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Russia's European Agenda and The Baltic States  
by Janina Sleivyte

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**DEFENCE ACADEMY  
OF THE UNITED KINGDOM**

**RUSSIA'S EUROPEAN  
AGENDA AND THE BALTIC  
STATES**

**BY**

**JANINA SLEIVYTE**

**THE SHRIVENHAM PAPERS**

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Janina Sleivyte has asserted the moral right  
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# RUSSIA'S EUROPEAN AGENDA AND THE BALTIC STATES

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## RUSSIA'S EUROPEAN AGENDA AND THE BALTIC STATES

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# **Russia's European Agenda and the Baltic States**

by

**Janina Sleivyte**

## **Introduction**

States exist in a certain space, defined by their geography, historical experience and culture. This space is in the process of a constant change, and the dynamics impacts on the political processes of states, their relations with neighbours and their geopolitical orientation. This equally applies to the main subjects of this monograph - Russia and the Baltic States.

Since the collapse of the Soviet Union in 1991, Russia has been reshaping her policy. The Baltic States, since the restoration of their independence in 1990, have also been redefining their place in the region and on the continent. Estonia, Latvia and Lithuania, a number of historical and cultural differences between them notwithstanding, are often not differentiated in the context of international relations but treated as a whole - the 'Baltic States'. Their common history of the 20th century provides justification for this treatment.

Putin's Russia is a largely authoritarian state with a state directed, although mostly private, economy and a weak civil society. Russia has never developed into a Western European democratic type of state, albeit this chance was given to her many times. Although Russia initially relinquished some of her power as the country fell into disarray following the USSR's dissolution, she is undergoing recovery and her influence over the world is rapidly increasing, driven the growing need for her energy resources.

Having realised her limitations, Putin's Russia has refused a messianic doctrine and acts within the framework of classical concert of the great powers. This implies that Russia dropped open confrontation with great powers but has not abandoned the ambition of restoring her greatness so as to enable her to challenge the West. Russia probably will never again be a superpower but she can aspire to become a 'major power of the second rank'<sup>1</sup> – more important than any of the other European powers because of her size, geo-strategic position and energy riches – the biggest hydrocarbon reserves in the world. Moreover, to underpin her self-esteem, Russia possesses some 2000 nuclear missiles and still remains the only power in the world, which can maintain the balance of mutually assured destruction with the United States. This confirms that Russia is an important player on the European, Asian and global scenes.

There is no question that the current Russian foreign policy is the foreign policy driven largely by President Vladimir Putin. Two catchphrases used to describe Putin's presidency are – 'pragmatism' and 'active diplomacy'. In this context, a key specific

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feature of Russian foreign policy should not be disregarded: the so-called 'securitization' of Putin's foreign policy, which implies, first and foremost, the primacy of political-security over economic priorities. Despite the growing importance and awareness of the latter, it is the former that remains dominant; prominence is given to traditional geopolitical interests.

It is worth noting a new trend in Putin's foreign policy. If Gorbachev and Yeltsin's foreign policies were primarily aimed at inclusion and integration into the West, Putin is focused on independence from the West and interaction with it provided this interaction is favourable for Russia. In short, Putin's approach to external relations is pure *realpolitik*. The current rearrangement of the state undertaken by him is an attempt to adapt Russia to the conditions of globalization. It is in this context – the end of modernity and the adaptation to a global, post-industrial world – that the foreign policy of Russia can be interpreted.

Russia's immediate agenda is modernisation and her foreign policy is shaped to serve this end. An effective foreign policy is one that creates a strong state, which, in turn, will restore Russia's greatness. Russia has two key foreign policy objectives: the first is creating an international environment that is conducive to the country's economic growth and development and further integrating Russia into the global economic system; the second is resurrecting Russia's position as a modern great power.

Russia's first task towards achieving these objectives in her European agenda is the restoration of full control over the continental zone (heartland), i.e. rebuilding herself as a great power on a regional scale (CIS-wide) based on the internal consolidation of the state, sound economy and credible military might. The second step is guaranteeing, at least, neutral or buffer state status to the countries of the Southern and Western hinterland, i.e. the South Caucasus and European CIS states in the discontinental geo-strategic zone (rimland).<sup>2</sup> Therefore Russia aims not only to prevent the spread of the influence of the U.S. and other Western States, as well as their dominated international organisations, to Eastern Europe but also seeks to strengthen the geo-economic and geo-energetic dependence of Central European and the Baltic countries on her. If circumstances become favourable, Russia, through her economic and energy influence, may try to transform some of these countries into her agents of influence in Euro-Atlantic institutions. Russia intends to use Central European and the Baltic countries for dividing the EU and weakening trans-Atlantic relations, and for supporting those political and economic decisions of NATO and the EU that are useful for her.<sup>3</sup> It is in this light that Russia's foreign policy is considered in this study. In foreign policy terms, this implies a zero-sum attitude to diplomacy, the pursuit of great power status, especially via energy exports, and a propensity to believe that that the rest of the world thinks and acts in just the same way.

Throughout her history, Russia has been both a threat to and a guarantor of the European power equilibrium. Although Russia's choice between a European and a Eurasian identity is still an ongoing process, as reflected in her multi-vector foreign policy, most experts agree that Europe is the best natural partner for Russia due to shared cultural traditions, as well as the tendency of the Russian people themselves to embrace a European self-identity.



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It should also be noted that Russia has never been opposed to cooperation with Europe per se. What she seeks are forms that advance her concrete benefits. Russia is too large and too different to be easily absorbed into all of Europe's institutions but is also too important to be ignored. A democratic Russia is Europe's best hope for a cooperative relationship. It is obvious that the success of Russia's integration into a 'Wider Europe'<sup>4</sup> and into a new European security architecture depends not only on the political and economic structures she adopts internally but equally on her ability to adjust ultimately to her new status as a regional power.

Russia's primary interest with respect to Europe consists of making it instrumental for the country's transformation: it is mainly in Europe that markets and potential investment lie. The interaction of Russia and Europe is considerably influenced by the current changes on the continent: the enlargement of NATO and the EU, the impact of the 9/11 events and beyond, the Iraq war, Iran's nuclear ambitions and other developments. Beside this, the residual 'imperial syndrome', manifesting particularly in Moscow's policy towards post-Soviet space has an impact on Russia's relations with Europe. After EU enlargement, the new 'common neighbourhood' has acquired a particular salience because it may stimulate both cooperation and conflict between Russia and Europe. The developments during the last several years have demonstrated that Russia faced a lot of difficulties in exercising her role of the judge or broker in this neighbourhood.

Although Russian leadership recognised that both East and West can be helpful in the project of rebuilding the state, the Western-centric orientation prevailed in Russia's external relations during Putin's first term in office. In 2004, after more than a decade of talk about Russia's integration into the West and 'strategic' partnerships between Moscow and Washington Western governments finally concluded that Russia was not going to turn democratic in the foreseeable future; instead she has become an energy superpower. The summit of the group of eight highly industrialised nations (G8) held in St Petersburg in July 2006 could be considered as a turning point in this regard. The quick revival due to soaring energy prices made Putin's Russia more assertive about her role in Europe, Asia and the Middle East, which is considered as a threat to both the U.S. and Western Europe. In 2006, it was clear that Russia left Western orbit entirely and started to create their own 'Moscow-centred system', focussing primarily on the promoting Russia's economic expansion in the CIS, expanding relations with China and India, as well as with unpredictable states, such as Iran, Syria and Venezuela.<sup>5</sup> Russia's fraying relations with the West hit their lowest point in 2007, as reflected in Putin's landmark speech in Munich. Russia's honeymoon with the West was over.

As a big power, Russia has always been an important neighbour of the Baltic States. When examining Russo-Baltic relations, it is important to make a conceptual analysis of a relationship between great powers and small states. While the relationship is important to both sides, the importance is asymmetric: it is a matter of survival to a smaller state, but rarely, if ever, is that crucial to a great power. Thus, the search for a condition of 'enduring normality' is predominant in the policymaking of small states (i.e. the Baltic States).<sup>6</sup>

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Consequently, Baltic security is predetermined to a large extent by Russian policy: will Russia adhere to democratic principles and international legal norms, or will she pursue a policy of the former *velikaya derzhava* (great power)? It is noteworthy that during the 1990s NATO aspirations of the Baltic States were rejected vigorously by Russia, which developed the security strategy aimed at 'seeking strategic influence through power projection and intimidation'.<sup>7</sup> Meanwhile NATO and the EU have modified their strategies towards the opposite direction: by placing much more emphasis on cooperative security regimes based on commonly shared non-military threats, engaging all actors, providing confidence and security building measures (CSBM) and spreading of stability. Thus, the essential strategic problem of the Baltic States has been that they faced the challenge of having to relate to two opposing and incompatible external security strategies directed towards them: a Western cooperative security strategy and a traditional Russian power-based security strategy.<sup>8</sup>

Regarding the evolution of the Baltic States, during the last decade they have undergone an epoch-making transformation – from the Soviet-style republics to dynamic Western-type societies. Most important, the three Baltic States avoided being granted a 'special case' label, which would be a real danger not only for them but equally for the entire region: it would mean isolation, uncertainty and a grey security zone. In 2004, the Baltic States succeeded in their ultimate strategic goals – they became full-fledged members of NATO and the European Union. Furthermore, they have acquired a status of reliable partners and allies of the West, which provides not merely privileges but responsibilities as well. This implies a dividing line separating two periods of Baltic foreign policy – prior to the membership of the EU and NATO and afterwards.

Throughout sixteen years Russo-Baltic relations have changed tremendously – from confrontation to dialogue and cooperation. The Baltic States are seeking to find a *modus vivendi* with their big neighbour. The expectation prevailing among the Baltic political élites has been that membership of NATO and the EU should make possible the ultimate reconciliation between Russia and the Baltic States and create more solid ground for stable mutual relations in the future. The Baltic countries are already designing their relations with Russia as an integral element of NATO-Russia and EU-Russia partnership and cooperation. It is in the self-interest of the Baltic States to promote a more constructive Russian posture in European security affairs. European and Baltic security can only be assured through integrating Russia into a security community with the rest of Europe.

This study argues that 'high politics' of the ever-complicated Russo-Baltic relations is over. With the accession of the Baltic States to NATO, the Baltic security dilemma has been removed from the Alliance's agenda, i.e. the Baltic security question has been 'desecuritized' and became a matter of normal routine politics. Yet, tensions do persist in the so-called 'low politics'. The key contentious areas that top the Russo-Baltic agenda are Russian energy policy in the Baltic States and the sensitive bilateral issues related to Russian minorities in Latvia and Estonia and civil and military transit to the Kaliningrad oblast via Lithuania.

## **Aims and Objectives**

The place and the role of the Baltic States in the region and in Europe cannot be assessed without taking into account the context of their relations with Russia. This paper analyses Russia's approach towards European security architecture and establishes how the Baltic States are seen in this framework.

This study seeks to achieve two key aims:

- The primary aim is to provide an analysis of Russia's European agenda in general, and her agenda in the Baltic region in particular.
- The secondary aim is to define threats and challenges, as well as prospects, in Russo-Baltic relations.

The attainment of these aims should provide Baltic foreign policy makers with new perspectives on the dynamics of Russo-Baltic relations.

Seeking to facilitate the achievement of these aims the following objectives are set:

- First, to examine Russia's European policy in the context of global developments and their interplay, including post-9/11 security environment and the dual enlargement of NATO and the EU;
- Second, to define the peculiarities of asymmetric relationship between Russia, as a great power, and the Baltic countries, as small states, in relation to the Knudsen model;
- Third, to assess to what extent Russia's foreign policy trends vis-à-vis her 'near abroad' manifest themselves in Russo-Baltic interaction;
- Fourth, to analyse the role of international institutions and cooperation frameworks in mitigating relations between Russia and the Baltic States and in the changing security regime in the Baltic Sea region;
- Fifth, to provide future perspectives for the Baltic States in countering Russia-related threats and shaping their cooperative relations with Russia.

## **Research Methodology**

### **Basic approaches**

The basic approach of this study is that the reasoning behind foreign and security policies in Russia and the Baltic States is based on two factors - the external environment and patterns of domestic decision making. Any state exercises its foreign policy within the context of the international system. By defining the starting point of this study with Russia and the Baltic States as reference points, two key questions need to be answered: what is the present international system like, and

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what is the role of Russia and the Baltic States in this system? The dynamics of Russia's European agenda cannot be understood in full without an analysis of the country's politics within the European institutional frameworks. Regarding the role of international institutions, this study will seek to answer the following questions: Do institutions matter to Russia? Can they enhance cooperation between Russia and the Baltic States? Can institutions prevent or contain Russia's (unilateral) behaviour and make her behave in a more co-operative way? The paper will show that international institutions do matter in promoting Russia's cooperative attitude towards the Baltic Sea region and Europe, mitigating Russo-Baltic relations and changing security regime in the region.

To give arguments for the choice of a theoretical model of this study, the author examined the three schools of thought – three major paradigms of contemporary international relations theory - neo-realism (or structural realism), neo-liberalism (liberal institutionalism), and constructivism.<sup>9</sup> Each of these three paradigms allows us to form and forecast international politics in a different way. Neo-realists would explain Baltic-Russo relations in accordance with the theory of balance of power politics, institutionalists would give the greatest attention to cooperation with international institutions (NATO, the EU, the UN, the OSCE, and so on), whilst constructivists would analyse interaction between collective identities of these states. Each of these schools has its own flaws and limitations, and each of them may give different answers to the same questions. Thus, the choice of a theoretical model for a research subject becomes crucial.

The author considers a neo-realist approach best suited as a theoretical basis for the research subject. This choice is supported by the argument that neo-realism can best explain Russia's threat perception, her interests and policy towards Europe and the Baltic States. Russia's foreign policy itself is conceptualised using neo-realist terminology, such as 'national interest', 'domination', 'sphere of influence', and other notions. It is noteworthy that the theories of relations between big and small states are based on the neo-realist paradigm. The very notion of 'big' and 'small' states comes from this paradigm. Furthermore, the author upholds the view that although today we are witnessing the replacement of a traditional external balance of power by an internal institutional balance of influences, the essential features of international politics remain unchanged.<sup>10</sup> The shift to substantial minimisation of a probable mass-scale armed confrontation, the increasing all around interdependence and harmonisation of states' interests do not put an end to interstate rivalry but only alter its forms. In this respect, despite the shortcomings of neo-realism, it has been labelled as 'the most prominent contemporary version of *realpolitik*'.<sup>11</sup> It is the latter that remains of particular relevance to Russia's politics, where traditional security issues play the decisive role, where geopolitical rather than cooperative priorities dominate.

A major shortcoming with neo-realist theories is that they dismiss other important variables, e.g. the role of international institutions, domestic structures and individuals. The international system defines the broad parameters of foreign policy making but obviously it cannot explain the specific decisions that determine the behaviour of states in the realm of external relations. Therefore, although this paper is broadly located within the neo-realist interpretation, it does not confine itself by the

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international systemic approach but includes other levels of analysis – the domestic political and individual levels.

### **The Knudsen Model**

When examining Russo-Baltic relations in neo-realist terms, the author applies the Knudsen model as a conceptual framework for the analysis.<sup>12</sup> The essence of the model is to explain 'the application of political pressure by a great power against its smaller neighbour'.<sup>13</sup> It should be stressed that smallness of a state is important here in terms of available resources and capabilities, which have a direct effect on the scope and domain of a state's foreign policy. By analysing the security of a small state, one is dealing essentially with power disparity between great powers and small states. Thus, a small state can be defined as a state having limited capacity to influence security interests of, or directly threaten, a great power and defend itself against an attack by of a great power.<sup>14</sup>

In studying power disparity, Knudsen introduces six independent variables, which characterise relations between great powers and small states.

- **Variable 1** – the strategic significance of a small state's geographic location - is defined as the predominant elite perception in the nearest great power of the difference it would make to its security if a small state was to fall in the hands of their main opponent. From this perspective the security issue linking two neighbours becomes a question of how the territory of a state can be exploited by another great power in the execution of sinister designs.
- **Variable 2** – a degree of tension between great powers – is the chief dynamic variable for a small state's security. The greater is the conflict between great powers, the greater is strategic importance of a small state to its great power neighbour and to a neighbour's great power enemy (rival).<sup>15</sup> Given high tension, the nearest great power is more likely to respond to 'apparently non-conforming small-state action with restrictive measures', and more likely to take preventive measures to keep the options for a small state to a minimum.<sup>16</sup>
- **Variable 3** – phase of the power cycle – 'the degree of extroversion in a great power's foreign policy'. This should be thought as the 'sum total of the state's resources devoted to external activities'.<sup>17</sup> All great powers go through power cycles, starting from internal growth to external expansion to overextension and subsequent decline, and this directly affects their peripheries: pressure on small neighbours will rise and ebb as cycles change. In the extrovert phases, not only are small neighbours squeezed, tension is also likely to rise between a great power and its rivals, further exacerbating the neighbourly pressures.<sup>18</sup>
- **Variable 4** – the historical record – gives reference to the history of relations between a small state and the nearest great power. Trust is essential for the development of stable relations between states. Historical experience is the

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'strongest conditioner' for the development of trust.<sup>19</sup> Thus, history may work against attempts to stabilise the relationship of power disparity.

- **Variable 5** is the policy of other rivalling great power(s) towards a small state. A neighbouring big power is always fearful that a small state might be pushed into the sphere of influence of another (more distant) great power. The rival's policy vis-à-vis one's own 'near abroad' is indeed a very sensitive issue. Hence, the power disparity relationship becomes linked with the overall balance of power.
- **Variable 6** – the existence of the environment of multilateral security and cooperation – helps stabilise asymmetric relations between great powers and small states.<sup>20</sup>

These six independent variables taken together define the political environment of power disparity: interacting over time, they constitute the operative surroundings for the policy of a small state.<sup>21</sup> Not all of the variables are equally active in the interaction process. Apart from independent variables, the Knudsen model introduces a dependent variable – '**de-occupation**'. In the Baltic case, 'de-occupation' is perceived as a process, comprising attempts of the Baltic countries to liberate themselves from the influence of the big neighbour. The process of 'de-occupation' encompasses consolidation of legal, political and economic independence of a small state.

The reasons behind the choice of this model are obvious. First, Knudsen is a prominent representative of neo-realist paradigm, which has been chosen as the theoretical basis of this study. Second, this model incorporates both internal features of states and external (geopolitical) environment. This broadens the analysis of relations between states and allows us to study them not merely on a bilateral level but in a wider international context. Third, instead of taking international system in general as an independent variable, the model uses the degree of tension between a neighbouring big state and another (more remote) great power. When analysing Russo-Baltic interaction, it allows us to take into account the relations and the degree of tension between Russia (as a neighbouring power) and the United States (as another great power). Fourth, the model provides assessment of different players: it takes into account domestic developments of a great power and strategic significance of a small state. Fifth, a dependent variable makes possible to consider Russo-Baltic relations as a continued 'de-occupation' process. Last but not least, this model introduces a significant factor of multilateral security and cooperation (which is largely ignored by many authors). All these arguments played their part in choosing the Knudsen model for this study.

### Research Methods

To meet the aims and objectives of this study, a factual model based on events and main policy trends is established. Political processes here are seen from both Russian and Baltic perspectives. With regard to Russia's performance in domestic and international environment, the author adopts the method of comparative analysis,

measuring the key aspects of the Putin administration's performance against that of Yeltsin.<sup>22</sup> The aim is to evaluate changes in Russia's foreign and security policies, her perceptions of Europe and the Baltics, and to reveal trends how Russia's policy may develop in the years to come. Comparative analysis is also applied to assess the evolution of Baltic policies.

The author maintains that despite some differences in the current conditions of the Baltic States' development (e.g. ethnic composition, treatment of their minorities, the Kaliningrad factor), they have much more in common: their geo-strategic position and threat perception, their joint past as part of the Soviet Union, similar political agendas, comparable problems in constructing security policies, and the outside view of the Baltic States as a group. Therefore the author tends to rely more on a theme-based layout than a case-based approach.

To incorporate the full array of factors affecting complex Russo-Baltic policies, an interactive approach based on the interplay between the international, domestic and individual levels has been used.<sup>23</sup> The international systemic approach argues that foreign policy outcomes result solely from a changing external environment but not from a domestic change. The domestic political level (or state level) defines foreign policy as the result of 'domestic political manoeuvring'.<sup>24</sup> This level of analysis examines the operational environment – the political context and mechanisms – for policy making. The individual level of analysis focuses on the actions and behaviour of individual policy makers to explain how they define purposes, choose among causes of action and utilise national capabilities to achieve objectives in the name of the state.

Taken separately, the importance of these levels of analysis for Russian and Baltic foreign policies is different. This is due to their power asymmetry: the larger and more powerful a state, the greater its freedom of action; while the choice for small states is more limited.<sup>25</sup> Since the Baltic countries (as small states) are more preoccupied with survival than Russia (a great power), the international system will be the most relevant level of analysis in explaining their foreign policy choices. Baltic policies reflect attentiveness to the constraints of the international environment, meanwhile Russia is supposed to be less vulnerable to external developments, and thus has more options for action. This makes her foreign policy formation 'more susceptible to domestic political influences'.<sup>26</sup>

### **Review of the Study's Sources**

In every aspect of international relations, Russia is a central research subject. In that sense, it is important for a researcher not to get lost among a great variety of sources. In this study the author refers to two types of sources: primary and secondary sources. Primary sources include interview data (face-to-face interviews with Russian policy experts), conference material, document analysis, speeches, statements, lectures, as well as personal observation and expertise. Secondary sources comprise different types of literature: books and monographs, research papers, academic journals, current affairs magazines, internet sites, and other sources. All these sources provide a comprehensive account of the key developments of Russian domestic and foreign

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policy and its impact on the Baltic States. The cited Russian sources are transliterated by using the NATO STANAG system.

The most serious flaw of many sources analysing Russian politics and Russo-Baltic relations is their piecemeal approach. Actors, mechanisms, ideas, interests and external influences are treated as separate factors, more or less unrelated to one another and divorced from a wider context. By and large, there are several approaches to Russia's domestic and external developments: some writers tend to focus exclusively on personality-driven politics; others have emphasized the influence of dominant ideas such as Russia's 'great power complex' or neo-imperialism; a third group sees particular sectional interests – the Presidential Administration, the *siloviki*,<sup>27</sup> the Foreign Ministry – as largely monolithic entities, while still others view Moscow's approach to international relations as largely ad hoc, chaotic and reactive. Indisputably, each of these perspectives contributes to the overall picture but in isolation they are too narrow and, therefore, misleading. In this study the author tried to find the relationship between the different views that inform Russia's European agenda and her approach to the Baltic States. The author sought an appropriate balance between Russian and foreign sources, between academic and non-academic material, written and oral. It is not merely the result of an examination of a wide range of written sources but, more importantly, it is the product of ideas developed through multiple exchanges with foreign and Russian scholars, and Russian decision makers during meetings, seminars and conferences, as well as personal observation and reflection.

In contrast to countless research papers on Russia's domestic and external agendas, until now Russo-Baltic relations have not yet been systematically examined. The development of the Baltic States as independent countries, the evolution of their cooperative relations with Russia, as well as the latter's changing policy towards the Baltics, lack a comprehensive analysis. In examining the evolution of various aspects of Russo-Baltic relations from the early 1990s to date, this monograph seeks to contribute to bridging a gap in such analysis. A list giving the limited amount of published material available is given in the bibliographical note at page 47.

### **Russia in the International System**

It is possible to explain the similarities and continuities of Russia's external relations in large part as a result of the changing international environment, which conditions foreign policies of all states. The international system, based on the primacy of sovereign states and the central role of the United Nations in governing international relations, is weakening.

Russia has not yet established her place in the new world order, which is being formed in the wake of the Cold War. What becomes apparent is that, in contrast to the 1990s and early 2000s, the Russian leadership is no longer practising accommodation and adjustment to the international environment. Rather, Russia is



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seeking to move from being merely a regional actor to being a major independent player on the world stage.

Having rejected conflict relations with great powers Russia has not abandoned the objective of recreating power capable of challenging the West. Although Putin's Russia has shaped her orientation towards the West, she has not chosen a model of integration but of a concert of great powers, in which a few key players – the United States, Western Europe, China, Russia – would manage international affairs through institutions such as the UN Security Council and the Group of Eight (G8), as well as through bilateral 'strategic partnerships'. In other words, as a general rule of statecraft, Russia has pursued balance of power politics. Such a form of balance of power is a more fluid model of interaction: different circumstances demand different union of interests, which are better served by a flexible policy of diverse partnerships. Russia's Western-centric orientation manifests, in essence, by her choice of Western space for the purpose of a political game as opposed to her decision for the value-based integration with the West. In Putin's foreign policy strategy, international organisations, first and foremost Russia's membership of the UN Security Council, are only means to participate in a concert of great powers. A delicate Russian balancing in the concert provides her with an opportunity to wait for a redistribution of global forces in her favour (e.g. division of strategic interests between the EU and the U.S).

It is obvious that in Putin's foreign policy the world view and self-perception comes from Eurasianist school of thought. Some analysts argue that the current foreign policy model is a revision of traditional Eurasianism.<sup>28</sup> Putin's foreign policy has enshrined two central goals: to restore Russian supremacy in the 'near abroad' and to balance international relations by an Eurasian perspective, following the prescription by Primakov, much admired by Putin. The traditional interpretation of Eurasianism sees Russia as the 'ultimate world-island state', apart from and hostile to the maritime Euro-Atlantic world. Meanwhile the current vision of the Putin administration of the 21st century mission for Russia is based on a contrary assumption of critical geopolitics. It states that the unique geo-strategic place of the state provides conditions for its economic revival, opportunities for engaging in the regional institutions and security arrangements and, eventually, for the increase of the geo-economic influence of the state as a world player. This school of thought argues that perception of relations between states matters more than actual territory. Thus, in the 21st century more than ever before Eurasianism becomes a version of the engagement strategy for Russia.

In fact, Putin's foreign policy is but a modification of Primakov's multipolar world strategy. Russia is actively pursuing this objective, creating a system of counter-balances to the American presence in Central Asia. The Shanghai Cooperation Organisation (SCO), which includes a rapidly growing giant, China, is said to be a key element of this system. The SCO, the Eurasian Economic Community (EEC), the Collective Security Treaty Organisation (CSTO), and the CIS itself – all represent attempts to recreate the Eurasian heartland, which, in turn, implies the presence of Eurasianism in Russia's foreign policy. However, the emphasis of Putin's political course is not on the direct blocking of U.S. power but rather on the diplomatic game in the concert of great powers.

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Putin remains largely faithful to the strategic objectives that have shaped Russian foreign policy since his accession to power in January 2000. First and foremost is the establishment of Russia as a global power in the new security architecture. The second objective is Russia's selective integration into Western-dominated international structures. Russia seeks recognition as a fully-fledged member of abstract entities such as the 'civilised world' and 'Europe', as well as concrete organizations like the WTO. However, she is reluctant to accept any diminution of sovereignty and freedom of action which might result from membership of such organisations as NATO or the EU. Third, it is equally important for Russia to present the image of a geographically balanced or 'multi-vectored' foreign policy, founded in a positive-sum view of international affairs. Maintaining the Western-centric orientation has been very beneficial for Russia: the West, the US in particular, is the prime source of global power in its various dimensions. The Western-centrism of Moscow's world-view has not precluded the development of close relations with the former Soviet Union (FSU), China and the Muslim world. On the contrary, 'globalist' view has served Russia perfectly in conveying the message of 'normality and reasonableness' – what the West expects from her.<sup>29</sup>

However, after the rushed embrace of Western (largely US) ideas in the 1990s, the anti-Western impulse has again become increasingly conspicuous during Putin's second term. Due to her oil-fuelled economic revival Russia has grown much more assertive. The old paradigm has been lost; Russian leaders have given up on focussing on the West and have started creating their own Russia-centred system, first of all a Moscow-led power centre in the former Soviet Union.<sup>30</sup> Last but not least, an overriding objective is to project power and influence wherever possible. In the regional context, this implies tightening links with the former Soviet republics so that the latter would become de facto Russia's 'sphere of influence'. Russia began aggressively transform the face of Eurasia, moving to reclaim the sphere of influence she lost in the 1990s. What Putin really wants is a Russian dominance in Europe. At NATO and the EU Russia has no right for a veto, and only the UN Security Council enables Russia to exercise this right. Globally, Russia equally seeks to influence developments by virtue of her position as a permanent member of the UN Security Council and one of the world's leading energy suppliers.

What some saw as a strategic choice for partnership with the United States and NATO after 9/11, seems, for the Kremlin, to have been instead a tactical alliance in terms of realpolitik. Although Moscow confirmed this many times in exercising its foreign policy since the Iraq war in 2003, Putin's speech to the annual Munich Security Conference on 10 February 2007 was a hallmark event in this regard. The speech did not break new ground: it repeated things that the Russian senior officials have been saying quite a while. But the venue in which it was given and the confidence with which it was asserted signify a new point in Russian history. The Cold War has not returned, but Russia is now asserting herself as a great power and behaving accordingly.

When focussing on two primary themes – US hegemony and NATO expansion – Putin said that it was time to 'seriously think about the architecture of global security' and trumpeted a multi-polar world. But would the Russian president apply his dictum that 'the use of force can only be legitimate if decision is sanctioned by the

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UN' to Russia's brutal war in Chechnya? Not likely. The emphasis on balancing U.S. power looks like more of an announcement of a resurgent Russia in the guise of an affinity for international law. Ironically, Putin's castigation of interference in internal affairs of other states came from the leader backing secessionist movements in two provinces of Georgia and one in Moldova.

In its cooperation with NATO Moscow seeks to cause a certain power erosion from inside. By participating in the NATO-Russia Council in the format of '27', Russia wishes to achieve three major goals: to weaken the trans-Atlantic link (US-European relations); to promote evolution of NATO from a military defence block to a political organisation and to impede NATO enlargement. In his Munich speech Putin claimed that the inclusion of former Soviet satellite states in the Atlantic Alliance had destabilised Europe and threatened Russia.<sup>31</sup>

Overall, it is likely that from her relations with the West Russia is seeking to achieve three-fold objectives: pragmatic euro-continental, euro-Asian and trans-continental.<sup>32</sup> In pursuing Euro-continental objectives Russia may seek to eventually oust the US from Europe and to establish a European balance of forces. This could be achieved by strengthening the integration of Russian and European energy infrastructures, by integrating economic and security structures through the creation of a common economic space and joint political institutions. Such an integrated 'Euro-Russia' would turn into an alternative centre of global power to the US and China. Euro-Asian objectives imply that Russia would seek to oust the US not only from Europe but from the entire Eurasia and to challenge the global American domination. As things stand now, the attainment of pragmatic trans-continental objectives is the least probable. It suggests that Russia has to be systematically involved into a trans-Atlantic security community from Vancouver to Vladivostok, where Russia is the key partner of the United States, with the US to divide up Europe in zones of influence or create a European balance of power where Russia herself is an arbiter. It is more likely that these objectives and means of their realisation are not geo-strategic alternatives but, depending on circumstances, supplementing each other and are constituent elements of Russia's long-term strategy. Growing dependence on Russian energy stimulates Western European states to establish closer economic and political contacts with Russia, thus automatically involving her in European matters. This creates favourable conditions for Russia to weaken trans-Atlantic relations and, eventually, to undermine U.S. influence in the entire Eurasian continent.

As a great power, Russia sees a major threat in the strategic solidarity of Europe and the United States. In length of time, this solidarity may not only curb Russia's imperial ambitions, as a result of effective 'containment' levers, but also subordinate her foreign policy to the West due to the effective mechanisms of Russia's involvement into the Euro-Atlantic space. Therefore Russia tries to exploit several circumstances: first, frictions between the U.S. and separate European states (especially between the U.S. and France or the U.S. and Germany); second, competition between some Western European states (e.g. France and the UK); third, disagreements between 'old' and 'new' Europe; fourth, a common Western interest to have Russia as a main supplier of raw materials and as a factor necessary for the balance of forces in the international system.

## Domestic and External Agendas of Putin's Russia

President Vladimir Putin's policies can only be understood in the context of the period, coming after Yeltsin's ten-year presidency, when social and political relations had been deteriorated, although certain freedoms had become established. In considering Russia's domestic agenda, much depends upon the assessment of the character and intentions of the Russian President himself. Putin is the driving force behind many of the policies that have raised concerns in the Western world: the centralisation (or even monopolisation) of political power, the military campaign in Chechnya, the steps taken against the curtailment of Russian freedoms, and so on.

Having inherited a weak and corrupt state, Putin set a strategic goal to get Russia back on her feet. He made state building and modernisation the central priorities of his rule. Putin has used his presidency to set the stage for deeper changes in Russia's domestic and foreign policies. This is in contrast to his predecessor, who had little influence on these areas. By the end of Yeltsin's era, his role was limited to defending the position of his 'family' and to backing some figures from his former entourage.

Putin's state building project, however, casts serious doubts on its success. To Putin, the state is just 'one big bureaucracy'.<sup>33</sup> He seemed to believe that once bureaucracy was well ordered the system would work better. This has not come true, as under his rule the three major components of state building – state capacity, integrity and autonomy – reflect a state building failure, not a success. In 2000, Putin was elected largely on the 'security and order' platform. However, very little has been achieved; in 2003-2005, on the opposite, Russia witnessed growing insecurity on the level of individuals and the state as a whole.

The consolidation of power has not improved efficiency of state building. The apparent strengthening of the Russian state is largely an illusion: by building the 'power vertical' Putin has strengthened the Kremlin but not the state. Although the Putin regime has been able to stem the disintegration of the state, it has not managed to build a state strong enough to implement reforms, capable of prosecuting organised crime and stamping out corruption. The only real power in Putin's Russia resides in the Kremlin.

Putin succeeded in dragging the country out of the chaos but the state that has arisen as a result of his presidency is basically identical to the one Russia had under Yeltsin – it continues to bypass laws without any principles. The key features of Putinism are but an extension of Yeltsinism. What is worse, pluralism and freedom with some elements of democracy that started to appear under Yeltsin have disappeared from today's Russia. There has also been much continuity owing to the fact that the new leadership failed to overcome the resistance of some groups of the élites: although political power of Yeltsin's oligarchs was curbed, they were replaced by new political clans – the *siloviki*. Putin's foremost mission is defined by the nature of the regime, and there has been no single attempt on his part to break free of this dependence. The Russian system is such that reproduction of the regime is the

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regime's first priority. The regime seeks to guarantee self-perpetuation of power, i.e. the implementation of the project 'succession'.<sup>34</sup>

An important feature of the regime is the centralisation of control of the economic sectors Russia considers strategic – energy, precious minerals and metals. The Kremlin deems it essential to run the industries that bring it the most income, even though that control sometimes defies common economic sense and even though state-controlled companies are not always proficient at exploiting assets. What is more, by the consolidation of state control over the energy sector Moscow seeks to neutralise Western influence and to pursue the expansion of energy companies outside Russia, including those in Central and Eastern Europe (CEE). Moscow regards energy as a natural monopoly to be kept under state control. The money already made from this sector allows Russia not to worry too much about the possible decline in oil prices. Much of Russia's foreign debt has been repaid. With its stabilisation fund of windfall oil revenue and the gold and currency reserves totalling almost USD 400 billion Moscow can handle a substantial drop in prices without missing a beat.

However, although the Russian economy has experienced a comparatively good record of growth, this has largely been underpinned by temporary factors: the now lost legacy of devaluation of 1998, the growing prices of oil and the high prices of resource exports. Meanwhile, investment is only 18 percent of GDP, oil production is stagnating and, above all, the reform process itself has stalled.<sup>35</sup> Russia remains quite a poor country: her standard of living about half of that of the Czech Republic and a third that of the United Kingdom.<sup>36</sup> The economic foundation of the current Russian system is bureaucratic capitalism, which has replaced Yeltsin's oligarchic capitalism. As bureaucratic capitalism has no interest in diversifying the economy, Russia is beginning to resemble a petro-state. Natural resources account for 80 percent of total Russian exports, and energy accounts for 60 percent of resource exports. More than 50 percent of investment flows into the natural resource sector. Other characteristics of petro-state are becoming increasingly pronounced in Russia: the fusion of business and power; the emergence of rentier class that lives on revenue from the sale of natural resources; the domination of large monopolies; endemic corruption, and so on.<sup>37</sup>

That said, the main danger stems from inside the system – the pyramid – that Putin has created, and it is that of stagnation. Without an effective system of checks and balances the government is increasingly unable to handle political, socio-economic and security crises within Russia. When reacting to terrorist acts, especially the Beslan school massacre in autumn 2004, the regime revealed itself as not only authoritarian but also dysfunctional. Thus, instead of consolidating the state, super-presidentialism made it only weaker.

It is the conduct of foreign affairs where Putin's achievements are visible. Putin formulated a more consistent foreign policy designed to break with Yeltsin's erratic line and to establish realism and pragmatism as key instruments for attaining Russia's national objectives. Such a policy reflects instincts of the Russian elite, especially the Kremlin. These instincts are derived from a *realpolitik* mentality and can be summarised as follows: self-image as a great power, preference for bilateralism, emphasis on the traditional elements of national might, desire for equal status with the most powerful members of international system, and the

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condescension or benign neglect towards 'minor' states. In short, the prevailing political sentiments favour an assertive, nationalist line in world affairs.

Russia's domestic agenda has had a direct reflection in the realm of foreign policy. Indeed, Russia is a mixture of retrenchment and regression; both internally and externally. Putin's Russia has clearly reversed a cycle that began in the mid-1980s with perestroika and glasnost. The great Russian romance with the market economy has ended, as has the commitment to openness. Russia is non-democratic at home and is demonstrating imperial temptations in the post-Soviet space. Russia is using her energy lever as a means of upholding the state's geopolitical interests, which is outmoded in Western thinking.

The main foreign policy goal, as reflected in Russia's Foreign Policy Concept, has been the creation of conditions to ensure the country's economic rebirth through a *tous azimuts* policy that had a leaning towards the West. Putin took advantage of the opportunity opened by 9/11 to consolidate the cooperative dimension of Russian foreign policy and proclaimed a new course of rapprochement with the West. Indeed, the West retained its dominant position in Moscow's world view until 2006, making Russian foreign policy overwhelmingly Western-centric, albeit not pro-Western. To put it plainly, Putin's policy has always been pro-Russian, driven by 'enlightened self-interest': Russia needs the West to succeed in a globalising world.<sup>38</sup>

Without neglecting Russia's role in European affairs, Putin simultaneously focussed on the partnership with the United States as instrumental on increasing Russia's international weight. In the aftermath of 9/11 Russia gained much from her special relations with the US. Most important, Russia became a privileged partner of the mightiest state in the contemporary world. US-Russian 'rapprochement' considerably contributed to the growth of Russia's status in international organisations, among them the G8. Russia's role as a desirable partner of the West in the spheres of energy and the war on international terrorism was boosted. It is obvious that Russia's 'rapprochement' with the West has proved to be only a tactical decision as opposed to a strategic one: her Western-centric orientation, in fact, was the review of her Eurasian strategy seeking to remain in big politics, to make influence on international system in a direction favourable for her and, finally, to recreate her imperial power.

Russia has pursued different agendas with different parts of the West - Europe and the US - and tries to gain advantages on both sides. On issues like terrorism and homeland security, Russia's policy seems to be closer to the U.S. than to Europe. Meanwhile, with Europe Russia places her emphasis on energy relations, trade, investment and institutional dialogue. Hard security issues in partnership with the U.S. and soft security dialogue and institution building with Europe - such are the two faces of Putin's westernisation.

Having chosen the balance of power approach towards international relations Russia, in fact, is redefining her geopolitical position. Since the mid-1980s, the Russians have been of the opinion that abandoning geopolitical confrontation with the West would result in economic benefits. Put another way, the Russians were prepared to learn from the West and took their bearings from the West. Today Russia's view of

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this strategy is divided. The debate is between those who want a complete reversal in policy – a large minority – and those who acknowledge that massive readjustments must be made at all levels, but the basic idea of private property and markets should not be completely abandoned. What is going on, therefore, is a struggle over how far democracy should be curtailed and to what extent market reforms should be reined in. Overlaying this is a deep suspicion about the intentions of the West. The dominant view is that the West's demands for increased democratisation are an attempt to weaken Russia. Moscow has always perceived its relations with the West as a zero-sum game. While welcoming Western trade and investment, Moscow resists the encroachment of 'alien' political and civilisational values. Putin believes Russia must follow her own path – an attitude that means rejecting external 'interference' in issues such as Chechnya, post-Soviet space and status of democracy. It is clear that the Kremlin will not refrain from centralising its power because of Western criticism.

Russia's relations with the West, particularly with the United States, have lately been deteriorating. When attacking 'overly aggressive American foreign policy'<sup>39</sup> in his landmark speech in Munich, the Russian leader feels that the power Russia has recovered has to be demonstrated to be real, and preferably demonstrated to the diminution of America's. First of all, Russians feel they can object anew to things which Russia seemed to have accepted, like US missile defence plans. Even while asserting that their own strategic reach will not be diminished, the Putin and other leading officials have denounced the possible deployment of components of a missile defence systems in Poland and the Czech Republic. They even warned that Moscow might withdraw from the Intermediate-Range Nuclear Forces Treaty, negotiated by Ronald Reagan and Mikhail Gorbachev in 1987, unless Washington dropped its plans. Furthermore, Russia for some time has been in confrontation with the United States over US actions in the FSU, which clash substantially with Russian 'legitimate' interests to dominate in this area. It is likely that Moscow's strategy is to perpetuate conflict far from Russian borders in order to distract Washington from meddling in its domain. That partly explains Russia's behaviour in the Middle East, which is the pressure point to which the United States is most sensitive. US military commitment in Iraq, the confrontation with Iran, the Israeli-Palestinian conflict and oil in the Arab Peninsula creates a situation such that pain in the region affects the United States intensively. Therefore it makes sense for Russia to use all available means in the Middle East in efforts to control U.S. behaviour elsewhere, particularly in the former Soviet Union. This strategy has already led to expanded Russian relations with Iran and Syria.

After 15 years of retreat in her foreign policy Russia is regaining confidence and sending a signal to the Western community: we are back, we are power to be reckoned with and we will not play by your rules. This was the message Putin wanted to deliver in Munich, where he attacked the Bush Administration's foreign policy and its unwillingness to treat Russia as an equal partner. Here was Putin saying that Russia was no longer going to be humiliated as it was during the 1990s when she had lost the Soviet Union and when she had to accept the expansion of NATO to her borders. Putin claimed Russia would pursue an independent foreign policy.

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This confidence stems not only from high oil prices and the Kremlin's attempt to overcome the humiliation of the 1990s, but also from purely external factors: the confusion surrounding European integration, US difficulties in Iraq, and world resentment of US hegemony. Though Russia is no longer a superpower and probably will never restore this status (she is too small in terms of population and her economy does not amount even to that of a medium-sized power) she is increasingly becoming a major player on the world arena.

As Russia's economic priorities call for heavy doses of foreign trade and investment, this underpins her foreign policy to maintain non-confrontational policy towards the West, Moscow's cooling relations with both Washington and Brussels notwithstanding. In such circumstances, Russia seems to be adapting a policy that has its slogan: 'Together with the West but going our own way'. The way business is conducted in Russia has changed dramatically in the last years: who you do business with and how you do it has changed. The Russians do not intend to exclude Western economic interests from their sphere but they do intend to make certain that those economic interests behave in ways that suit Russian national interest.

Overall, Russia's relationship with the West is one of 'partner-opponent': cooperation in certain areas and obstruction in others. Consequently, Russia's foreign and security policy is symbolic for its dualism. On the one hand, cooperation with NATO and the European Union is going on: Russia participates in the NATO-Russia Council, undertakes joint military exercises with NATO troops, cooperates with the EU in the creation of 'common spaces', and so on. On the other hand, a large part of the Russian security establishment remains focussed on the preparation for large-scale conflicts, reliance on the state's robust nuclear posture and in its feeling of encirclement by the hostile West. The Kremlin works to eliminate Western influence in the former Soviet countries and consolidate Russian society around the anti-Western sentiment. Russia is developing a new National Security Strategy which reflects changing geopolitical realities and the fact that rival military alliances are becoming stronger, especially NATO.<sup>40</sup> Russia is also going to replace her Military Doctrine with a more hawkish version that no longer considers terrorism as her major threat and boldly identifies NATO and the West as her main foes. The doctrine will reflect Russia's concerns about NATO enlargement and the ballistic missile defence system deployment close to Russia's borders, as well as the dangers to Russia from the U.S. and other Western states and their political role in the countries of the post-Soviet space.<sup>41</sup> Hence, Putin's foreign policy is characterised by manoeuvring between traditional Russian imperial thinking, in terms of power and influence, and in continuing cooperation with the West.

As the parliamentary and presidential elections approach, President Putin will centralise control over the country and its periphery, set himself up for a post-presidential career and install a successor who will perpetuate his policies. A significant increase in military spending, coupled with a foreign policy aimed at ensuring Russia's domination of her 'near abroad' and control over strategic sectors of her economy, will further strengthen the Kremlin's hold on power. In relations with the West, whenever you look, the strategic relationship between Russia and the West is souring. From Gazprom's and Europe's energy security to the forthcoming battles



in the UN Security Council over Kosovo and Iran, the unsolved murders of Alexander Litvinenko and Anna Politkovskaya, Russia appears to be on a collision course. Even in the areas where Russia and the West have cooperated closely – against terrorism and proliferation of weapons of mass destruction – suddenly seem like sources of confrontation as much as collaboration. A declaration by Russia's top general that Russia could withdraw from the Intermediate-Range Nuclear Forces Treaty, portends the opposite. Clearly, the honeymoon is over, dead and buried. It is hardly the end of history, but rather continuation of an old and tiring game. Therefore a realistic reassessment of the relationship is in order. At the same time, the United States and Europe should avoid a rhetorical confrontation with Russia. Deeds, not words, are necessary to send a message to the Kremlin that they will continue cooperation with Russia on the issues of mutual concern, such as anti-terrorism, non-proliferation and energy. Positive change in Russia can only come from within and it is likely that economic realities, namely the growth of capitalism in Russia and openness to the outside world, rather than democratic standards, will be the key drivers for that change.

### **Russia's European Policy**

Since Gorbachev unleashed glasnost and perestroika, it was tacitly understood that Russia's goal was to become like Europe. However, these hopes have not come true. Quite the reverse, their increasing interdependence is contributing not to a diminution of tension, as was initially thought, but to an increased tension. There appeared two troubling trends in Russian-European relations. Firstly, while Russia and Europe drift closer to one another in the economic sphere, the two sides' understanding of basic democratic values and rule of law continues to diverge. Secondly, Russia finds it more difficult to defend her interests in the enlarged European Union, as she has to deal with the more cohesive international organization rather than separate states. Russia views bilateralism instrumentally, as a way of exploiting her 'strategic partnerships' to advance Russian interests in Europe. Therefore Russia seems as eager as ever to resort to the old tactics of divide-and-rule: even when Putin meets with the EU as a single entity, he still prefers to do business with the European leaders one-on-one, cutting advantageous bargains with individual EU countries. This particularly applies to Russia's relations with Germany: by using its close relations with Berlin Moscow seeks to develop its 'strategic partnership' with the European Union.

Russia's agenda in Europe concerns the question of the fundamental orientation of Russia herself, encompassing a specific culture and civilisation. This largely gives a reasoning for putting 'Europe first' in Russia's foreign policy. In a more narrow sense, it consists of making Europe instrumental for Russia's transformation: it is mainly in Europe that markets and potential investment lie. The European Union is an indispensable anchor for Russia in Europe. The two key factors that make

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relations with the EU salient to Russia are the latter's dependence on the EU markets and the Union's dependence on Russian energy resources.

In geopolitical terms, when seeking to create a multi-polar world, Russia needs Europe mainly as a balancing weight to US hegemony in the international system. Therefore, Moscow is satisfied with every sign of disagreements in Euro-Atlantic relations and with any effort of the EU to emerge as an independent global centre of power. However, Moscow is not interested in the long-term strengthening of the European Union. In other words, Russia would like to participate, together with the EU, in the creation of a new multi-polar world order but in the long-term perspective Russia's geo-strategic interests would demand a strategic subjugation of the Union. This largely explains why in the short and medium-term Russia aims at relating herself with the European Union in the spheres of energy and economy, as well as through the network of common political institutions, where the US is not involved. Simultaneously, Russia would avoid joining the EU in order to fully preserve sovereignty in her domestic politics. In principle, Moscow accepts European structures as a reality, albeit strategically the fragmentation of these structures and the return to the paradigm of balance of national interests would be more acceptable for Russia. Reasonably, in short and medium perspective Moscow is more interested in the EU's internal integration according to the model of centre-periphery, in which the real integration of CEE states into European structures, such as Schengen space or euro zone, may not happen. In accordance with this scenario, Russia would have favourable conditions for cooperation with the EU, for retaining her sovereign domestic policy and, simultaneously, for strengthening her leverage on internal political and economical processes within the Union, especially in CEE.

Generally speaking, Russia's European agenda encompasses four key objectives:

- First, not to permit Western Europe and its dominated international organisations (EU and NATO) to expand influence in the post-Soviet space;
- Second, to increase Europe's geo-economic and geo-energetic dependence (this especially applies to 'new' Europe) on Russia;
- Third, to turn some new members of the EU and NATO (the Baltic States) into Russia's agents of influence in Euro-Atlantic institutions;
- Fourth, to divide the European Union and weaken trans-Atlantic ties, as well as support the EU and NATO's political and economic decisions that are beneficial for Russia.

The landmarks of EU-Russia relations almost coincide with important events in the NATO-Russia cooperation, and, to some extent, are influenced by the latter.<sup>42</sup> Within fifteen years, the EU importance for Russia shifted from the purely economic sphere to a much wider agenda. The enlarged European Union has come physically closer to Russia over a wide spectrum of relations, including the security area. At the same time, Russia's place in European security has moved much closer to Russia herself. Foreign policy questions which were formerly part of what Russia considered her 'far abroad', have now become issues affecting her 'near abroad'. NATO and,

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especially, the EU enlargement opened the gate to the greater Union's involvement in the FSU. At the start of Putin's second term, which nearly coincided with the dual enlargement, the Russian leadership has become worried that they are losing control over developments in this vital region. The way this issue is solved will determine Russia's relations with Europe and the future development of the political and economic picture in Russia. The current Russia's policy in the FSU is preventing Russia from coming to terms with her imperial legacy.

Very indicative of the current impasse are contrasting EU and Russian views on the 'frozen' conflicts in Georgia (Abkhazia and South Ossetia), Moldova (Transdnistria) and Azerbaijan (Nagorno-Karabakh). Albeit each situation has unique features, the basic difference in approach lies in the Russian preference for maintaining the status quo and Moscow's view of the central authorities and the separatist enclaves as more or less equal parties. What is more, Russia threatens to acknowledge the independence of some 'frozen' territories if the U.S. acknowledges the independence of Kosovo without a Security Council resolution, on which Russia has a veto. Such an approach contrasts with EU (and US) main emphasis on restoring the sovereign integrity of Georgia and Moldova. In short, while the Europeans are hoping for a lasting settlement of regional conflicts, the Russian political elite prefers a degree of 'controlled instability': it provides Moscow with extra leverage over fragile governments and secessionist movements. Closely tied to this question is the ongoing existence of Russian military bases in these countries.

Russia is perfectly exploiting her energy 'weapon' to drive a wedge between EU countries. A case in point is a joint Gazprom-BASF (Germany) project – the North European Gas Pipeline (NEGP) – under the Baltic Sea, endorsed by the EU, and running from Russia to Germany and bypassing the Baltic countries, Belarus, Ukraine and Poland.<sup>43</sup> The NEGP will be the first gas pipeline directly connecting Russia, as a producer, with recipients – Western European markets. The construction of this pipeline will not only increase Russian influence in Western European states and diminish the strategic importance of the transit infrastructure of CEE countries (Poland, the Baltic States, Ukraine, and Belarus) but will also provide Russia with an energy blackmail tool to be employed against them. Furthermore, Moscow's proposal to Berlin, at the expense of the United States, to increase three times gas supplies from the Shtokman gas field in the Barents Sea, perfectly illustrates Russia's energy based policy aimed at driving wedges between the US and Europe.

The EU enlargement changed the essential parameters of political and economic environment of the Kaliningrad oblast which has become a point of contention in Russia-EU relations. It is a combination of psychological, historical and, especially, geopolitical factors which determine Russia's approach to the oblast. The prevailing perception has been that the exclave was encircled by two Western blocks – the EU and NATO, viewing the latter basically as adversarial. What is worse, the oblast's energy supply and communication with 'big' Russia is carried out with the help of transit through the territory of 'other blocks'. This largely explains why the primary goal of Moscow's strategy has been to maintain its control over and assure connection to Kaliningrad, whereas the oblast's social

and economic development is of secondary importance. Such a policy line is based on the assumption that more openness for Kaliningrad would undermine Russia's sovereign rights over the region. Thus, in solving the problem of preserving sovereignty and assurances of connections with Kaliningrad, Moscow turned the oblast into a 'geopolitical hostage' – the territory which it seeks not only to maintain (internal aspect) but also to make other countries and international institutions 'abstain from any direct or indirect acts of liberating the hostage' (the external aspect).<sup>44</sup>

Recently, there appeared a new shift of Moscow's policy vis-à-vis Kaliningrad. If earlier temporary obstacles, neighbouring Lithuania in particular, have complicated Moscow's attempts to draw a geopolitical line with the oblast, now new concrete links with the West, opening up possibilities to neutralise intermediate factors, have been found. One of the most visible links is the joint Russian-German gas pipeline project (the NEGP) under the Baltic Sea. Thus, the Kaliningrad oblast is actually becoming geopolitically related to Russia and is very important to the development of her strategic relations with Western Europe.

Overall, Russian-European dialogue over six years under Putin has progressed little. Although the parties have intensified their bilateral contacts and have had more frequent summit meetings, it has brought to light several problems. First and foremost, Moscow has realised that it has no bureaucratic mechanism for extending effective influence over the decision making process in Brussels before a decision is made. Moreover, with EU-27 (some of the new members have difficult relations with Moscow), a new geopolitical reality has arisen in Europe with which, despite rhetoric to the contrary, Russia has not developed a 'strategic partnership'. Finally, Russia and the EU have not worked out a long-term model for their relationship. Relations between the EU and Russia lack a strategic depth and remain in the sphere of quite narrow pragmatic matters.

Beyond their general agreement on 'common spaces', the EU and Russia agree on little at the moment. They continue to differ in their approach to many fundamental issues of cooperation: the modality of joint peacekeeping efforts, activities in the 'common neighbourhood', as well as the institutional structure of the partnership. The EU's attempts to influence Russia's internal development through giving advice, or even offering incentives, has not been successful. Russians simply perceive Europe as intrusive and arrogant. The Union, while complaining about a lack of cooperation on the Russia part, is also worried about the erosion of Russia's democratic standards. Such concerns boil down to the existing value gap between the EU and Russia. As democracy does not take priority in Russia, Putin's policy does not lead to structural integration with Europe (and the West at large) but to the specific overlapping of Russian and Western structures.

While Russian-EU political cooperation may be stagnating, relations at other levels – trade, economic cooperation and energy dialogue – are quite dynamic. However, Russia's reliability as a supplier of oil and gas has already been measured in terms of Putin's efforts to use energy as a weapon against her insufficiently compliant neighbours. Russia's bullying and capricious methods, plus her volatile relationship with energy transit countries and carelessness over the impact on European consumers

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have rightly alarmed European leaders. Concerns will continue over the reliability of Russia fuel supplies after worrying episodes in which Moscow's disputes over Ukraine and Belarus caused diminished deliveries to Europe. It is noteworthy that Russia has emerged from her tussle with Belarus with a 50 percent stake in Belarus' gas pipeline, strengthening the Kremlin's grip on Europe's energy infrastructure. Moscow's objective is to secure long-term contracts with Western European consumers that tighten Gazprom's control of supply and distribution and forestall European efforts to secure alternative supplies. Currently over two-thirds of Gazprom profits come from its European market.<sup>45</sup>

It was perceived that Russia and Western European consumer countries would benefit through strategic relations of 'reciprocal access', i.e. access by Western energy majors to Russian oil and gas deposits in return for Russian companies' acquisition of Western infrastructure, distribution systems, and direct access to Western consumers. However, Russia embarked on a policy of excluding Western investors (most notably from the super-giant Shtokman gas field) and, by the end of 2006, threatening confiscatory measures against existing Western projects in Russia (Shell, Exxon Mobil, BP) under tax or regulatory pretexts. Meanwhile, turning 'reciprocity' into unilateralism, Russia's state-controlled energy companies rapidly acquired infrastructure and production assets in the West and as well as in the countries that traditionally supply the West with energy. This Kremlin-driven strategy brought a qualitatively novel type of threat to Western energy security.

Equally, the notion of 'mutual dependence' between Russia and European Union held that the EU growing dependence on Russian supplies is not particularly risky because it is offset by Russia's dependence on revenue from Western importers of Russian energy. However, this postulate shattered against Russia's active planning for construction of oil and gas pipelines leading to Asia-Pacific region, setting the stage for Moscow to play Europe against Far Eastern consumers in a not very distant future. 'Mutual dependence' may become proper between the European Union collectively and Russia if the EU develops a common energy policy, which, however, does not seem to happen easily for now.

Russia's ratification of the Energy Charter and signing the attendant Transit Protocol would help Europe overcome its collective vulnerability to energy security. It envisages in particular that Russian pipelines would provide transit of oil and gas from third countries via Russia to Western European consumer countries. However, Moscow's recent actions showed how risky this proposition is. The Russian government shut off the energy pipelines repeatedly in 2006, not only to Ukraine and Georgia early in the year but later also to the EU member country Lithuania, it blocked access for oil from Kazakhstan via Russian ports or pipelines to EU member countries, defeated the Odessa-Brody oil transport project, which was an EU priority, it is also attempting to kill the Nabucco gas transit project, also an EU priority, and is blocking the expansion of the Caspian Pipeline Consortium's line.<sup>46</sup>

Russia-EU 'strategic' relations will be tested again in 2007 when the Union starts negotiating a renewal of the Partnership and Cooperation Agreement with Russia.<sup>47</sup> The ball is now in Brussels' court. What the EU needs to do first, is to formulate in a short run a joint position regarding its cooperation with Russia in the

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energy sector, seeking to reduce its dependency on Russian oil and gas in the long run. The European Union should not give up on Russia's refusal to ratify the energy charter, which sets the rules for the trade and export energy in Europe. Energy must become part of Europe's common foreign and security policy.

To sum up, the problem for Putin's Russia, seeking to be part of Europe, is her failure to realise that Europe is about something more than geography and interests; it is also a set of values. Russia, meanwhile, has a very pragmatic view of her relations with the EU. It is nothing to do with the creation of a space of common values and rules; it is simply an acquisition of special privileges and exceptions. Therefore Moscow sees the blending of values and interests in EU policy and rhetoric as interference in Russian affairs. It should be noted that the recent poll conducted by the EU-Russia Centre found that 71 percent of Russians do not regard themselves as Europeans, and almost half think that the EU is a potential threat to Russia and her financial and industrial independence.<sup>48</sup>

The widening gap between Russian and Western political priorities and values is emerging as a constant theme, and becomes a key obstacle for future strategic relationships. A more sensible and moderate approach would be for Russia to acknowledge that NATO and EU enlargement have prompted a major change in the strategic environment around the CIS, that makes it impossible for the US and Europe to avoid involvement in the countries with which Russia shares a common border. Moscow should understand that Rose Revolution in Georgia and Orange Revolution in Ukraine are not anti-Russian but pro-democracy and pro-stability moves. Russia must either cooperate with new regional actors or find herself further marginalised from key political, economic and security processes in the CIS states. Moreover, the European Union and Russia need to complement their plans to create 'common spaces' with a constructive dialogue on their shared neighbourhood. Moscow should not regard this neighbourhood solely as a source of problems. These countries can be useful partners for both sides, as they are eager to deal with Russia and Western Europe; they are prepared to continue to act as transit states, or even intermediaries, between them. However, for Russia to take such an approach, it implies that she needs to abandon her hegemonic ambitions in the post-Soviet space that entirely contradicts Putin's political agenda.

### **Russia's Agenda in the post-Soviet Space**

Since 1992, Russia's 'near abroad' has been perceived as one of the top priorities of Russian foreign policy. But it is only during Putin's rule that the more active concrete policy towards the FSU (see map 1) has been conducted. Under the pragmatic hand of Putin's leadership, Moscow has largely refused its 'near-abroad' rhetoric of Yeltsin's later years. However, abandoning the rhetoric of Yeltsin's 'near-abroad' doctrine has not meant that Moscow has abandoned all of its underlying assumptions. Russia acts as a status quo power that is often not able to prevent or resist change.

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**Map 1. The former Soviet space**

It is important to bear in mind that Russia had been the third largest empire in human history, and the largest for most of the last four hundred years. She had also for centuries been an autocratic state and expansionism had been continuously present in her nature. The Soviet empire is no more but Russia still looms large over the former Soviet space. Nowadays it is geo-economics that comes closest to the idea of empire. Anatoly Chubais' concept of 'liberal empire' is the perfect ideological tool for the Kremlin to exercise more power in what was defined as Russia's 'near abroad'.<sup>49</sup>

In 2003-2006, Russia's foreign policy in FSU countries was increasingly showing the signs of reanimation of the empire. And this was not accidental. External imperialism towards neighbouring countries was closely related to Putin's authoritarian rule at home. Russia now clearly intends to return to being the centre around which all former Soviet states evolve. Moscow has discovered that energy and other natural resources provide her with a tremendous leverage over the post-Soviet space. That, plus the ubiquitous Russian intelligence services, allows Russia to shape the region.

The notion about the priority of post-Soviet space for Russia and the FSU countries has found its military and political embodiment in Russia's Defence White Paper of 2003. Criteria of interfering with the neighbours are set: the danger of instability in the country that may affect the situation in Russia, violation of human rights and democratic freedoms and uncontrolled territory by the central government. This is the first time in post-Soviet history when a document permits the use of military might against CIS partners. In accordance with Russia's strategic documents,

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the perception of threats to national security became so broad that, if there is a political will, a formal pretext for the utilisation of the Russian Armed Forces in another state's territory can be found at almost any time.

Notwithstanding the centripetal forces that hold the CIS together there are the member states' long ties with Russia related largely to their dependence on Russia for energy and trade and, to a lesser extent, for external defence. Russia exploits the diverse instruments in order to promote both cooperation and influence within the CIS by using the network of regional organisations in the political, military, economic and other spheres. Whereas Russia once relied on her political-military might, gravitating towards the traditional methods of the use of force, she now exploits economic tools. Moscow's control over energy production and transportation represent the most effective means of pressuring FSU states to take account of Russian economic and strategic interests. One could easily see competition over the control of energy resources and their transportation behind practically all political processes taking place in the CIS space. The main issue has been whether the West will manage to develop a system of supply of energy resources from the Central Asia and the Caspian Sea basin that would constitute an alternative to Russia. Equally, Moscow is using her energy monopoly to influence political and security policies of the FSU countries.

Despite the fact that Russia's long-term interest is the stability within the FSU, she seems to benefit from unresolved regional conflicts. Russia feels uncomfortable with democratic states along her borders; therefore Moscow is supporting instability in the CIS by sponsoring pro-Russian regimes in secessionist states: Transdnistria, Abkhazia and South Ossetia. Russian peacekeeping forces helped to 'freeze' conflicts in Georgia and Moldova. Moscow prevented any real internationalisation or conflict mediation beyond the current modest roles given to the OSCE and the UN; only in October 2005 the EU started a border (between Moldova and Ukraine) monitoring mission. Such a behaviour aims to maintain political and economic influence beyond Russia's borders and to impede democratic development in Moldova and Georgia. Thus, Russia's perception of the FSU as her traditional sphere of influence remains unchanged.

After EU enlargement the concept of the 'former Soviet space' - Russia's 'near abroad' - where Russia was once a powerful player by virtue of history, ceased to exist, as the region moved towards a new geo-strategic reality. Half of 'near abroad' has turned into an 'intermediate Europe' or a 'common neighbourhood'. This new shared neighbourhood does matter because it may stimulate both cooperation and conflict between Russia and the EU. Russia and Europe have opposite views of the 'common neighbourhood': Russia wants to restore her status as a major power at the expense of the CIS neighbours, whilst the EU wishes to ensure security and stability at its threshold.

In this overlapping 'near abroad' Russia is losing her influence: European CIS countries are striving to re-orient towards the EU. Several reasons behind these aspirations notwithstanding, the most important is that Moscow does not have any attractive project to offer these countries. The 'carrot' it can offer does not look appealing enough: Russia's domestic challenges make her less attractive as a source of integration for her CIS neighbours. The majority of the existing alliances between



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those countries and Russia are premised on their regimes' desire to protect themselves against a potentially revolutionary public discontent. Those alliances are to an extent offset by other governments that have united to help one another to consolidate their 'independence' from a potential Russian pressure. Moscow's 'stick', equally, can only make relations with the political regimes and people of neighbouring countries more problematic; there is no guarantee that using the energy weapon will prove effective.

Europe, meanwhile, has acquired attractiveness as a zone of stability and economic prosperity. Ukraine has advanced the farthest among the former CIS countries along the path of reorientation towards the EU. The Orange Revolution in Ukraine transformed the geopolitical landscape in Eastern Europe, the South Caucasus and Central Asia. The issue of accepting European influence has also sprung up in other European CIS countries – the South Caucasus countries and Moldova, albeit to a smaller degree. The situation looks far from ordinary even in Belarus, a country much farther away from Europe in terms of support. The transformative energy of the EU that came to Ukraine is bound to come to Belarus as well. It is possible that Belarus will follow Ukraine's footsteps; the first signs are visible even under Alexander Lukashenko, especially after the energy dispute between Moscow and Minsk on the threshold of 2007.<sup>50</sup> Hence, competition for attractiveness between Russia and the EU seems to have been won by the latter.

It is likely that, at least for a short time, Moscow has abandoned its ambitious project of reintegration within the CIS that was pursued in the 1990s, and instead is concentrating on a few limited projects involving several neighbours. Since the influx of Western influence via colour revolutions over the past several years Moscow has sought to reverse such advances and has managed to reassert its influence in some, but not all, of the most essential regions along its borders. While relations have improved between Russia and Ukraine, the key peripheral state, since the installation of pro-Russian Ukrainian Prime Minister Viktor Yanukovich, this is not the case with respect to Georgia. Russo-Georgian relations, strained over Moscow's alleged support for separatist movements in Georgian breakaway territories and trade disputes, hit the lowest point in September 2006 with Tbilisi's brief detention of Russian officers on spying charges. Moscow's response turned into an overall Georgiophobia: withdrawal of its diplomats, suspending transport and mail links, clamping down on 'illegal' Georgian businesses and forcing ordinary Georgians residing in Russia to leave the country. Although Russia has restored postal links with Georgia and returned her ambassador, relations between the two countries far from being good. With regard to Belarus, the idea of a 'union state' is likely to collapse because of ongoing tensions between Moscow and Minsk.

Moscow's major institution building initiatives in the CIS are patterned on the EU and NATO: in the economic sphere – the formation of the Single Economic Space (SES), in security sphere – the CSTO. However, the SES achievements have been insignificant so far and its prospects remain vague. As far as the CSTO is concerned, it is becoming a tool for Russia to retain her military influence in the CIS and is envisaged to be a Russia-led counterpart to NATO. At the same time, policies of some CIS states, particularly Ukraine, Georgia and Moldova, seeking close relations with both of NATO

and the EU in order to develop the possibility for future membership, may considerably weaken the CIS structures and is challenging Russia's dominant position in the FSU. Moreover, currently on the rise is the GUAM grouping, which is considered by its member states to become an alternative to the Russia-centric CIS organisation.

Today's Russia is not so much neo-imperialist as post-imperialist. When it comes to the post-Soviet space, Russia is often forced onto the retreat. As a result, Russia has been on an offensive to challenge Western (particularly US) influence in the 'near-abroad' and is unable to keep the whole CIS in her 'sphere of influence'. The best that Russia could do for her smaller neighbours would be to become more stable, prosperous and at peace with herself. This would give Russia considerable 'soft' power – the ability to convince rather than coerce – in the post-Soviet space. Colour revolutions may not weaken Russia's position in the CIS provided that Russia has a pragmatic policy of non-involvement. The main lesson from the post-revolutionary period in Georgia, Ukraine and the events in Kyrgyzstan is that Russia should develop cooperation with other regional players, including Europe, the United States and their key institutions, in the interest of stability and development in what has become their 'common neighbourhood'. EU enlargement and the so-called 'war on terror' have provided a lasting strategic rationale for Western engagement in Eurasia. Russia has yet to formulate clear strategic interests in her relations with neighbours on the basis of post-Cold War and post-9/11 realities that go beyond historic legacy and fears of encirclement.

### **Russo-Baltic Relations**

#### **Explaining the Russo-Baltic Asymmetric Relationship**

Russo-Baltic relations are marked by some peculiarities. First is the relative and structural power disparity between Russia and the Baltic countries. Secondly, Russia has never come to terms with the Baltic independence. Third, relations are based on geographical proximity, the geo-strategic position of the Baltic States and the historical past. It is the latter that gives plenty of reasons for the Baltics to fear their big neighbour: a traditional imperial policy is ingrained in Russia's bearing historically and culturally. Such a Russian approach presupposes the necessity to maintain some spheres of influence – a means of accumulation of Russian power, which opens the door for Russia's penetration into economic and political processes of the neighbouring states. It is for this reason that the Baltic countries perceive an increasing Russian power as a negative factor for their mutual relations. The Russia-related threats to the Baltic States manifest in several different forms of pressure: economical, political and cultural.

The Knudsen model helps analyse many features of asymmetric relationship between a great power and a small state. All six independent variables of this model (the importance of a small state's geographic location; tension variable – degree of tension between great powers; power cycle variable – the degree of extroversion in a great power's foreign policy; historical past (historical record); policy of other rival great power(s) towards a small state; environment of multilateral security and

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cooperation) and a dependent variable – ‘de-occupation’ – have manifested themselves in one way or another in Russo-Baltic relations. Some flaws notwithstanding, these variables allow us to explain principal consistent patterns of relations between great powers and small states and the factors that have influence upon them.

The importance of the Knudsen model is validated in the following aspects of Russo-Baltic relations. First, the historical record retains its importance for the perception of the political élites of the Baltic States (the level of distrust varies depending on the configuration of political forces within the state). Second, the strategic importance of a small state implies that the Baltic countries play a significant role for Russia; but this role is shifting from a geo-political/geo-strategic to a geo-economic one. Third, the degree of tension between Russia and the United States did have an affect on Russo-Baltic relations: when the tension increased, Russia's pressure on the Baltics grew as well, which led to the worsening of their mutual relations. The introvert phase of Russia's development also positively contributed to the achievement of political goals of the Baltic States. Equally, favourable multilateral environment of international security and cooperation has significantly contributed to the stabilisation of power asymmetry between Russia and the Baltic States.

On the other hand, the analysis of Russo-Baltic relations has also revealed some limitations of the Knudsen model. The first limitation reflects the imperfection of independent variables. Knudsen gives insufficient attention to the details of some variables. The best example is the factor of the strategic importance of a small state – the key indicator of relations between a great power and a small state, which pre-determines interests and policy of a great power vis-à-vis a small state. The Knudsen model does not envisage the segmentation of this factor into smaller parts – geopolitical, geo-strategic and geo-economic importance. Such a segmentation would allow us to look at the strategic importance of a small state not as an all-in-one formation but as significant mutually competing and interacting forms. Ostensibly, the decreasing geopolitical importance of a small state is not a reason for its big neighbour to lose interest in that state. The same state may attract a great power's attention because of its geo-economic importance. Another example would be the assessment of a power asymmetry between a neighbouring power and the other great power. Given a power asymmetry (e.g. between Russia and the United States), success of the policy of a neighbouring great power (Russia) vis-à-vis a small state (a Baltic country) would be undermined, especially if the other great power (the US) is deeply involved in a small state's affairs. The other great power, though being remote from a small state, may render an effective support for it, thus, effectively counterbalancing the influence of a neighbouring great power. An appreciation of this factor allows us to explain many of Russian policy losses in the Baltic States. One more point of shortcomings of this model is narrowing down of the scope of a variable of multilateral environment of security and cooperation. The Knudsen model takes into account only those international and regional organisations of which Russia is a member and international law. Meanwhile the elimination of other influential organisations, such as NATO and the EU, or other factors (e.g. public opinion) does not permit display of the full content of this variable.

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The second limitation comes from underestimation of the fact that through their mutual interaction one independent variable may neutralise the impact of the other. For instance, an introvert phase of a neighbouring great power does not imply that it will not exercise any pressure on a small state, only perhaps to a lesser degree. Equally, the creation of a favourable multilateral environment of security and cooperation does not imply stabilisation of power asymmetry between a great power and a small state. Without the impact of other key factors, such as active policy of a small state or influence of other great powers (a tension variable), this would not be effective.

The third shortcoming is related to the fact that in certain circumstances the Knudsen variables may have a completely opposite effect. For example, the historical past not necessarily purports destabilisation of relations between a great power and a small state. Given the coincidence of their interests in length of time, the importance of this factor decreases and it may destine good cooperative relations.

Finally, the fourth shortcoming is related to the neglect of the very important role played by a small state itself in conducting foreign policy favourable for her. Therefore the introduction of the seventh independent variable in this model should be suggested. In this respect, Lithuania's foreign policy in could serve as a case study. Just to mention one example: in the early 1990s during Soviet troop withdrawal from Lithuania three interactive factors played their part: zero option when granting Lithuanian citizenship to all Russians residing in Lithuania, an effective Lithuanian team for the negotiations with the Russian Federation on troop withdrawal and good personal relations between Russian and Lithuanian presidents (Yeltsin and Landsbergis).



With reference to Mouritzen and his four scenarios of coexistence between a great power and a small state (domination, isolation, balancing among various influences of great powers and obedience to a great power) it is possible to affirm that the Baltic States are implementing the balancing model in their relations with Russia. All three levels of 'de-occupation' (political, legal and economic) confirm this conclusion. The Baltic States seek to co-ordinate interests of several power centres – the United States, the European Union and Russia. The US treats the Baltics as reliable political partners (they are among the most pro-American states in Europe). For Russia, the Baltic States are the arena

**Map 2. The Baltic States and Russia's Kaliningrad oblast**

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for consolidation of her economic interests and the gateway to Western European markets. The EU views the Baltic countries as the area of expansion of the Union's political and economic influence, and experts on Russia-related matters, especially regarding the implementation of the concept 'Wider Europe – European Neighbourhood Policy'. Baltic security is assured through their full-fledged membership of NATO (US-dominated organisation). Baltic membership of NATO and the EU is expected to secure a balance to Russia's political and economic influence. All of the above, the balancing model is seen as the best corresponding to the current international environment and national interests of the Baltic States. The future of the Baltic States depends on their ability (as small states) to maintain the stable balance of interests between the US, the EU and Russia.

### **Russia's Agenda in the Baltics**

Moscow has always found it difficult to define the place for the Baltic States in Russia's foreign policy concept: they do not fit in the traditional doctrine of 'near abroad', nor do they correspond to postulates of policy of 'far-abroad'. Nonetheless, geopolitical pressure, originating from the doctrine of 'near-abroad' has been applied against the Baltic countries. It has manifested through Russia's accentuation of legitimate freedom of actions in the Baltic region, as well as the attribution of this region to the vital sphere of her interests or the assessment of Western actions in the Baltics in geopolitical terms. Moreover, the Putin Russia's unwillingness to admit the fact of Soviet occupation of the Baltics, let alone to apologise for the occupational crimes, reveals her attitude of imperial nostalgia towards the Baltic States. It is Russia's politics and her superiority vis-à-vis neighbouring states that force the Baltic countries to treat Russia still as a threat to their social, political and economic stability.

Changes in the global balance of power after the Cold War forced Russia to modify her geo-strategic plans in the Baltics (see Map 2). Russia's agenda in the Baltic States encompasses two key objectives: first, to increase geo-economic and, especially, geo-energetic dependence of the Baltic countries on Russia; second, to turn them into Russia's agents of influence in the Euro-Atlantic institutions. Russia is seeking to directly dominate in the energy sectors of the Baltic States by controlling strategically important objects in their energy systems. This kind of dominance would eventually lead to the integration of the Baltic and other CEE countries to the Russian energy system. Such a dependence would allow Russia to turn the Baltic States into a geopolitical buffer zone against the US and other Atlanticist countries of Western Europe.

Relations between Russia and the Baltic States are marked by the major asymmetry of relative power. This allows Russia to treat the Baltic countries as a natural space of expansion of her geopolitical power. Russian geopolitical interests and actions in the Baltic States are primarily aimed at the undermining the autonomy of their political decisions, i.e. weakening their structural power. Russia's economic pressure on the Baltics impedes the consolidation of economic independence or economic 'de-occupation' of the states. That said, Baltic membership of NATO (and the EU) cannot guarantee their full 'de-occupation'.

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The umbrella of Euro-Atlantic institutions above the Baltic area and the changed status of the Baltic States dictate a completely new model of Russia's behaviour: more subtle and covert actions. Although Russia is still searching for ways of defining her policy towards the Baltics, it is apparent that the Russian government is unwilling or unable to understand that it cannot treat the Baltic States as its 'near abroad'. Despite the fact that in Russian official statements the Baltic States tend to be described as part of the outside world, the tension between this position and the imperial approach is still discernible in the overall Russian treating of the Baltics. This particularly applies in the sphere of 'low politics', where Moscow continues to view the Baltic countries as an area of its influence. Such a Russian attitude to the Baltics is very much in line with her perception of the CIS countries. This but confirms that Baltic membership of the Euro-Atlantic institutions does provide the Baltic States with a shelter against threats in hard security area ('high politics') but cannot completely protect them against soft security threats and challengers ('low politics').

Baltic dependence on Russian energy supplies is arguably the strongest tool Russia currently possesses to influence the policies of Estonia, Latvia and Lithuania. Moreover, by her divisive European 'energy diplomacy' Russia is further increasing this dependence in two ways. First of all, by developing cooperation with some Western European countries, Russia is shaping the strategy of alternative transit infrastructure (e.g. North European Gas Pipeline under the Baltic Sea), which is directed towards the exclusion of the Baltic States from newly developed transit routes, thus reducing their opportunities to become geopolitical-bridge states. Secondly, Russia is heightening control over transport corridors of energy resources in CEE area as a whole.

Ever since the collapse of the USSR the Kremlin has used its energy monopoly to influence policies in the Baltic States. Already in the early 1990s, the Kremlin exploited energy dependency and vulnerability of Eastern European states, including the Baltics, to exert pressure on them through threats and cut-offs of supplies. Since the beginning of 21st century, a more sophisticated approach has been adopted. Russia's national security interest, as defined by Putin and a large part of the Russian power structures, is to re-establish Moscow's control over strategic assets in neighbouring states. Russian energy companies purchase strategic sectors of the local economies with the aim of gaining full, or at least partial, control over the oil and gas sectors of all the transit countries. By obtaining key segments of the oil and gas industries in the Baltics, Russia simultaneously is seeking to gain here a political leverage.

The Baltic States are particularly tied to Russia by Soviet era pipelines, rail lines and refineries, and Russia also enjoys a near monopoly of energy supplies to these countries. Refineries in the Baltics were designed to process heavy Russian crude oil, and their power plants – to use gas from Russian fields. In the Baltic States gas imports from Russia amount to a 100 percent, and oil imports stand at nearly 90 percent.<sup>51</sup> Thus, if in the oil sector the Baltic States do have some space for manoeuvre by buying more expensive crude oil from other suppliers, in the gas sector the dependency on Russia's supplies is total. Gazprom already has a strong foothold in all three national gas distribution companies of the Baltic countries. Besides, there is no crucial gas transit infrastructure in the Baltics, which further diminishes the chances of the Baltic governments to rebalance their dependence on Russian gas supplies.

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The Baltic States are losing the only leverage they probably have vis-à-vis Russia in the energy sector – the transit of oil. After the break up of the USSR, Russia became dependent on oil export terminals in the Baltic ports and had to pay them significant fees for the oil transit (about 16% of net crude Russian oil exports) to the West.<sup>52</sup> Being important transit countries for the Russian export system has given the Baltic States flexibility in their bilateral relations with Russia. To reduce this dependence, Russia undertook a twofold strategy: building new terminals (e.g. in Primorsk), and pipelines bypassing these countries and recapturing control over existing infrastructure. A recently opened port in Ust-Lugoje (St. Petersburg district) and a NEGP under the Baltic Sea to be commissioned in 2010 will further undermine competitive capabilities of the Baltic ports. Furthermore, expanding independent export routes from the Caspian Sea region is held hostage to Russia's control over the pipelines to Europe. Russia largely succeeds in applying political and economic pressure on producers, such as Kazakhstan, Azerbaijan, and Turkmenistan not to develop independent energy ties to the West.

Could anything be done on the part of the Baltics to break free of their dependency on Russia's energy? Energy dependence-related threats to national security cannot be mitigated even by hard or soft security guarantees that are available now

for the Baltic States. The basic factor in limiting an energy supplier's influence is a recipient's country ability to diversify sources of energy imports. There is a viable alternative for oil transport using Butinge oil import-export terminal on the Baltic Sea, which enables Lithuania to import oil from sources other than Russia. Butinge terminal has been effectively exploited since summer 2006 when oil refinery complex AB 'Mazeikiu Nafta' ceased to receive any Russian crude oil via pipe due to the shutoff of 'Druzhba' pipeline via Belarus for allegedly 'technical' reasons. However, with regard to gas supply, there is no alternative route, except building a gas pipeline from Norway. Lithuanian officials have recently expressed their interest in helping build a liquid natural gas terminal in Poland as a means of diversifying the country's gas supplies.

The Baltic States, with the help of Euro-Atlantic institutions, must work together to implement policies of diversification of suppliers that would provide greater energy security to whole Europe. First of all, Euro-Atlantic institutions should pay due attention to the de-monopolisation of Caspian oil and gas, which now is totally concentrated in Moscow's hands. The European Union should address the Baltic energy security with more urgency. The current policy of the EU calls for closing Ignalina Nuclear Power Plant (NPP) in Lithuania, for drastic reduction of emissions from oil shale in Estonia and the burning of coal in Latvia. Therefore new domestic energy resources should be developed with the help of the EU.

The construction of a new nuclear power plant in Lithuania is expected to provide a greater degree of independence in electricity consumption. At present the Soviet-built Ignalina NPP generates about 80 percent of Lithuania's electricity. It also

supplies Estonia and Latvia with power. But as part of the deal which allowed Lithuania to join the European Union in 2004, Ignalina NPP has to be closed down

by the end of 2009, leaving the Baltic States reliant on Russian gas for almost all of their power.

As full economic independence of Russia is hardly possible for the Baltic States due to Russia's geographic proximity and economic potential, Baltic interest therefore should be focussed on the attracting Western companies during the privatisation of strategic objects. This would prevent total economic dependence on Russia without excluding her participation in the process: without Russian raw materials, Western investors alone cannot guarantee the profitable activity of Baltic companies. The Lithuanian government did its best to make its oil refinery complex AB 'Mazeikiu Nafta' a member of trans-national corporation: in June 2006 Poland's 'PNK Orlen' became a buyer of a majority interest in 'Mazeikiu Nafta'.

All in all, diversity of suppliers is a key issue for the Baltic energy security. Among the projects are the already started the Baltic electricity grid (an underwater electricity cable – Estlink – will connect the electricity systems of the Nordic and Baltic countries) and an electricity 'power bridge' linking Lithuania and Poland – a high voltage network that will help integrate the Baltics in the EU energy-sharing systems. Up until now, the Baltic States have been an 'electricity island'. The Estlink will enable electricity trade between the Baltic States and Finland, effectively putting an end to the isolation of the region. The 'power bridge' between Poland and Lithuania will provide the latter with the possibility to import excess electricity from Poland or Western Europe, if it becomes necessary after the closure of the Ignalina NPP. Latvia, Lithuania and Estonia have already signed an agreement to build a new NPP in Lithuania (on the site of Ignalina NPP once the latter is decommissioned), which would serve the entire region including the Nordic countries, the Baltic States and Poland.

### **The Role of International Institutions in Russo-Baltic Relations and Region Building**

The main criterion for evaluating whether or not institutions are relevant in the international system is their capacity to bring and maintain international peace. Applying this approach to the BSR, the logic runs as follows: through interactions and cooperation, the outcome of which is cooperative security, international institutions (NATO in particular) have promoted and maintained peace – conflict-free conditions for the region's development. This demonstrates that international institutions have had a stabilising effect on inter-state relations, particularly on Russo-Baltic relations.

The positive influence of the environment of multilateral security and cooperation in stabilising Russo-Baltic relations has manifested itself many times since the early 1990s, the most notable of them being Soviet troop withdrawal and the NATO enlargement in the region. International institutions, such as NATO and the EU, as well as frameworks of multilateral cooperation, such as the Council of Baltic Sea States (CBSS), the Northern Dimension (ND), the Northern European Initiative (NEI) and E-PINE, – all these mechanisms served to mitigate Russo-Baltic relations by engaging them in regional cooperation.<sup>53</sup> This is what is meant by security through interdependence – cooperative security: establishing as many bilateral and multilateral ties as possible and building on very practical initiatives, pooling resources and working together.



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In general terms, the role of international institutions is a transactional one, which has a normative impact: transactions lead to the acceptance of common rules, norms and expectations. Both NATO and the EU, through their normative impact in the BSR, contributed to the region's building. The overall Russian attitude to region building has changed: since the early 1990s it has been mitigated by increased cooperation between Russia and other states in the region, and by institutionalisation of confidence building measures via various integration initiatives at a broad regional level.

International institutions, particularly NATO and the EU, have been the main agents for change in the BSR to such an extent that it made possible a paradigm shift to take place in the region: the security dilemma in the BSR is no longer on the agenda, thus, 'de-securitization' has occurred. The analysis of Russo-Baltic interaction since early 1990s suggests that 'de-securitization' of hard security matters contributes to better relations between the neighbours and, consequently, to expanding regional cooperation in the BSR. What is more, the security regime itself in the region is changing. First, it is becoming a 'NATO-centric regime' because even countries not belonging to NATO established solid relations with the Atlantic Alliance. Second, the Baltic Sea is becoming an internal sea of the European Union, meanwhile the BSR is becoming a playground for the direct EU-Russia relations.

This is a substantial achievement in terms of improving the overall security situation in the BSR but not a sufficient condition for a security community – a security regime similar to that in Western Europe – to emerge. The underlying reason why this process failed to materialise is the prevailing balance of power logic on the part of Russia. Russia is still not able to accommodate herself in this regional format. As a result, 'de-securitization' proceeded not completely, but only to a limited extent; 'securitization' only shifted from hard to soft security concerns.

Overall, international institutions based on cooperative security are achieving their task in the region. The regional network of interdependent and functioning cooperative structures promote confidence in Russo-Baltic relations and in the region as a whole. The region, which used to be a highly 'securitised' area, is shifting towards 'de-securitization'. This, however, not to say that the vestiges of mutual mistrust between the Baltic States and Russia have been laid to rest. A shared sense of a security community is lacking in the BSR. Much still has to be done. It remains for international and regional actors, the Baltic States among them, to find new ways to engage Russia more actively into regional cooperation. All the countries in the region, including the Baltics, share a common interest to bring Russia closer to the Euro-Atlantic community and involve her in an open dialogue on security and defence affairs. This would further contribute to confidence and cooperative security building in the region.

### **Perspectives for the Baltics in countering Russia-related threats and promoting cooperative Russo-Baltic relations**

The fundamental long-term interest of the Baltic States is to have Russia as a credible and predictable partner. As long as Russia falls short of these characteristics, the

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Baltics should pursue a cautious neighbourhood policy towards Russia and be prepared to respond to Russia-related threats. The Baltic States have, nevertheless, to identify a changed situation in their interaction with Russia and create a new strategy for a mutually acceptable *modus vivendi*. Current Russo-Baltic tensions manifest themselves in a more sophisticated way. Therefore it is of crucial importance for the Baltic States to thoroughly assess the complexity and ambiguity of the state of affairs.

Russia's integration with Western security structures, which has been developing according to the model of concert of great powers, as opposed to the principles of 'opening' to the West, is dangerous for the Baltic States. This turns into a threat to national security of the Baltic countries and constrains their foreign policies. On the other hand, membership into Euro-Atlantic institutions has considerably increased the structural power of the Baltic States; they have acquired new levers that allow them, at least in part, to restrict Russia's actions. There are three areas where the Baltic States can affect Russia's behaviour. First of all, as EU members, the Baltic countries may have an impact on soft security issues, i.e. they may influence political, economic and social processes in Russia and her relations in these aspects with the EU. Second, as NATO members, the Baltic States may equally have an impact on Russia's relations with the West in hard security area. Third, the opportunity that has opened for the Baltics – to become 'experts' on Russia in the West; the latter could take advantage of the Baltic expertise in shaping Western strategy vis-à-vis Russia.

An essential task for the Baltics is to work out the most appropriate strategy to respond to Russia-related threats and challenges. It is obvious that only the essential transformation of Russian domestic and foreign politics would enable the neutralisation of these threats. There are three overlapping levels, where ongoing processes may create conditions for the neutralisation of Russia-related threats:

- First, Russia's rejection of Eurasian geopolitical concept and her move towards universal integration with Euro-Atlantic space, i.e. 'opening' to the West;
- Second, transformation of Russia as a politically authoritarian state with centralised economy into a state which is based on democratic values and principles of market economy;
- Third, transformation of Russia's mentality from a great power to a national state – a regional power.

A major goal for the Baltic countries is to reduce Russia-related threats by acting in two ways: directly – through bilateral relations with Russia, engagement with her institutions and other bodies; and indirectly – through making difference in Russia's structural environment. By acting in a direct way and concentrating on the tasks of Russia's domestic economic and social development, the Baltic States should aim to bind her to the Euro-Atlantic space, which would stimulate Russia to assume obligations in the spheres of democracy and liberalisation of economy, and help curtail her expansionist tendencies. An indirect way is perceived as democratisation or 'europeanisation' of the post-Soviet space, i.e. spreading of European values towards the East. In practice, this

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has been taking place with the involvement of Euro-Atlantic institutions and West-ern European states in the post-Soviet area. In fact, the Baltic States have already contributed a great deal to the democratisation of the post-Soviet space by extending security and stability to the Eastern neighbourhood: to such countries as Ukraine, South Caucasus, Moldova and Belarus. It is worth stressing that, when acting in both ways, the Baltic States should make use, to the possible extent, the tools related to their increased structural power, as a result of their membership of NATO and the EU.

Baltic activities in the post-Soviet space should be focussed on the following directions:

- First, strengthening political independence of Belarus and Ukraine from Russia;
- Second, strengthening the development of civil societies and democracy in South Caucasus states; supporting the internal consolidation of this sub-region, which would curb Russian military and political influence in separate South Caucasus countries, and seeking to increase the role of South Caucasus sub-region as an alternative corridor for oil and gas transit to Europe, thus, reducing the Baltic dependence on Russian energy resources.
- Third, supporting the integration of Ukraine, South Caucasus states (especially Georgia) and Moldova into Euro-Atlantic security structures;
- Fourth, seeking to neutralise the impact of Russia's created system of 'geopolitical hostages' – separatist structures in Transdnistria, Abkhazia, and South Ossetia – on the political orientation of Moldova and Georgia;
- Fifth, supporting regional security projects, such as GUAM;
- Sixth, changing Russia's attitude to the limits of her 'natural' or 'legitimate' interest zone'. One of the key factors, which supposes, in Moscow's view, the subordination of the Baltic States to Russian sphere of influence, is the Kaliningrad oblast. Therefore consequent 'europeanisation' of the Kalinin-grad region would turn it from a political object into a subject, which, even remaining as an integral part of Russia, would be more under the EU, rather than Russian, influence. The Baltic States should seek further demilitarisation of Kaliningrad or, at least, the reduction of a relative influence of the military sector on the functioning of the oblast.

The real conditions for Russia's 'opening' to the West may appear only if Russia starts to implement fundamental internal reforms, first of all, the programme of liberalisation of her national economy. This process could be pursued with the help of supporting efforts of Western European states and international organisations (e.g. the WTO and International Monetary Fund), which possess structural power levers to liberalise Russian economy. Economic liberalisation would enable: first, to limit the influence of Russian political regime on commercial economic structures; second, to increase opportunities for Western capital to enter Russia's domestic market; third, to create conditions for the CIS and the Baltic States to transform their direct dependence on Russian specific sectors (primarily the energy sector) into 'contractual' dependence

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on autonomous subjects (private companies) of the Russian economy; fourth, to establish conditions for Russia's political 'binding' to the West.

The enduring goal of the energy policy of the Baltic States is to considerably reduce their energy vulnerability, i.e. three-fold dependence on Russian energy: dependence on import, dependence on one source and dependence on infrastructure – gas and oil pipelines. Seeking to minimise such a dependence, it is of crucial importance for the Baltics to intensify energy dialogue with Western European and CEE states, as well as with the states of the Caspian Sea region (South Caucasus) and Central Asia, which are extracting oil and gas.

Taking into account the strategic imperatives of Russia's European and international agenda, the Baltic policy vis-à-vis Russia should be two-fold:

- First, a positive and comprehensive Russo-Baltic dialogue is possible in the event that Russia abandons her expansionist strategy and allows democratic processes to intensify within the state, and consistently implements economic reforms, first of all the liberalisation of the energy sector.
- Second, as long as Russia's cooperation with Western security structures is based on the logic of concert of great powers, and essential Russia's political and economic reforms are further delayed, preventive measures should dominate Baltic policies towards Russia. In other words, the Baltic States should pursue a policy of cautious neighbourhood: not dissociate themselves from Russia, make use of all the advantages of cooperation with her, and, simultaneously, to constantly monitor Russia-related threats and undertake preventive measures to neutralise them.

Two major groups of Baltic foreign policy needs vis-à-vis Russia can be identified: the defensive/preventive needs and the cooperative needs or the policy of engagement. The fulfilment of these principal needs (two equally important goals) is related with two factors:

- First, Russia's involvement in the Euro-Atlantic space is possible only if Russia is ready to be involved as an equal partner but not seeking to increase her structural power, which potentially may be directed towards suppression of the Baltic interests.
- Second, the regular maintaining and strengthening of relations with Russia, as well as cooperation with Russian representatives in multilateral formats, should take such means and forms that contribute to the creation of a positive image of the Baltic States, or at least do not increase Russia's opposition to the Baltics.

The defensive/preventive needs encompass the three kinds of goals to be pursued seeking to reduce current Russia-related threats to the Baltic States.

- Political goals include:

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- making Russia a credible and predictable partner;
  - promoting democratisation and political pluralism in Russia via Euro-Atlantic structures;
  - not permitting Russia to halt the EU's internal integration and, by exploiting of the NATO-Russia Council, to take control of the Alliance's agenda and undermine the effectiveness of NATO decision making; and
  - reducing the influence of Russia's military structures and special services on her foreign policy and on political, economic and social processes of neighbouring states.
- Economic goals comprise:
    - lessening the dependence of Russian economic subjects on the political regime;
    - boosting the attractiveness of the Baltic States as economic gateway between the West and the East; and
    - reducing Russian influence on the economic subjects of the Baltic countries.
  - Social, cultural and informational goals are:
    - strengthening Russia's orientation to internal social stability aimed at creating the 'welfare state'; and
    - curtailing Russia's cultural and informational expansion to the Baltic countries for the purpose of propaganda and disinformation (i.e. seeking to increase tension in Russo-Baltic relations, provoking the division within the Baltic societies, impairing the image of the Baltic States, and so on).

The realisation of the cooperative needs should be based on supporting Russia's positions on separate areas, provided this is not against the Baltic interests. With the help of EU-Russia and NATO-Russia cooperation mechanisms the Baltic States should seek to positively influence the agenda of Russian foreign and domestic policy. There are several directions that provide opportunities for maintaining cooperative Russo-Baltic relations:

- To promote mutually positive rhetoric (public discourse) in Russia and the West. The Baltic States should seek to form a favourable discourse and public opinion within the Russian society, the elite and other specific groups. The ways of achieving this goal include the presentation of positive aspects in Baltic-Russo relations, foreseeing the 'target audiences' (e.g. Russia's big European cities), involving cultural activities, and so on.
- To support Russia-EU cooperation on 'four spaces'. Efficient cooperation in this sphere may help achieve not only 'civilised' relations between Russia and the EU based on European values but also the realisation of some specific

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Baltic interests. For instance, economic cooperation between Russia and the EU, including the Baltic States, may help them strengthen the status of gateway between the West and the East. It should also promote more rapid social and economic development of the Kaliningrad oblast.

- To support Russia's membership in the WTO. Russia's involvement in the liberal trans-continental network would increase opportunities for the Baltic States to transform their current dependence on Russian energy sources to 'contractual' dependence, i.e. relations based on the principles of business and the law.
- To promote practical cooperation with Russia in the security area. The Baltic States should particularly support Russia-NATO-EU cooperation in the fight against terrorism. In addition, they may initiate common projects or activities, e.g. exercises in the Baltic Sea and the invitation of Russian officers to Baltic military education institutions; this would contribute to the building of mutual trust and confidence between Russia and the Baltic States.
- To promote the building of civil society and social activities in Russia's 'pilot' regions, such as Kaliningrad, Pskov, St. Petersburg. The key sectors that need such a support are protection of human rights, environmental security, cooperation between public and private sectors, and so on.
- To promote projects of regional cooperation in 'pilot' regions. This would open additional opportunities for the Baltic States to demonstrate the advantages of their active policy in these regions.
- To intensify pragmatic economic, social, and cultural relations. The Baltic States, jointly with other Western countries, may provide consultations for Russia's private sector and NGOs.
- To support Russia's mediating role in relieving possible threats to regional and global security. The Baltic support to such Russian activities or the recognition of Russia's role in maintaining stability in the international system, provided this does not contradict national interests of the Baltic States, should contribute to constructive Baltic-Russo interaction in international formats.

By and large, all these Baltic activities should be focussed on involving Russia in European space. This particularly concerns the neighbouring region – the Kaliningrad oblast – that has a direct border with Lithuania. Kaliningrad is perceived not only as a challenge but equally a 'window of opportunity' for Lithuania's cooperative initiatives. The key Lithuanian policy goal towards Kaliningrad is to design the model of the oblast's development that is congruous with Lithuanian and European interests and to identify the conditions, which would allow to promote political and economic transformations of the oblast.

By solving (or largely only imitating the process of solution) economic and social problems of the oblast in the 'encirclement' of Euro-Atlantic structures, Russia prefers a bilateral engagement with big Western European powers, first of all Germany, while bypassing Kaliningrad's immediate neighbours – Lithuania and Poland. Thus, Russia artificially increases tension between EU members and reduces opportunities for regional cooperation among the Baltic Sea states in solving

the Kaliningrad's problems in substance. On the other hand, Russia, by escalating the Kaliningrad problem, uses it as a blackmailing tool ('geopolitical hostage') in order to get concessions in other areas of Russia-NATO and, particularly, Russia-EU relations. Such tendencies are very unfavourable for Lithuania, since she is eliminated from the solution of the Kaliningrad-related issues and becomes a potential hostage of an agreement between Russia and Germany (and eventually the EU).

That said, one of the major tasks of Lithuanian policy vis-à-vis Kaliningrad is to restrict Russia's possibilities to exploit the Kaliningrad issue on a bilateral level among large European powers. The solution of the Kaliningrad-related problems should be sought on a local or regional level. In other words, the elimination of the Kaliningrad issue from a bilateral big-power level should correlate with a growing influence of Lithuania, Poland and other regional players (the Nordic states) in solving questions related to the political and economic status of the oblast. The task for Lithuania, by acting jointly with Poland, is to consolidate her participation in decision-making process vis-à-vis Kaliningrad. This is the first necessary condition when seeking the balanced development of the oblast. The second condition is the transformation of the Kaliningrad oblast to a 'pilot' region: this would create conditions for geopolitical change and encourage the oblast's move towards political autonomy. Moreover, the concept of a 'pilot' region should be based on the creation of favourable economic environment for foreign investments in the oblast (as a free economic zone), the penetration of Western capital and the increase of transit importance of the region. Finally, the third condition – demilitarisation of Kaliningrad would weaken 'centripetal' tendencies in the oblast, i.e. its dependence on the federal centre.

It is possible to affirm that Russia and the EU command sufficient political and economic power to turn the Kaliningrad region to a successful model of Russia-EU cooperation – a 'pilot' region. It is equally obvious that a key condition for such a transformation is liberalisation of Russian policies in both economic and political sectors. On the other hand, current actions of the federal centre show that critical changes in its policies vis-à-vis Kaliningrad, at least in a short-term, are hardly possible: Moscow takes priority of the political centralisation of the state, which implies the political subordination of the region. This sets the goal for the Baltic States, particularly for Lithuania: when decreasing Kaliningrad's vertical subordination to the federal centre, to engage the oblast, as much as possible, in the EU space.

The achievement of this goal would require the implementation of the following tasks:

- First, in order to achieve solidarity among EU states vis-à-vis Kaliningrad, it is necessary that the Kaliningrad question should be considered at EU-level, not at a bilateral level of big European powers;
- Second, to initiate projects that would involve the oblast in the networks of European infrastructure;

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- Third, to monitor economic processes in the oblast;
- Fourth, to initiate the establishment of coordination centres in the Baltic States (in Lithuania) that would be responsible for the formulation and taking control over coherent Baltic policies vis-à-vis Kaliningrad; to intensify cooperation with the region at a municipal level;
- Fifth, to intensify the dialogue between Baltic and Kaliningrad societies, especially between economic and academic élites with the aim of promoting the formation of Kaliningrad identity and the oblast's integration into the Baltic region.

### **Conclusion**

All in all, a positive agenda must be worked out to bring Russia closer to the Euro-Atlantic community and involve her into an open dialogue on security and defence affairs. NATO-Russia and EU-Russia relationships, entering new levels of cooperation, provide the Baltic countries with an opportunity to bring the expertise of their relations with Russia to the NATO and EU tables. The Baltic States should continue pursuing a policy aimed at creating stability and security zone in the EU's Eastern neighbourhood, which is perfectly in line with EU policy toward a Wider Europe. The Baltic contribution should include democratisation, strengthening the political independence of these Eastern neighbours, and participation in the initiatives aimed at spreading security and stability, as well as reducing development gaps further east.

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47. Partnership and Cooperation Agreement between Russia and the EU concluded in 1997 expires in 2007.
48. See [http://www.eu-russiacentre.org/assets/files/levada\\_release.pdf](http://www.eu-russiacentre.org/assets/files/levada_release.pdf).
49. The concept of a 'liberal empire', introduced by oligarch Anatolij Chubais, the former privatisation tsar and current chairman of the energy conglomerate Unified Energy Systems (UES). See Chubais, A., 'Misiya Rossii v dvadsat' pervom veke' [Russia's mission in the 21st century], in *Nezavisimaya Gazeta*, (1 Oct 2003).
50. At the end of 2006, Belarus resisted Russia's demand to pay an increased price for gas. Finally, the deal was reached, but an oil war was broke out instead: Russia imposed new duties on the crude exported to Belarus. In revenge, Belarus demanded a transit fee on the oil that crosses Belarus to other European consumers (this pipeline delivers 12.5 % of European needs). The Russians refused, and Belarus began siphoning off oil in lieu of payment. Russia then stopped pumping oil into a pipeline crossing Belarus until the transit fee was lifted.
51. 'Baltic Sea Region', The Energy Information Administration of the US Department of Energy; <http://www.eia.doe.gov/emeu/cabs/baltics.html>.
52. See <http://www.eia.doe.gov/emeu/cabs/baltics.html>
53. The CBSS was established in 1992; its members are the three Baltic States, the five Nordic countries, Germany, Poland and Russia (with Kaliningrad represented in its delegation), and the European Commission. The concept of ND was introduced by Finland in 1997 during its presidency of the EU. The rationale was to create a forum for co-operation between the EU, Russia and other BSR states with the aim at enhancing regional security and stability. The NEI, launched by the US in 1997, targeted six key areas of the Baltic Sea co-operation: cross-border co-operation, economic deveopment, law enforcement; creation of civil society, environment, and public health. It aimed at integrating Northwest Russia into cooperative regional security framework; promoting of democratic and market-oriented development in Russia and strengthening relations with her northern European neighbours. E-PINE Initiative – Enhanced Partnership in Northern Europe, launched by US in 2003, replaced the former NEI.

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