, Institute of International Relations and Political Science Vilnius University, and the Lithuanian Ministry of Foreign Affairs, 26–27 April 1997. Mr. Landsbergis, Speaker of the *Seimas*, gave the keynote dinner address, "The Baltic Identity: its meaning, limits and potential." Mr. Algirdas Saudargas, Lithuania's Minister of Foreign Affairs, gave the opening address. At the seminar the author argued with high ranking Lithuanian MFA officials on the impossibility of admitting only one Baltic state to NATO in the initial enlargement round. For a more detailed analysis of the Lithuanian perspective see Gediminas Vitkus, note 64.
62. Private communication to the author by an observer attending the Lithuanian parliamentary session.
63. Resolution on the Principles of Unity of the Baltic States, Baltic Assembly, Seventh Session, 1–2 Dec. 1995, Tallinn. The author attended the session as an observer. The resolution also stated that the "misfortune or threat to any one of the three States would be regarded as the misfortune and threat to all."
64. Gediminas Vitkus, "In the Trap of Alternatives: Lithuanian Security Policies in 1995–1997," in Gunnar Arteus and Atis Lejins (eds.), *Baltic Security: Looking Towards the 21st Century*, Latvian Institute of International Affairs and the Swedish Defence College, Riga, 1998, p. 56.
65. Zbigniew Brzezinski, "NATO: The Dilemmas of Expansion," *The National Interest*, Issue 53, Fall 1998, pp. 13-17.
66. F. Stephen Larrabee, "Transatlantic Security: New Tasks And New Challenges," in Erich Reiter (ed.), *Jahrbuch für internationale Sicherheitspolitik 1999*, Verlag E.S. Mittler & Sohn GmbH, Hamburg, Berlin, Bonn, 1998, p. 378.
67. The author listened to the speech.
68. Andrew C. Winner, Presentation in P. Apinis and A. Lejins (eds.), *After Madrid and Amsterdam: Prospects for the Consolidation of Baltic Security,* Conference Proceedings, 6 Dec. 97, Riga, The Konrad Adenauer Foundation and the Latvian Institute of International Affairs, Riga, 1998, pp. 49 - 60.
69. Ibid.
70. "NATO, Europe, and Our Future Security," Speech by the Prime Minister, Tony Blair, NATO 50th Anniversary Conference, Royal United Services Institute, London, 8 March 1999. The Washington communique states: "The Alliance expects to extend



further invitations in coming years to nations willing and able to assume the responsibilities and obligations of membership, and as NATO determines that the inclusion of these nations would serve the overall political and strategic interests of the Alliance and that the inclusion would enhance overall European security and stability," Paragraph 7, Washington Summit Communique, *An Alliance for the 21st Century,* 24 April, 1999, NATO Press communique NAC-S(99)64.
71. John Cheshire, CINC, AFNORTHWEST, Remarks made at an international conference "Security and Prosperity in the Baltic Region, " organised by the Latvian Ministry of Foreign Affairs, Baltic Stability Foundation, International Defence Advisory Board, and Latvian Institute of International Affairs, 16–17 Nov. 1997, Riga, published by the Latvian Institute of International Affairs, 1998, p. 32.
72. Gerald Segal. "The real stakes in Kosovo action," *The Straits Times* (Singapore), April 10, 1999.
73. The "indefensibility" of the Baltics has become almost axiomatic and is referred to by many critics of NATO enlargement to the east. See, for example, Lucy Amis and Tasos Kokkinides, "Baltics Pose Wider Issue: Question of NATO Ties Unsettles Russian Relations," *Defence News,* 15 Sept. 1997. They state that "NATO's security guarantee to the Baltics would not be credible. Their geographical location means the alliance could only honour its Article V commitments if the Baltics were attacked from the east by threatening to use nuclear weapons." Increasingly, however, analysts are beginning to question the validity of the Baltic "indefensibility" concept. See for example, Robert Dalsjo, "Are the Baltics Defensible?" European Security Studies (Tesla), Defence Research Establishment (FOA), 9 Feb. 1998 (Draft), and Bo Hugemark, "Kan Baltikum försvaras?" (Can the Baltics be defended), in *Tidningen och världen: En vänbok till Olof Santesson*, Stockholm, 1998.
74. Förändrad omvärld – omdanat försvar (A Changing World – A Reformed Defence), Swedish Defence Commission's Report, Ministry of Defence, Stockholm, Sweden, Ds 1999:2, p. 95.
75. The author listened to the speech. Also, "US president Bill Clinton visits the Baltic states," *Current Latvia,* special supplement, Latvian Ministry of Foreign Affairs, 11 July 1994.
76. Atis Lejins, "Latvia in a Post–Cold War Europe," in Arne Olav Brundtland and Don M. Snider (eds.), *Nordic–Baltic Security: An International Perspective,* CSIS/NUPI, Washington D.C., Oslo, 1994, p. 44.
77. There has been no scholarly study of the Russian troop withdrawal from the Baltic states. The author bases his views on informed sources. The CSCE/OSCE also played an important role in adopting the formula proposed by the Swedish Prime Minister Carl Bildt in 1992 in Helsinki: "rapid, complete and orderly troop withdrawal." However, it was at the meeting between Clinton and Yeltsin in Moscow in January 1992 that Yeltsin agreed to back down on the Russian bases in Latvia. Except for the submarine base in Paldiski, Estonia, which was closed down in 1996, the Latvian bases were the main strategic issue in the Baltic states.
78. Conversation between the author and the Latvian ambassador to the USA Mr. Ojars Kalnins, 10 Febr.1999, Riga.

79. "Round Table Discussion," in P. Apinis and A. Lejins (eds.), *NATO and EU Enlargement: the Case of the Baltic States,* Conference Proceedings, Konrad Adenauer Stiftung and Latvian Institute of International Affairs, Riga, 1996, p. 78.
80. See, for example, Colin S. Grey, "NATO and the Evolving Structure of Order in Europe: Changing Terms of the Trans–Atlantic Bargain," Hull Strategy Papers, No. 1, University of Hull, 1997. "For the time being, at least, the Baltics, and other former Republics of the USSR must be regarded within Russia's security space, or sphere of concern (rather than influence)," page 86. Mr. Grey is the former assistant director of the International Institute of Strategic Studies.
81. Steven Erlanger, "U.S. Turns to Russia-Latvia Dispute; Moscow's Hardball Tactics Prove Popular in Domestic Politics," *International Herald Tribune,* April 17, 1998.
82. The Latvian predicament caught between contending EU and USA rules in the audio-visual market is described by Nora Boustany, "Trampled on the Field of Diplomacy," *The Washington Post,* June 26, 1998.
83. Strobe Talbott, note 42.
84. Dr. Andrei Fedorov, "Russia and the Baltics," in Mathias Jopp and Riku Warjovaara (eds.), *Approaching the Northern Dimension: Challenges and opportunities for the EU in the emerging European security order,* Finnish Institute of International Affairs and Institut fuer Europaesche Politik, Helsinki, Bonn, 1998. Also, Dr. Dmitri Trenin, who writes: "If Russia openly campaigns against NATO membership for the Baltic states, it will only encourage their desire to join the alliance, undermine its own relationship with NATO and, in the long run, force Russians to either admit another political defeat or try to implement their threats of confrontation with the West, which is as dangerous a possibility as it is fruitless." Dmitri Trenin, "Baltic Chance: The Baltic States, Russia, and the West in the Emerging Greater Europe," Carnegie Endowment for International Peace, Moscow, 1997, p. 30.
85. Editorial, The Washington Post, "Three Baltic Partners," *International Herald Tribune,* 16 Jan. 1998.

# The Role of Central Europe in Baltic State Policies

**Daina Bleiere**

## Introduction

The Central European countries are becoming increasingly important in the policies of the Baltic states. It is the direct consequence of the enlargement process of NATO and the European Union. The Baltic states and the Central European countries are participating in the same process, which is designed to enhance cooperation between the aspirant countries. At the same time the enlargement model, chosen by the two organizations (especially, by the European Union), means that there is inevitable competition between the candidate countries. It should also be taken into account that membership in NATO by the Czech Republic, Hungary, and Poland as well as the probability that they will be admitted to the EU before Latvia and Lithuania means that the significance of the three countries in terms of Baltic foreign and security

policy will fundamentally change. The international prestige of the Czech Republic, Poland, and Hungary will increase, and that could potentially mean increased influence of the three in Central and Eastern Europe. The only question here is whether the three countries will have enough resources and political will to take advantage of this influence. As NATO and EU member countries, the Czech Republic, Poland, and Hungary will be able to participate in decisions concerning Baltic membership in the two organizations. The status of the three countries has already changed – cooperation with them now is cooperation with NATO countries.

At the beginning of the 1990s, when the post-communist countries of Central Europe shed the limitations placed upon them by the Warsaw Pact and elaborated new foreign policy strategies based on membership in NATO and the European Union, the so-called Visegrad countries were seen as the leaders of the post-communist world in terms of political and economic reform, and in terms of cooperation with western security structures. The mission for the Baltic states was to catch up with these countries and to ensure that they, too, would be included in NATO and EU enlargement at the same time and on the basis of the same criteria.

Until 1997, when the expansion process began in earnest, the Central European countries were guideposts, fellow travelers and competitors for the Baltic countries. Cooperation with the Visegrad states was not the focus of extensive attention, because the Baltic states did not have the diplomatic, economic and other resources needed to develop equally active and intensive relationships with all countries and all regions. The main priority for the Baltic states was integration with western structures, and that was the focus of their greatest effort. The activities of Central Europe in developing contacts with the Baltic states were, likewise, not particularly extensive. The development of more intensive relations was also hampered by the weak level of economic integration between the Baltic states and the Central European countries.

The sole exception here is the development of closer relations between Lithuania and Poland, but that process was based on the specific and fairly complicated relationship between the two neighbors and the resultant desire to normalize relations.



However, it should be stressed that Poland for the Baltic states has a special significance as the closest and the biggest Central European country, which at the same time, is also a Baltic Sea country. Taking into account the historical legacy as well as the geographic situation of Poland linking the Baltic states to Western Europe, the level of interaction is much higher than with other Central European countries. Also Poland understands that the historical legacy and the country's geostrategic situation imposes an obligation to undertake an effort to develop constructive relationships with its neighboring countries, especially, Lithuania, Ukraine, and Germany. Due to Poland's size and economic importance and potential it could play a more visible role in the Baltic Sea region.

Today interaction between the Baltic and Central European countries has become more complicated. The Baltic states have proved that they can compete with Central European countries on equal terms and the actual level of cooperation in political, economic, military, and other spheres has increased. It has a positive as well as a negative side.

Apart from the Czech Republic, Hungary, and Poland, also Slovakia is a Central European country. During Meciar's government its chances to obtain membership in NATO and the EU before or simultaneously with the Baltic states were minimal. Now this country has entered competition with Latvia and Lithuania as regards the EU, and it has strong backing from the Czech Republic, Hungary, and Poland concerning NATO membership.

But the Baltic states' situation has became more complicated also due to the Kosovo crisis. The Kosovo issue and the situation in the Balkan region has made the problem of stabilization of South Eastern Europe one of the main problems for NATO as well as for the EU. It is obvious that NATO and the EU will pay increased attention to this region, much must be done in order to stabilize the political and economic situation in Balkans and to repair the damage caused by air strikes and by Milosevic's troops in Kosovo. However, there are many indications that NATO's and the EU's efforts to stabilize the situation in the Balkans, could be done at the expense of slowing down of the eastern enlargement of both organizations. Thus developments in Central Eu-

rope in a broader sense (Central and Eastern Europe minus post-Soviet countries) becomes even more important with regard to Baltic interests and security concerns.

It should be taken into account that the accession process is becoming increasingly individualized, especially in the case of EU enlargement. The decision to start negotiations with Estonia first was important for the Baltic states from the security point of view, as it was a clear sign that they would not be left entirely alone even if their chances to become NATO members is not an issue in the short or medium term future. However, if during the previous stages the Baltic states moved towards the EU at the same pace (signing of free trade agreements and association agreements with the EU), now each country sets its own pace. Internal problems of the Union, the preferences of different EU countries, and global politics do play a role. However, the performance of particular candidate countries becomes increasingly important in addition to their ability to "advertise" themselves.

This is less transparent with NATO enlargement. The signing of the US-Baltic Charter in January 1998 showed that the Baltic states still are looked upon as a geopolitical entity. Although individual ability to undertake the obligations of NATO membership and to attain compatibility is important, the decisive factor is the development of NATO-Russian relations and NATO member countries' readiness to assume risks involved in admitting the Baltic states to the Alliance. From the military point of view the Baltic states form an entity. However, there could be political considerations and special preferences by particular NATO member countries as well.

Some analysts, especially, Zbigniew Brzezinski advocate a view that at first one Baltic state – the best prepared one – (Lithuania) should be admitted to NATO. However, this view was not approved by the Washington summit of NATO in April 1999. Nevertheless, there are indications that the Baltic states are looked upon increasingly according to each individual country's ability to fulfill criteria of NATO membership.

In some sense this process of individualization influences not only cooperation between the Baltic states but also the way in which they develop cooperation with the Central European countries.



## Security consequences of the first round of NATO enlargement and the start of negotiations on the EU accession

Four problems related to the Central European countries are particularly important for the Baltic states in the enlargement context:

1) Czech, Hungarian, and Polish support for Baltic membership in NATO;
2) Military cooperation with the Central European countries within the framework of Partnership for Peace, Euro-Atlantic Partnership Council, peacekeeping and peace enforcement missions, etc. on a multilateral as well as a bilateral level;
3) Exchange of experiences and consultations on EU pre-accession problems;
4) Development of cooperation with Central Europe in the economic sphere, as well on the Maastricht second and third pillar issues.

With the Czech Republic, Hungary, and Poland joining the EU after becoming members of NATO, the geopolitical situation in Central Europe will change immensely. They would obtain not only the "hard" guarantees of NATO's Article 5, but also the "soft" guarantees of political and economic stability that come with EU membership. It can be expected that their economic and social development will become more rapid, even though their integration into the EU will not be easy because of the immense structural problems of their economies. As NATO and EU members they will obtain decisionmaking powers in those organizations and will have their say as regards membership of the Baltic states. Of course, the Czech Republic, Hungary, and Poland will be weaker members, but the principles for which these organizations stand will guarantee some measure of equality regardless of the size or the political and economic influence of member states. The international prestige of the Czech Republic, Poland, and Hungary will increase, and that could potentially mean increased influence for the three in

Central and Eastern Europe. Especially this is true as regards Poland – the largest country in the region. It can play an active role in the region. Indeed, this is expected by the Baltic states.

From a purely military aspect, the security of Central European countries (especially Germany) has increased, because now the Czech Republic and Poland are the "hinterland" of Europe to the East and the Northeast.[1] The new NATO member countries, furthermore, will be interested in creating their own "hinterland" and in expanding the zone of security and stability. The Baltic states can neither threaten nor improve the geostrategic situation of the Czech Republic and Hungary in any major way. Undoubtedly all three Central European countries are interested in Baltic security, as well as domestic and foreign policy stability from a political perspective, but their geostrategic interest, except for Poland, is at a much lower level. Even here, however, Poland's major concern is Lithuania because of the shared border and the Kaliningrad exclave.

However, the geostrategic interest is one side of a coin. There is a mutual interest of the Baltic and Central European countries to cooperate that stems from integration processes in NATO as well as from the specific political and military interests of each particular country. The practical implementation of these interests depend on the political will and available resources of each country.

The Central European countries promised after the Madrid summit that they will enhance their cooperation with those countries in the region which did not find themselves in the first group of states to be invited by the alliance. As was pointed out by the ambassador of Poland to Latvia Jaroslaw Bratkiewicz, ensurance of stability and security in its regional environment is one of preconditions of NATO membership."[2]

Recently the Czech Republic, Hungary, and Poland have stressed on many occasions their readiness to assist the Baltic states on their way towards NATO,[3] and, indeed cooperation is expanding. One of the main manifestations of this has been the conclusion of bilateral agreements on defense cooperation covering different aspects of mutual concern. There are also undertakings such as the establishment of the Baltic Defense College in Tartu, which is designed for training not only



officers from Estonia, Latvia, and Lithuania, but from NATO countries as well.

The experience of the Czech Republic, Poland, and Hungary in NATO and EU integration is of particular importance for the Baltic states. This also has been stressed by the candidate countries' politicians on different occasions. However, it should be admitted that if initially such declarations of top level politicians often were not backed by concrete efforts in this direction, since 1997 the situation has definitely changed. With the start of NATO enlargement the Alliance formulated more clearly its criteria and demands. The Baltic states were accordingly confronted with the necessity to create a situation in which their demands for membership could not be crossed out easily from the NATO agenda, even taking into account that geostrategic considerations and, especially, Russian opposition does not favor the Baltics. If NATO membership initially was looked upon by the Baltic countries to a very great extent as a kind of symbolic gesture of being part of "the West" and to avoid remaining in the "gray zone of security" or, more explicitly, to escape the possibility of returning to Russia's sphere of influence, since 1997 it was understood that conscious effort through development of their defense capabilities, and participation not only in Partnership for Peace exercises but also in peace-keeping missions was essential. In this context more attention has been paid to the experiences of the three first-comers to NATO.

The Kosovo crisis has added a new aspect to this. The crisis has posed to the political elites of the newcomers to the Alliance the stark reality that there are also obligations imposed by the membership, and that these obligations sometimes could be unpleasant or could meet with opposition on the part of the population. The Kosovo crisis was especially painful for Hungary because the Hungarian population of Voivodina (Yugoslavia) suffered very much from NATO air strikes. This aspect so far has been disregarded or put aside by the Baltic elites in discussions on NATO membership.

As regards EU integration, it should be stressed that even more than in the NATO enlargement case, the conditions for sharing of experiences between the candidate countries were created by the EU itself. Multilateral structured dialogue has been aimed at comparison of leg-

islation of the CEE candidate countries and has been beneficial as it has helped the CEE countries to gain more insight in particular sectors of national economies and legislation. However, this dialogue has showed that all candidate countries have similar problems and deficiencies. All CEE countries are choosing as a model legislation of particular EU countries and the experience of other candidate countries has only restricted applicability.

Multilateral structured dialogue, however, was the first and very important mechanism that gave for all parts a deeper insight in how various legal matters are solved in other associated countries and how their institutions solve integration problems with the EU. Most importantly, the multilateral structured dialogue involved civil servants from different ministries, and thus created a wider net of personal contacts and possibilities to share information. In this way, the accession mechanisms help at the same time to widen and to deepen contacts between CEE associated countries.

An increased level of contacts – from personal to institutional, is a natural consequence of EU and NATO integration. And it is a new phenomenon in the contacts between the Baltic states' and Central Europe, especially for Estonia and Latvia.

Until recently the Central European countries were for the Baltic states fellow travelers and competitors on the way to a common goal. They were also brothers-in-arms in their fight against communist regimes and now display similar problems in the transition period. The relationship, however, is becoming more complicated. As integration with the EU will take some time, and Latvia and Lithuania, at least theoretically, have a chance to outstrip some of the countries picked by the European Commission for the first round accession negotiations, it is expected that in some aspects the competitive relationship will become more acute. At the same time, the three Central European countries will have a say on further NATO enlargement and their position on this issue is very important for the Baltic states.

The weakest point is and remains the low level of economic cooperation between the Baltic and Central European countries, which is not commensurable to the level of political cooperation. For example, as was acknowledged in June 1999 by Clyde Kull, a Deputy Under-Secretary of the Estonian Ministry of Foreign Affairs, Poland ranks only 16th among Estonia's trading partners.[4] However, Poland remains the most important trading partner for all Baltic states in Central Europe. Trade with other countries is on a even lower level. Lithuania has more developed trade relations with Poland but even in Lithuania's case the trade potential has not been fully exploited. Another pressing issue is that in inter-Baltic and Central European trade the surplus is on the Central European side, and there is a tendency for the Baltic trade deficit to grow.



It may be predicted that Baltic economic cooperation with the Central European countries will increase. After the Russian financial crisis of August 1998, the Baltic states as well as the Central European countries are forced to find new markets for their goods and have become more interested in mutual trade. Though this will increase mutual competition, it will nevertheless be beneficial for the development of mutual contacts and understanding.

## Possible consequences of the Kosovo crisis on the Baltic states' accession to NATO and the EU

Political and military processes in the other Central and East European countries present a challenge to Baltic chances to integrate with NATO and the EU. The Kosovo crisis has diverted the attention of both NATO and the EU to the Balkans. Already the 1997 Madrid NATO summit placed a greater emphasis on South-Eastern Europe, especially Romania and Slovenia. These countries had strong supporters behind their back – France and Italy. As is pointed out in Atis Lejins's chapter in this book, "the relatively positive acknowledgement of the Baltics as aspiring members was brought about by Germany, Denmark, the USA and Great Britain after a protracted struggle between France and her allies which fought on behalf of Romania and Slovenia".[5] However, this rather proved that South-Eastern Europe already had better chances then the Baltic states.

The Kosovo crisis has shifted the balance much more in favor of the Balkan states. There are strong indications that the stabilization of South-Eastern Europe is going to be the main priority of NATO. The necessity to stabilize security in the region gives more credibility to the efforts of Albania, Bulgaria, Romania, Macedonia, and Slovenia to gain NATO membership. Accordingly NATO European members with interests in this region gain a stronger voice, as well those who are against NATO enlargement in general.

If Balkan countries are given preference in further NATO enlargement, there could be a number of consequences. First, the integration of Bulgaria and Romania (not to speak of other countries of the region) will cost much more than the integration of the Baltic states, both in monetary as well as political terms. It can make further enlargement impossible or push it aside for many decades. Second, the new role of the "Balkan policeman" can negatively effect NATO credibility, if the situation can not be stabilized. Third, it will show that all political and economic criteria of NATO membership such as political democracy, economic stability, good relations with neighboring countries in reality are not relevant.

As was pointed out by the Russian journalist and diplomat Alexander Bovin, Russia is annoyed not so much by NATO's expansion to the East as by the effort of the former Soviet republics to escape to the West.[6] If the Baltic states will be deprived of the prospects of NATO membership, in the perception of Russian political elites this will be a sign that they are lost forever and could be reverted to the Russian sphere of influence. The Kosovo crisis has increased deep anti-Western and anti-NATO feelings in Russia. It could be expected that Russia's opposition to Baltic membership in NATO will increase. However, in the Kosovo crisis context it can be seen that Russia's ability to influence NATO has diminished.

The dispute over separate zones and command structures of the peacekeeping forces has showed that Russia has the ability to destabilize the situation, but only in the short run. Russia is weak economically, and as a consequence, politically. In the long run, it should have to accept realities and the right of the Baltic states to choose the security solutions of their choice. However, it will take time for Russia to adapt



to new realities, and at present it has in its possession resources to block the integration of the Baltic states' in NATO, perhaps not only directly through NATO bodies, but also by using economic and political sticks and carrots in order to effect Baltic states' policies. Taking into account that Estonia has started its substantive negotiations with the EU, but good relations with Lithuania are necessary with regard to the Kaliningrad region, as well as Russia's inability to exert pressure in many directions, it seems that the main effort will be concentrated towards Latvia, as, presumably, the weakest Baltic country. Taking into account Latvia's central position in the region, such policies have geostrategic sense as well.

An even more complicated situation can be seen with regard to EU enlargement. On the one hand, the Kosovo crisis has enforced the positions of those who maintain that the enlargement process should be speeded up in order to increase stability in the whole post-Communist space, and this means that Latvia, Lithuania, and Slovakia have good chances to receive an invitation to start negotiations at the December 1999 Helsinki EU summit. However, there are indications that there is very strong lobbying in favor of Bulgaria and Romania. The South-Eastern "flank" of the EU becomes increasingly important. And there is a danger that Latvia and Lithuania as small but at the same time relatively stable countries could be backstaged for the sake of the Union's internal political and geostrategic considerations.

On the other hand, the Kosovo crisis has destroyed the economy of the Balkan region. In Yugoslavia it is a direct result of military action and economic embargo. In Macedonia and Albania – due to refugee flows. In other countries – indirectly, as costs of interrupted communications on and across the Danube river. This will demand a great financial effort on the part of NATO and EU countries to help to rebuild their economies. But this could mean that countries which never were particularly favorable to EU enlargement, will have strong arguments in favor of stopping the enlargement process at least as long as the situation in the Balkans is stabilized.

In a way Kosovo has helped to sharpen and to bring to the fore deficiencies in the NATO/EU enlargement strategies. It is especially true in the EU case. The enlargement so far has been more the Union's

response to pressure from the Central and Eastern European countries. The EU had not established its own priorities and did not have a clear vision how the enlargement process ought to be managed. The Copenhagen criteria, though building a base, also left much room for various interpretations and compromises. There are uncertainties and speculations that it is not so much the real achievements of any particular candidate country as political compromises among the EU members which decides whom to invite to the accession negotiations. Taking into account that for the Baltic states EU integration is not only an economic question, but at present the most realistic security option, any delay in their integration can bring about a serious crisis among the political elites, because there is no other realistic security option they can offer to society. At the same time this can reinforce Euroscepticism in those segments of society which already claim that enlargement in general is designed in such a manner as to give benefits only to the EU.

## A role for Poland in the region

From the Baltic point of view, Poland plays a special role in the region. It is a Central European and Baltic Sea country at the same time; it is the biggest country in the region and has considerable political, military, and economic capabilities. Poland may end up playing a very active role in the region, which indeed, is expected by the Baltic states.

Former Polish Foreign Minister Dariusz Rosati, speaking on 8 May 1997 in Poland's parliament, stressed that "Poland's important task within the Council of Baltic Sea States (CBSS) will also be to act toward enhancing the interest of European Union member states in this region and toward an extension of Union projects to cover the countries of the Baltic region."[7] Integration with the EU and NATO, as well as regional cooperation within CEFTA and the CBSS, have been stressed repeatedly as priorities for Polish foreign policy.

Poland, however, has a wide range of interests also in Central and Eastern Europe. We should take into account that relations with the Baltic states cannot be an exclusive priority in Polish foreign policy.



But it could be also argued that the integration of Poland (as well as the Czech Republic and Hungary) into NATO and the EU will increase the already existing asymmetry with the Baltic states as regards the political influence of Poland in the region.

The Polish-Lithuanian strategic partnership is very important as it stabilizes the relations between the two countries, thereby contributing to the development of stability in Central and Eastern Europe as a whole. On the other hand, there may also be negative implications for Baltic cooperation. There is a fear that Lithuania will abandon Baltic cooperation in favor of a Central European orientation in order to seek earlier admission to the EU and NATO with Poland's support. Increase of competition between the Baltic states in the accession process to the EU can contribute to this tendency. Still, an enhanced partnership with Poland is of major interest not only to Lithuania but also to Latvia and Estonia. Cooperation with Poland is a natural extension of Baltic cooperation although there is a problem of resources for all sides involved.

## Prospects of regional cooperation

An immediate result of the start of the enlargement processes is an increasing interest in mutual CEE cooperation. The beginning of the enlargement processes gives a free hand for those countries admitted to the first wave of expansion to pay more attention to the development of relations with their neighbors since they are no longer afraid that this cooperation could delay their membership in NATO and the EU. It has also led to increasing interest from other candidate countries for cooperation with the Czech Republic, Hungary, and Poland, as well as with Central and Eastern Europe on the whole.

Already in December 1997, the foreign ministers of Poland and the Czech Republic agreed that "their countries will jointly and swiftly react to any moves that are intended to delay their accession to NATO."[8] Parallel to such political cooperation joint actions on practical military matters are under way. For example, the Polish, Czech, and Hungarian defense ministers agreed on 30 January 1998 to form a joint consulta-

tive group to coordinate military infrastructures along NATO lines and cooperate in the upgrading of equipment.[9]

Recently some optimism has been expressed with regard to a possible revival of the Visegrad group, especially after Slovakia has returned to the democratic fold. At a meeting in May 1999 in Bratislava, the Polish, Czech, Slovakian, and Hungarian prime ministers tried to set an agenda of common activities such as the creation of a common TV channel, cross-border cooperation, common refugee and visa policies.[10] Of course, the main aim of this effort is to speak with one voice in Brussels. Nevertheless, so far there is considerable opposition to Visegrad cooperation in the countries themselves.

We must agree with the view that, despite the enhancement of political and economic cooperation, the enlargement of the EU will most likely not lead to a "Visegradization" of the Central European countries, i.e. they will not become a specific region within the Union which enjoys in-depth economic, political and security cooperation. The views of the Czech Republic, Hungary and Poland diverge on a good many fundamental questions to allow this to happen.[11] It is possible that the Central European region would have been more attractive for the Baltic states if the Visegrad process had developed more successfully and a more or less ideal model of cooperation between Central and Eastern Europe would have emerged as had been the intention when the Visegrad group was established. In the event, however, it has proven that the Central European countries are involved in a variety of regional cooperation forms which form a mutually overlapping network of structures, but which are not centered around any specific nucleus.

It is also true that there are no regional models of political and security cooperation in Central and Eastern Europe. In this area of activity, bilateral relations dominate, and it can be expected that this type of relationship will remain the main form of political and security, as well as economic cooperation. In cooperation between the Baltic states and the Czech Republic, Hungary and Poland, in other words, bilateral relations will be the name of the game. The establishment of extensive sub-regional economic and political structures to include the Central European countries and the Baltic states is a fairly problematic issue. This does not mean that there cannot be increased multilateral cooperation in the political sector – something which Lithuania has promoted quite keenly. Integration into the European Union and NATO was the main idea behind the agenda and the accomplishments of a conference organized by the Polish and Lithuanian presidents in Vilnius on 6 and 7 September 1997. The conference was organized at a very high level (including the participation of the Russian prime minister) primarily thanks to the fact that the onset of NATO and EU expansion has reduced fears that regional cooperation may leave the Central and Eastern European countries in a "gray zone of security". Quite the contrary – the countries which have not been included in the first wave of enlargement are interested in receiving the support of the more successful countries in subsequent rounds of expansion. For Poland, the Czech Republic and Hungary, meanwhile, regional cooperation provides something of a guarantee for successful integration into NATO and the EU. What's more, cooperation of this type provides opportunities to involve Russia in the resolution of regional security issues, and this is in the interests of NATO and the EU, as well as the Central and Eastern European countries. Recently meetings between the Baltic, Polish and, to a lesser degree, Ukrainian presidents, are becoming regular events. At the same time, the institutionalization of cooperation forms will probably happen on bilateral or narrowly regional foundations, but not in the form of mechanisms for extensive sub-regional cooperation.



With respect to regional frameworks, there is only one organization that has had a potential to embrace the entire Central and Eastern European region – the Central European Free Trade Agreement (CEFTA). It has been described as a "success story" in Central European cooperation, [12] and that is because this form of cooperation has been limited exclusively to the economic sector. At Portoroz in September 1997 it was decided to start accession negotiations with Bulgaria, and Lithuania has not abandoned its intention to join CEFTA. Latvia's intentions vis-à-vis CEFTA have never been formulated clearly, and it is not clear what policies Riga may develop in this respect in the future. This perhaps depends mostly on Latvia's prospects concerning EU membership, as well as the future development of CEFTA itself. As regards Estonia, it has not showed any interest in this form of regional cooperation so far.

More promising are prospects for Baltic cooperation with Poland

under the framework of various Baltic Sea Region initiatives.

In terms of regional work under the framework of the Baltic Sea Region, Poland acts more as a Baltic Sea country than a Central European state. Grounds for optimism concerning the development of such cooperation lies in the fact that in addition to Poland and the Baltic states, Germany and the Scandinavian countries (especially Denmark and Sweden) have demonstrated stable interest in the process. Their financial and economic resources can provide a solid underpinning for regional cooperation. It is also important that these countries are members of NATO, the EU or both. In this way regional cooperation does not contradict the strategic goals of the Baltic states to integrate into NATO and the EU.

Of special importance in this regard are different forms of cooperation (cross-border cooperation in the framework of the "Niemen" Euroregion, trilateral cooperation among Lithuania, Poland and the Kaliningrad region on economic and environmental matters, cooperation under the Partnership for Peace framework, cooperation of the Baltic Sea countries' cities, etc.) which could help to stabilize the economic, social and military situation in the Kaliningrad region. Although it can be argued that "regional mechanisms for international cooperation that do not take into account the Russian point of view will produce an effect that is quite the opposite to that intended"[13] with respect to Kaliningrad's problems, as well as Russia's efforts to use its economic influence to achieve political goals, risks can be lessened through confidence-building measures and the ensuring of transparency (especially in the military sphere). It is also true that there are important incentives for Russia to participate in this type of cooperation.

We should make particular note of the potential for cross-border cooperation, because it helps not only to resolve practical ecological, economic and other problems, but it also promotes the integration of related regions in a variety of ways. The integration of countries in the region into the EU will increase the status of cross-border cooperation in that it will then involve cooperation across the EU's boundaries.

Regional cooperation is facilitating integration with the EU, but at the same time it can also weaken nation states. John Newhouse has pointed out: "As borders loose their meaning, deeply rooted patterns of



commercial and cultural interaction are reappearing in regions where people have more in common, culturally and economically, with neighbors across the border than with their fellow countrymen."[14] Fear of centrifugal forces is apparently one of the factors which is leading Russia to try to see that its work under the auspices of the Council of Baltic Sea States is run from Moscow. This, of course, is frequently contrary to the interests of those regions which are located directly on the Baltic Sea. Poland, to cite an opposite example, is involved in cooperation directly through its coastal provinces, making Warsaw's role insignificant. Overall, however, given that the statehood of Central and Eastern European countries is still in some cases shaky, that there is insufficient territorial and ethnic integrity, and that there are extensive traditions of centralized authority, there may be many underwater obstacles on the way to regional cooperation.

Successful regional cooperation requires several pre-conditions: common political, economic or other interests; existence of contacts at various levels (intergovernmental, at the level of local governments or cities, among business enterprises, at the interpersonal level, etc.); and a certain sense of historical or cultural community. Baltic cooperation with all of the Central European countries save Poland is based on political and, to a certain extent, economic considerations, but other components are hard to see in the process. There are some unifying elements and cooperation which is based on them (e.g., cooperation between Estonia and Hungary in studying the common Finno-Ugric history of the Estonian and Hungarian nations), but often these links are quite weak. People in Central Europe tend to know very little about the Baltic states, while people in the Baltic countries have a much better understanding of the Central European nations. During a visit to Riga in February 1998, the chairman of the Czech Senate, Petr Pithart, said that Central Europeans often have trouble in telling Latvia, Lithuania and Estonia apart. Recognition is a key indicator of mutual links and the level of integration, and it is clear that in the case of the Baltic and Central European countries, these levels are quite low. The Baltic states must take concrete steps toward overcoming this problem.

It should be expected that bilateral cooperation will remain the leading form of political, economic, and military cooperation. It seems that

regional cooperation will develop most successfully within the already existing regional patterns, i.e. Baltic Sea, Central European, South-East European, and Black Sea cooperation. Perhaps a link should be created to connect these regions. If such projects should enjoy support from European and Transatlantic institutions, and if they prove to be of practical importance for the CEE countries, then they will develop and grow.

Lithuania's interest in development of cooperation both ways – with Central Europe, as well as the Baltic Sea Region cooperation, and Poland's increasing weight and activity in regional cooperation is an important link that helps to increase cooperation of the Baltic states with the Central European countries.

## Conclusions

We must agree once again with the Hungarian scholar Andras Inotai who pointed out that successful regional cooperation in Central and Eastern Europe must be seen as a consequence of successful integration into the world economy, not as a precondition for doing so.[15] This notion is true also with regard to political and security cooperation. Thus EU and NATO integration creates the necessary conditions for establishing closer relationship between the Baltic and the Central European countries even though competition in the race to join the EU and the possibility that Baltic NATO membership may be delayed also create conditions for rivalry. Although there is a political will on all sides to collaborate more effectively, a more integrated relationship cannot be achieved in the short or even medium term.

In order to raise the level of integration of the Baltic states with the Central European countries several developments are necessary:

1. The Baltic states (in this case, Latvia and Lithuania) must catch up with the countries now about to enter the EU and already new members of NATO in economic and political development in order to minimize the asymmetry that exists in the economic, political, and military spheres.



2. Some form of cultural integration is indispensable. An integrated system can not be built from above solely. A multi-layered network of bilateral as well as multilateral relations on interstate as well as on local level, and on an interinstitutional and interpersonal level, is indispensable to achieve regional or subregional cooperation. Such a system is already being formed in the Baltic littoral. Perhaps the common experience under Communist regimes is the most important unifying factor; however, it is a transient one. It seems that cultural integration is possible only through "Europeanization," through consciousness of their being bearers of a common European cultural heritage, since there is no helpful historical background for the building of a CEE identity.

This will not be an automatic process, however. It will require conscious effort and resources. It is precisely the issue of resources which is the largest problem when it comes to the effectiveness of Baltic and Central European cooperation with NATO and the EU in the context of integration. What's more, the lack of resources is problematic for both groups of countries, not just the Baltic states.

Poland's participation in various regional initiatives creates better conditions for more expanded cooperation involving Central Europe. It is clear, however, that the "gravitational pull" of the Baltic Sea Region is much greater than that of Central Europe. That is for economic, political, as well as cultural and historical reasons. Development of the "Northern Dimension" of the EU will foster an integration of Estonia and Latvia, as well as Lithuania, in Northern Europe.

## Notes

1. German support, indeed, was decisively important in determining that NATO enlargement to the East would begin and that the Czech Republic, Hungary and Poland would be the ones to be offered first-round membership in the alliance. Despite Germany's efforts to ascertain that NATO enlargement not exacerbate tensions between Russia and the West or domestic instability in Russia, Bonn nevertheless was active in supporting NATO membership for Central European countries, and especially for

Poland. Worthy of notice, moreover, is a line of thought which emphasizes Poland's own role in assuring Germany's support: "Through symbolic politics and direct appeal, Polish policy makers have by their actions ensured that Germany decision makers view themselves as outspoken advocates for the Polish cause of joining NATO." Hampton, M. N. "Poland, Germany and NATO Enlargement Policy", *German Comments*, No. 49, 1998, p. 94.

2. Bratkevics, J., "Vertejot pagatni un domajot par nakotni" (Evaluating the past and thinking about the future), *Diena*, 13 March 1999.

3. See, for example, statements of officials on Latvian President Guntis Ulmanis visit to the Czech Republic (*Current Latvia*, May 10-17, 1999), on Polish Defence Ministry Deputy Secretary of State visit in Riga on May 19, 1999 (*Current Latvia*, May 17–24, 1999), on the Czech Republic foreign Minister visit in Tallinn on May 14, 1999 (*Estonian Review*, vol. 9, no. 20, May 9-15, 1999), etc.

4. *Estonian Review*, vol. 9. no. 24, June 6–12, 1999.

5. See the chapter by Lejins, A., "Joining the EU and NATO: Baltic security prospects at the turn of the 21st century."

6. *Izvestiya*, 29 April, 1999.

7. "Priority Tasks for Polish Foreign Policy". An address by the Minister of Foreign Affairs, Dariusz Rosati, in the Sejm of the Republic of Poland, 8 May 1997.

8. Polish Daily News Bulletin, 21 Dec. 1997.

9. Radio Free Europe/Radio Liberty, 2 Feb. 1998.

10. *Frankfurter Rundschau,* 15 May, 1999.

11. Riishoj, S. *The Visegrad Process and CEFTA*. The Working Papers on European Integration and Regime Formation, No. 27, South Jutland University Press, 1997, p. 35.

12. Hensel, L. "The chances of 'Visegrad' and CEFTA", in Stefanowicz, J. (ed.) *Polska w Europie na przelomie wieków*. Warsaw: Instytut Studiow Politycznych Polskiej Akademii Nauk (1997), p. 172 (in Polish).

13. Zajaczkowski, W. "Polish-Lithuanian Relations: The Complexities of Geopolitics", in Wohlfeld, M. (ed.), *The Effects of Enlargement on Bilateral Relations in Central and Eastern Europe,* Chaillot paper 26, Paris: Institute for Security Studies, Western European Union, June 1997, p. 38.

14. Newhouse, J. "Europe's Rising Regionalism", *Foreign Affairs*, Jan./Feb. 1997, p. 71.

15. Inotai, A., "The Visegrad four: More competition than regional cooperation?," eds. Lippert, B. and Schneider, H., Monitoring Association and Beyond: The European Union and the Visegrad States. (Europe Union Verlag: Bonn, 1995), p. 167.

# The Impact of EU and NATO Enlargement on Baltic-Nordic Cooperation

**Žaneta Ozoliņa**

*Baltic Sea cooperation is a key to economic and social stability in the new democracies and, by extension, in the whole region (Gerard Walter)*

## Introduction

A fundamental question for the Baltic states with regard to Nordic–Baltic relations and the Baltic Sea Region (BSR) is whether a heterogeneous region is being established around the shores of the Baltic Sea – one in which the unifying basic principle is not only the geographic location, but also economic, political, social, security and ecological interests. In 1995, when the first processes of the BSR began to emerge, it became important to determine whether the new region consisted only of reciprocal elements, or whether there were signs of cooperation and integration that would signify the establishment of a stable community of nations operating in concert with the leading trends of

Europe and thus helping the region's countries to draw closer to the European Union. As the result of research done in 1996 I concluded that the BSR did at that time demonstrate certain trends which signify deeper and broader cooperation, but the level of full integration had not yet been reached. Right now, however, all kinds of reciprocal activities exist in the BSR – activities of various manifestation and various intensity. First of all, the region is seeing stable and increasing integration in which Denmark, Finland and Sweden are involved through their direct participation in the EU. Iceland and Norway, even though they are not closely involved in EU processes, are nevertheless involved through their participation in the European Economic Area. The integration of these Scandinavian countries and the EU is proceeding at the same time as integration among the Nordic countries themselves. Estonia, Latvia, Lithuania and Poland are currently observers of the integration process and are at the starting line, but there are many types of cooperation among these countries at the regional level, at the tripartite level (the three Baltic states), and at the bipartite level. Russia is a permanent reciprocal partner in the BSR.

There is another trend that has been emerging, however. There are countries in the BSR which are becoming involved in the European integration process more quickly. These are Estonia, Latvia Lithuania and Poland through their efforts to join the EU, as well as Iceland via its increasing readiness to become involved in the programs of the Council of Baltic Sea States (CBSS).

The dynamics and the pace of BSR cooperation and integration have been affected (and will continue to be affected) by the major political events of the summer of 1997 – the beginning of EU and NATO enlargement. These are parallel but not identical processes, and they will have a seminal effect on the relationship between the Baltic states and the Scandinavian countries. In this article, therefore, I will try to analyze the changes, which have occurred as the result of the first wave of EU and NATO enlargement – those which in the near future will affect the bilateral and multilateral relationships that are occurring under the auspices of the BSR. I will also look at the way in which these changes will affect the security situation in the Baltic states.

In the first chapter, I will look at the current level of intensity in



cooperation among BSR countries and the future prospects for this cooperation, bearing in mind the various contradictions which exist in the way countries are transforming and integrating in the region, as well as the efforts to adapt to a new and more expanded Europe. Here I will also look at the positions taken by various BSR states vis-a-vis their changing region in a changing Europe.

In the second chapter I will look at the relationship between the Baltic states and the Nordic countries in the context of EU enlargement. Today the EU is the most important element in the internal and external political debates that are going on in both groups of countries. The destiny of the Baltic states with respect to possible membership in the EU is largely dependent upon the support of Denmark, Finland and Sweden as the Baltic countries undergo the integration process. This is particularly true with respect to Latvia's and Lithuania's hopes of drawing even with Estonia, which was the first of the Baltic countries to begin substantive EU membership negotiations.

In the third chapter I will analyze the attitude of Balts and Scandinavians toward the enlargement of NATO. Even though the EU is the dominant topic in the BSR, the future of the military alliance is becoming an increasingly important issue under the framework of Europe's security structure. The Baltic states have said on more than one occasion that they see the future of their own security policies as depending on membership in North Atlantic structures. In Finland and Sweden, meanwhile, there have lately been debates among the public and at the level of the political elite about the links between security policy and NATO.

## The dynamics of Baltic Sea Region development

The attitude of BSR countries vis-à-vis the region as such has undergone several periods of increasing and decreasing enthusiasm. The logic of events in this part of the world shows that interest in regional cooperation usually declines at the point when countries find an opportunity

to become involved in broader and more significant entities such as the EU and NATO. When the activities of such institutions recede, however, countries look for opportunities to pursue their national interests under the framework of other unions of countries. At this time the BSR is undergoing its first phase of stability, because all of the political actors involved in the process have accepted the significance of the region on the global scale (the presence of the United States and Russia), on the regional scale (the EU), on the sub-regional scale (the BSR, cooperation between the Baltic and the Nordic countries), and on the national scale (investments, markets, promotion of democracy, etc.). The attitude of the BSR countries toward participation in a tighter or looser region is no longer dependent upon changing external circumstances, because the formulation of the interests of the various countries is happening in concert with the laws of regionalization and institutionalism.

Why are the 267 political (both governmental and non-governmental) actors in the BSR showing increasing and stable interest in the nearest international environment? One explanation lies in the fact that the BSR is a completely new project, one which did not exist before the collapse of the USSR.[1] If the Baltic states and Poland saw the region as a "window to Europe" when they first established democratic regimes, now it has become a "window of opportunity" for all eleven countries in the region, and no country wishes to miss that opportunity.[2]

In terms of *economic* development, the BSR is one of the most dynamic regions in the world. Interregional trade already amounts to more than USD 100 billion, and it is expected that the volume may triple by the year 2000, then triple again by the year 2010.[3] One example of the process is the fact that over the last nine years, Danish exports to Eastern Europe have increased by 357 %, while imports have increased by 140 %. The trade surplus last year was DKK 5.5 billion. If in 1982 exports to Eastern Europe provided 8,000 jobs in Denmark, then now the figure is 28,500.[4]

Let us illustrate the increase in foreign trade through the example of one Baltic state – Latvia. The reader can easily see the overall trend of growth in the process, which indicates that now the main trading partner of Latvia (Lithuania as well) is Germany leaving traditional leader Russia behind (Table 1).



Table 1
**Foreign trade turnover with countries of the Baltic Sea Region (,000 lats)**

| Country | Exports | | Exports | Imports | | Imports |
|---|---|---|---|---|---|---|
| | 1997 | 1998 | % | 1997 | 1998 | % |
| EU | 474 807 | 604 459 | 56.6 | 841 225 | 1 039 492 | 55.3 |
| CIS | 286 848 | 202 611 | 19.0 | 312 160 | 301 063 | 16.0 |
| Denmark | 37 653 | 54 454 | 5.1 | 55 227 | 70 985 | 3.8 |
| Estonia | 40 570 | 48 526 | 4.5 | 94 691 | 124 827 | 6.6 |
| Russia | 203 587 | 129 007 | 12.1 | 246 946 | 221 290 | 11.8 |
| Lithuania | 72 990 | 79 325 | 7.4 | 100 788 | 118 518 | 6.3 |
| Norway | 5721 | 8237 | 0.6 | 23 738 | 29 049 | 1.6 |
| Poland | 11 789 | 18 836 | 1.8 | 50 781 | 66 212 | 3.5 |
| Finland | 15 048 | 22 949 | 2.1 | 153 418 | 179 189 | 9.5 |
| Germany | 133 793 | 166 822 | 15.6 | 253 201 | 315 547 | 16.8 |
| Sweden | 80 651 | 110 017 | 10.3 | 121 466 | 135 096 | 7.2 |

Source: *Latvijas statistikas ikmenesa biletens* (Monthly Bulletin of Latvian Statistics). Riga: Latvian State Statistical Committee. No. 1(56), 1999, p. 115.

Economic relations are blossoming at all levels. The Union of Baltic Cities, for example, brings together 65 cities around the Baltic Sea. They participate in a number of projects amongst themselves, or under the umbrella of the CBSS, dealing with economic, environmental, cultural and other issues. Financing is received from the EU, and this helps the various cities in terms of economic development, as well as in terms of practical movement toward the European Union.[5]

The significant economic potential of the BSR on the global level has been described pointedly by Latvian Foreign Minister Valdis Birkavs: "When I was in Southeastern Asia, I said that I was not inviting people to a market of two-and-a-half million people. I was not inviting them to the Baltic market of 8 million people. I was inviting them to the market of the countries of the CBSS with 115 million peo-

ple. The Baltic Sea is a very active region, which is continuing to develop actively. Many business people feel that the economic potential of the Baltic Sea is greater than that of Southeastern Asia. For that reason, we need a macroeconomic identity in order to convince investors to participate in regional projects, to convince them that there are great future prospects here."[6]

We can say that **politically** the Baltic Sea Region has become an area of high stability, if we compare the situation with what was happening two years ago. This is indicated by processes in the various individual countries, as well as by Russia's increasing involvement in the region and Moscow's growing interest to participate as a partner in the process. There is also the involvement of the EU in the BSR, which has become real through various concrete projects, programs and financing schemes. The BSR has become a fairly attractive region which has drawn expressions of interest from a variety of countries which are not part of the geographical territory – the United States, Belarus and Ukraine among them. New countries are increasingly being called to political cooperation. On the one hand, this can be seen as the internationalization of the BSR, but on the other hand, it can also create the impression that responsibility for the processes which are occurring in the BSR is being shifted from the shoulders of countries which are involved to the shoulders of some that are not.[7]

**Security** issues were left off the table for a long period of time. This was partly because of the initially fragile nature of the emerging region at a time when there were fears against threatening the dialogue that had been undertaken and the atmosphere of trust that was being created, and partly because of the security interests of the various countries in the context of an uncertain future for European security. However, since 1992, when formal dialogue began among BSR countries under the auspices of the CBSS, there has been a harmonization of interests and a search for points of common interest. This has been accompanied by a transformation of the international, and especially the European security system. As a result of this, the security of the BSR has become a permanent issue on the agenda of the region. This has occurred on the basis of several considerations. First of all, the adaptation of European institutions to the new situation on the continent took place



through the opening of these institutions and the involvement of new partners in various events and programs. The Partnership for Peace program, for example, brings together all of the countries of the BSR. Second, the increase in interdependence – something that is a result of globalization and integration – has created a situation where many issues that have normally been considered national in nature have now become regional, and this implies a need for regional solutions. Examples of such problems include the environmental crisis in the Baltic Sea, organized crime, efforts to limit the uncontrolled flow of refugees, control of air traffic space, etc. Third, there have been efforts to create a more favorable international environment in the region, and because this leads to more positive developments in each country individually, this is a process of interest to all of the political actors in the process. This has been noted in Danish Security Policy, a document prepared by the Danish Foreign Ministry. The document states that if Denmark is to be able to carry out all of its national interests, it must find itself in a favorable international environment. The same holds true of all of the countries in the region. The newly open Europe which has emerged since the end of the Cold War offers new opportunities to develop economic, political and security policy which promotes stability in the international environment in which individual countries develop. This is especially true in the Baltic region.[8]

The idea of a regional security arrangement known as the Pact for Regional Security and Stability (PRSS) in the BSR was proposed by Russia in October 1997.[9] The idea was put forward immediately after the NATO enlargement summit in Madrid and before the Baltic states and the USA were to sign preparing the Baltic-US Charter. Therefore, it was perceived as an substitute to European security structures that had been hesitant in providing direct security in the BSR. The last document was widely discussed in the Baltic states and Sweden and Finland as well. The official Swedish and Finnish position was summarised in a paper *Co-operative Security for the Baltic Sea Region.*[10]

Both countries rejected the PRSS in November-December 1997 as not corresponding to a modern vision of European security. The response to the initiative was based on three basic premises: the Pact is an interesting proposal worth to discuss and elaborate; it combines di-

versity of elements already represented within the frameworks of existing institutions such as CBSS, OCSE (even mentioning the Vienna Document, CBMs) and human rights issues already being a part of OSCE, UN and Council of Europe agendas. Preference will be given to already existing and acting institutions, however, some of the proposed issues could be discussed within the above mentioned organisations; European security is indivisible and therefore any kind of new security arrangements are not corresponding to a modern understanding of security; regional institutions should compliment the agendas of the existing institutions, they should be flexible, innovative in providing for and supporting governmental contacts at various levels, as well as non-governmental networks; non-military threats are perceived or envisaged, it is important for maintaining confidence, security and stability in the region to implement arms control and CSBM commitments undertaken in the framework of the OSCE. The position of Finland and Sweden is based on the assumption that: "...Europe's security is indivisible. Finland and Sweden reject any proposal for regional security arrangements for the Baltic sea area that is not based on this self-evident principle. We wish to emphasize the value of strong U.S. involvement in the area as well as the sense of responsibility for the Baltic sea region manifested collectively and individually by EU states."[11]

It is clear that co-operation on security matters will continue in the region and between Baltic and Nordic countries but there will not be any attempts made and supported in the creation of alternative security organisation undermining already existing ones. It must be remembered that each multilevel and multipurpose regional network has a certain 'security load'. The Danish expert Ole Weaver in a very precise manner indicates areas where security elements are present in the BSR area. Firstly, the expansion of cooperation in different areas and growth of channels of interaction on all levels influence every person in the region. People feel more secure and protected when on every day basis they can take part in various interaction projects. Secondly, even if security has not been identified in words, cooperation is a tool for strengthening relations between states and nations making them feel more comfortable in the region. Thirdly, military cooperation is not so important part of the BSR any more. There are more projects dealing



with social and civil security issues then with the traditional ones. Politicians are not so concerned with arms control issues as with management of the post-soviet legacies, namely, withdrawal of Russian troops, transfer and settlement of retired officers and others. Fourthly, threats emanating from border disputes and ethnic conflicts are decreasing because of increase of cross-border cooperation. Fifthly, the logic of cooperation brought into the BSR by the western partners helps to comprise together actors with different security agendas. The Baltic states and Russia are dealing with security matters jointly within the framework of PFP is a good example of it.[12]

Various **external factors** have always played an important role in the creation and development of the BSR. The influence of these factors has not been uniform; it has depended on each specific structure in the international environment.[13] In the early 1990s, it was undeniable that geopolitical considerations in particular brought the countries around the Baltic Sea closer together. As we come toward the end of the century, however, very many different factors are dominating. The intensity of cooperation is dictated by institutional changes in the region itself, as well as by the overall triumph of institutionalism in Europe. The expansion of the EU and its links to the BSR provide evidence of this, as does the fact that the CBSS has been transformed from a debating forum to a structured organization which finds the EU to be an active participant in various regional projects.

Undoubtedly, however, the most important factor which is stimulating regional cooperation is the **European Union** itself, as well as the prospects for the EU's enlargement. The European Union has many roles to play in stimulating the integration of the BSR.

First of all, the EU sets a good example in terms of various aspects of regional cooperation. The lesson taught by the EU is that the name of the game in present-day Europe is cooperation and integration. This begins on the sub-regional level and then merges into regional and global patterns. In other words, a sub-region can serve as a necessary precondition for integration into other regional frameworks. The best example of this is provided by the Benelux region, which at one time served as the initial stage for the Western European integration process that eventually turned into the European Community. Ongoing inte-

gration processes at the end of the 20th century require the elaboration of new channels of interaction for eligible countries. Regional development has been accepted by the international community as one of the most effective of these channels.

This can be seen as an important reason for why the importance of regional and sub-regional cooperation in post-Cold War Europe has been on the rise. A region is usually defined as an area of geographically proximate states which form mutually related units in the area of foreign affairs. One of the basic underlying principles is the awareness of each participating state that it cannot reach success elsewhere until it has engaged in activity with other members of the region. This means that countries in the region can benefit from cooperation and integration with respect to goals that have been proposed, and they can ensure both their own development and that of the entire region.

Second, from the perspective of the EU, the BSR is an important region – the one in which the next round of expansion will take place. Understanding the existing differences in the economic and social development of the various countries, as well as the fact that institutions in many of the countries do not correspond to democratic traditions, the EU sees its possible contribution to the development of the region as being on two levels. First, the EU will contribute to regional cooperation on the basis of bilateral relations. Second, it will support cooperation among the region's countries themselves. In the area of bilateral relations, the EU has already established lasting and stable relations with those countries which have applied for membership, while at the same time bearing in mind the special role of Russia in the region. The EU's Partnership and Cooperation Agreement with Russia is seen as a resource for the optimization of relations with Moscow.[14]

In the eyes of the EU, the promotion of relations among the countries of the BSR can develop most effectively with the help of the CBSS. In addition to existing and well-known programs in economic development and strengthening of democracy, the EU is also devoting serious attention to regional development as such. PHARE cross-border cooperation programs, which are meant to stimulate cooperation across borders between the EU and the transition countries are a concrete example of this.



In 1997, for example, the EU awarded ECU 3.2 million (Ls 2.1 million) to Latvia from PHARE program funds for the promotion of cross-border cooperation in the BSR. In a projects competition, 235 proposals were received, and funding was granted to seven: improvement of traffic safety in the Bauska segment of the Via Baltica highway; education of local government employees in regional planning, project management and EU integration; creation of a territorial planning development zone Tampere-Helsinki-Tallinn-Riga; restoration of lighthouses and pilot lights at Latvian ports; establishment of an air pollution monitoring network in Liepaja, Daugavpils and Riga; investments in water management and sewage systems in Ainazi and Sigulda; and fostering of cooperation among the Aluksne and Balvi districts in Latvia, the Viru and Põlva districts in Estonia, and the Pechori, Pliskau and Palkin districts of Russia.[15]

Regional cooperation is also being promoted at the city level, something that could help to even out differences in the welfare of towns on the northern and southern shores of the Baltic Sea. The EU has granted financing to the project "UBC Member Cities and the European Union", and this is important in two ways: it is an affirmation of interest in the Baltic region, and it is an affirmation of interest in regional development among cities. The project is supposed to promote cooperation of such towns as Szczecin, Panevezius, Liepaja, Tallinn and Kaliningrad with such cities as Copenhagen, Rostock, Tampere, Kalmar and Kristiansand, to foster the strategic thinking of officials in these cities in concert with the thinking stereotypes of EU member countries, to promote a deeper understanding about the EU and the opportunities which participation in EU structures can afford, and to provide information about the roughly 200 programs in which candidate countries can become involved, accruing benefits not only for themselves, but also for the region as a whole. This project will allow Baltic cities to harmonize legislation, to compare governing structures in various areas and to assess the effectiveness of these structures, and to consider ways in which local government institutions can affect the EU and vice versa.[16]

Third, the EU is working out its future strategies and operational priorities with respect to the BSR, and this, in turn is helping the Nor-

dic countries to develop policies in support of the Baltic states, and the Baltic states to harmonize their operational plans to those elements of the EU's Baltic Sea policy which can help the Baltic states eventually to become EU members.

What might be the EU's activities and strategic plans in the BSR? EU representatives have accented three major areas of activity in the near term: first of all, the implementation of the European and Free Trade Agreements. These documents have schedules for the effective implementation of mutual concessions in the trade of goods and services; for granting equal treatments for the establishment and operation of enterprises; for liberating the transfer of payments; for aligning competition rules and approximating legislation in general. Second, there must be progress in the pre-accession process, gradually leading to an alignment of local legislation, regulations and practices to those of the EU. In order to implement new legislation and regulations, public administration and institutions must be strengthened. Third, on the basis of the European Commission's report on the readiness of countries to undertake negotiations with the EU, the EU wants to help countries to speed up the integration process.[17]

The direct and indirect involvement of the EU in the BSR has affected the views of countries in the region with respect to the region's possibilities and future prospects. Before we come to conclusions about the significance of the region in terms of Baltic security, let us look at how the BSR is seen by the more important actors in the region.

The most important changes in terms of attitudes vis-à-vis the BSR have occurred in **Russia**. For several years, Russia's attitude toward the BSR was dominated by unbalanced and unclear policies which sometimes emphasized a desire to cooperate and other times demonstrated a yearning to dominate the process and to dictate rules of the game. 1997, however, was a year of positive change, and during the course of the year Russia gradually began to demonstrate a desire to establish partnerships with the countries of the region. Of course, the reason for this change is still an open question. We can specify both internal and external factors which steer Russian policy. Undeniably one of the most important internal factors is the fact that democratic reforms are proceeding, albeit slowly. But a much greater role here is



played by external factors. One is the fact that America has made clear its presence in the region – through the US-Baltic charter, through dialogue with the Scandinavian countries, through a high volume of investment in the Baltic states, through the various aspects of the PFP program, and through NATO enlargement into Poland. It is also true that participation in the region opens a wide variety of possibilities for Russia – it is the only region in Europe in which Russia can hope to be an equal partner. Third, the region really is a gate to Europe, both economically and politically, and this allows Russia to integrate into international processes and, to a certain extent, to influence them. Because the BSR is the territory closest to Russia's borders where EU and NATO enlargement are taking place, participation allows Moscow to influence the process and to squeeze out as much advantage as possible.

The fact that Russia's interest in the BSR has increased recently is demonstrated by two very important but not identical events:

1) Russia's call for a discussion of proposals for a "regional security and stability pact" in the BSR. This was an unsuccessful package: there was no doubt that Estonia, Latvia and Lithuania would reject Russian security guarantees, and this overshadowed the larger question of regional cooperation.

2) Russian President Boris Yeltsin's visit to Sweden, which was different from other visits in a number of respects. First of all, this was the first official state visit at so high a level. Second, the visit took place shortly after the Baltic states learned of the proposed Baltic security and stability pact, which meant that reactions would be forthcoming. And third, during his visit Yeltsin made a series of new offers, among them, that Russia would unilaterally reduce its land-based and naval forces in Northwestern Russia by more than 40% by the beginning of 1999. Yeltsin also proposed various trust-enhancement projects in the frontier regions and waters of the Baltic region. One step, he suggested, could be the establishment of direct telephone lines between the headquarters of the Kaliningrad military region and the headquarters of the Baltic militaries. Russia

also proposed mutual inspection of military objects, the establishment of unified air traffic control systems over the Baltic Sea, and to organize joint military transport aviation training. Yeltsin also said that in the future the BSR could become a region of trust, stability and security.[18]

Positive accents in Russia's approach to the Baltic states were largely meant to demonstrate to Sweden that Moscow's democratic orientation was on course and that Sweden could, therefore, continue to develop its relations with Russia. Undeniably, the two countries have interest in each other: Russia needs Sweden's support in international institutions, as well as Swedish investments and transit. Sweden is interested in the Russian market and in the country's internal stability.

**Germany** has a unique role in the BSR. Bonn was the initiator of regional understanding and cooperation in 1992, when Germany, along with Denmark, issued the first call for the establishment of the Council of Baltic Sea States, thus creating hopes that Germany might be a leading actor in ongoing developments. In the event, however, Germany's links to the region have been mostly economic and cultural in nature. Political and security-related participation has been less active than that of the Scandinavian countries. This may be partly because Germany chose to focus on the countries of Central Europe as objects of integration into the EU and NATO, determining that those states are more important in terms of Germany's national interest. It is also true that Germany is not involved in the BSR so much at the federal level as it is at the regional level through such political actors as Hamburg, Schleswig-Holstein, Mecklenburg-Western Pomerania, Berlin and Brandenburg. It is precisely from these *Länder* that the BSR receives the most assistance. There is a Baltic Information Office in the Rhineland Palatinate which coordinates these activities, and there are branch offices which promote investment cooperation with the three Baltic states. The state of Hesse contributes through the organization of a large-scale health and industrial safety project. Mecklenburg-Western Pomerania runs an office in Tallinn from which all three Baltic states receive legal advice. Schleswig-Holstein, for its part, has an information office in Tallinn



which focuses on environmental protection projects. The German business community, meanwhile, has seen expanding trade with a growth rate of between 30 % and more than 50 % in various areas of exports and imports, as well as considerable investment potential.[19]

However, in comparison with the Nordic countries Germany is not the most active actor in the BSR. At the same time, there are several indicators testifying that the country will remain present in the area. The following reasons could be indicated: Germany is interested in stability in Europe. It is almost impossible to imagine a secure Europe without stability in the BSR; this is a rapidly growing area offering many opportunities for business, environment and cultural projects; EU and NATO enlargement processes cover this area. It means that it is in Germany's interest to harmonise different views and policies; The BSR helps to strengthen German presence in the Northern Europe.[20]

**Poland** is the only one of the new democracies in the BSR which is now a NATO state and seeking membership in the EU also. It is a country, in other words, that is effected by both enlargements. Logically, we can ask whether full links with the two institutions will reduce Poland's interest in participation in the BSR. There are two possible scenarios. The more pessimistic (and less likely) of the two is that Poland's interest in the BSR will decline because geographically it is close to Central Europe, and because it does not want to participate in groups which involve Russia and where conflicts or factors that hamper the implementation of Poland's Europe policy might arise. Poland has been the country, which most actively has promoted security discussions at the Council of Baltic Sea States, but it has not managed to carry the debate beyond societal security. The fact that the CBSS and other institutions in the BSR simply cannot resolve security problems in any practical way may reduce Poland's interest in regional cooperation.

The second, more optimistic and, in my view, more likely scenario is that Poland's interest in the BSR will remain level or even increase, because Warsaw will have greater influence in the region, as well as in the various countries of the region. There will be an opportunity to participate in activities which are closely linked to NATO enlargement, including the PFP program. The BSR has become a European region, so by merging with the EU it becomes a region of various opportuni-

ties for Poland.

Since very beginning of regional cooperation, the **Scandinavian countries** have been the most active participants in the process. On some occasions they have been more interested in establishing the BSR than have the Baltic states, preoccupied as they are with enlargement of the EU and NATO. After Finland and Sweden joined the EU, pessimists forecast that Scandinavia's activities in the area of regional cooperation might recede, something that would be threatening to the Baltic countries for whom the Scandinavians are the largest investors and most active supporters.[21]

In the event, however, quite the opposite happened. Membership by the two Scandinavian countries in the EU enhanced regional cooperation. That happened for several reasons: multiplication of power, as well as financial issues (EU membership provides countries with an opportunity to obtain EU funds for cooperation with eligible countries, especially in terms of cross-border cooperation and regional development).

The EU's Baltic Sea Region Initiative itself is being carried out mostly through the offices of the Scandinavian countries. The interest of the Scandinavians in the region is also dictated by the presence of Russia in the Baltic Sea – something which during the Cold War was the primary issue in Nordic security policy. As European structures are opening up, therefore, it is important to establish rational relations with Russia, which is drawing nearer to Europe rather than distancing itself. In this situation, the Baltic states are very useful as a buffer against Russia's occasionally unpredictable policies. This has become particularly important since NATO's Madrid summit, where NATO announced its enlargement plans. The issue is concerning how to keep the Baltic states from slipping into the Russian sphere of influence if they are not admitted to the Western alliance. Russia respects the Scandinavian countries because they provide a bridge for involvement in Western institutions. Other countries, except for Germany, are not as interested in bringing Russia into Western integration processes. For the Scandinavians, the most complicated question which surrounds efforts to improve the Baltic security situation is how to merge two goals – ascertain that the Baltic states are not left behind the gate in terms of European security



structures, while simultaneously integrating Russia to the point where it would no longer be advantageous for Moscow to take any steps against the Balts, as that would destabilize the situation in Russia, as well as in the region.

If we look at the Scandinavian countries as a group, however, we must beware of being too mechanical in seeing them as a single block. In fact the investment of the Nordic countries in the region has been considerably varied. The involvement of Denmark, Finland and Sweden cannot be compared to that of Norway and, especially, of Iceland. I would like to note, therefore, that even if Norwegian activities in regional projects are on the rise, then Iceland's links to the region are very weak. This is indicated both by the volume of investment and by the volume of trade and tourism. The last few years, however, have seen a small but positive increase in Iceland's desire to integrate more actively into the Baltic Sea Region. Preparing for a visit to Finland, Iceland's president, Olafur Grimsson, expressed a few fundamental positions in his country's foreign policy. He said that first of all, small countries must be integrated into European security structures, thus admitting that the Baltic states should be in NATO. Second, Iceland is planning not only to draw closer to the other Nordic countries, especially now that Finland and Sweden have joined the EU, but also to strengthen contacts with the Baltic states. In an interview in the newspaper *Hufvudstadsbladet*, the president said that "... now Iceland wants to emphasize that the Balts are our closest relatives in the Nordic community. Therefore I shall not plan any more visits to European countries until I have visited all three Baltic states."[23]

The **Baltic states** themselves, of course, have the most to gain from regional cooperation – economically, politically and in terms of multilateral security. This is proven by the rapid increase in investments, if nothing else, and I shall illustrate this rise by pointing to Latvia (Table 2), which among the Baltic states is somewhere in between Estonia with its particularly favorable position and Lithuania, which is lagging somewhat behind its Northern neighbors. For comparison, let us choose 1994, when after the withdrawal of Russian armed forces from Latvia, a more favorable climate for investment flow was created.

Table 2
**Direct investment of Baltic Sea countries in Latvia (,000 lats)**

| Country | 1994 | 1997 | IX 1998 |
|---|---|---|---|
| Denmark | 45,689.8 | 100,037.9 | 99,853.9 |
| Norway | 36.1 | 1,149.6 | 11,314.9 |
| Finland | 3,817.6 | 16,289.5 | 22,401.0 |
| Germany | 12,002.1 | 48,422.3 | 51,687.0 |
| Sweden | 5.001.3 | 26,750 | 34,317.1 |
| Russia | 10,288.6 | 52,665.1 | 55,029.1 |
| Total | 76,835.5 | 204,279.8 | 274,603.0 |

Source: *Latvijas statistikas ikmenesa biletens* (Monthly Bulletin of Latvian statistics), Riga: State Statistical Committee of the Republic of Latvia, No. 1(56), 1999, p.101.

According to statistics, investments from all of the countries in the BSR have been on the rise, and countries which at one time were passive have become more active. The interest of Norway, Finland and Sweden in Latvia has increased to a particularly large extent, and if we look at the dynamics of these developments, then we can conclude that as Latvia draws closer to the EU, the investment activities of the Nordic countries will increase. Although investments are only one indicator of cooperation, they do represent a significant factor for the promotion of stability, one which provides overall improvements in the security situation of the country and its regions.

One of the specifics of the Baltic Sea Region policies of the Baltic states is that they have all three been fairly cautious in this area so far. There are two main reasons for this. First, there has been no clear sense about Russia's activities and possible policies from Moscow, which could hamper the efforts of the Baltic states to draw nearer to European structures. Second, the Baltic states have been careful not to demonstrate an excessively active interest in the BSR, lest this be perceived



as a signal in the West that the Balts might accept a new but insufficient security solution in place of the EU and NATO. This is why the Baltic States had regional policies, which consumed what was available but were not particularly active in the process. Changes in the attitude toward the BSR emerged in 1996, when Latvia became the presiding country of the Council of Baltic Sea States, and in the summer of 1997, when Denmark, Finland and Sweden lobbied on behalf of the Balts at the Amsterdam summit. This was particularly true of Latvia and Lithuania, because more rapid integration in the region would shorten their path to the EU. Speaking at the conference "The Baltic Sea Region and the European Union" in Riga on 22 May 1997, Latvian Foreign Minister Valdis Birkavs illustrated this change in policy which has led to new accents in Latvian foreign policy – accents witch, somewhat modified are also applicable to the other Baltic countries. If until 1997 integration was a concept that was seen as a fairly abstract process taking place in the EU, leaving candidate countries to act as passive observers who want to join the process but do not have the resources for it, then as the actual enlargement process began to develop, Latvia, too, undertook a special responsibility toward the integration process, understanding itself not only as a national unit in international processes, but also as a part of the political processes in the region and even in Europe as a whole. In Birkavs' words: "First, we are responsible for directing our internal reforms towards the context of Europe and accurately fulfilling all membership criteria. Second, we are involved in Europe's relations with Russia, and as a part of this relationship we are equally responsible for the further development of these relations. Third, we are responsible for cooperation among the states of the Baltic Sea rim."[24]

The Baltic states are currently undergoing a self-identification process in terms of the region in which they are located. Estonia already considers itself to be part of the Nordic group of countries, and it does not have particularly active BSR policies as a result of this. Lithuania is at a crossroads between Central Europe and the Baltic states, and it sees participation in BSR projects as a necessary element in foreign policy, but not as a major priority. Latvia, which is located in the center of the southern shore of the BSR, is actively seeking to be involved in the region and even to search for new development models. The Latvi-

an ambassador in the United States, Ojars Kalnins, proposed the idea of Latvia being an "Amber Gate". The idea is based on a suggestion from American officials that the Hanseatic League could be reestablished. A formal proposal to that effect was made in the spring of 1996 by the then American ambassador in Finland, Derek Shearer.[25] Once the enlargement of EU and NATO strategy got underway, however, any regional initiatives were postponed, because as long as it was unclear whether the Baltic states would be invited to start membership negotiations in the first round, any other policies were seen as obstacles on the path to the two institutions. It was only after the historic events of the summer of 1997 – events which were only partly pleasing to the Baltic states – that new consideration was given to the evaluation of expanded opportunities for regional cooperation. The proposal to renew the Hanseatic League, as set forth by the Balts and the Americans, drew a certain amount of responsiveness, but the reinstatement of the old name – the Hanseatic League – was unacceptable to the Nordic countries. It was at that point that the name "Amber Gate" was suggested. The very idea of finding a new name for BSR cooperation was seen as something positive – an attempt to make regional cooperation more active. In fact, however, there is no real clarity about the content of this idea. For the time being, it would mean nothing more than implementing a new and more colorful name for the Council of Baltic Sea States. The Latvian ambassador in America himself feels that the "Amber Gate" could be established on the basis of the CBSS, giving that organization a new mission. It is not clear, however, what exactly that mission might be. Ojars Kalnins has emphasized the promotion of economic cooperation and the development of transit routes, as well as the fact that the project would help to establish a regional identity.[26]

Latvia's uniquely great interest in regional projects is linked to two factors. First of all, among the three Baltic states, Latvia is the most oriented toward regional cooperation. Second, it was the presiding country in the CBSS in 1996 and 1997, which obliged it to act as a regional initiator. Latvia wanted to leave something as its legacy, as Sweden did during its presidency via the Visby and Kalmar documents which awarded Sweden a leadership role in the region.

The only new nuance in the "Amber Gate" idea, which would set it



apart from existing forms of cooperation is that the plan is to involve in the region countries which do not belong to the region in terms of geography, but which have expressed interest in participation. Chief among these is the United States, which is already an observer in the Council of Baltic Sea States. There is nothing to prohibit America from becoming a fully fledged member of the CBSS.

Even though the **United States** are not directly involved in the region, they have an undeniably increasing and significant role. This has been affirmed by politicians of various levels, and America's practical presence in the region has come through investments, participation in the establishment of security and military structures, and, finally, the signing of the US-Baltic Charter. At a seminar organized by the Swedish Institute of International Affairs in November 1997, US Deputy Secretary of State Ronald Asmus announced that America had began to implement a new Nordic initiative calling it the Northern European Initiative (NEI) which involves three of the basic principles of American policy in terms of promoting regional security: help for the Baltic states in their efforts to become powerful candidates for integration into Western structures; promotion of relations between Northern Europe and Northern Russia – something analogous to the old Hanseatic tradition, when the Baltic Sea was open for free trade – and increasing contacts between the United States and Northern Europe in the form of an all-encompassing coalition. America has invited France and the United Kingdom to participate in the coalition, because the Baltic Sea Region is not solely the responsibility of the Nordic countries.[27]

America unveiled a new element in this initiative in January 1998 through the person of Strobe Talbott, who was then on a visit to Finland.[28] He said that the essence of the new element was to link Russia into European integration processes. The rational nucleus of this policy is to ensure that factors which would hamper or even halt democratic reforms in Russia are not given the opportunity to come to the fore, as well as to promote Baltic efforts to implement their Europe policies – something that until now has been hindered by the unsettled relationship between the Baltic states and Russia, as well as by Moscow's implacable opposition to any steps which the Balts take toward Europe, and especially toward NATO. The BSR is the favorable environment

in which Russia could be involved in highly varied and mutually advantageous forms of cooperation – a process which would be supported by the United States by all possible means.[29]

According to Gerard Walter, who is the speaker of the Baltic Sea States Sub-regional Conference and Minister for Justice, Federal and European Affairs of the Land of Schleswig-Holstein, the BSR will have to face up to five major tasks in the near future: "region-building" will have to be built through three action programs; EU member states in the region will have to organize their interests in Brussels in a way which better supports the interests of the BSR when it comes to enlargement, making certain that Baltic Sea cooperation will be supported in the future, when the EU's financial policies and structural funds are reformed, and forming interest groups to promote further integration; support for EU membership for all three Baltic States will have to be given; the idea of an EU Baltic Sea policy will have to be promoted further; and an approach will have to be found toward security matters in the widest sense of that word.[30]

Closer integration in the region helps to establish the international environment in which the more narrow dialogue between the Baltic and Nordic countries can take place, along with the political process which involves EU enlargement and more active cooperation with NATO. Because both sides in this process are organic components of the BSR, they must consider not only their own political interests, but also, to an equal extent, the international setting in this area. As can be seen from the foregoing analysis, there is consensus among the countries of the BSR with respect to two important conditions for Baltic security: a common understanding on the significance of the region at the national, European and global level, and an understanding of the need to increase mutually advantageous cooperation in all areas, including the security sector, as well as of the positive influence of EU enlargement for all individual countries, irrespective of whether they are in or out of the EU, and for the region as a whole.



## The beginning of EU enlargement and its impact on the relationship between the Baltic and the Nordic countries

The onset of EU enlargement was a test of the claims which had been made in various political forums to the effect that the Baltic states are one of the main foreign policy elements of the Nordic countries. If we look at the brief history of the restoration of Baltic independence, and at the reaction of the Scandinavian countries toward that process, then we see several changes in attitude, beginning with very careful initial attempts to establish bilateral relations (the exceptions here were Iceland and Denmark, which supported the Baltic states even before the restoration of their independence and which did not hesitate to offer them international recognition), and then proceeding gradually toward a much greater interest which eventually went so far as to include the claim that Baltic security is also Nordic security.[31]

EU enlargement was not only a test of political rhetoric, however. It was also linked to a whole range of purely practical issues. First of all, two of the Nordic countries became members of the EU only in 1995. This meant that Finland and Sweden themselves had to integrate into the institutional system of the EU and to adapt to the various economic, social and other processes which this entailed. Simultaneous national adaptation and the involvement of new candidates in the EU meant the first real step in the move from simpler forms of cooperation to a process of all-out cooperation. The decision by Denmark, Finland and Sweden to help the Baltic states to become members of the EU was the result of the regionalization policies which had been begun earlier and which were expressed by the political elites of these countries in various foreign and security policy documents. In my opinion, a good explanation of the role of the Baltic states in the foreign and security policies of the Scandinavian states – a role which also dictates the increased interest of the Nordic countries to support Baltic membership in the EU – is given by the Swedish security expert Ingemar Dorfer, who has used a classification of national interests that was first elabo-

rated by RAND researcher James Thomson to divide interests into vital interests, essential interests and general interests. This distribution helps the Baltic states to avoid any excessive and unjustified illusion that they are the center of the BSR, and it also helps to remind actors in the region that the interests of countries lie above any sympathies which they might have toward freedom-loving small nations. In the Nordic countries this is expressed in the following way: Vital interests are the defense of the nation and of Nordic neighbors; the US presence in Europe; and the preservation of a viable NATO. Essential interests are the security of the Baltic states and Poland; the cohesion and integrity of the European Union; and the expansion of the EU to include Central Europe and the Baltic states. General interests are peace, liberty and prosperity in Europe, including Russia, and non-proliferation of weapons of mass destruction anywhere in the world.[32]

In other words, the Baltic states are part of the essential interests of the Nordic countries, as is support for efforts by the Baltic three to join the EU. This is a complicated task, at least compared to the process whereby Finland and Sweden joined the Union. It is worth noting that their path to the EU was relatively smooth, given the level of democracy, welfare and social development in the two countries, as well as the fact that they had had links with the EU since the 1960s. Both factors prepared the way to the European Union long before 1995. The latest wave of expansion, which will include 11 countries, will be very much different from the previous one, and not in any better sense either. This enlargement will involve countries that are not fully formed in terms of their economies, their policies, and their societies. In terms of some statistical indicators, they are far behind existing EU member countries,[33] and the enlargement will be considerably more expensive than the previous one, in which countries basically paid for their own admission. The overall cost of the expansion is difficult to calculate, given that there will be enormous social and agricultural expenditures and that there is no clear understanding of the future of the EU's cohesion funds, its regional development promotion funds, etc. It is also true that the previous enlargement did not involve any fundamental institutional reform in the EU. Now it is very difficult to foresee what changes might have to be implemented, how the process will proceed, what



might be its overall outcome. During the last round of enlargement it was clearly known that the result of the negotiations would be positive, but now it is difficult to predict the results. An important role will be played by the development of domestic policies in each of the candidate countries, and that means that the enalrgement will take a long time. Finland submitted its application in 1992 and was admitted in 1995; the experience of Spain, however, proves that a long period of time can pass between the start of negotiations and a country's admission to the EU. Spain first expressed an interest in joining the EU in 1977, but joined only in 1986.

In the previous chapter we discussed the high level of mutual dependency among the countries in the BSR. As EU enlargement began, some people asked whether the rapidly developing Baltic states might not become competitors of the countries which are located in the North of the EU. A group of Finnish researchers conducted a comparative analysis of the economic development levels of Finland and the Baltic states in the broader EU context and concluded that from the perspective of the EU, accession by the Baltic states would not cause significant economic problems for European countries, even small ones such as Finland. In 1995 Finland's GNP amounted to USD 126 billion; the overall GNP of the three Baltic countries was only 11.3 % of the Finnish level. Baltic imports amount to only 28 % of Finnish imports, while exports are at only 15.5 % of Finland's exports.

These comparisons show that with their low level of GNP, and with their rather modest volumes of foreign trade, the Baltic states cannot cause any major disturbances in the EU framework. Estonia, Latvia and Lithuania have overall exports of some USD 6 billion a year, which is about one-sixth of the Finnish export performance.[34] The volume of Baltic exports to Western Europe is very modest. With an annual export amount to the EU of less than USD 3 billion, the Baltic states can hardly cause any market disruptions.[35] One of the most sensitive issues in the EU, including its approach to candidate countries, is the issue of agriculture. In the Baltic states, the agricultural sector accounts for a fairly large share of GNP, and some think that this will be a controversial issue in the context of EU enlargement. Agriculture, forestry and the fishing industry have a total value of USD 1.15 billion in the three

Baltic states – again, a very modest figure when compared to Finland's. In 1995, in Finland, agriculture represented 1.7 % of GDP, which represents a value of USD 2.1 billion, while forestry represented 2.7 % and USD 2.5 billion. In other words, the total value of agriculture and forestry in Finland is four times higher than the analogous value in Estonia, Latvia and Lithuania taken together.[36] If we put these figures into a wider EU context, they look even more modest. The combined GNP of the three Baltic states is approximately equivalent to 0.15 % of the combined GNP of the 15 EU countries. Therefore, close economic cooperation between the Baltic states and the EU can hardly cause any substantial disruptions in the EU region.(37)

The enlargement could have some negative influences on cooperation among the Nordic countries with respect to the Baltic states, and a lack of coordination is already visible. Before July 1997, when the enlargement became a true political process, the Scandinavian countries which are EU members (Denmark, Sweden and Finland) maintained a unified position vis-à-vis Baltic membership in the Union. Since the Amsterdam summit, however, the unified position, as well as the overall attitude toward enlargement, have proven to be an illusion which collapses as soon as the primary interests of the respective countries come into play.

After the European Commission announced its conclusions about which candidate countries are ready to begin membership negotiations in the EU (Estonia, as we know, was the only one of the Baltic states to make the list), there were the first signs of a split in views in the Nordic countries. In September, the Baltic and Nordic foreign ministers met at Bergen, and during negotiations over the final communique of the meeting, Finland took a different position from Denmark's and Sweden's. Finnish Foreign Minister Tarja Halonen stressed the need to support rapid accession for Estonia, while the other two countries, accusing Finland of diverging from the common stand, emphasized a necessity to put political pressure on the EU and its member countries to encourage a simultaneous start of negotiations for all three Baltic states.[38]

The fairly strict position which Denmark and Sweden took against Finland was criticized in a variety of press publications. One of Finland's most influential newspapers, *Helsingin Sanomat,* commented



that "Sweden has good reason to look into the mirror and ask whether the result is more important than its internal political reason or image."[39] Offense was also caused by Norway's clearly stated position that the Baltic states must be kept together. *Helsingin Sanomat* sniped that a country which itself voted down a referendum on EU membership has no moral right to push views upon EU member countries.[40]

Finland based its arguments on the idea that Latvia and Lithuania are not as prepared for EU membership as is Estonia, and unrealistic pressure on the EU might hamper early membership for the one Baltic country which is more highly developed. Finland sought to portray its own position as a consistent implementation of *realpolitik*, while arguing that its two neighboring countries were idealistic in their approach. The result of the Luxembourg summit, however, proved quite the contrary – that even in a seemingly hopeless position, a country which implements balanced and farsighted policies can reach their intended goals. Thus Denmark and Sweden scored a victory over Finland's cautious approach to the idea of putting all three Baltic states on an equal starting line. Even though after Luxembourg Finland claimed that it had never wavered from the idea of a unified start, Helsinki's statements between Amsterdam and Luxembourg testify to the opposite. In an interview with the Latvian newspaper *Diena*, for example, Finnish President Martti Ahtisaari said that the European Commission had stated its views, and Finland agreed with those views. "Those countries are closest to membership, and negotiations, therefore, must be started with them," he said.[41]

A new test for Scandinavian support to Baltic EU membership occurred at the end of 1998 when the first regular reports on candidate countries pre-accession progress were released. Latvia was indicated as the country that made the most significant progress. It was important for both, Latvia and Lithuania to receive a clear message when they could start substantive negotiations. In the preparation of EC recommendations Sweden and Denmark worked actively to get the two countries on the fast track in the negotiation process. The Vienna summit in December 1998 did not bring a big surprise for the Nordic EU members and the Balts because the decision on the next round of negotiations would be taken only in the end of 1999 during the Finnish

presidency. The Swedish Prime Minister Göran Persson commented that: "Taking into consideration the growing reluctance of some countries against the further EU enlargement process, we should be satisfied with the decision adopted by the Council."[42]

A lack of coordination and unified policies has appeared toward the BSR as well. In the summer of 1997, for example, the Nordic countries could not reach agreement on whether to recognize Latvian non-citizen passports. Only Denmark recognizes these passports for travel into Denmark under the auspices of the visa-free regime. There is also competition in the trade area. Swedish exports to the Baltic states amount to SEK 3.5 billion, while Denmark's exports amount to SEK 1 billion less. Swedish imports from the Baltic states amount to SEK 6 billion, while Danish imports tally up to only one-third of that sum. Development trends, too, indicate that Denmark will not succeed in reaching Sweden's levels any time soon.[43]

There have also been several instances of conflict between individual ministers. The Norwegian and Danish defense ministries, for example, have been unable to agree on coordinating military cooperation with the Baltic states. In 1996, when Sweden was establishing an international Baltic Sea Council under the auspices of the prime minister's office, it drew complaints from Finnish officials that it was Finland which first started to establish such an institution. At the 48th session of the Nordic Council, Finland's minister for Nordic cooperation, Ule Norbak, accused Swedish Prime Minister Göran Persson of wanting to grab all BSR policies for himself by claiming that Sweden could coordinate the cooperation.[44]

The process of cooperation and competition among the Nordic countries in their relations with the Baltic states have been characterized by the Norwegian specialist Olav Knudsen as follows: "Prevailing in all of these various Nordic policy-making contexts in 1996–1997 were exceptionally strong national competitive tendencies between the Nordic states, rarely seen before in inter-Nordic relations: There was competition to be perceived as the 'leading nation' in organizing Baltic Sea cooperation, competition to be seen as the most solid aid provider for the Baltic states, competition to maintain the Nordic link to the United states, etc., etc. The combined effect of these frictions was to make



Nordic cooperation more chaotic in 1997 than at any time in living memory."[45]

There are problems not only with the competition among the Nordic countries, but also with conflicts among various government structures within a single country. This has been noted by the British expert Clive Archer, who has written with respect to Scandinavian involvement in the Baltic states that "complementary elements and those of overlap are stronger than those of competition in the Nordic policies. But within the Nordic countries there is some indication that ministries of defense that cooperate with other defense ministries on Baltic matters have not always been in harmony with their own foreign ministries. There can even be differences between the operative element in defense – the defense command – and the policy side in the ministry."[46]

EU enlargement may have a consolidation effect, because as a political and regional institution the EU is linked to the desires of each individual country or group of countries to maximize its resources in the achievement of various goals. If Denmark, Finland and Sweden operate within this system as a unified bloc (which eventually might also include the Baltic states), they have more significant political power. That is the reason for Nordic efforts to use EU enlargement as a cause for consolidation. At a meeting of Nordic and Baltic foreign ministers in Brussels in March 1997, a cooperation plan for this year was adopted. The Baltic states will receive DKK 51 million for the implementation of 31 projects in such areas as upgrading of legislation to meet EU standards, support for non-governmental organizations, and help in the educational, cultural and scientific fields. Each Baltic states will also receive bilateral support. Analyzing the abilities of the Scandinavian countries to consolidate, we see that the EU and the Baltic states both are causative factors in the process. Denmark, Finland and Sweden are playing the decisive role in the integration of the Baltic states with the EU, and that is impossible without coordination of operations. It is in this way that the Baltic states have become a factor in unifying the Nordic countries and in creating a new identity for Nordic cooperation. The Danish researcher Hans Mouritzen puts it into a followind way: "There is no doubt, however, that the re-emergence of the Baltic states has blown a new lease of life into Danish-Swedish-Finn-

ish mutual cooperation and competition; in addition to their parallel actions, the Baltic challenge presents a novel and huge common task of its own. They have now even more in common then before."[47]

How is Nordic assistance in promoting Baltic strategies for eventual EU membership occurring now, and how might it intensify in the future? The most important element is assistance in preparing the Baltic states for membership negotiations. The Baltic states do not have the necessary knowledge and experience in this area, but Denmark, Finland and Sweden do. If the Baltic states have "Europe policies" which are six years in the making, the Nordic countries can look back on 20 years of experience. The next level involves the expression and defense of Baltic interests at the bilateral level between Nordic countries and other EU member countries, as well as in such EU structures as the European Council, the European Commission and the European Parliament. It is also important to continue to increase investments and to develop multilateral cooperation forms, including in the field of security and military issues. At the political level, it is important to maintain regular dialogue among themselves and with other Baltic Sea Region countries, demonstrating that stability, security and economic welfare in the BSR (a region which is becoming an inseparable part of the EU) is an important issue in terms of Scandinavian interests.

As can be seen from the foregoing analysis, the Nordic countries have made an important investment in helping the Baltic states to draw nearer to European structures. We must also, however, look at the investment which each individual country has made in implementing the European policies of the Baltic states.

**Denmark,** which is the only Nordic country that is a member of both the EU and NATO, has helped the Baltic states in their efforts to join both institutions from the very beginning. Looking at Denmark's support policies, we see that they have been more active in the direction of NATO; this is logical, given that Denmark is the only Nordic country among the neighbors of the Baltic states which is involved in that organization.[48]

Denmark has helped the Baltic states to draw nearer to the EU in several ways. First of all, Denmark has consistently increased its presence in the Baltic states with economic, political and cultural methods.



This is affirmed by the overall volume of Denmark's investments, as well as the regular nature of the investments and their even distribution among the Baltic states. Danish assistance to the Baltic states in 1996 amounted to DKK 2 billion.[49]

Assistance has been granted in several areas, starting with joint business ventures, continuing with military assistance, and ending with ecological and educational programs. In environmental protection projects alone Denmark invested DKK 650 million in 1996, and over the next two years the investment will increase to DKK 2.5 billion.[50]

An important new element is financial assistance aimed directly at bringing the Baltic states nearer to the EU.[51] In 1997 Denmark granted DKK 100 million to promote the involvement of the Baltic states and Poland in the EU. Proof of the special status which the Baltic states enjoy in Danish foreign policy is the fact that in 1997 Denmark offered a total of DKK 1.8104 billion in aid to Central and Eastern Europe. In 1995, 44 % of assistance went to the Baltic states (7.47 % for Estonia, 12.43 % for Latvia and 18.68 % for Lithuania; in comparison – 17.27 % went to Poland and 14.63 % to Russia), while the rest was divided by the other countries. In 1997 the percentage increased.[52]

Secondly, assistance is also being granted at the political level. This was reflected most directly by events associated with EU enlargement, starting with Amsterdam and ending with Vienna. It was the Danish Foreign Minister Niels Helveg Peterson who, in commenting on the European Commission's recommendation to invite only one Baltic state, Estonia, to begin membership negotiations, said that Denmark, Finland and Sweden are in total disagreement with the "Agenda 2000" document. Quite a while before the Commission report, in March 1997, the Danish embassies in the three Baltic states released a report on the condition of the Baltic states and their readiness to integrate with the EU. The document offered precise and in-depth information about processes in the three countries, and the aim was to help the European Commission in preparing its own report. It was stated that Brussels devotes too much attention to shortcomings and to the minorities issue, while economic achievements are given short shrift. Denmark's representatives in Brussels maintain regular and effective contacts with Baltic diplomats. Close contacts have been established at all levels, starting

with ambassadors and continuing through various officials at other levels. The result is the Balts have an opportunity to follow what is happening in EU structures. The Baltic states are also invited to participate in Nordic meetings in Brussels.[53] Undeniably, however, the main indicator of effectiveness and success in Danish and also Sweden's policies vis-à-vis the integration of the Baltic states with the EU is the compromise decision that was taken at Luxembourg with respect to two types of membership negotiations – a process which will also involve Latvia and Lithuania in the integration process. The six-month diplomatic marathon that occurred after Amsterdam ended in Denmark's and Sweden's favor, and the greatest benefits of this will accrue to the Baltic states.

Sweden has limited its Baltic states policies to the EU, because the future prospects of NATO membership are still a matter of domestic political debate in Sweden. Sweden's activities in the EU enlargement question correspond to Denmark's position, but the activities have been more single-minded and purposeful. This apparently is the result of Sweden's desire to become a leader in the BSR – something that Sweden has sought to achieve ever since 1996. An orientation toward the EU gave this process true content. One way in which Sweden has supported the efforts of the Baltic states to draw nearer to the EU is promotion of economic activity in the Baltic states which would help them to reach a higher level of welfare. On the one hand, it might not be worth emphasizing this particular aspect of cooperation, but given the caution which Sweden displayed during its slow entry into the region in 1995 and 1996, the activities in the last year can be seen as an increasing and long-lasting interest in the region and in the Baltic states.

Although economic support has increased, however, Sweden's desire to serve as a leader is difficult to reconcile with the way in which processes have been developing. Only 4 % of Swedish exports end up in Eastern and Central Europe (the figure for the EU is two times larger). 1,700 Swedish companies are registered in the Baltic states, but considerably less than one-half of them were actually in operation in 1996. Of large companies, only some 50 have ventured to enter the new democracies that exist around the Baltic Sea. Despite political signals, Swedish business circles are hesitating with investments in the



Baltic states, Poland and Russia.

Recently Sweden has changed its assistance policies to resemble those of Denmark. Swedish assistance to Eastern Europe, which has been approximately SEK 1 billion a year in the years up to and including 1998, and now the assistance is aimed mostly at helping the Baltic states to prepare for EU membership. What's more, the aid has been focused on programs which seek to enhance security – cooperation among customs departments, police agencies and armed forces. Of interest is a comment by Pierre Schori that assistance to Eastern Europe is a good deal for Sweden, because 90 % of the money ends up back in Sweden via the purchase of goods and services.[54]

If in the economic sector there has been a move from caution to active operations, then in the political sector Sweden's support for the Baltic states on the road to EU integration has been just as significant as Denmark's. It should be noted that it is more difficult for Sweden to implement active support policies, because Sweden's political forces are not as unified as Denmark's on the issue of beginning membership negotiations with all three Baltic states simultaneously. At a meeting of Sweden's EU Council in September 1997, for example, representatives of the Moderates supported the European Commission recommendation that negotiations be started with Estonia. It is significant that among those to agree with this position was Carl Bildt a great supporter of the Baltic states. Swedish Ex-Foreign Minister Lena Hjelm-Wallen criticized and rejected this position. She went so far as to complain that Bildt's party colleagues in Germany and Spain are those who are most active in objecting to simultaneous negotiations with all candidate countries.[55] The Baltic states feared that when the Social Democrats came to power, Sweden's favorable policies toward the Baltic states might change, but the enlargement of the EU has provided affirmation that the governing party is not only maintaining the same overall policy course, but it has gone even further – maintaining a strict position in lobbying on behalf of the need to start membership negotiations with all of the candidate countries at once.[56]

Sweden's official position in favor of simultaneous membership negotiations will all of the candidate countries is based on the following arguments: If the Baltic states are split up and some countries are raised

above others, this will not promote the pace of reform and will cause some countries to fall behind. For them it will be practically impossible to catch up with the countries that have been put in a more favorable situation This, in turn, will facilitate the creation of first-class and second-class countries, and this will promote a negative attitude toward the EU, as well as increased social tension. This is despite the fact that the decision taken at Luxembourg, which theoretically allows for a unified starting position for all candidate countries, should make all of the candidate countries more active in dealing with various EU-related issues. In 1998 Sweden established a special working group at the level of civil servants which would improve Latvia's and Lithuania's situation in the negotiations and to speed up the reform of legal systems in the two countries. It is significant that Sweden is convinced that with its help, all three Baltic states will make considerable progress in a comparatively short period of time. After 1998 Sweden has shifted aid from the Baltic states to Northwestern Russia, the Kaliningrad province, and the northern part of the Barents Sea. That was done because after a year the 5+3 relationship should turn into normal trade relations, and help will be needed only in specific sectors.[57]

In order to help the Baltic states intensify their policies on the way to the EU, at a meeting of Scandinavian and Baltic foreign ministers in September 1997 in Norway, Sweden came up with a proposal to marshal all possible forces in order to establish a special research group which would develop recommendations on ways to overcome difficulties faced by executive structures in developing EU-related policies. Help would be granted in the form of advice, as well as financing.[58]

After a longer period of silence, the Baltic Sea Council which was established in 1996 under the auspices of the Swedish prime minister's office has become more active again. One of the most important areas of its activities involved the distribution of SEK 1 billion awarded by the Swedish government, the priority being projects aimed at helping countries to draw closer to the EU. 400 candidates applied, which means that interest in links with the region is high.[59]

Priority will be given to those applicants whose projects are linked to such sectors as food production, energy systems, education, infrastructure and the environment, who can identify functioning local institutions in the regions where the projects are to be carried out, and whose projects will promote business development and foster democratization in local governments.[60]



A concentrated statement of Sweden's policies vis-à-vis the Baltic states was expressed by Prime Minister Göran Persson in an interview with the newspaper *Die Welt*. He said that the main priority is support for the Baltic states to speed up their integration with the EU, implementing this support through industrial projects, through helping in the fight against organized crime, and through promoting border treaty negotiations between the Baltic states and Russia.[61]

**Finland** is definitely the one Scandinavian country which has gained the most from joining the EU. This is true in terms of the country's economy, security, social aspects and regional considerations. What has Finland gained in its four years as an EU member? Food prices have declined by 10 %, the unemployment level has fallen, 60,000 new jobs have been created, and Helsinki participates in the taking of decisions on pan-European issues and influences those discussions in a real way. Finland has taken advantage of various EU assistance funds to help develop regions of the country, which are in a less advantageous position than others. Finland has promoted its various regions and their cooperation with other EU regions.[62] The internationalization of the country has increased. Summing up Finland's relatively brief history in the EU, President Martti Ahtisaari has said in 1997 that without the EU, Finland would need 10 years to achieve in the international arena that which has now been done in less than three years, establishing relations not only with Brussels, but also with other EU regions. The positive regional experience has facilitated Finland's break with the tradition of concentrating solely on Estonia. Over the last two years, the country has moved very swiftly toward the South, and it has also established a new type of relations with Russia. In 1996 Finland's investments in the Baltic states evened out, and the dynamics of the process changed. In 1996 the Finns were the greatest investors in the region. Since January, the *ENSO* company has operated a packaging company in Riga at a volume of FIM 45 million. *Neste* has built a chain of gasoline stations, and together with Statoil built an oil terminal in Riga that is worth nearly FIM 0.5 billion. *Telecom Finland* is helping to

shape the telecommunications networks of Latvia and Estonia. Finns have made considerable investments in the development of sawmills in rural Latvia (at an overall value of FIM 95 million). And *Neste, Statoil* and *Shell* control 50 % of the Latvian gasoline market.[63] Trade between Latvia and Finland is increasing by 20–25 % a year.[64] Since Latvian government decided to terminate the monopoly in telecommunications the Finnish company *Sonera,* that bought the investment package, is the biggest investor in Latvia with USD 305 million. At present time Finland is the third biggest Latvian trading partner. During one year and a half a number of Finnish enterprises in Latvia increased from 120 to 250.[65]

Although Finland has been more active in the South of the BSR in economic terms, however, in political terms Finland has reaffirmed its position in favor of Estonia, even if it has generally stayed with Denmark and Sweden in support of EU membership for all three Baltic states. This can be explained in various ways. First of all, Finland, compared to the other Scandinavian countries, has been able to implement its own foreign policy independently only since the late 1980s. This means that in a short period of time Helsinki has had to prove the effectiveness of its foreign policy in order to obtain a respected place in the international system. Finland's economic and political resources do not permit it to be equally active throughout the BSR, or even in a group of countries in the region, so it has chosen the one country to which it is closest, both geographically and in terms of culture. That country is Estonia. Second, from the first days of Estonian independence, Finland has been economically and financially active in the country. More rapid EU membership for Estonia would mean that Finland's investments in the country would go into Western circulation, and that in turn would mean more rapid and greater profits. Third, Estonian membership in the EU would be seen as a direct result of Finnish activities, and this would increase Finland's prestige in the EU, as well as the number of its allies in the EU.

The new Finnish activism vis-à-vis the EU was affirmed once again in December 1997, when at the Luxembourg Summit of the European Council Finnish government came up with the proposal of establishing a "Northern Dimension" policy for the EU.[66]



The Finnish initiative engendered a less than unanimous reaction in Latvia. In August 1998, for example, the Ministry of Communication said that the ND would threaten Latvia's prospects as a transit country and, by extension, the nation's economic interests. After a meeting of the Baltic and Nordic foreign ministers in August of the same year, it was decided that the Finnish and Latvian foreign ministries would have regular consultations on the ND.

The concept of the ND is based on several considerations. First of all, Helsinki wants to clear up the EU's less-than-clear policy towards the Northern reaches of Europe. Given the region's development prospects in the future, there must be a concrete and specific policy with respect each regional country, including Russia. Taking into consideration that almost all countries soon will become EU members it means that soon the dimension could become a bridge for a variety of relationships between the EU and Russia. It is possible that in the future the ND will describe the "Russian dimension" in the EU.

A second issue here is the rapid economic development that has been occurring in Northern Europe and the region's geo-political situation between the East and the West. The Finnish government feels that transit and trade in this geographic environment will boom in the nearest future, while existing infrastructure and technological levels are far short of future requirements. This means that the region must prepare now to utilize the opportunities that the mutual economic interests of the region's countries and the EU can afford. Much of the ND is focused on the development of such sectors as energy resources, raw materials, wood products, transit, the transportation infrastructure, environmental development and nuclear safety.

A third consideration emanates from the EU's existing experience in developing promising regions in which there are entities of various developmental levels – the Mediterranean region, to name a specific example. That region was established by the EU in 1995 with a USD 5 billion budget over four years with the aim to promote free trade and to reduce differences between the nations in the North of the region and those in the South. The project has been successful so far, and it has caused the EU to develop a Southern Dimension that is powerful and with a distinct identity. One of Finland's hopes is to bring the same

kind of favorable result to Northern Europe, and by attracting financing gain benefits also for Finland. By "Northern Europe" Finland understands not only the BSR, but also the Barents Sea Region and the Arctic Council.

The fourth issue is the fairly tense security situation in Northern Europe, where Russia continues to have a concentrated military and nuclear weapons potential, the control over which is closely linked to the chaotic political situation in that country. Increased cooperation and greater investments in the region would serve to increase stability and security, too.

Fifth, the ND is, on the one hand, an instrument with which to attract EU attention to Northern Europe, thereby, changing the peripheral status of Finland. Helsinki could be given a regional leadership role in the North. On the other hand, by turning this issue over for EU consideration Finland has turned it into a broader, all-EU initiative.

Even though each Scandinavian country, which is a member of the EU, has its specific approaches for increasing links between the Baltic states and the EU. We must conclude that the cooperation, which began even before Finland and Sweden were admitted to the EU, and before the Baltic states were invited to accession talks, created a favorable environment for ascertaining that once the European integration process began in earnest, there were more unifying elements than differing elements between the Baltic states and the Nordic countries. EU enlargement will not only bring together in a single institution countries with similar values, but it will also enhance security and stability in the BSR as a whole, because the reform process will be promoted in the candidate countries, as well as in Russia through its special agreement with the EU.

## NATO enlargement and the reaction of the Baltic and Nordic countries

The beginning of NATO enlargement does not play as significant a role in relations between the Baltic and Nordic countries as does EU



expansion. This is first and foremost because of the interests of the Nordic countries themselves. Only one of the three Nordic countries which are in NATO – Denmark – has consistently supported Baltic membership in Transatlantic structures, while the others have limited themselves to internal debates and about the future of the alliance about the right of each country to define its security and defense policies independently. Second, irrespective of a country's membership in one or another region, it was clear from the very beginning of NATO's enlargement strategy that the Baltic states would not be among the first group of countries to be invited to join. Excessive focus on the Baltic states in this process did not promise any political victories. Third, Denmark chose a policy of "active internationalism"[67] vis-à-vis the Baltic states despite a lack of objective conditions for the policy to have any effect. This political choice was linked to the possibility that Denmark might increase its influence in the BSR and obtain a new identity within NATO.

If there is regular dialogue among the Nordic countries with respect to EU enlargement, along with coordination of activities at the regional and the EU level on the issue of NATO expansion and the future prospects of the alliance, they have largely stood apart from one another. Only Denmark and Norway are NATO members. This has to do with the historical tradition of not discussing security issues under the framework of Nordic cooperation, choosing to leave those in the hands of the individual countries. In addition, Finland and Sweden still have not made clear their attitude toward the alliance. All of the Nordic countries are unified in the idea that the Baltic states must be free to choose their own relations with NATO. Because the Baltic states, since 1995 have consistently stated that their security policy is aimed at NATO membership, the Baltic Sea neighbors of the three must take this into account. For that reason it is important to study the reaction of the Baltic-Nordic countries to this aspect of Baltic security policy – the movement toward NATO.

As the turn of the century approaches, **Denmark** has become much more active in its foreign policy, and this can be seen as a yearning to reach and maintain a high international profile. The main way to achieve this involves the neighboring countries of Estonia, Latvia and Lithua-

nia, but it is equally true with respect to many different kinds of processes throughout the Baltic Sea Region. Another test of the high-profile foreign policy came when Denmark, at the United Nations, criticized China for human rights violations. This was a one-off event, however, and Denmark does not have the support of other countries, nor the necessary resources to influence China. The Baltic states are a different case altogether, because they can serve as a systematic and ongoing field of operations in a favorable international environment – the BSR. This means that any investment serves the EU and NATO enlargement strategy.

Even though Denmark is the most active supporter of the Baltic states in security and defense issues, it, like the other Nordic countries, does not want to guarantee Baltic security. This is largely because of the overall understanding of Europe's future security structures. An official document from the Danish Foreign Ministry states that " ... they will not be able to accept such a task. Security in Europe cannot be regionalized, but the regional cooperation structures can make a useful contribution to general stability."[68] This is a far-sighted policy, because Denmark has chosen not to offer a replacement for alliance-oriented policies. Rather, it has offered to help the Baltic states to draw nearer to NATO and to prepare for full membership in the alliance. Denmark has actively participated in the development of various assistance programs in this area. Denmark also offers regular assistance in purely practical activities. For example, 100 Baltic soldiers were included in the Nordic-Polish brigade which is participating in peacekeeping operations in Bosnia. In 1998 alone there are plans to implement some 80 joint projects in the field of military cooperation.

**Norway**, although it is not the most active supporter of the pro-NATO policies of the Baltic states, has recently been more active in assisting the Baltic countries to establish their security structures. In May 1997 the Norwegian Foreign Minister Björn Tore Godal proposed a new foreign policy initiative for stronger relations with the Baltic states, under the auspices of which, with Norwegian and American support, cooperation, especially in the field of security policy, could be expanded considerably. One result of this initiative was that the issue of coordinating assistance was on the table in September 1997, when a



meeting of foreign ministers from the Baltic Sea countries met at Bergen. The discussion focused on concrete cooperation projects in economics, politics, security and environmental protection. This meeting resulted in an initiative –Friends of the Baltics, which later turned into more elaborate programme BALTSEA (Baltic Security Assistance).

**Finland** is one of the Scandinavian countries which must define its own attitude toward NATO in the new post-Cold War world and the possible role of the country therein. Until recently Finnish membership in NATO was not seen as a security policy alternative. Even though in a document that was signed on 29 May 1996 between Finland and NATO stated that Finland is not planning to join the alliance. Finland is especially interested of the effect of NATO enlargement on Northern Europe and the BSR.[69]

In 1997 domestic debates about this issue intensified in Finland. One reason why the possibility of Finnish membership in NATO was put on the table precisely at this time was the preparation of a report on European security policy developments and on preparation of a Finnish defense concept. This report was turned over to the Finnish Defense Council and was not meant for public consumption. This created suspicions about whether plans were afoot to make some kind of shift in the country's traditional security policies. Looking at ideas which appeared in the press and in statements by Finnish politicians, one can conclude that Finland will continue to rely on its own strengths in the defense area, but it will participate in crisis aversion and peace strengthening operations and in the establishment of Europe's future security structures, including perhaps the Western European Union and NATO. From Finland's perspective, NATO membership is not an end unto itself. Cooperation with the alliance is much more important. Politicians have sought out a number of metaphors for this issue – "the door is being kept ajar", "NATO is at the distance of one step by a rooster", "all that remains is to put the plug in the socket", etc.[70] NATO has already become part of Finnish security policy, in other words, albeit only at the level of discussions at this time. There is complete truth in the statement that for Finland, NATO is an issue of political will, not of readiness.

An important shift in the process is that the discussion now is being

supported by the country's political elite. Finnish Defense Minister Anneli Taina, offering a positive assessment of the discussion on potential Finnish membership in NATO, has admitted that the government is keeping several political alternatives in mind, depending on the way in which the security situation develops in Europe and the world. Discussions about the role of the alliance in the future are vitally important to Finland as it deals with security issues.[71]

Finland's cooperation with the Baltic states in defense and security issues has been concentrated on Estonia, which receives help in officer training, defense planning, optimization of administrative structures at the Defense Ministry, and in other areas. Latvia and Lithuania have virtually no contacts of this type with Finland.

**Sweden** is the most cautious of the Scandinavian countries in defining its attitude toward NATO. Ideas held by the country's political elite, as well as its overall society, have been shaken up, however, by the onset of NATO enlargement and by the fact that both NATO and the EU have come into the BSR where Sweden wants to be the leader. In discussions about Sweden's foreign and security policies, faith in neutrality is still cited very frequently, but since 1996 there have been increasing suggestions that Sweden might undertake a special role as a guarantor of security in the BSR. Reaction to these ideas has been positive in the sense that Sweden has a positive international image. In Sweden itself, however, the suggestions were rejected.

Sweden's unwillingness to join the alliance is based on a number of arguments: it is easier for Sweden to be active in BSR cooperation if it remains outside NATO[72]; by not being in the alliance allows Sweden to have a more relaxed dialogue with Russia; the BSR is not a NATO project, but the EU is, so it is better to concentrate in that one direction.

By 1997 discussions in Sweden about the country's relations with NATO had become more active. Along with the well-known position of Carl Bildt that Sweden should reject neutrality and integrate in security structures, other and less traditional views also came to the fore. The newspaper Svenska Dagbladet, for example, published the view that discussions about the theme are duplicitous because for the entire post-war period Sweden has based its defense on the idea that the West would quickly come to its aid. Neutrality, holds that view, is a lie.[73] The



same issue of the newspaper also contained the results of a public survey which showed that 61 % of respondents would accept the idea that Sweden's military defense in the future would become part of the pan-European armed forces. 33 % rejected the idea. 55 % of respondents felt that Sweden should deepen its cooperation with NATO.[74]

In February 1997, in a debate about foreign policy, Swedish Foreign Minister Lena Hjelm-Wallen introduced the new term "sustainable security", but she did not specify what that term means. The debates revealed the difference in the views held by Sweden's two most important political parties – the Social Democrats and the Moderates – with respect to NATO. Unlike in previous debates, however, there was a marked shift in the thinking of the governing party, which is beginning to devote more frequent attention to the future of the alliance and to Sweden's relationship with it.[75] The government's foreign policy declaration says that Sweden is developing cooperation with NATO in all sectors except those which involve territorial defense or mutual defense links. In 1998 Sweden updated its defense guidelines, and these are based on an evaluation of the new international system. Inevitably, Sweden will have to define its attitude toward NATO and its enlargement. The Moderates have released a party announcement, "Security in a time of openness", which stresses that Swedish participation in NATO is a natural thing and a logical continuation of Sweden's traditional efforts to strengthen security. The Moderates say that Sweden must cooperate with the Nordic countries in the military as well as in other sectors, because cooperation between the air forces of Norway and Sweden in the North, and with the Danish air force in the South and the West would be only "natural".[76]

In the current situation, it must be decided how the ongoing enlargement of NATO will influence Sweden and Finland. There are at least four parallel processes which both of the countries must take into account. First, NATO now includes Poland, but not the Baltic states. As compensation, the Baltic states are already being offered, and will continue to be offered, expanded cooperation with NATO. Sweden and Finland have been invited to participate in this process. Second, the Partnership for Peace program is being expanded and deepened with respect to countries which are not in NATO. Given that the Baltic states,

Sweden and Finland are among the more active PFP participants, these processes will bring the Baltic and the non-NATO Scandinavian countries closer together in military cooperation. Danish Defense Minister Hans Haekkerup has spoken of a "decentralized PFP-plus". Third, Sweden is one of the most active participants in international peacekeeping operations. Through the "Europeanization" of the Combined Joint Task Force and NATO, Sweden will be drawn closer to NATO, as will other non-NATO countries. And fourth, by remaining outside the alliance, the Baltic states, along with Sweden and Finland, become an area of strategic interest for the alliance, a region whose security can be facilitated through the fostering of regional security cooperation.[77]

If we look at the attitude of BSR countries toward NATO and the future of security developments in the region (not including in this consideration Russia, which is alone in seeking to reject the idea of NATO enlargement), we can specify three possible scenarios for these developments: (a) a soft-security or security regime is established within the BSR; (b) Sweden and Finland join NATO and expand their influence in the Baltic states as member countries of the alliance; (c) Finland alone joins the alliance, while Sweden decides to maintain its neutrality and thus is linked to the Baltic states because of the logic of implementing its security policy. Which of these scenarios will come to pass is dependent on several considerations – the success of the first wave of NATO enlargement, not only from the perspective of accumulating new members, but also on the basis of the alliance's self-identification in the new situation; on Russia's future attitude toward the enlargement of the alliance; and on domestic processes which will be reflected in the foreign and security policies of the various countries which are involved. In any event, the regional security links which have already been stabilized in the military sector, both at the bilateral and at the multilateral level, as well as the cooperation programs which have been offered by NATO – all of these will help to promote the integration of the Baltic states into European security structures, including NATO.



## Conclusions

Over the last several years, there have been qualitative changes in the relationship between the Baltic and the Nordic countries. No longer a simple question of reciprocal activity, the relationship has grown into highly varied cooperation, and the volume of this cooperation continues to expand. These fundamental and progressive changes are linked first and foremost to increasing cooperation within the BSR, both at the bilateral and at the multilateral level. If five years ago the heterogeneity and varying security interests of the countries in the BSR served as a reason for limited cooperation, then now this heterogeneity is a unifying factor which helps countries, via the various scenarios of enlargement, to specify their role in the future security structure of Europe. This helps to explain why countries as different as the United States, Belarus and Ukraine all want to participate in BSR projects.

Secondly, the enlargement of the European Union is the single most powerful factor in promoting cooperation between the Baltic states and Scandinavia. This is partly because the Nordic countries are interested in strengthening the EU's Northern Dimension and, with the help of the Baltic states, to eliminate the view that they are small countries with limited resources of power. It is also true, however, that as one of the main trends in contemporary international processes, regional cooperation offers great opportunities for countries to become involved in these processes, identifying their specific place in the international system and adapting to the dynamic changes which are taking place. This process has been described vividly by Monika Wohlfeld, who has written that "one of the most important conclusions from the debate on enlargement is that evolution of the European security environment requires that all the countries involved contribute to international stability as much as they benefit from the explicit or implicit projection of security from the existing institutions. Accession thus implies security benefits but also greater obligations, particularly with respect to new members' neighbors. When institutional reform and enlargement occur, they will not in themselves provide a solution to all post-Cold War

security concerns. They must be supplemented by specific arrangements on several levels; in particular, sub-regional cooperation will play an increasingly important role. Interlocking sub-regional groupings which include EU and NATO countries, prospective members and other states will have an important contribution to make to regional stability and cooperation, by cutting across potential new dividing lines."[78]

Third, institutionalization of cooperation among the BSR countries is in and of itself a progressive factor which promotes and coordinates reciprocal activity. At the present time, however, we are seeing an explosion in the number of institutional forms, but there is a lack of resources to carry out all of the intended projects. The most important near-term question concerns how to utilize existing resources. Frequently misperceptions occur when institutions and processes are given non-existing functions and identities. The phenomenon of rising expectations can then be found in societies and among politicians, and if the cherished hopes are not reached, the process, as well as its necessity or effectiveness come into question. Olav Knudsen has written that "Nordic cooperation is sometimes presented as if it were an irresistible onslaught of the forces of harmony. But the everyday experience of cooperation is also to deal with disagreements and to seek to reconcile conflicting interests. Therefore, the task of constructing regional cooperation is as concerned with the handling of conflict as with the harnessing of harmony."[79]

Fourth, the EU serves as a unifying factor complete with financing, including the BSR initiative. Still, as the EU increases its presence in the region, more concrete and practical mechanisms for involvement will be needed. Even though the EU has elaborated documents and initiatives with respect to the BSR, the region is not yet a permanent part of the EU's ever-developing policies, which tend to be aimed at the reaching of specific goals. Rather the involvement is at this time a reaction to the integration processes which are taking place in the region, as well as an expression of political will – a reminder that the EU was among the founders of the Council of Baltic Sea States. One can only agree with Olav Knudsen, who has been quite critical of the EU's involvement in the region: "...despite the documentary exercise and



the considerable assistance programs offered, the EU has not formulated a satisfactory overarching policy on the BSR as such, whether in security terms of otherwise."[80]

Fifth, Russia's presence in the Baltic Sea Region has increased and become more concrete and rational. In the near future, Russia's role in the region will increase. This is because both the EU and the BSR want to integrate Russia into European processes. The EU-Russian partnership and cooperation agreement defines the interests of both sides in developing a variety of forms of cooperation. This means that from the perspective of the EU, the cooperation might be implemented both through the agreement and through the BSR initiative. It is for that reason that there must be coordination and consistent implementation of the Russia policies of the BSR and the EU.

Sixth, the onset of the NATO enlargement process has not had as great an integrating role in the region as has the expansion of the EU, and that is because the countries of the BSR have differing views on security policy choices: Sweden is sticking to modified neutrality, Finland is relying on self-help, Denmark, Iceland, Norway and Germany are all in the alliance, with Poland joining in 1999. The Baltic states are oriented toward the alliance, opposed by Russia. Still, the regionalization trends which increase the level of mutual dependency also serve to increase the interest of participating countries to cooperate in the resolution of "soft" security problems in the region. This is already being done at the level of bilateral and multilateral relations.

And seventh, the collective understanding of the advantages and opportunities which the Baltic Sea Region provides will lead to intensified and more divergent forms of cooperation which will be both deeper and broader. This is dictated by the logic of international processes which says that in our day, only those political actors who are effective collectively will survive. A maximum of cooperation, in other words, is the best security guarantee.

The dominating developmental trends which will affect the relationship between the Baltic states and the Nordic countries in the future are clearly seen, but the concrete manifestation of these processes will be dependent on a series of factors: NATO's role in the security structure of 21st-century Europe; the success of NATO enlargement;

EU involvement in the region; and the process of democratization in Russia and that country's interest in participating in the BSR on equal terms.

## Notes

1. Prior to the collapse of the Soviet Union, the Baltic Sea Region was precisely the place where the borderlines of the Cold War were most clearly drawn and where the balance poles of both sides of the equation met. Any forms of cooperation, therefore, were limited. The most common forms of cooperation were "twinning towns" and environmental programs.
2. An extensive description of the BSR as a new regional project is provided in the following book: Perko, S. (ed.). *Nordic-Baltic Region in Transition: New Actors, New Issues, New Perspectives.* Tampere: Tampere Peace Research Institute (1996).
3. Walter, G. Address to the workshop "The European Union and the Baltic States – Visions, Interests and Strategies for the Baltic Sea Region". Bonn, Europa-Zentrum, 25 June 1997, p. 3.
4. *Politiken,* 11 Sept. 1997.
5. "Preparing Member Cities for the European Union – EU Funding Granted for the Project". *Baltic Cities Bulletin,* No. 2/1996.
6. *Diena,* 1 July 1997.
7. *Hufvudstadsbladet,* 4 Oct. 1996.
8. "Issues in Focus: Danish Security Policy". Copenhagen: Royal Danish Ministry of Foreign Affairs. Nov. 1996, p. 4.
9. There were several phases in introducing the Baltic and international community with RSG and PRSS. The first step was Russia's preparations for the presentation of security proposals: Firstly, on March 1997, during Clinton-Yeltsin summit in Helsinki; Secondly, on 5 and 6 September 1997 at a conference, "Co-existence of nations and good neighborly relations: a guarantee of European security and stability", which took place in Vilnius. Russian Prime Minister Viktor Chernomyrdin launched a series of proposals about ways in which to improve relations with the Baltic States. The PRSS included the signing of bilateral agreements on political and governmental cooperation, as well as various steps to increase confidence within the Baltic sea region: The installation of a "hot line" telephone between the Russian military headquarters in the Kaliningrad region and the Baltic states; Declaration of areas in the Baltic Sea that would be off limits to military training exercises; Exchange visits by training battleships; and a ban on all but defensive military games in the Kaliningrad region. The Prime minister also proposed security guarantees for the Baltic States. This might have been seen as a new shift in Russian policy, were it not for the fact that almost simultaneously, Russian Defense Minister Igor Sergeyev was saying that Russia's military potential in the Kaliningrad region would be increased in connection with military activities by the Baltic states and their desire to join NATO (*The Baltic Times,* 11–17 September, 1997).
10. It is worth to remind that it was the first time since the Winter war when the both countries presented their common position on security issues.
11. *International Herald Tribune,* 15–16 March 1997.
12. Waever, O. "The Baltic Sea Area: A Region After-Post-Modernity?" in Pertti Joenniemi (ed.). *Neo-Nationalism or Regionality? The Restructuring of Political Space around the Baltic Rim.* Stockholm: NordREFO (1997), pp. 309–310.
13. See Ozolina, Z. "The Nordic and the Baltic Countries: A Sub-Region in the Making?", in Bleiere, D. and A. Lejins (eds.). *The Baltic States: Search for Security.* Riga: Latvian Institute of International Relations (1996), pp. 93–112.
14. Declerck, J. *The EU's Relations with and Support for the Baltic Sea Region Countries,* Brussels, 5 May 1997, B2/JD D(97)cbss/infobri/fintele, p. 1.
15. *Diena,* 19 Dec. 1997.
16. "Preparing Member Cities for the European Union – EU Funding Granted for the Project", *Baltic Cities Bulletin,* No. 2, 1996, pp. 8–9.
17. See Note 11, p. 3.
18. *Diena,* 4 Dec. 1997.
19. Horstmann, H.H. Statement at the conference "Security and Prosperity in the Baltic Region", 16-17 November 1997, Riga, p. 6.
20. Diena, 23 Dec. 1998.
21. If we look at the foreign companies which have invested the most in the Baltic states, we see that most of them are from Scandinavia (the data come from the Estonian and Lithuanian investment offices, as well as the Latvian Development Agency). The five largest investors in Estonia are *Baltic Tele AB* (Sweden, Finland) – a telecommunications firm with investments of DM 120 million; *Agrohiminvest* (Russia) – washing substances, 72 million; *Coca-Cola* (Austria) – soft drinks, 64 million; ANC (Finland) – cement, 50 million; *Leema* (Great Britain) – household goods, 34 million. In Latvia they are *Cable & Wireless/Telecom Finland* – telecommunications, 752 million; *Radisson Hotels* (USA) – hotels, 117 million; *Kellogg's* (USA) – food products, 103 million; *Statoil* (Norway) – fuel, 70 million; and *Karl Danzer Furnier-werke* (Germany) – plywood, 70 million. In Lithuania they are Philip Morris (USA) – tobacco products, 178 million; *Motorola* (USA) – telecommunications, 172 million; *Calwer Decken* (Germany) – textiles, 109 million; *Statoil* (Norway) – fuel, 94 million; and *Neste* (Finland) – fuel, 79 million.
22. The biggest Nordic investors in Latvia are Tilts Communication (Denmark) 96 206 000; Den Norske Stats Oljeselskap (Norway) 10 371 900; Linstow Varner (Norway) 6 500 000; Linstow Varnere 2 (Norway) 6 500 000; SAS (Sweden) 5 912 000; Baltic Bevereges Holding (Sweden) 5 625 000; Aga (Sweden) 5 058 241; Skanska (Sweden) 4 362 760; Neste Marketing Ltd. (Finland) 3 458 125; Neste Oy (Finland) 3 458 125; Nord Mills (Sweden) 3 352 500; Telia AB (Sweden) 2 839 750; Swedfund International AB (Sweden) 2 311 000. (*Lietiska Diena,* 15 Febr. 1999)
23. *Hufvudstadsbladet,* 17 Aug. 1997.

24. "Baltic Sea Region and the European Union". Conference proceedings. Riga, 22–23 May 1997, p. 29.
25. *Diena,* 24 April 1996.
26. *Diena,* 7 Nov. 1997.
27. *Diena,* 15 Nov. 1997.
28. The visit by US Deputy Secretary of State Strobe Talbott to Denmark, Norway, Finland and Sweden in January 1998 offered fairly clear testimony to America's interest in developing a greater presence in the region.
29. "Opening Doors and Building Bridges in the New Europe", an address by Deputy Secretary of State Strobe Talbot at the Paasikivi Society, Helsinki, Finland, 21 January 1998.
30. Walter, G. Address to the Workshop "The European Union and the Baltic States – Visions, Interests and Strategies for the Baltic Sea Region", Bonn, Europa-Zentrum, 25 June 1997, pp. 40–44.
31. See Mouritzen, H. "Testing Weak-Power Theory: Three Nordic Reactions to the Soviet Disintegration", in Carsnaes, W. and S. Smith (eds.). European Foreign Policy: The EC and Changing Perspectives in Europe. London: SAGE (1994), pp. 156–177. See also Ozolina, Z. "Baltic-Nordic Interaction, Cooperation and Integration", in Lejins, A. and Z. Ozolina (eds.). *Small States in a Turbulent Environment: The Baltic Perspective.* Riga: Latvian Institute of International Affairs (1997), pp. 113–147.
32. Dorfer, I. *NATO's Northern Enlargement.* Ebenhausen: Stiftung Wissenschaft und Politik (1997), p. 63.
33. In terms of per capita GDP on the basis of purchasing power parity in 1998, if the average indicator in the EU is 100 %, then in Latvia it is 18 %, while in Estonia and Lithuania it is 23 %. *Eiropas Dialogs (European Dialogue),* September/October 1997, p. 27.
34. Liuhto, K. (ed.). *The Baltic States and the European Union Integration.* Turku: Institute for East-West Trade and Turku School of Economics and Business Administration (1997), p. 42.
35. *Ibid.,* p. 43.
36. *Ibid.*
37. *Ibid.,* p. 50.
38. It must be noted that there was also no unanimity among Finland's political elite with respect to the Baltic states. Prime Minister Paavo Lipponen is a much more enthusiastic supporter of Estonia, while the foreign minister tends to stick to the overall Scandinavian position. Before Finland could state its position, in other words, the two senior politicians had to come to a common definition of that position. By accenting Estonia's special achievements, of course, Finland can once again emphasize its own role in supporting Estonia's reform process.
39. *Helsingin Sanomat,* 11 Sept. 1997.
40. *Ibid.*
41. *Diena,* 3 Nov. 1997.
42. *Svenska Dagbladet,* 13 Dec. 1998.



43. *Dagens Industri,* 29 May 1997.
44. *Dagens Industri,* 12 Nov. 1996.
45. Knudsen, O. "Regional Cooperative Security and the WEU: North-European Challenges for Conflict Prevention". Paper presented at the Western European Union Institute for Security Studies, Paris, 16 December 1997, pp. 15–16.
46. Archer, C. "Nordic Involvement in the Baltic States Security: Need, Motives and Success". Working papers 19. Copenhagen: Copenhagen Peace Research Institute (1997), p. 11.
47. Mouritzen, H. "Denmark in the Post-Cold War Era: The Salient Action Spheres", in Heurlin Bertel and Hans Mouritzen (eds.). Danish Foreign Policy Yearbook 1997. Copenhagen: Danish Institute of International Affairs (1997), p. 49.
48. Norway's support for Baltic membership and integration in NATO began later than Denmark's. This is due to Norway's strategic interests, which are linked to the presence in Europe of the United States and Russia. As NATO's dialogue with Russia has intensified, Norway has shown a greater interest in developing military cooperation with the Baltic states, but it still lags behind Denmark in this respect.
49. "Issues in Focus", op. cit. [Note 9], p. 26.
50. *Berlingske Tidende,* 10 April 1997.
51. *Ibid.*
52. Heurlin, B. and H. Mouritzen (eds.). Danish Foreign Policy Yearbook 1997. Copenhagen: Danish Institute of International Relations (1997), pp. 155–157.
53. *Berlingske Tidende,* 19 March 1997.
54. *Dagens Nyheter,* 16 Jan. 1996.
55. *Diena,* 19 Sept. 1997.
56. *Diena,* 16 Oct. 1997.
57. *Ibid.*
58. *Latvijas Vestnesis,* 9 Sept. 1997.
59. The largest of projects comes from the construction company *Skanska,* which asked for SEK 145 million to build a hospital in Riga. The *ABB* company has submitted a request for SEK 70 million to clean up a power station in Northern Poland. Also, *ABB* and the Swedish Royal Technical University have asked for SEK 30 million to open educational centers in the main universities of all three Baltic states.
60. *Dagens Industri,* 6 June 1997.
61. *Die Welt,* 9 Dec. 1996, p. 9.
62. *Diena,* 3 Nov. 1997.
63. *Hufvudstadsbladet,* 11 Jan. 1997.
64. *Diena,* 18 Sept. 1997.
65. *Dienas Bizness,* 4 Dec. 1998.
66. The idea of establishing an EU strategy towards its external environment in Northern Europe was proposed by the Finnish Prime Minister Paavo Lipponen in a letter to the President of European Commission Jacques Santer.
67. A more detailed explanation of this concept can be found in Holm, H.H. "Denmark's Active Internationalism: Advocating International Norms with Domestic Constraints", in Heurlin, B. and H. Mouritzen (eds.). Danish Foreign Policy Yearbook

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68. "Issues in Focus", Note 9, p. 25.
69. "Discussion Between Finland and NATO of Implications of NATO Enlargement on European Security". Finnish Ministry of Foreign Affairs, Number 211, 29 May 1996.
70. Information collected from reports filed by the Latvian embassy in Finland in January 1997.
71. *Hufvudstadsbladet,* 25 June 1997.
72. *Aftonbladet,* 1 Nov. 1996.
73. *Svenska Dagbladet,* 8 Jan. 1997.
74. *Ibid.*
75. *Svenska Dagbladet,* 3 Febr. 1997.
76. *Svenska Dagbladet,* 6 March 1997.
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78. Wohlfeld, M. "Enlargement and Sub-regional Stability", *Newsletter,* Institute for Security Studies, Western European Union, No. 19, Febr. 1997.
79. Knudsen, O. "Dealing with Conflict Between the Nordic Countries", in Bajtay, P. (ed.). *Regional Cooperation and the European Integration Process: Nordic and Central European Experiences.* Budapest: Hungarian Institute of International Affairs (1996), p. 89.
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# Baltic – Russian Relations 1998–99

**Aivars Stranga**

An analysis of Baltic-Russian relations must begin with an unequivocal statement that fully proper and successful relations are simply not possible at the moment. The main reason for this is the fact that the two sides cannot agree on what "good" relations really are. Russia feels that a proper relationship would involve Baltic states that are oriented toward Moscow, are neutral, and abandon efforts to join at least NATO, if not the European Union as well. Russia wants to manipulate the Baltic countries like true satellites. The Baltic states, for their part, would view a good relationship as one in which Russia recognizes the right of the three countries to choose their own foreign and security policies freely, refrains from interfering in their internal affairs (especially with respect to Latvia and Estonia), and stop looking at the three states as "post-Soviet" territory.[1]

It cannot be expected that these two viewpoints will be reconciled in the near term, and many perceive Latvia – rightly or wrongly – as the weakest link in Baltic policy with respect to Russia. Latvia has the greatest number of ethnic Russians and "Russian-speaking" non-citizens and Russia has a particularly large interest in Latvia because of the transit services that the country provides.

This analysis examines the outstanding issues in Baltic-Russian relations focusing, however, mainly on Latvia because of the crisis Latvia experienced with Russia in 1998.

## The crisis in Latvia's relationship with Russia: from January to early March 1998

At the beginning of 1998, Russia's dislike of Latvia began to reach a new level. There were many reasons for this. For one thing, this was the first time that the interests of the various Russian "actors" with an interest in Latvia coincided. They were all irritated with Latvia. Russia's political institutions – especially Yevgenij Primakov's Foreign Ministry and the leftist Russian Duma – became increasingly impatient with Latvia for strategic, political and ideological reasons. First of all the issue was Latvia's distinctly pro-Western orientation when it came to security policy (even though Latvia's positions were often far more rhetorical than practical; despite the country's much vaunted desire to join NATO, for example, it remained the one country with the lowest military budget in Europe). This became particularly evident after Latvia spurned proposed Russian security guarantees in the fall of 1997, choosing instead to sign the Partnership Charter with the United States (along with Lithuania and Estonia) on January 16, 1998. Russia's weakness has made it increasingly touchy not only about the content of Baltic security policies, but also about the form in which the Baltic states implement their policies vis-à-vis Moscow (or, sometimes, just the way in which those policies are formulated or expressed); Moscow felt humiliated when Riga rejected the proposed Russian security guarantees out of hand. Much attention was devoted to a fairly careless remark by Latvian President Guntis Ulmanis to the effect that the guarantee offer was "just a piece of paper". Russia was also very displeased with the high praise that Latvia's president and foreign minister gave to the US-Baltic Partnership Charter, especially in the sense that the charter was described as a step toward Baltic membership in NATO. Even members of Russia's academic circles (true, most often those who were closely connected to Russia's governing elite) said that the signing of the charter was another sign that Russia's security interests were being ignored.[2] The Russian language press in Riga was openly sarcastic about the satisfaction that Latvian officials demonstrated



with respect to the charter.[3]

A new element in Russia's dissatisfaction with Latvia appeared in early February, when the situation between the United States and Iraq heated up once again. Latvia demonstratively supported Washington's readiness to strike against Iraq militarily, and went so far as to offer symbolic assistance to the process. Russia felt that Latvia's pro-American stance had become nothing short of an open challenge.[4]

Another increasingly bothersome thorn in Russia's side was that the Latvian government was headed by Prime Minister Guntars Krasts, a representative of the nationalistic Fatherland and Freedom Party. The entire government, but particularly the prime minister's party, stood firm in the refusal to make any changes to Latvia's citizenship law. In mid-January, Boris Yeltsin's press secretary, Sergei Yastrzhembsky, announced that Latvia was still having problems with its Russian-speakers.[5] During a meeting of the Council of Baltic Sea States in Riga on January 21 and 22, the Russian prime minister, Viktor Chernomyrdin, demonstratively avoided a meeting with the Latvian prime minister (a Russian journalist in Riga correctly noted that Chernomyrdin's refusal to meet with Krasts was Russia's first step in demonstrating that Moscow was dissatisfied with the Fatherland and Freedom party's having become, in the Kremlin's eyes, too unmanageable).[6]

A new wave of Russian irritability was unleashed in February by proposed amendments to Latvia's labor code that were sponsored by the Fatherland and Freedom party and by two deputies from the Latvia's Way party. The changes provided for language inspections in private business. The Russian press described this as "linguistic terrorism".[7]

The Russian embassy in Riga did a lot of work to encourage thinking in Moscow to the effect that the Latvian government was doing everything possible to poison the well in its relations with Russia and that Riga was openly challenging Moscow at every step. A series of events in February were interpreted as having been openly unfavorable to Russia. On February 23, Red Army Day, the Russian ambassador to Latvia, Aleksander Udaltsov, decided to place flowers at the Soviet "liberation monument" in Riga. It had suffered in an explosion in the summer of 1997 that was organized by the illegal terrorist organization Perkonkrusts. The damage from the explosion had not yet been fully

repaired, and the Latvian Foreign Ministry recommended to Udaltsov that he place the flowers at another monument instead. The ambassador took this to be a humiliation. Around the same time, employees from the Russian military attache's office in Riga were conducting an illegal exhumation of 13 Red Army soldiers who had been buried in previously unknown graves in the Saldus District (the soldiers had died in late 1944). Without the authorization of Latvian officials, the graves were dug open, and only then did the Russian embassy ask for permission to rebury the soldiers in Riga. Permission was denied, although the Foreign Ministry managed to remain very calm in the face of this act of arbitrarily digging up graves on Latvian land. The ministry recommended that the soldiers be reburied at the Saldus cemetery, and the Russian embassy employees unwillingly went along with the plan. The Foreign Ministry's steps were more than reasonable, but the Russian embassy chose to interpret them as another slap in the face of Russia. Ambassador Udaltsov went so far as to say that Latvia was engaging in anti-Russian policies.[8]

At the beginning of 1998, Russia's oil and gas oligarchs were also becoming increasingly discontented with Latvia. The Russian economy sank to new depths of crisis at the beginning of the year thanks to the collapse of oil prices on the global market, to Russia's growing inability to collect taxes in the country, and to a dramatic increase in Russia's domestic and foreign debt. Russia's national budget in 1998 was predicated on the assumption that the country would earn USD 18-20 per barrel of oil, while the price actually fell as low as USD 8 per barrel. Russia ended up in a true emergency situation. If in 1990 heating fuel and other energy resources had represented 55 % of Russian exports, at the beginning of 1998 the figure had risen to a full 83 %. The industrial sector from which the heating fuel and other energy resources came, moreover, was itself in a state of extreme crisis, as was noted by Sergei Kiriyenko, who wrote that this represented a "national security problem."[9] It was precisely during this period that Russia's oil and gas magnates suffered a setback in the privatization of Latvia's oil transit and gas companies. The desire of Lukoil, as well as the companies of oligarch Boris Berezovsky, to participate in the privatization of Latvia's Ventspils Nafta was not greeted with a response that was satisfactory to the Russian oligarchs. Gazprom, for its part, was unhappy with having been allowed to privatize only 16.2 % of the shares of the Latvian gas company Latvijas Gaze. Oil was poured onto the fire by the decision of Ventspils Tranzîta Serviss (a monopoly enterprise that controls transit operations in Latvia) to increase tariffs by 10–20 %, thus wrecking the balance of economic interests that had existed between the two sides previously.[10] In March 1998, accordingly, the press outlets that were controlled by the Russian oligarchs were all mobilized to launch a vocal campaign of denunciation against Latvia.[11] A well-informed Russian journalist in Riga, N. Kabanov, noted that businessmen in Latvia who were linked to Russian oil transit and gas monopolies "have undertaken close contacts with the most aggressive segment of the 'new Russian' capital".[12] The newly aggressive tone had an effect on the rise and the development of the March-April crisis in Latvian-Russian relations.



## The position of Latvian government institutions vis-à-vis Russia at the beginning of 1998

The reaction of a number of Latvian state institutions with respect to the increasingly evident displeasure that Russia was demonstrating toward Latvia was less than adequate. President Ulmanis, who quite recently had rejected Russia's proposed security guarantees as a "piece of paper" shifted gears very suddenly at the beginning of 1998, announcing that there were no disputes whatsoever between Latvia and Russia. The president went so far as to begin praising individual elements of the Russian security guarantees, adding that he would very much like to visit Moscow and meet Boris Yeltsin. Ulmanis could not answer a question that was of no interest to him, but that was always of keen interest to Russia – what could Yeltsin expect from such a visit? What concessions would Latvia be ready to provide? Even though Russia had consistently been negative in its attitude toward Latvia's desire to join NATO, the Latvian president's statements after the signing of the US-Baltic Partnership Charter focused specifically on the

charter's role in helping Latvia to prepare for eventual membership in the alliance. These comments were overly optimistic. At the same time, at the end of 1997 and the beginning of 1998 Ulmanis had stopped pointing the public's attention to Latvia's citizenship law, which was all but inoperable but which could not be changed because of an agreement among the government's coalition parties that dated back to August 1997.

Since mid-1997 it had been more than clear that the "windows" approach to naturalization (meaning a system that provided that naturalization would be made available gradually and to different age groups in turn) was not working. Naturalization was theoretically available to 148,000 non-citizens, but the opportunity had been taken up by only 7,000 people. Appeals to amend the system were blocked by the government coalition's agreement (forced on the others by Fatherland and Freedom) that the citizenship law would not be amended during the extant session of Parliament. Even those parties that favored amendment of the citizenship law were not eager to push the issue, given that a collapse of the governing coalition might well have meant unexpectedly early elections. The problem was discussed internally, though, and on March 3 (the pensioners meeting had not yet made its splash) the parliamentary factions agreed that proposed amendments to the citizenship law could at least be written. Prime Minister Krasts (of the Fatherland and Freedom party) said that a program of integration in society should be prepared, beginning the work at the end of March. Despite all this, it must be said that although problems with the citizenship law and with the integration of society were recognized, sufficient attention was not devoted to them, and the government did not evaluate the crisis potential of this issue properly.

The actions of Latvia's highest-ranking officials after the Council of Baltic Sea States meeting in January 1998 in Riga were in some instances less than serious. During the meeting, as was noted previously, Russian Prime Minister Chernomyrdin demonstratively refused to meet Latvian Prime Minister Krasts, but after the meeting both Krasts and Ulmanis insisted that a de facto meeting had, in fact, taken place, and that Krasts had even been invited to visit Moscow. On February 5 the Russian government finally announced officially that no such invitation had been extended. The Russian language press in Riga wrote extensively about the Ulmanis and Krasts announcements under headlines containing the phrase "theater of the absurd".[13]



Another awkward moment came during the council meeting itself, when Krasts suddenly announced that Latvia should reorient its energy interests toward gas supplies from Norway in place of the traditional supplies of natural gas from Russia. The announcement was without any evident economic justification, and it was expressed in the presence of Gazprom's chief lobbyist – Chernomyrdin. Russia perceived this as yet another slap in its face.

At the beginning of February, a senior functionary in Krasts' Fatherland and Freedom party, Palmira Lace, went on television to announce that all of those former Soviet citizens who arrived in Latvia after the military occupation of 1945 would have to leave Latvia by the year 2002. The prime minister's party did nothing to distance itself from this scandalous claim.[14] This series of less than adequate evaluations of the situation was concluded by Foreign Minister Valdis Birkavs, who said in an interview with the newspaper SM that Latvia's foreign policy had been nothing but a string of one success after another. Birkavs announced that there was positive movement in Latvia's relationship with Russia, going so far as to say that there had been a "spurt" in the relationship that could lead at long last to the signing of a border agreement between Latvia and Russia, as well as to the long-awaited visit by President Ulmanis to Moscow.[15] Birkavs also seriously exaggerated the ability of the US-Baltic Charter to promote improvements in the relationship with Russia. Birkavs' pronouncements were a textbook example of the way in which his party, Latvia's Way, often tends to attribute much greater accomplishments to Latvian foreign policy than is at all warranted. This is often done for domestic political reasons, but it serves to ignore a wide variety of risks, difficulties and problems.

Also inadequate at the beginning of 1998 were the activities of Latvia's very influential economic circles, which wield an enormous impact on political processes. The activities of Ventspils Nafta were aimed purely at earning greater profits, and broader political consequences were simply ignored. The owners of Ventspils Nafta based their position vis-à-vis Russia on the strict conviction that there is no alternative to Ventspils when it comes to transit ports, that Russia would

not be able to build its own ports on the Gulf of Finland, that Russia would even go so far as to install another pipeline to Ventspils (from Polotsk), and that Russian foreign policy is fully dictated by the oil and gas monopolies that are not interested in any conflicts with Latvia. On the basis of these considerations, the owners of Ventspils Nafta not only barred Russians from participating in the privatization of Ventspils Nafta, but they also did something that was clearly unprofessional: at a time when the world price for oil was plummeting, Ventspils Nafta increased its tariff for the transportation of one ton of oil to USD 5.5, and at one point event to USD 5.7. Only when the crisis with Russia was in full bloom were the tariffs reduced back to USD 5.0. In August Lukoil was invited to participate in the privatization of Ventspils Nafta, but at that point the managers of Lukoil, facing the crisis in oil prices, were less than responsive, making it clear that Ventspils Nafta would have to wait.

Ventspils Nafta always has been, and continues to be, far stronger than just an economic entity. At the beginning of 1998 it also wielded enormous political significance. Ventspils Nafta was one of two major donors to two Latvian political parties – Latvia's Way and the Latvian Farmers Union. It had also given support to the Fatherland and Freedom party. All of the parties, especially the latter, continued to believe until the beginning of 1998 that Latvia could count on increased Russian transit without giving Russia any concessions and without agreeing to change Latvia's citizenship law. The crisis served to prove that a wise country avoids any excessive hopes.

## The beginning of a crisis in Latvian-Russian relations

As its excuse for fomenting a crisis, Russia chose an incident on March 3, 1998, when the police in Riga were forced to use force in order to clear the street in front of the Riga City Council after it had been blocked by participants at an unauthorized demonstration. The meeting was organized by the pro-Russian "Equality" organization in Latvia, and it



was officially devoted to the fact that the cost of utility services in the city was on the rise. Nobody was hurt in the conflict with the police.

The initial reaction of Russia's official institutions and mass media outlets on March 3 and 4 was moderate, but on March 4, according to Russian authors, the office of the Russian president, headed by Viktor Yumashev, held a meeting to talk about the possibility of launching a campaign against Latvia. On the same day, television stations owned by oligarchs Boris Berezovsky and Vladimir Gusinsky began a very aggressive anti-Latvian campaign. Newspapers were slow, generally speaking, to become involved in the process. All spring, during the most significant period of the crisis, only *Nezavisimaya Gazeta*, which at one time earlier had tried to be more or less objective and pro-liberal in its attitudes, was openly hostile against Latvia. This may in part be because the newspaper had recently been bought by Berezovsky. The newspaper *Izvestiya* was more or less objective in writing about the incident. The Russian Foreign Ministry became involved in the process a bit later – on March 5 – but the incident in Riga provided Foreign Minister Primakov with a long-awaited opportunity to affirm his consistent and unchanging view of Latvia as an area in which Russia has special interests and special rights. On March 14, speaking at a meeting of the Foreign and Defense Council that is headed by Sergei Karaganov, the minister said that Russia's main goal must be to discredit and isolate Latvia on the international scene.[16] The campaign against Latvia also neatly dovetailed with Primakov's so-called "concept" that increased American influence in the Baltic states must be combated. The minister's imperialist ambitions were couched in proto-academic language, with Primakov offering praise of imperial Russia's 19th century foreign minister Gorchakov. For its part, one Russian press outlet wrote that there was a need to "overcome the illusions of the Kozyrev era." The most hostile position against Latvia was demonstrated by the populist mayor of Moscow, Jurij Luzhkov. He went so far as to compare Latvia to Pol Pot's Cambodia. Luzhkov's statements were clearly linked to his ambitions in the future presidential election in Russia. Not far behind Luzhkov was the leader of the Russian Communist Party, Gennady Zyuganov, who said that things like this did not even happen in apartheid-era South Africa.

Political contacts with Latvia were suspended, and unofficial economic sanctions were put into place. The Russian-Latvian relationship sunk to its lowest level since 1991. A well-informed Russian analyst, A. Pushkov, has stressed that Russia's position was largely based on emotions. Moscow was pouring out its long-simmering dislike against Latvia which, in the Kremlin's eyes, had ignored Russia's demands and had spitefully chosen its own route. Russia – weak and overcome by crisis – chose little Latvia to prove that It was still a major power that could dictate terms in international relations.[17] The crisis with Latvia was nothing more than a manifestation of Russia's inferiority complex. It must also be noted that the anti-Latvian campaign coincided with a time when Russia was entering a new period of political and social instability and when "defense" of Russian-speakers outside of Russia was a handy way of deflecting attention from growing domestic tensions in Russia itself. It was precisely while the Russian government was waging its anti-Latvian campaign that Russian police brutally broke up an authorized student protest meeting in Yekaterinburg on April 14. Fourteen students required medical assistance.[18] Russian analysts emphasized that in the run-up to parliamentary elections in 1999 and a presidential election in 2000, Russian politicians would try to burnish their popularity by proclaiming a need to "defend our nationals". If this slogan were to obtain even a semblance of seriousness, there had to be practical pressure against Latvia.[19]

## The results of the crisis: What did Russia accomplish?

At no point during the crisis did Russia have a unified, single or logical idea about what it was hoping to achieve vis-à-vis Latvia. Various political and economic forces may have had different opinions on that subject, but the only thing on which they were more or less unanimous was the desire to "punish" Latvia for its pro-Western course, its refusal to satisfy the interests of the Russian oligarchs to a sufficient degree, and its intransigence on the issue of Russian-speakers in the country.



Latvia must be "strangled", said a representative of Vladimir Zhirinovsky's party in the Russian Duma, Mikhail Vakulenko, and in these words he expressed the prevailing mood in Russia.[20] The short-term goal was to engender the fall of the Krasts government, and although the Russian Foreign Ministry never said this publicly, Luzhkov, the mayor of Moscow, did. The ascendance to power of "pragmatic politicians" in Latvia, he said, was an absolute pre-requisite for any normalization in relations.[21] Even the leader of the moderate "Our Home Russia" in Parliament, Aleksander Shokhin, said in August, when the sharpest period of the crisis had passed, that relations with Russia could begin to thaw if Latvia allowed representatives of the small, pro-Russian People's Harmony Party to join the government.[22] These pronouncements marked a clear attempt by Russia to interfere in Latvia's internal affairs without, however, achieving any practical results.

In April 1998 the Saimnieks party launched an abortive bid to force the collapse of the Krasts government. Saimnieks, which represents the interests of economic circles that are oriented toward Russia, did succeed in engendering a government crisis. The main sponsors of the party – entities which represent the interests in Latvia of Gazprom – got 70 leaders of companies whose leading export market is Russia to sign a statement calling for more Russian-oriented policies.[23] But the Krasts government did not fall. On the contrary, the party of the prime minister (Fatherland and Freedom/LNNK) began to gain popularity among voters, eventually becoming one of the most popular parties in the country.[24]

Although Russia also implemented de facto economic sanctions against Latvia (these were never announced officially, but implemented via private communications among Primakov, Luzhkov, the oligarchs and regional leaders; as an analyst for the BNS news service, George Shabad, has noted, Primakov used all of his old and new contacts to place sanctions against Latvia, operating more in the manner of the KGB than in the spirit of public policy)[25], the effect of the sanctions had not, in the fall of 1998, led to the economic and political results that Russia had hoped for. Even though economic pressure against Latvia was the most coordinated and better organized activity ever launched by Russia in the context of its Baltic policies, it ended up

showing that Russia, engulfed in a financial and economic crisis, simply cannot afford to wield its most effective weapon – a radical reduction in oil exports through Latvia. Threats that exports would be reduced by as much as one-third[26] were never carried out. Russia's greatest achievement, perhaps, was that elsewhere in the world, including in organizations toward which Latvia is moving (the EU and NATO), concern over the Russian-Latvian relationship, as well as about the situation of Russian-speakers in Latvia, was preserved, if not increased. Even though Latvia's parliament amended the country's citizenship law, this was done only under the influence of the European Union, the United States and the crisis in relations with Russia. This encouraged the view that Latvia is unable to take decisions independently that are in its own interest.

Russia's approach to European security issues means that Latvia can count on permanent opposition in Moscow to increased contacts between Latvia and NATO, as well as between Latvia and the United States. Even though NATO's 1999 summit did not lead to inviting any of the Baltic states to join the alliance, Russia will maintain its negative opinion of Latvian efforts to draw closer to NATO and the USA.

The Russian reaction to the Washington declaration, where the Baltic states were specifically named as aspiring member states, was more subdued than expected by the Balts. This, however, was due to Russia's preoccupation with the war in Kosovo and also to the understanding that an invitation to the Baltics to join NATO could not be expected soon.

Russian-American relations will have an effect on Latvian-Russian relations, too. Even though Russia is becoming more and more dependent on international financial aid on a daily basis, and even though the awarding of such aid depends largely on the United States, Moscow continues to promote the idea that it should have a superpower foreign policy and even that it should compete with the United States, at least in the territory of the former USSR. The truth is that Russia's resources and abilities have shrunk dramatically. The Russian analyst Pavel Baev has been precise in describing this "a new inferiority complex"[27], and we might add that this is fertile ground for a new burst of aggressiveness vis-à-vis Latvia.

The Latvian-Russian relationship will also be unpredictable to the



extent that Russia cannot countenance the desire of the Baltic states to implement independent and pro-Western policies. But Russia's ability to engender new periods of tense relations will depend in part on domestic developments in Latvia. Latvia's ability to reduce Russian pressure, in turn, will depend on several conditions. First of all, there is the issue of the extent to which Latvia is able to an even greater extent to reorient its economy toward contacts with the European Union and other countries in Europe and the rest of the world. This doesn't mean an elimination of contacts with Russia, but Latvia must have a very clear understanding of the risks that such contacts entail. In this respect, the August crisis in Russia and the dramatic impact that it had on some sectors of Latvian industry, served as a valuable lesson for those in the Latvian business community who believed that an orientation toward the Russian market was the only real possibility for the Latvian economy to survive. Latvia must refrain from basing its economy so heavily on the transit sector. If Latvia manages to modernize its economy more rapidly and to orient itself even more toward the Western market, Russia's abilities to engage in economic blackmail will recede, although they will not disappear entirely, given the large share of the Latvian economy that is represented by the transit sector.

Factors that may lead if not to new crises, then at least to ongoing shortcomings in the Latvian-Russian relationship, further conflicts and misunderstandings, include the following:

A) The current cycle of political developments in Russia. Russia is entering a period of parliamentary and presidential election campaigns, and nationalistic populism is on the rise. Defense of the so-called Russian-speakers is a popular slogan for the Russian Communist Party, as well as for Luzhkov's "Fatherland" movement. In launching his presidential bid at the beginning of January 1999, Luzhkov announced that a "wave of nationalist hysteria" was still evident in Latvia, and Nazi criminals [sic.] were being glorified there.[28] Russia's Communist Party, for its part, is increasingly becoming chauvinistic and anti-Semitic, and the party has absolutely no de facto interest whatsoever about the fate of its "countrymen" in the Baltic states. The 1999 national budget doesn't provide any

money for the support of these people.[29] At the same time, however, we can expect that "oppression of countrymen" will continue to be one of the motives of the Communist Party and other political forces during the election campaign season. Sooner or later the Russian Foreign Ministry, too, will start coming up with new demands. At the beginning of December 1998, speaking in Stockholm, Foreign Minister Ivanov announced that Latvia and Estonia must do more in guaranteeing the rights of Russian-speakers.[30]

B) The crisis in Russia's economy, especially in terms of oil products. The situation in the field of extracting and processing oil products is presently quite bad and the very unstable level of oil prices in the world guarantees that Russia's oil monopolists sooner or later are going to call once again for a lowering of tariffs for oil transit. At the end of 1998, Ventspils Nafta, however, was saying that it would not lower the tariffs to below USD 5 per ton.[31] The fact is that Latvia can count on continuing Russian blackmail attempts and pressure as Moscow seeks to place all oil transit routes through Latvia under its firm control. A new method for Russia to put pressure on Latvia, incidentally, could appear in 2000 when oil exports will become possible through the port at Butinge, Lithuania.

Latvia's ability to withstand Russian pressure will also depend on the extent to which Latvia is ready to establish a more or less stable political system – one which can carry out moderate and pragmatic policies vis-à-vis the so-called Russian-speakers in the country, promoting their integration into Latvian society. The petition campaign to force a referendum on Latvia's citizenship law that took place in the summer of 1998 proved that there is still considerable support in Latvia for policies that would hamper the integration of Russian-speakers. Latvia's abilities will also depend on support from the United States and the EU. In the summer of 1998 both the US and the EU spoke up in Latvia's favor very energetically, denouncing Russia's campaign of blackmail and threats. The volume of this support, however, will depend on domestic political developments in Latvia and on Latvia's abilities to make support for it easier, not more difficult.



Discussions in the Russian Duma continued all the way up to September 1998 about the necessity to make an official request to the government that economic contacts with Latvia be narrowed, but in the end, no decision was taken. This to a large extent affirmed something that the chairman of the Duma's Foreign Affairs Commission, "Yabloko" deputy Vladimir Lukin had said in April: "We talk too much about sanctions, but we do little."[32] In the fall of 1998 it was clear that Ventspils remained the second largest port for Russian oil exports, handling more than 13 % of the total export volume. During the economic crisis, when oil exports are providing Russia with virtually its only source of hard currency, Russia has been exporting as much oil as possible. In November 1998 Ventspils saw a record volume – more than 1.4 million tons in just that month alone. Russia conducted various types of harassment against Latvia – implementing special checks on the border, hampering the delivery of Latvian goods, etc. – but it did not go so far as to repeal the MFN principle in its dealings with Latvia (although it must be said that the MFN principle, albeit observed in practice, has never been officially accepted in Russia). A few generally accepted norms were violated – for example, Russia repealed discounts on rail transportation to Latvian ports, as the result of which total transport volumes at the end of 1998 were 8 % lower than in 1997 and continued to fall in 1999. What so-called sanctions there were, however, began to disappear toward the end of 1998, and this showed that Russia, in its current condition, is simply unable to maintain any coordinated institutional pressure against a neighboring country. (The only thing that remained from the sanctions was the tariff policies that Russia had implemented with respect to transportation – a system that provides for no discounts on transportation to Latvia's ports, making the Latvian transit corridor more expensive by 10–30 %.)

At the same time, the Russian sanctions and the associated crisis served to reveal a series of weak points in Latvia's economy. First of all, it became evident that several sectors of the Latvian economy are far too dependent on the unpredictable Russian market. The fisheries industry, for example, was still exporting 70 % of its products to Russia in 1998, while the dairy industry was exporting 40 % of its exports to that country. Also highly dependent on the Russian market are chem-

icals, textiles, the pharmaceutical products, and agricultural machinery. In addition, the state-owned railway is too dependent on Russian transit and has not demonstrated a clear vision of its future development. These are the sectors which have done the least in terms of diversifying export markets and modernizing output to the point where they could be competitive in Western markets. On December 1, 1998, the Russian crisis had led to a shutdown of operations in 36 companies, while another 141 had reduced operations significantly. No fewer than 107 companies petitioned for tax relief from the government. Unemployment skyrocketed, reaching 9 % of economically active residents on December 1. What's more, the Latvian Employment Service said at the end of the year that so-called "hidden unemployment" reached 14 % of economically active persons. At the beginning of 1999 the effect of the Russian economic crisis on Latvia deepened. The official unemployment rate for the first time reached 10 %, and more than 11,000 people had lost their jobs precisely because of the rapidly decreasing economic contacts with Russia (exports to Russia and the CIS in the spring of 1999, compared to the beginning of 1998, had declined sevenfold to represent only 3 % of Latvia's exports).[33]

Second, it was found that the extent to which the Bank of Latvia supervises private bank investments in the so-called B-group countries (a risk zone to which Russia belongs) has been inadequate. Latvian banks, which traditionally have had the most extensive contacts with Russian capital in the Baltic states, had made the greatest investments in Russian short-term obligations – far more than was the case with banks in Estonia and Lithuania. Seventeen Latvian banks were involved in transactions with Russian securities, lending (it was reported in August) no less than 72 million lats in total. The central bank's initial pronouncements after Russia's August 17 devaluation were far too optimistic. At the end of October it was found that overall Latvian bank assets had declined by 11 %, while foreign assets were down by 23 %. It was only at the end of the year that the president of the Latvian Association of Commercial Banks, Teodors Tverijonas, said that in the worst scenario, Latvia's commercial banks would lose 25 % of their assets as a result of the Russian crisis.[34]

On October 1, 1998, the Bank of Latvia placed limitations on commercial bank transactions in B-group countries, but that should have been done much earlier. It also became evident that the number of banks in Latvia is excessive. There were 27 banks in 1998, most of them very small and particularly vulnerable to unfavorable conditions. When in the spring of 1999 Latvia's private banks announced their losses in Russia, it turned out that the losses were much greater than might have been expected, given the information that the banks themselves provided in August 1998. The total losses came close to at least USD 100 million. Two small private banks collapsed – while the operations of the fourth largest commercial bank in Latvia Rigas Komercbanka were suspended pending infusion of fresh capital from its shareholders.



It should also be noted that the Latvian securities market has taken a much greater hit from the Russian crisis than the analogous institutions in Estonia and Lithuania. The Latvian securities market at the end of 1998 had fallen twice as fast as the Estonian and Lithuanian markets since August 17.[35]

Latvia must conduct a much more rapid process of economic transformation. The privatization of major state-owned companies has proceeded very slowly, and many of these companies are still far too politicized. According to a World Bank survey (similar surveys have still not been conducted by the World Bank in Estonia and Lithuania), Latvia is also perceived to suffer extensive corruption. One reason for this is the excessive number of bureaucrats in Latvia, who have too much authority in many instances. The politicization of economic life – the marriage between economics and politics – has served to increase the opportunities of Russia's oligarchs and mafia structures in Latvia, and this serves Russia's goal of making Latvia part of the poorly developed world very well.[36]

## The Latvian-Russian relationship at the beginning of 1999

Toward the end of 1998, the Latvian-Russian relationship was gradually losing the openly confrontational nature that is typical of a crisis, but

greater progress toward normalization was not experienced. On October 3, Latvian voters in a referendum approved liberal amendments to the country's citizenship law. For Russia this was an unexpected and undesirable result; Moscow had hoped that the amendments would be rejected so that it could continue its international campaign against Latvia without any difficulties. Just a few days before the referendum, Russian Foreign Minister Ivanov announced that Russia's goal was to achieve "international intolerance" against Latvia, which was tantamount to asking for the country's international isolation.[37]

On the same day as the referendum vote, Latvia also elected a new parliament, and the results of this was the formation of a government in November that was led by Vilis Kristopans of the Latvia's Way party. The government's policy declaration took a very friendly stand toward Russia, one which, it might even be said, contained certain elements of naiveté. The declaration spoke of establishing a new phase in the relationship with Russia, one "free of historical biases". The government announced that it would come up with an initiative to "begin work on a declaration on the history and future of the relationship between the two countries."[38] These positive intentions were put into the declaration at the behest of the prime minister himself, but in the process the government failed to take into account such very important factors as the fact that Russia has never been interested in a declaration on the history and future of the bilateral relationship. Moscow is interested in things such as security guarantees that would bring political benefits to Russia, e.g., diverting the Baltic states from their pro-NATO path. Even though Prime Minister Kristopans expressed readiness to go to Moscow at any time (something that has been typical of Latvian politicians) and hoped that this would soon be followed up by an invitation, nothing much had moved forward by the spring of 1999. Russia announced that it would like to talk – in expert groups – only about so-called "humanitarian issues" such as new demands in the area of the situation of Russian-speakers in Latvia. A deputy in the Russian Duma, S. Falalejev, announced openly that the Duma would ratify no serious economic or political agreement with Latvia (i.e., a border treaty) as long as it continued to seek membership in NATO and as long as no new and extensive concessions were made with respect to the Russian-



speakers.[39] The American ambassador to Latvia, James Holmes, was right in saying about the Russian position that "over the last several months we have been disappointed, because there have been true opportunities to improve the relationship between Latvia and Russia, while Moscow has not been forthcoming. [..] For some reason Moscow has not done this. We have been disappointed."[40]

There is another factor that has an impact on the Latvian-Russian relationship, and that is Moscow's relationship with NATO. Even though the reaction which Latvia's government had toward the NATO strike against Serbia was very measured, Russia greeted it with displeasure and announced that it could not help but have an effect on the bilateral relationship. In March 1999 the Duma adopted a bill in its first reading aimed at implementing economic sanctions against Latvia, while the chairman of the Duma's Foreign Affairs Commission, Vladimir Lukin (Jabloko) went so far as to announce that Baltic support for NATO may give Russia's radicals a reason to implement aggressive actions in the Baltic region.[41]

In the area of economic relations, we can expect Russia to take advantage of a proposal to build a new oil pipeline (something that is a great hope of Ventspils Nafta) that has come from a newly established company called the Western Pipeline System. The pipeline would run from Northern Russia to Ventspils. Russia can use the proposal not only to wage new economic demands such as lowered reloading tariffs in Ventspils, but also to influence various political decisions. When the issue of privatizing Ventspils Nafta came to the fore in early 1999, it quickly became clear that Lukoil would not be satisfied with the 20–25 % ownership share that Ventspils Nafta is prepared to offer to it. At a time when the profits of Russia's oil monopolies are falling, the aim is not so much to buy shares (due to lack of funds), but rather to prohibit well-known Western companies from participating in the privatization of Ventspils Nafta. Russia's oil oligarchs would like to keep their options open so that in the future, when their economic situation improves, they might gain a much larger share of the company. The new pipeline project has also served as a convenient bait for the Latvian transit industry, and the process has already begun to bring dividends in terms of Russia's interests. The owners of Ventspils Nafta have be-

gun to display nervousness, demanding a "normalization" of the Latvian-Russian relationship (albeit without any clear understanding of how to accomplish this), and beginning to accuse Sweden and Finland of trying to push Latvia out of the transit business.[42]

The economic crisis in Russia has hit the Baltic states harder than earlier expected. By the middle of 1999 GDP growth in Estonia had fallen by 5.8 %, in Latvia by 2.3 % and in Lithuania by 5.7 %. The hardest hit sector in Latvia was in the food processing industry where 17.000 workers lost jobs. New markets are being found but at a slower pace than desired.

New polemics with Russia began after the Latvian parliament adopted a new language law on July 8 in 1999, which the Russian Prime Minister S. Stepashin called discriminatory. (43) Russia, however, will not react very sharply; economic sanctions are ruled out and emphasis is being placed on international organisations where Moscow hopes to gain support.

## Russia's relationship with Lithuania and Estonia

Even though the issue of the so-called Russian-speakers is not on the agenda in Russia's relationship with Lithuania – a factor that Russia is using against Latvia – the Russian-Lithuanian relationship, too, was not in very good order in 1998 and the beginning of 1999. In September 1997 Lithuania became the first of the three Baltic countries to sign a border agreement with Russia, but that treaty has not yet been ratified in the Russian Duma. When in June 1998, Yevgenij Primakov – then still Russia's foreign minister – appeared in Vilnius for a brief visit, he announced that there were no unresolved issues between the two countries. He also said that a visit by the Lithuanian prime minister to Moscow could be expected in the fall of 1998 and that various agreements would be signed at that time.[44] The visit, however, was postponed until 1999. A bilateral negotiating commission between the two countries met in November 1998 for its second meeting, making no forward



movement on the key issues such as an agreement concerning transit to Kaliningrad, a visa-free regime for Russian citizens in Kaliningrad, etc. We can predict that the Kaliningrad issue will become more complex. In April, Boris Yeltsin ordered the Russian government to ensure independent energy sources for Kaliningrad (currently the region is completely dependent on Lithuania and Poland); the Russian press saw Yeltsin's directive as a desire to maintain the military potential of the Kaliningrad region – a potential that has been declining all the time – just in case Russian-NATO relations deteriorate to a critical point.[45]

The Russian economic crisis has also had a powerful effect on Lithuania. Even though Lithuanian banks were much less exposed to Russia than Latvian banks, Lithuania, like its northern neighbor, suffered heavily from the rapid decline in exports to the East. The crisis in Russia also unveiled the darker sides of the Lithuanian economy. Some 400,000 people in that country earn their living in the illegal labor market producing cheap goods for the Russian market.[46] Under conditions of dire economic straits, the Russian oil monopolies put heavy pressure on Lithuania. At the end of January 1999, Lukoil stopped shipping oil to the Mazeikiai oil refinery, thus trying to force the Lithuanians to give Lukoil at least a 33 % ownership share in Mazeikiu Nafta and to increase the amount of money it was paying for oil bought from Russia. The Russian oil monopolies are also clearly trying to force the American company Williams International out of the Lithuanian market.[47] In case the opposite happens, and Williams pushes Lukoil out of the market – and this started to happen in the spring of 1999 – the relationship between Russia and Lithuania will almost certainly become more chilly. The conflict with Lukoil was also one of the main reasons why the Butinge Oil Terminal did not begin exports of oil in January 1999, as Lithuania had vowed to do at the end of 1998.[48]

The long-awaited visit by the Lithuanian Prime Minister Mr. R. Pakss to Moscow took place on June 29, 1999. In line with Russia's main policy of furthering disagreements between the Baltic states, periodically promoting one, then another Baltic State either in a positive or negative sense, Moscow declared that relations with Lithuania are a "model for interstate relations."[49]

Although Mr. Pakss signed a package of 10 documents, two ques-

tions remained unsettled. First, and the most important, is the question of oil and gas deliveries to Lithuania. It is exactly these that will influence future events and not optimistic statements about model relations. For example, Lukoil is interested in acquiring control of Lithuania's oil industrial state owned Lietuvas Kuras. The other question is the ratification of the Russian-Lithuanian border agreement, which the Russian parliament still hasn't carried out.

Estonia was not at the center of Russia's attention in 1998 and the beginning of 1999, largely because Moscow has been implementing individual approaches to each of the three Baltic states, and during this particular period it was more focused on Latvia. Russia was too weak to maintain pressure against both countries simultaneously, even though at one time Estonia was portrayed in Russia as the most wicked of the three Baltic countries. It is also true that Estonia, unlike Latvia, did not give Russia any reason for a new anti-Estonian campaign. Not wanting to damage its relations with the West, for example, Estonia avoided Latvia's mistake with respect to the "Waffen SS" veterans of World War II. In Estonia, the veterans held their commemoration quietly and without the participation of Estonian government officials in July 1998. Here the Estonians learned from the Latvian mistake made earlier in March but Latvia, in turn, followed the Estonian example in 1999. The Russian press was forced to admit that Estonia had passed a difficult test of political maturity.[50]

At the same time, however, Estonia did not manage to achieve any significant results in bringing greater order to its relationship with Moscow. No border treaty was signed, for example. The Estonian-Russian intergovernmental commission met for a long-awaited session in early December 1998 in Tallinn, but the results of that meeting were insignificant. The main economic issue concerned the double tariffs that Russia has applied to Estonian goods. These were not repealed, and the chairman of the Russian delegation, Valentina Matvijenko, said that the tariffs are linked to political issues, namely, the treatment of Estonia's ethnic Russian minority.[51] In 1999 Russia repealed discounts on rail transportations also for Estonia, thus leaving Lithuania as the only Baltic state enjoying transit discounts.

In June 1998 the Estonian parliament approved a concept paper on



the integration of non-Estonians and non-citizens (330 000) into the country's society, Russia continued to feel that Estonia had not done enough. Jurij Luzhkov and his scandalous advisor, former KGB officer A. Pereligin began to devote increased attention to Estonia. The latter announced several times that Russia does and will continue to support Estonia's leftist, so-called Russian-speaker political parties.[52] It is also true that as power in Estonia is taken over by the right-center party of Mart Laar, Estonia will probably once again become an object of Russian criticism.

In conclusion, it must be stressed that the relationship of the Baltic states with Russia will long continue to be unstable, disorderly and with a tendency toward various mini-crises. The main reason for this will be the position that Russia takes vis-à-vis these countries. Overcome by all kinds of possible and impossible crises, Russia continues to display an arrogant and pushy attitude toward the Baltic states. In the area of security policy, Russia's deteriorating relationship with NATO (due to the Kosovo crisis) and growing anti-American mood is exacerbating Moscow's irritation with the Baltic desire to expand contacts with the alliance. In the sphere of economic relations, the deep crisis in the Russian economy is the main reason for problems. The Economist has noted that "the prospect of a fascist, feudal or thieving government in charge of thousands of nuclear and other weapons now seems less remote."[53]

Even though the Baltic states cannot hope to achieve orderly and normal economic relations relations with Russia, no excesses on the part of Russia against the Baltic states are to be expected. Yeltsin has made it clear that no economic sanctions will be implemented against Latvia even if the Duma should adopt the anti-Latvian economic sanctions bill in the final reading.

The Baltic states have little hope of bringing order to their relationship with a country that is in as difficult a situation as it has ever faced since the period between 1917 and 1920. Russia has never seen proper relations with the Baltic states as any kind of foreign policy priority for itself; both sides see the orderliness of the relationship differently, and Russia would be satisfied only if the Baltic countries were obedient satellites to the center. The extent of the Russian crisis, however, al-

lows us at least to predict that it will be too tired and weak to implement any aggressive or excessively hostile policy toward the Baltic states. The best thing that the Baltic three can do in this situation is to implement their EU accession strategy consistently and without any hesitation, modernize their economies and re-orient their foreign economic contacts as much as possible toward more predictable markets, strengthen contacts with NATO, and continue to integrate the so-called Russian-speakers.

*July, 1999*

## Notes

1. Stranga, A. "Baltic-Russian Relations. 1997", *Humanities and Social Sciences Latvia,* No. 2/3, 1998, p. 186.
2. See Danilov, D. "A Piece of the Partnership", *Transition,* April 1998, p. 61. Danilov is the director of military and political studies at the Institute of Europe, Russian Academy of Sciences, Moscow; SM, the Russian language newspaper in Riga which the Russian MFA and embassy in Riga regulary use as a vehicle for expressing their views long after Latvia had rejected Russia's security guarantees continued to stress that this was Latvia's "most serious mistake," which would worsen Latvian-Russian relations. See, for example, A. Elkin, "Moskva oživila' Jelcinskie iniciativy" (Moscow 'reanimates' Yeltsin's Initiatives), CM, 22 May, 1999.
3. *SM*, 17 Jan. 1998.
4. Elkin, A. "Latvija objavljaet voinu Iraku" (Latvia declares war on Iraq), *SM,* 20 Feb. 1998.
5. *SM,* 15 Jan. 1998.
6. Kabanov, V. "Uroki igry na trube" (A lesson with respect to the game on the pipes), *SM*, 1 Dec. 1998. The word "pipes" here was meant to refer to oil product pipelines, which represent a significant share of Latvia's transit earnings.
7. *SM,* 6 Feb. 1998.
8. Udaltsov spoke in an interview to the newspaper *SM* on 24 Feb. 1998.
9. *Moskovskie Novosti,* 22–29 March 1998, p. 4. See also Makarevich, L. "Devalavaciju rublja udalos'liš otsrõcit" (The devaluation of the rouble has only been postponed), *Finansoviye Izvestija,* 16 April 1998. Also Makarevich, L. "Na finansovom rynke snova paničeskiye nastroenija" (Financial market again overtaken by panic), *Finansovie Izvestija,* 30 June 1998, pp. 1–2.
10. *Diena,* 22 May 1998; *Novye Izvestija,* 6 Feb. 1998.
11. For a detailed look at the takeover of Russia's mass media by the oligarchs, see



Vivat, A. "His Master's Voice", *Transition,* June 1998, pp. 42–47.
12. *SM,* 1 Dec. 1998.
13. *SM,* 6 Feb. 1998.
14. The party also did nothing to distance itself from Russophobic articles that a Fatherland and Freedom party member called J. Rudevskis (he was a civil servant in the Ministry of Justice, which was headed by another member of the party, Dzintars Rasnaçs) published in the party newspaper *Nacionala Neatkariba* (National Independence) in Feb..
15. *SM*, 27 Feb. 1998.
16. *Nezavisimaja Gazeta,* 17 March 1998.
17. Puškov, A. "Ne nado bojatsja sobstvennoj teni" (You don't have to fear your own shadow), *Nezavisimaja Gazeta,* 11 March 1998.
18. *Moskovskie Novosti,* 19–26 April 1998, p. 3.
19. "Političeskoe položenie Rossii v aprele" (The Russian political situation in April), analytical report by the Center for Evaluation of Political Risk, Moscow, reported in *Nezavisimaja Gazeta-Scenarii,* No. 5, 1998, p. 10.
20. *SM,* 22 April 1998.
21. Elkin, A. "A Lužkov Latvii ne verit" (But Lužkov doesn't believe Latvia), *SM,* 22 April 1998.
22. *SM*, 22 Aug. 1998.
23. *SM*, 22 April 1998.
24. Later the party lost much of its popularity, though, possibly because it chose as its main election issue the campaign against the new citizenship law.
25. Shabad, G. "Krievijai iepatikusas sankcijas" (Russia has become fond of sanctions), *Diena*, 29 June 1998.
26. *SM*, 31 March 1998.
27. Baev, P. "Russia's Departure from Empire: Self Assertiveness and a New Retreat", in Tunander, O., Baev, P. and V.I. Einagel. *Geopolitics in Post-Wall Europe: Security, Territory and Identity.* London: Sage Publications (1997), p. 186.
28. *SM*, 4 January 1999.
29. An interview with Yeltsin advisor E. Pain in *NM*, 30 Dec. 1998.
30. Zalkalns, V. "Krievija: Latvijai un Igaunijai jādara vairāk" (Russia: Latvia and Estonia must do more), *Diena*, 3 Dec. 1998.
31. *Diena*, 3 Dec. 1998; at the beginning of 1999 the tariffs were reduced after all to USD 4.9 per ton.
32. "Eskalatsija slov – ljubimoe zanatie Rossii" (An escalation of words – a favorite occupation in Russia), *SM*, 22 April 1998, p. 2.
33. *Diena*, 30 Dec. 1998 and 16 April 1999.
34. *SM*, 15 Dec. 1998.
35. Epsteins, B. "Latvian market still the biggest loser", *The Baltic Times*, 17–30 Dec. 1998, p. 18.
36. Brauna, A. "Cinu pret korupciju kavejot politiska vara" (The fight against corruption is said to be hampered by political authority), *Diena*, 4 Dec. 1998. Also Holbaitis, P. "Krievijas saimnieciska krize un Latvijas nakotne" (Russia's economic crisis and

Latvia's future), *Diena*, 2 Dec. 1998.
37. See Ivanov's interview with the newspaper *Komsomolskaja Pravda*, 30 Sept. 1998, p. 1.
38. *Diena*, 28 Nov. 1998, p. 11.
39. *Respublika* (a newspaper in Riga), 2 March 1999, p. 3.
40. *Diena*, 20 March 1999, p. 2.
41. *CM*, 24 and 26 March 1999; also *Diena*, 6 April 1999, p. 6; a similar view was also expressed by the chairman of the "Our Home – Russia" faction in the Duma, V. Rizhkov (see an interview in *CM*, 15 April 1999, p. 2).
42. See an announcement by the mayor of Ventspils, Aivars Lembergs, in Diena, 6 March 1999; Ventspils Nafta, especially Aivars Lembergs, has a tendency to exaggerate the role played by transit in Latvia's GDP. The real proportion is about 1/7 of the GDP (yet Ventspils Nafta payed only 12.2 million lats in taxes, which does not make it the biggest tax payer in Latvia). At the same time the port of Ventspils has received 32 % of the state investment program, which indicates the strength of this lobby in Latvia. See Baiba Rulle, "Tranzitbizness pilniba atkarigs no Krievijas (The transit business is completely dependent on Russia), *Diena*, 20 May, 1999.
43. *CM*, 10 July, 1999, p. 1.
44. Laškevic, N. "Litva i Rossija našli obshcij jazyk" (Lithuania and Russia have found common language), *Izvestija*, 16 June 1998, p. 3.
45. Koptev, D."Baltijskij poligon" (The Baltic testing ground), *Izvestija*, 14 April 1999, p. 1.
46. *Diena*, 19 Aug. 1998, p. 6.
47. Traceviskis, R.M. and P.I. Mladinco. "Halt in Russian Petroleum Supply Fuels Suspicion", *The Baltic Times*, 11–17 Feb. 1999, p. 6.
48. Ibid., 19-25 Nov. 1998, p. 11.
49. Statement by the Deputy Foreign Minister of Russia A. Avdejev, *CM*, 16. 06. 1999, p. 2.
50. Jusin, M. "Estonci izvlekli urok iz ošibok latishej" (The Estonians have learned from the mistakes of the Latvians), *Izvestija*, 14 July 1998, p. 3.
51. Santana, R. "Russian-Estonian Commission Holds First Meeting", *The Baltic Times*, 10–16 Dec. 1998, p. 2.
52. *Diena*, 2 March 1999, p. 10.
53. "Money Can't Buy Me Love", *The Economist*, 6–12 Feb. 1999, p. 25.

Edited by Atis Lejins

# Baltic Security Prospects at the Turn of the 21st Century


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This book is the joint statement by a team of researchers of the Latvian Institute for International Affairs, and the Aleksanteri Institute in promotion of the EU accession negotiations. Joining the EU and NATO are foreign policy priorities of all the three Baltic states. Security issues ranging from the enlargement processes of these Western organisations to the relations between the Baltic states and countries of its neighbouring regions are analyzed here. Policies of Northern and Central European neighbours as well as Russia are all discussed in depth.

In this book, the Director of the Institute Atis Lejins, who is a specialist in Baltic security issues, discusses the question of EU and NATO enlargement. Dr. Daina Bleiere analyzes the relationship between the Baltic states and countries of Central Europe. Dr. Zaneta Ozolina discusses security cooperation in the Baltic Sea area and covers the policies of all actors concerned. Dr. Aivars Stranga specializes in Latvian foreign policy and writes here on Baltic-Russian relations.

ALEKSANTERI INSTITUTE

The Aleksanteri Institute, founded in 1996, is the Finnish Centre for Russian and East European Studies, which promotes research, teaching and knowledge of Russia, the Baltic Countries and Eastern Europe.


ISBN 951-45-9067-8
ISSN 1455-4828





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