

EU Enlargement in the Baltic Sea Region and Russia: Obvious Problems, Unclear Solutions

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October 2000
PONARS Policy Memo 171
Institute of Europe

An analysis of the implications for Russia of European Union (EU) enlargement to include Poland and the Baltic states should give Russia cause for alarm. This memo explains why, at this point, the anticipated effects seem predominantly negative.

Anticipated Negative Effects

In the economic sphere, the introduction of new standards and regulations as well as EU trade preferences to developing countries will strongly impede Russian exports to applicant and new member states. These impediments are unlikely to be offset by increased demand for Russian goods by growing new member economies; by potential benefits from single EU tariffs for individual industries; or by prospects for transborder cooperation along the longer EU-Russian border. After Austria, Finland, and Sweden joined the EU, for example, Russian economic losses were estimated at 100 million dollars annually. Similar effects should be expected in this case; moreover, they will become apparent well before the current applicants become full members. Further reorientation of their trade away from Russia in favor of intra-Union operations simply cannot be accompanied by finding new markets for many Russian goods, particularly those produced in neighboring regions. The already visible geoeconomic divide will deepen. The largest living standards gap in Europe--that which exists along the Russian-Finnish border--will be extended southward of the Finnish Gulf.

The freedom of movement of people will be seriously limited. The intensity of people-to-people and business-to-business exchange cannot be maintained at the current level after the Schengen regime (which creates free movement of people within EU borders) is introduced, followed by Russian reciprocal measures. In 1998 Lithuania received the most Russian travel abroad, with over 1.1 million entries, nearly 900,000 of which were for private and tourist purposes. Poland ranked fifth with 546,000 Russian entries (372,000 for private and tourist). In turn, citizens of Poland were the second most frequent visitors to Russia with 806,000 entries, 600,000 of which were private and tourist. Lithuania ranked third, with 798,000 and 645,000; Estonia ranked sixth, with 274,000 and 196,000; and Latvia ranked eighth, with 213,000 and 97,000. Although the effect will be two-sided, it is clear that citizens of EU applicant countries will have greater opportunities to reorient their travel, particularly business travel, than will Russians.

The most negative outcome of the restrictive visa regime will be impediments to ongoing networking and, less directly, to creating a "security community" that would include people on both sides of the prospective Russia-EU border. The experience of Finland-- which after its entry to the EU succeeded in issuing millions of visas for Russians every year and thus neutralized this risk--cannot be treated as a precedent. Finland, unlike the present applicants, had a non-Schengen option, and therefore could establish procedural rules of its own. Further, its political will to maintain the frequency of contacts with Russia was not doubted, which is far from the case regarding the political leadership of Poland and the Baltic states.

The consequences of enlargement will have particularly negative effects for the Russian exclave Kaliningrad. The predictable dramatic fall of the oblast's exports will increase its dependence on subsidies from Moscow to cover even basic imports (the area imports 80% of its food from Germany, Poland, and Lithuania). Subsidies, however, are not guaranteed and the socio-economic situation may become disastrous. Moreover, Kaliningraders could become totally isolated by the new "visa fence." They will need visas even to visit the rest of Russia by land. One implication of this will be local antipathy towards the EU, which will be seen as having stimulated neighboring states to replace bilateral arrangements that were more favorable to Kaliningraders with the new restrictive regime. This view may prevail in Moscow as well.

EU enlargement may unfortunately add to Russia's relative political isolation. It may affect region-building in the Baltic Sea area by drawing the resources and attention of national governments away from this process in favor of fulfilling the task of enlargement. Thus far, regional initiatives such as the Council of the Baltic Sea States and especially the Northern Dimension (an originally Finnish proposal of far-reaching transborder cooperation in the region) have been perhaps the most effective and efficient means of both engaging Russia and building a new type of relations in northeastern Europe. Whether this momentum will be upheld amidst enlargement remains uncertain.

Also of concern is the potential negative influence of countries that now have problematic bilateral relations with Russia on EU common foreign and security policy, especially when these states hold the presidency. The perceptions of Russia shared by large parts of the Polish political elite and the Baltic states are one-sided and prejudiced. There are, therefore, concerns that their representatives will not be interested in building a genuine Russia-EU partnership, and instead will do their best to minimize interaction.

Instead of rendering a stabilizing effect, EU enlargement may destabilize Russia-EU relations. This will result from the need to deal with the problem of Russian-speaking non-citizens of Latvia and Estonia in a Moscow-Brussels debate, which has thus far been avoided. Currently Moscow aims at holding consultations with the EU in order to guarantee the rights of Russian speakers before the enlargement occurs. If this fails, Russia might refuse to extend the Partnership and Cooperation Agreement of 1994 to candidate countries where these rights are not guaranteed. This will most likely become a near-intractable problem between Russia and the EU. Furthermore, Russia will not drop its claims to protect its compatriots without citizenship after they become "EU alien

residents." The Union will lose a lot of maneuvering space when, having accepted Latvia and Estonia with their legislation, it ceases to be a mediator and becomes a side in the conflict. The collision, totally unnecessary in a trilateral format, will therefore become inevitable, perhaps putting the whole Russia-EU relationship at risk.

Moscow's Position

On the surface, the official approach of Moscow towards the challenge of enlargement appears rather balanced and realistic--to the extent that realism is allowed within the limits of official diplomacy. Russia's strategy on developing relations with the EU aims at "maximal use of the benefits of enlargement" while "preventing, removing or obtaining compensation for possible negative consequences." Well aware of both promising and discouraging effects of the process, Moscow not only expressed its concerns, but proposed a long list of suggestions aimed at making the enlargement less painful for the Russian Northwest:

- use EU funding programs now limited to applicant countries;
- extend to Russian Baltic borders with EU candidates the same programs that are used on the Finnish border with Russia;
- consolidate parts of the TACIS (which provides technical assistance to the Commonwealth of Independent States), PHARE (which provides EU technical assistance and investment to the region) and INTERREG (a special assistance program aimed at promoting development of regions of non-EU member countries bordering the Union) programs into a single "financial window;"
- introduce a visa system more favorable than Schengen; and
- conclude a special agreement to protect the interests of Kaliningrad oblast and make it a pilot region for cooperation.

Apparently, the ball is in the Union's court now. Russia's ability to influence EU decision-making is limited and its negotiating position is insufficiently strong.

Russia is not going to apply for full or even associate EU membership in the foreseeable future. Instead it would like to focus on joint efforts to create an effective collective security system in Europe without divisions, and to proceed towards establishing a bilateral free-trade area. Such a conceptual approach, whatever rationale is behind it, institutionally limits Russia's access to certain tools and instruments (including financial) available to EU candidate countries. In too many cases Russia will have to expend diplomatic energy seeking exceptions that may not be granted.

Russia rejects the trilateral negotiating format--especially on economic matters--on the premise that candidate countries lose sovereignty in trade policy even before joining the Union, and therefore are unable to offer solutions autonomously from the EU (i.e., bilaterally). Moscow is going to discuss its concerns primarily with the Commission. There are prospects and opportunities for future bilateral or trilateral consultations:

- Russia evaluated highly the "Nida initiative," a joint Russian-Lithuanian agreement concluded in February 2000 that presents a list of border cooperation projects to be included in the Northern Dimension Action Plan.
- Given sufficiently good relations (which depend in part on bilateral communication), other countries may follow the example of Finland, which has prioritized bilateral relations with Russia outside the Schengen regime.
- Russia has learned from experience the significance of bilateral dialogue: lack of contacts with then NATO applicants in Central Europe weakened (rather than strengthened) Russia's position on NATO enlargement.

At the moment, unfortunately, the trilateral format needed to realize the above opportunities does not exist. This allows candidate countries to lobby for decisions that are less favorable for Russia than those that might be taken under trilateral transparency.

Somewhat entrapped in the whole complex of center-periphery relations, Moscow's Kaliningrad policy does not reflect the priority of the area. For this reason, it is hard to expect Brussels to prioritize the Kaliningrad oblast. Furthermore, Russian political will to protect the interests of the oblast through interaction with the EU is constrained by its fear of inspiring secessionist feelings in the area.

Although at the moment the intention of both Russia and the EU to reach a workable solution should not be denied, the question remains concerning which leverages Russia can use to have its concerns taken into account without jeopardizing relations with the Union in general, should "things go wrong." Even a hypothetical arsenal of such instruments appears very limited, bringing a certain degree of asymmetry into the bilateral dialogue.

The Russian position is vulnerable to political risks that are not linked to its relations with the EU or candidate countries. The Union reaction to the Russian military operation in Chechnya both in 1994-96 and especially in 1999 demonstrated the depth of this vulnerability. As a result, the momentum in Russia-EU relations was considerably slowed, though EU negotiations with candidate countries advanced almost daily.

There are also doubts about the preparedness of the EU to successfully carry out its Baltic enlargement without making its relations with Russia more problematic. The policy of the EU, however, is naturally not aimed at reaching a compromise with Russia at the expense of primary enlargement priorities. It is therefore difficult to expect any changes regarding EU "home assignment" given to the applicants (i.e., adopting and implementing Union norms and regulations in full and without exceptions). Thus, the hands of Baltic states will remain bound in the search for bilateral solutions with Russia.

It is unlikely that Brussels will actively seek a proper formula for the Kaliningrad problem. For a long time, the EU seemed to not want to acknowledge responsibility for the enclave within the Union and its concrete problems, which have emerged as a by-product of enlargement. Published research reveals that Commission staff regarded the

problem as a bilateral issue between Russia and its Baltic neighbors. In January 2000, while saying that Kaliningrad must have a chance to benefit from EU expansion, EU Commissioner Gunter Verheugen nonetheless stressed that the EU should not allow Russian concerns to influence its talks with candidate countries. These attitudes provoke skepticism rather than hope in Moscow with regard to EU policy on the issue.

Also of concern is the unclear fate of the Northern Dimension, the launch of which was met positively by all actors involved. Will the initiative, now formally detached from its initiator country, accumulate enough funds and energy to play a significant role in northeastern Europe? Will it survive the accession of Poland and the Baltic states to the Union, precisely when it will be particularly needed to manage relations between "ins" and "outs," Russia being first and foremost? Will it ensure a positive attitude from Russia if a "colonial" focus prevails in its activity, while it fails to promote the technological modernization of Russia? These, as well as many other questions, still lack answers.

Recommendations

The following recommendations should be considered in order to minimize the negative consequences of EU enlargement for Russia and to avoid worsening its relations with both the Union in general and its neighboring member countries:

- Russia and the EU should gradually move from reciprocal steps to joint actions. In order to do this, the EU should start viewing Russia as a partner to be engaged--however limited the partnership may be for the time being--rather than as a problem to be dealt with, or a danger to protect itself from.
- A regional "strategy of support" should be elaborated for the Northern Dimension, one that could be similar in its goals, including that of facilitating the integration of Russia, but more flexible in its implementation through the participation of national governments, businesses, etc., as compared to the strict bureaucratic procedures of the Union.
- Kaliningrad must be recognized as a specific case--a problem that is aggravated by enlargement. An action plan with a good financial backup must be worked out; time is running out very quickly and a future solution will be more costly.
- In order to remove this potential stumbling bloc from Russia-EU relations, all parties should promote the full economic and political integration (as opposed to assimilation) of Russian speakers into their respective Baltic societies--before as well as after these states join the Union.