

JUST GOOD FRIENDS?

THE EU-RUSSIAN “STRATEGIC PARTNERSHIP”

AND THE NORTHERN DIMENSION

MARIUS VAHL

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Marius Vahl*

Abstract

Contrary to official claims, Russia and the European Union are not strategic partners. The economic and political asymmetries between them and the still divergent normative foundations on which their policies are based constitute considerable obstacles to strategically significant co-operation between the EU and Russia. These obstacles are likely to persist in the foreseeable future, and prevent the emergence of a real strategic partnership.

The relationship between the EU and Russia is nevertheless bound to become increasingly important. The forthcoming rounds of EU enlargement will bring them closer together geographically and economically, but will also increase the number of potential conflicts between them. The development of a Common European Security and Defence Policy will increase the significance of the EU as a strategic interlocutor for Russia.

This reinforced interdependence requires new policies on both sides. This paper suggests that the current “low-politics” agenda should be given more substance and broadened to include security issues. But due to the fundamental obstacles mentioned above, more modest and more focused strategies for strengthening the relationship are required. A regional approach, focusing on areas of common interest, is suggested.

The Northern Dimension initiative is the most prominent example of the regional approach, but it has so far suffered from the deficiencies of current policies. However, the Northern Dimension is ideally suited to strengthen EU-Russia relations through practical co-operation. Possible policy initiatives under the Northern Dimension umbrella are suggested, including possible content for the proposed energy partnership, renewed efforts at environmental co-operation, a substantial Kaliningrad initiative, numerous confidence- and security-building measures, and a political dialogue on Belarus.

* Marius Vahl is a Research Fellow at CEPS. Comments and suggestions are welcome (marius.vahl@ceps.be).

Just Good Friends?

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1. Introduction: The gap between rhetoric and reality

The relationship between the European Union and Russia has become increasingly important, both to Moscow and to EU capitals. As a consequence of EU enlargement and the development of a common EU foreign, security and defence policy, the importance of the relationship is likely to increase further. Mutual strategies elaborated in 1999 reflect the growing significance of the relationship and a shared interest in enhanced co-operation.¹ Both sets of documents describe the relationship as a “strategic partnership”, with the overall objective of preventing the emergence of new dividing lines in Europe.

But in contrast to the official rhetoric, the relationship between Russia and the EU today falls far short of being a “strategic partnership” in any meaningful interpretation of the term.² The overall extent of co-operation between the two is modest, and when and where it does occur, it is more aptly characterised by the absence of strategic substance.³ In spite of the growing awareness of the long-term significance of the relationship, both the problems and opportunities seem too small or too distant to warrant real and deep commitments. Russia is preoccupied with its domestic concerns and its unstable southern borders, while the EU is absorbed by the process of simultaneous “deepening” and “widening”.

Furthermore, although official links and institutional frameworks for co-operation have been established, mutual scepticism has grown in parallel with the increasing importance attached

¹ Russia states that its strategy “is aimed at development and strengthening of strategic partnership between Russia and the EU”, and “provides for the construction of a united Europe without dividing lines”. The EU’s Common Strategy on Russia was adopted “to strengthen the strategic partnership between the Union and Russia”, and further asserts that a “Russia, firmly anchored in a Europe free of new dividing lines, is essential to lasting peace on the continent”. See Russian Federation (1999) and European Commission (1999a), for the respective strategies.

² The utility of using the concept of “strategic partnership” to describe EU-Russian relations has been questioned; see for example Danilov and De Spiegeleire. (1998: 50), and numerous contributors to the EC Stagiaires Conference Report (2000). See below on definitions of “partnerships”.

³ Energy supplies are perhaps an exception. See Haukkala (2000) on the “non-strategic” nature of EU policy towards Russia.

to the relationship. Sharp disagreements over the policies pursued in the Kosovo and Chechnya crises in particular played a key role behind this development. Following the financial crisis in Russia in autumn 1998, optimism in the EU concerning the economic transition process in Russia has to a large extent been replaced by disillusion, the recent economic upturn in Russia notwithstanding. The perceived bias of the media in the State Duma and Presidential election campaigns in December 1999 and March 2000 respectively, and the subsequent attacks on independent media companies since President Putin's inauguration, have created doubts in the West about the viability of democracy in Russia. More recently there has also been a growing concern in the West about Russia's policy towards former Soviet republics such as Georgia and Ukraine.⁴

But there have also been changes related more directly to the bilateral relationship. Russia's generally positive attitude towards the EU, and towards EU enlargement in particular, stood in sharp contrast to its adamant opposition to NATO's war in Yugoslavia and NATO expansion. The benign indifference previously displayed by Russia towards the EU has given way to apprehension about the potentially negative consequences for Russia of further European integration. Initially, Russia's concerns were related to economic and technical issues, and received little attention by Russian policy-makers and in the Russian media. More recently, Russia has become increasingly worried that the consolidation of the EU is creating new dividing lines that will exclude Russia from European affairs.⁵

The first part of this paper will therefore focus on the overall relationship between Russia and the EU. It is argued that the economic and strategic asymmetries in the relationship and differences in terms of accepted norms of state behaviour are too pronounced to make a real strategic partnership a realistic proposition. And as a consequence of these differences, the EU and Russia approach their relationship in fundamentally different ways, which constitutes a further obstacle to a substantial partnership.

On the other hand, the need for enhanced co-operation is likely to grow as a consequence of the further "deepening" and "widening" of the EU. Based on the analysis outlined above, a regional approach to the relationship is suggested as a useful way of moving towards a more substantial and stable relationship.

⁴ See comments by US Secretary of State-designate Powell (2001) at his confirmation hearings and speech by External Relations Commissioner Patten (2001) in Moscow. See also "Good Neighbour or Great Power", *Financial Times*, 22 January 2001.

⁵ Baranovsky (2000).

The Northern Dimension initiative, which represents the most developed concept advanced to date of a regional approach to EU-Russian relations, is the focus of the second part of this paper. The initiative was launched with the aim of preventing the emergence of new dividing lines in Europe through enhanced co-operation in Northern Europe between the EU and neighbouring countries.⁶ The gap between political rhetoric and stated aims on the one hand, and reality and substance on the other which characterises the EU-Russian relationship, is also evident in the Northern Dimension.⁷ Nevertheless, the Northern Dimension concept could contribute to increasing the substance of EU-Russian co-operation, and thus prevent the still harmonious relationship from deteriorating further. This paper explores its potential through a detailed analysis of possible initiatives that would give concrete content to the Northern Dimension. It focuses on key issues such as energy, environment, security, Kaliningrad and Belarus, which have the biggest potential in terms of “added-value”, the stated aim of the Northern Dimension. Combined, such initiatives could reduce the significance of the dividing line emerging between the enlarging European Union and Russia.

2. The limits of strategic partnership

It has been suggested that the presence of *common values*, *common interests* and *mutual understanding* are essential criteria for a “partnership”, as opposed to mere “co-operation”.⁸ It could furthermore be argued that a prerequisite for a proper “partnership” is that it must be between generally similar parties of roughly *equal size*. The importance of the last criterion is evident in Russia’s EU-strategy, which emphasises that the partnership should be “on the basis of equality”.⁹ But it is difficult, to say the least, to regard the EU and Russia as equals. The asymmetric nature of the relationship between Russia and the EU is a considerable obstacle to the emergence of a “strategic partnership”.¹⁰ While the differences are rather obvious, they constitute a necessary starting point in a discussion of the future EU-Russian relationship, and the potential substance of the Northern Dimension initiative.

⁶ The Northern Dimension initiative was launched by Finland’s Prime Minister Paavo Lipponen in September 1997; see Box 1 below in section 4.

⁷ According to the work programme of the Swedish Presidency, “the Northern Dimension should be given more concrete content”.

⁸ Yuri Borko, quoted in Vinnikov (2000).

⁹ Russian Federation (1999: paragraph 1.1).

¹⁰ Kempe (1998).

2.1 Economic asymmetries and geopolitical relevance

The differences between Russia and the EU are considerable, both in terms of overall size and of levels of economic development. The EU's current population of approximately 375 million is two-and-a-half times Russia's 145 million people. Following the entry of the 13 candidate countries, the EU will have approximately 550 million people, almost four times the size of Russia's dwindling population. Russia's GDP/capita is less than a third, and perhaps as little as a tenth of the level in the EU, depending on the method of calculation used. Using purchasing power parity (PPP) as the basis of comparison, the EU economy is nine times bigger than the Russian economy, while other methods yield a the size ratio of more than 1:20.¹¹ The EU accounts for more than two-thirds of foreign investment into Russia, and is by far Russia's biggest creditor. The EU is Russia's biggest trading partner, accounting for approximately 40% of all of Russia's external trade, while trade with Russia constitutes less than 4% of the EU's external trade.¹² These vast economic differences are likely to persist. Furthermore, the fact that Russian exports to the EU are dominated by raw materials while its imports from western Europe mainly consist of manufactured goods, is perceived in Russia as putting Russia in a "colonial" position in relation to the EU.¹³ So even though the EU depends on Russia in certain sectors such as energy supply, the overall relationship is one of asymmetric interdependence, with the EU playing a much more important role for the Russian economy than vice versa.

While it is clear that the EU is a considerably more powerful economic entity than Russia, the EU is not yet a significant player in terms of geopolitics. In spite of recent developments towards a Common European Defence and Security Policy (CESDP), the EU is likely to lack key aspects and instruments characterising a major power for some time to come. In contrast to the EU, which is primarily a "civilian power", Russia's continued significance in international politics is almost entirely based on its geopolitical role. The collapse of communism removed Moscow's prestige and influence as the bearer of the only alternative ideology to the Western liberal democratic order. The Russian economy is now less than a third of the size of the Soviet economy at the beginning of the 1990s, not including the

¹¹ In GDP/capita, the ratio is 1:3.4. According to the "conventional" method, the size-ratio is 1:22 and the GDP/capita-ratio is 1:8.7, while the so-called Atlas method yields ratios of 1:25 and 1:10, respectively. Calculated from World Bank (2000).

¹² See Europa website (<http://europe.eu.int>) and Goskomstat (State Committee of the Russian Federation on Statistics) website (<http://www.gks.ru>) for statistics on trade and investments.

¹³ Gower (2000: 70-72).

communist states in Eastern Europe, and it has been transformed from net donor to net recipient of assistance in the international economy. The only significant remaining source of international influence is thus its weakened but still considerable military forces, in particular its nuclear arsenal which remains the second biggest in the world, and its position in international organisations such as the United Nations Security Council.

From a Russian perspective, the “incomplete” nature of the EU as an international actor reduces the relevance of having strategic relations with it “on the basis of equality”. Although the geopolitical situation in Europe continues to be the principal focus of Russia’s foreign policy,¹⁴ it has so far preferred to deal with the bigger EU members on a bilateral or “minilateral” basis or directly with the United States, rather than the EU as such.¹⁵ But the quite rapid development towards a common security and defence policy, coupled with other developments such as enlargement, will (and already has to some extent) increase the significance of the EU as a strategic interlocutor, and thus the scope for potential EU-Russian security co-operation. On the other hand, the formidable limits to the EU’s “deepening” in military security matters will continue to inhibit strategic relations between the EU and Russia, and relations with the US and NATO will remain a key element of Russia’s policy towards the rest of Europe.

The strength of the close partnership between the EU and the United States is another significant obstacle to a real strategic partnership between the EU and Russia.¹⁶ Any strengthening of co-operation with Russia by the EU will be seen in the context of how it affects the much more firmly established transatlantic relationship. A “decoupling” of the Atlantic alliance would significantly reduce the significance of the vast military asymmetries between NATO and Russia, in particular in terms of nuclear forces.¹⁷ The Kosovo crisis showed the lack of military capabilities of the European allies. But the crisis also made clear that the ties across the Atlantic are still much stronger than those stretching across the European continent, as well as the extent to which that the US continues to be the main military actor in Europe. The Balkan conflicts have also shown the political implications of the geopolitical asymmetries, with Russian support for and participation in Western actions

¹⁴ Russian Federation (2000).

¹⁵ Leshukov (1998), in particular p. 17; Gower (2000: 66). Such “minilateralism” takes different forms and includes for instance G-8, the Contact Group, trilateral French-German-Russian summits and proposals for a OSCE Security Council.

¹⁶ See Peterson (1998:11-13), on transatlantic relations as a determinant of EU foreign policy.

¹⁷ Danilov and De Spiegeleire (1998: 20).

forthcoming grudgingly, only after strong protests and being almost entirely on Western terms. The current weakness of Russia's military establishment has been shown by the campaign in Chechnya, where it took several months to deploy only 100,000 troops.

2.2 Normative foundations

The collapse of communism and the transition towards a market economy and democracy in Russia have led to considerable convergence on the Western liberal democratic model, and a re-emphasis on the common values shared by Russia and the EU. The Chechen conflict nevertheless showed that the differences between the EU and Russia over fundamental issues such as the acceptable level of force used against one's own citizens are considerable. The war was applauded by a majority of the Russian population, while what was regarded as a "disproportionate and discriminate use of force"¹⁸ was widely condemned in the West.

This partial convergence on political, economic and societal norms and values does not extend to foreign policy and on what constitutes accepted principles of inter-state behaviour. The line was clearly drawn over Kosovo. While Russia treated the principle of non-intervention in *absolute* terms, NATO and the EU clearly regarded the principle as *conditional* on other factors. A similar pattern emerged over Chechnya. While Russia complained about interference into its domestic affairs, the European Union declared that "the fight against terrorism cannot, *under any circumstances*, warrant [the actions of the Russian government in Chechnya]".¹⁹

The norms and values underpinning European integration are to a large extent in opposition to traditional principles of international politics. The Westphalian concept of sovereignty and the rule of "non-interference" in the domestic affairs of other states have to a significant degree been replaced by notions of pooled sovereignty, supranationalism and more recently "humanitarian intervention". The EU is in itself an important embodiment of this new "post-modern" reality.²⁰ It is also reflected in the overall policies of the Western countries, such as the military campaigns in the Balkans, the stance towards Central and Eastern Europe, and indeed towards Russia.

To a certain extent, Russia has committed itself to this "post-modern" order through adherence to intrusive arms control treaties such as the Treaty on Conventional Forces in

¹⁸ European Council (1999b: Annex II, paragraph 4).

¹⁹ European Council (1999b: Annex II, paragraph 4), italics added.

²⁰ See Cooper (1996) for an elaboration of the "post-modern" system.

Europe (the CFE Treaty) and participation in such organisations as the OSCE and the Council of Europe. The acceptance of the Northern Dimension initiative as legitimate, and Russia's own proposals of asymmetric co-operation between Russian regions and the EU implies a certain openness in Russia towards "post-modern" mechanisms of co-operation. Furthermore, principled opposition to interference in the affairs of other sovereign states is not necessarily reflected in practice, in particular in Russia's policies towards the so-called "near abroad". A recent example was the introduction of visa requirements for Georgia exempting citizens of separatist regions controlled by Russia, according to the European Parliament amounting to "de facto annexation of these indisputably Georgian territories".²¹

The absence of profound ideological conflict seems likely to prevent a division in Europe similar to the divide of the Cold War. Nevertheless, the disagreements over policies pursued in Kosovo and Chechnya have highlighted the still considerable normative gap that still exists between the EU and Russia. Combined with the significant and durable asymmetries between them, this significantly limits the potential scope for a "strategic partnership" between Russia and the European Union.

3. Integration and geopolitics: Diverging approaches to converging interests

While these observations may seem obvious, they have a profound influence on the EU-Russian relationship. First, although it could be argued that the areas of shared interests are expanding, the asymmetric nature of the relationship makes the emergence of a partnership based on equality highly unlikely. Secondly, these differences and asymmetries create fundamentally different views on the nature of the relationship, both regarding the overall objective of the "strategic partnership" and on the general approach towards co-operation.

3.1 EU policy towards Russia: A policy of integration

Based on the concept of the European Union as primarily a "civilian power", it is frequently argued that EU foreign policy is aimed at the "domestication" of relations between itself and the outside world. One expression of this argument is that contractual agreements and legal approximation appear to figure more prominently in the external relations of the EU than in the foreign policy of other major international actors.²² Furthermore, the rather cumbersome policy-making process in the Union, with a division between decision-making and

²¹ European Parliament (2001). For other recent examples of Russia's "near abroad" policy, see "Good Neighbour or Great Power", *Financial Times*, 22 January 2001.

²² François Duchêne, quoted in Diez and Whitman (2000: 15).

implementation, leads to heavy reliance upon previously agreed policies, such as the different assistance programmes and the Common Strategies.

The unique nature of the EU as an international actor combined with the limited foreign policy competencies with which the Union as such is endowed²³, play a crucial part in determining the EU-Russian relationship. EU policy towards Russia is conducted through three main policy instruments. The Partnership and Co-operation Agreement (PCA) provides the contractual basis of the relationship, the Common Strategy defines the overall aims of EU policy towards Russia, while economic and technical assistance is provided (primarily) through the TACIS programme.

Although the PCA and in particular the Common Strategy contain clauses on wider political and strategic co-operation, the substance of the relationship has so far been limited to the provision of (quite modest amounts of) technical assistance through TACIS, and (partial) implementation of the mainly economic provisions of the PCA. Furthermore, the substance of the formal bilateral agenda and the methods of co-operation have to a large extent been determined by the EU and on EU premises.²⁴

There are several reasons for this modest progress. The limited competence of the EU in external relations in the first half of the 1990s, when the content of TACIS and the PCA was agreed upon, has of course been crucial.²⁵ On a more general level, scepticism about the irreversible character of the reforms or even residual concerns of supporting a potentially hostile Russia provided additional reasons for the relatively restrained Western policy towards Russia. There was no “Marshall Plan” for Russia, as had been suggested by some experts in the West. This reluctance was further evident in the EC/EU's emphasis on technical assistance rather than investment support. The dominance of geopolitical perspectives in Russian foreign policy and the economic asymmetries between the EU and Russia further contributed to a relationship limited to “low politics”, and an agenda defined by the EU. A consequence of this situation is that many of the issues of concern to Russia, primarily enlargement but now

²³ For an overview of EU foreign policy and the EU as an international actor, see for example Bretherton and Vogler (1998), Cameron (1999), and Peterson and Sjursen (1998).

²⁴ The agenda is circumscribed by the competencies of the European Commission, which is to execute the agreement on the EU side, and the biannual summits foreseen by the PCA are closely aligned with the six-month rotating presidency of the EU. See European Press Agency (2000: 18).

²⁵ The TACIS programme was initiated in 1991, and has not been fundamentally altered in substance or form since then. The PCA was signed in June 1994, but did not enter into force until December 1997, mainly because several EU countries, as well as the European Parliament, postponed ratification due to the first war in Chechnya; see Gower (2000: 74).

also CESDP, have yet to receive the attention within the EU-Russia dialogue that Russia would like, and turns the agenda itself into a source of friction.

Both TACIS and the PCA emphasise legal approximation and harmonisation of standards as a means of aiding Russia's transition. Due to the economic asymmetries, however, this convergence in practice means approximation and harmonisation on EU rules. The PCA has been described as a "half-way house" between the Europe Agreements with the candidates for EU membership in Central and Eastern Europe and the numerous framework agreements with developing countries.²⁶ TACIS is more limited in scope compared to the PHARE programme of assistance to Central and Eastern Europe, as well as much more modest in size.²⁷ With an agenda dominated by "low politics" and given the nature of TACIS and the PCA, the substantive components of the relationship, the result is that EU policy towards Russia is in principle similar to the EU's policy towards the accession candidates. Despite the considerable similarities, however, the incentives for co-operation are quite different, as there is substantially less assistance provided and the prospect of EU membership is absent.

In essence, the substance of EU policy towards Russia points towards a watered-down and unconvincing policy of integration. But this discrepancy between credible objectives and the policy instruments actually deployed is in principle removed by the Common Strategy. The strategy identifies four "principal objectives" that would significantly increase the scope of EU-Russian co-operation. In addition to EU support for "consolidation of democracy, the rule of law and public institutions in Russia" and its "integration into a common European economic and social space", the Common Strategy foresees "co-operation to strengthen stability and security in Europe and beyond" as well as joint efforts on "common challenges on the European continent".²⁸

Although the Common Strategy envisages a broader-based relationship with Russia, EU policy in practice continues to be primarily targeted towards Russia's integration "into a common European economic and social space". There has been limited progress on the three other principal aims. According to the TACIS evaluation report,²⁹ the assistance provided for

²⁶ Danilov and De Spiegeleire (1998: 12).

²⁷ Between 1991 and 1998, 8.4 billion euro were committed through the PHARE programme, and 3.8 billion euro through the TACIS programme. This amounts to approximately 13,000 euro per capita in the NIS and approximately 80,000 euro per capita (or six times as much) in candidate countries. See European Commission (2000b), pp. 107 and 115.

²⁸ European Commission (1999a: Part 1).

²⁹ TACIS (2000).

the consolidation of liberal democracy in Russia has played a modest role. Co-operation on security in “Europe and beyond” has been limited to SFOR and KFOR in the Balkans, as well as modest co-operation in the OSCE – neither strictly speaking being an EU-Russian affair. However, the joint declaration on strengthening the dialogue on security issues adopted at the EU-Russia summit in Paris in October last year could be the first step towards realisation of this objective.³⁰

Among the five “common challenges on the European continent” specifically mentioned in the Common Strategy,³¹ the record is mixed. During the Finnish presidency, agreement on an Action Plan on organised crime was reached. The “strategic energy partnership” proposed by Commission President Prodi last autumn has potentially far-reaching consequences, and will be discussed further below. There have also been initiatives on regional co-operation, most notably with the Action Plan on the Northern Dimension. On the other hand, there has been less progress on nuclear safety and environmental co-operation, and the new TACIS regulation envisages a significant reduction in EU assistance to nuclear safety in Russia in the coming years (see section 4.3 below).

Although the Common Strategy and new proposals make the EU appear intent on enlarging the scope of EU-Russian co-operation, the new initiatives are broadly conceived and still lack concrete and strategically significant actions. This is echoed in a recent Council report presented by Javier Solana, the EU’s High Representative for the CFSP, which heavily criticises the Common Strategies, specifically the Common Strategy on Russia, as an instrument of EU foreign policy.³² The strategies are viewed as too vague and their added value was questioned, since the strategies adopted were concerned with countries with which co-operation mechanisms already existed. Although Russia appeared to appreciate the strategy document, this was more because it was interpreted as a sign of the importance the EU attached to the bilateral relationship, rather than the substance of the document itself. The latter had apparently created some uncertainty about the status of the PCA in relation to the

³⁰ *Joint Declaration on Strengthening Dialogue on Co-operation on Political and Security Matters in Europe*, Paris, 31 October 2000.

³¹ These are energy policy, nuclear safety, the environment, fight against crime and regional co-operation; see European Commission (1999a).

³² “Solana hits at EU strategies”, *Financial Times*, 23 January 2001, p. 2, and “Mr Solana presents to ministers a highly criticised document on EU ‘Common Strategy’”, *Bulletin Quotidien Europe*, No. 7886, 22-23 January 2001, p. 9.

document. More specifically, the report found that the Common Strategy on Russia had not been useful for the EU in handling the Chechnya issue.

3.2 Russian policy towards the EU: The primacy of geopolitics

Russia's policy towards the EU, in contrast to the EU's policy towards Russia but consistent with Russia's overall foreign policy,³³ is based on a traditional conception of national interest. The strategic partnership with the EU is primarily seen as a means to enhance the geopolitical position of Russia (and the EU) in the international community. Russia's overall aim is to establish a multipolar system and to counteract the emergence of a unipolar order based on an American hegemony, an issue that is not mentioned in the EU's Common Strategy on Russia. On European security, the partnership is seen as a means to develop a collective security system in Europe "on the basis of equality".³⁴ This is to take place through the promotion of practical co-operation with the EU and by strengthening the OSCE, all aimed at counteracting the perceived "NATO-centrism"³⁵ in Europe.

The centrality of "high politics" in Russian foreign policy has shaped perceptions of the European Union among Russian leaders and in the media. In contrast to the persistently negative views of NATO, the European Union has been seen in a favourable light.³⁶ It has been argued that this is because the EU is perceived primarily as a free trade organisation, and that the political character of the EU has not been properly understood. It has further been argued that the dominance of "low politics" on the bilateral agenda has created the perception that "European integration is of no relevance to the daily lives of Russians".³⁷ As a consequence there is widespread ignorance about the EU in Russia, both among its leaders and in the general public.

Gradually over the last few years, however, the benign indifference in Russia towards the EU has been replaced by a more critical approach. Initially, Russia's concerns focused on the potentially negative impact of EU enlargement on Russia's trade with the accession candidates. However, it has now become apparent that tariffs would not rise following

³³ According to the new Foreign Policy Concept adopted last summer; see Russian Federation (2000).

³⁴ Russian Federation (1999: paragraph 1.1). See Borko (2000) for an analysis of Russia's EU-strategy, and how it differs from the EU's Common Strategy on Russia.

³⁵ Russian Federation (1999: paragraph 1.5).

³⁶ On Russia's policy towards NATO, see Black (2000). On Russian views of the EU before the Kosovo and Chechen crises, see Leshukov (1998).

³⁷ Light et al. (2000: 81); Nyberg (2000: 50-52).

enlargement.³⁸ Although the adoption of the EU's *acquis communautaire* by the new members will adversely affect trade with Russia by introducing new non-tariff barriers, other concerns have become more prominent. There has been a growing concern about travel restrictions between Russia and Central and Eastern Europe, as the latter are progressively introducing visa requirements for Russian citizens in order to align themselves with the Schengen rules. A general trend seems to be that the main issues of concern have changed, from the realm of economics and "low politics" to security and "high politics", and Russia is showing a growing interest in the development of the CESDP.³⁹

The changes in Russia's policy towards the EU have also led to a clarification of Russia's longer-term aims vis-à-vis the Union. After the economic crisis triggered by the August 1998 financial crash, the prospect of Russian membership in the EU, previously mentioned by Russian leaders such as former President Yeltsin and former Prime Minister Chernomyrdin, disappeared. The issue of membership was removed completely in October 1999 with publication of Russia's EU strategy, which states that Russia does not seek "accession to or association with" the EU.⁴⁰ Nevertheless, "integrationist" aspirations are clearly discernible in Russia's EU-strategy. The long-term goal of an EU-Russian free trade area is maintained, as is the aim of WTO-membership assisted by EU aid. The strategy also aims towards approximation of economic legislation and technical standards, as well as the development of pan-European economic infrastructure.

But this integration appears to be interpreted primarily in terms of Russia's access to EU markets, and as a way to receive increased assistance from the Union. Russia is clearly concerned that its economic integration with the rest of Europe will perpetuate its current role as supplier of raw materials and importer of manufactured goods and services, and that it will prevent a balanced development of the Russian economy.⁴¹ More importantly, and again in contrast to the EU objective of Russia's inclusion in a "common economic space", Russia's EU strategy emphasises the "concept of economic security"⁴² and the necessity to protect certain important sectors of national production.

³⁸ Shemiatenkov (2000b); Gower (2000: 75).

³⁹ "Putin welcomes EU expansion", *RFE/RL NewsLine*, 27 October 2000; "Russia wants more info on EU military component", *RFE/RL NewsLine*, 27 September 2000, and Sherr (2000).

⁴⁰ Russian Federation (1999: paragraph 1.1).

⁴¹ Leshukov (1998: 8).

⁴² Russian Federation (1999: Preamble).

Furthermore, the desire for a pan-European economic space is clearly conditional on other objectives, as Russia opposes any sort of special relations between the EU and other countries of the Commonwealth of Independent States (CIS) (or the Newly Independent States – NIS – as they are sometimes called). It also resists any attempts to hamper the economic integration of the CIS. But the rhetoric of CIS integration is more than balanced by Russia's general scepticism of multilateralism. As a consequence, there has been little substantial integration in the CIS, since Russia increasingly prefers to deal with the other Soviet successor states on a bilateral basis.⁴³

3.3 Problems and ambiguities of divergent strategies

Since Russia does not seek full or associate membership of the EU, a policy attempting to duplicate the rather successful policy towards the accession candidates in Central and Eastern Europe has limited potential. And since the prospect of accession, arguably the EU's most powerful foreign policy instrument,⁴⁴ is therefore irrelevant, the quite significant political leverage of the EU vis-à-vis the accession candidates does not exist in its relations with Russia.

A recent example was the temporary blocking of EU TACIS aid last year in response to the Chechen conflict, which had no discernible impact on Russian policy in the North Caucasus.⁴⁵ The episode showed how the rather haphazard use of conditionality creates undesirable consequences for the EU and causes bewilderment and resentment on the Russian side. The suspended ratification of the Scientific Co-operation Agreement in response to the conflict in Chechnya is one example of the often random and counterproductive effects of the EU's use of conditionality. Since this was not part of a co-ordinated effort by the international community, countries such as the US and Japan took advantage of the absence of EU interlocutors to increase scientific co-operation with Russia.⁴⁶

In contrast to the rhetoric on the priority attached to assisting the transition process in Russia, the share of the external assistance budget provided to Russia is small (less than 5%) and

⁴³ See the speech by the Secretary of the Security Council Sergei Ivanov in Munich in early February this year, available at <http://eng.strana.ru>.

⁴⁴ Smith (1999).

⁴⁵ European Parliament (2000: 17).

⁴⁶ European Parliament (2000: 17).

falling.⁴⁷ Because of the modest significance of TACIS assistance on the Russian economy, it does not provide the EU with substantial financial leverage with which to influence Russian policy. Furthermore, the more significant amount of assistance provided to Russia through member state budgets is not co-ordinated with Community assistance through a common approach to the conditions for this support.⁴⁸

According to a recent evaluation,⁴⁹ the TACIS programme has been reasonably successful. But it was emphasised that this conclusion had to be interpreted in the context of the modest operational objectives and limited means of the programme. Furthermore, the positive achievements applied primarily to the earlier phases. From the middle of the 1990s, the evaluation report found that “the programme became limited in its global relevance”. The focus on technical assistance and the limited means made available has prevented progress on the establishment of significant “geo-economic” ties, such as the development and inter-connection of energy and transport infrastructure. Although strategically important issues such as an eventual free trade area and Russian WTO-accession are on the agenda, their short- and medium-term impact is limited. The long-term prospect of a free-trade area is too distant and would not deliver sufficient immediate benefits to make a significant impact on the relationship.⁵⁰

The EU’s approach to the wider Europe has been portrayed as a pattern of concentric circles, with Russia occupying a place in the “outer circles” together with the other countries in the CIS.⁵¹ These countries are grouped together through the TACIS programme, and their contractual relationships with the EU take the shape of similar bilateral Partnership and Co-operation Agreements. Continued Russian claims to world power status might sound

⁴⁷ In 1991-98, Russia received approximately 200 million euro annually from the EU, 2/3 through the TACIS programme. Russia has received approximately one third of all EU aid to the NIS. In the 2001-2006 Financial Perspective agreed upon by the Berlin European Council in March 1999, the “external action”-heading is reduced in real terms, with a nominal increase of only 1.3% (from 4.55 billion euro in 2001 to 4.61 billion euro in 2006). Although commitments for external action (including commitments towards enlargement) are increased by 2.2% in the 2001 budget, the share allocated to the NIS falls with 0.2%. See European Commission (1999d), European Commission (2000b), European Commission (2001a), and European Council (1999a).

⁴⁸ An increasing share of EU assistance is channelled through the European Community (27.5% in 1997). In the period 1993-96, \$1.2 billion was disbursed to CEECs/NIS over the Community budget, compared with \$3.5 billion disbursed through member state budgets. See European Commission (2000b: Chapter 8).

⁴⁹ TACIS (2000: xi-xii).

⁵⁰ Gower (2000: 74-76).

⁵¹ Emerson (1999).

exaggerated and unrealistic in the West, but it has been argued that the EU's relationship with the biggest country in Europe requires a different approach than its relations with the other post-Soviet states.⁵²

Russia's Eurasian nature and its position "as a world power situated on two continents"⁵³ are commonly heard arguments against closer co-operation with Western Europe. But strategies of either "equidistance" between Europe on the one side, and Asia on the other, or even of "balancing" against the West with major Asian powers, are viable (at best) only in the longer-term. The internal weakness of Russia, and as a consequence, its external position cannot be remedied without some degree of co-operation and support from the West, which implies economic integration with the still Western-dominated world economy. For instance, orienting Russian trade and industry towards Asia to take advantage of opportunities in the expanding economies there⁵⁴ is unlikely in the medium-term to constitute a credible alternative to co-operation with the West. The EU plays an enormously more important role in the Russian economy, as a trading partner, a provider of assistance and a source of inward investment, than it does in Asia. In the next decade, the economic significance of the EU for Russia is likely to grow, rather than diminish, especially as a result of enlargement.

Although the prominence of a geopolitical perspective in Russian strategic thinking remains clear, its consequences for EU-Russia relations are ambiguous and inconclusive. In terms of the bilateral relationship, a geopolitical approach concludes that a strategic partnership with the EU is undesirable. The asymmetries between them would necessarily relegate Russia to a position of junior partner, which is clearly unacceptable given Russia's perception of itself as a world power.

By contrast, in a globally conceived geopolitical strategy, the EU plays a pivotal role as a partner in Russia's objective of moving away from an American-dominated "unipolar" world towards the "objective need of establishing a multipolar world".⁵⁵ Russia and the EU find themselves in general agreement, and in disagreement with the United States, on several issues such as missile defence, the American sanctions on Iran and its policy towards Iraq, to mention but a few. The increased importance attached to the EU in Russia's new Foreign

⁵² The TACIS evaluation report, for instance, suggests a special programme for technical assistance to Russia, see TACIS (2000).

⁵³ Russian Federation (1999: paragraph 1.1).

⁵⁴ As suggested by a former Soviet Ambassador to the EC, see Shemiatenkov (2000a: 13-14), and Shemiatenkov (2000b).

Policy Concept, and Russia's willingness to enhance security co-operation with the EU, as seen at the recent Paris Summit,⁵⁶ show that such considerations are becoming increasingly important. However, this has yet to translate into concrete policies.

A multipolar system would be the logical outcome if the EU were able to fulfil its ambitions of becoming a superpower. Because of the dominance of the integration approach, however, relations with Russia appear to be primarily determined by bilateral considerations, and less by their effect on the wider system and the EU's relations with other major powers such as the United States. So far the technical and "low politics" nature of EU-Russian co-operation has ensured that the bilateral relationship has to a large extent been insulated from changes in overall East-West relations (although TACIS assistance and ratification of the PCA was postponed due to the first war in Chechnya). The turbulent negotiations between NATO and Russia in 1995-97 did not affect the EU-Russian dialogue,⁵⁷ and while Russian opposition to NATO expansion has been adamant, it has been positive towards EU enlargement, including the potential accession of the Baltic States. However, "high politics" is increasingly intruding into bilateral EU-Russian relations. Issues and crises not on the institutionalised bilateral agenda, such as the Kosovo and Chechen conflicts, have had a significant and destabilising effect on the relationship in recent years.⁵⁸ If the stated intention of strengthening EU-Russian co-operation on security issues is followed up with concrete actions, this is likely to have a considerable effect on the international system and on their relations with the other major powers.

3.4 "Deepening" and "widening" of EU-Russian relations

EU enlargement will bring with it a number of new issues, as well as increasing the level of economic interdependence between the EU and Russia. Several of the new members have close links to Russia. Russia's relations with these countries, particularly some of the Baltic States, are more tense and conflictual compared to its relations with current EU member states. If the sources of tension and potential conflict between Russia and the enlargement candidates are not solved before their accession to the EU, it is likely to affect the overall EU-Russian relationship, as these conflicts are internalised into EU policy.

⁵⁵ Russian Federation (1999: Preamble).

⁵⁶ *Joint Declaration on Strengthening Dialogue on Co-operation on Political and Security Matters in Europe*, Paris, 31 October 2000.

⁵⁷ Danilov and De Spiegeleire(1998: 13).

⁵⁸ Margot Light, quoted in European Commission (2000c: 7).

A significant number of ethnic Russians will become EU residents following accession of the Baltic countries, but since many of them do not have citizenship in their country of residence, they will not become EU citizens. The EU's border with Russia will be extended, large tracts of which are not yet covered by ratified bilateral border agreements. The EU is likely to become more dependent on energy supplies from Russia, as its internal energy sources are gradually depleted. And as the EU becomes a more "complete" international actor, its role in European security is likely to grow, and with it its relevance to Russian foreign policy. In order to deal with these new issues and the growing role of the EU in the wider Europe in general, both a broadening and a deepening of the relationship could be envisaged.

First, co-operation on the existing economic and technical agenda could be given a higher priority, although it is likely to fall short of the current rhetoric surrounding the relationship. A significant reduction of the growing socio-economic gap between Russia and the EU is unlikely to occur without a heavier involvement and presence from the EU. The current level of EU assistance to Russia is not in accordance with the stated priority of the relationship.⁵⁹ This gap could be reduced either through increased assistance or through the adoption of more modest aims. It is equally important, as increasingly recognised by the Commission and the Council, to enhance the co-ordination and coherence of Community and (the more considerable) member state assistance to Russia.

So far, international public assistance has constituted a significant proportion of foreign investments into Russia, primarily because of the limited amount of foreign private investment.⁶⁰ However, to finance the massive investments required in Russia, the bulk of the necessary funding will have to come from private sources. It is true, though often used as an excuse for inaction, that changes in Russian policy are essential in order to attract foreign investors. Russia's ability to handle the assistance provided by the EU has been poor, which of course reduces the incentives for the West to contribute to Russia's development. But the limited role of official assistance in Russia's overall economy⁶¹ limits the leverage the EU has over Russian domestic economic policies. Russia's scepticism towards multilateralism presents another obstacle to its attracting increased levels of foreign investment. This is an

⁵⁹ European Parliament (2000: 17).

⁶⁰ While net foreign direct investments (FDI) into Russia in 1997-99 amounted to approximately \$6.7 billion, Russia received \$3.6 billion in total official assistance (OA) in the same period. See OECD website <http://www.oecd.org/dac> for assistance figures, and the IMF's *International Financial Statistics* for FDI.

⁶¹ Total official assistance to Russia amounts to less than 0.5% of Russia's GDP; see OECD website.

area where the EU could play a more active role without massively increasing its own assistance to Russia and avoiding possible Russian complaints of interference in its domestic affairs. Changes in the amount of assistance from the EU could thus be made conditional on Russia's inclusion in such multilateral frameworks.

Secondly, as the principal political actors in Europe, it is difficult to envisage the realisation of the proclaimed aims of security and stability without closer EU-Russian co-operation on political and security issues. Although such co-operation was promised by the mutual strategy documents and more recently was decided at the Paris Summit, the Kosovo and Chechen crises showed that this is not going to be easy. Furthermore, the apparently different objectives of the two parties concerning the relationship call for a cautious approach. Russia is not aiming for a de facto integration into the EU, and its perception of itself as a world power is not easily combined with playing the junior role that the structural asymmetries analysed above would indicate. Most EU member states do not share Russia's geopolitical objectives for the partnership. To the extent that the zero-sum game assumptions of Russia's strategy are accepted in the EU, a strategic partnership with Russia is clearly not regarded as a credible substitute for the transatlantic alliance.

Enlargement of the EU will increase the number of potentially divisive issues, which could endanger the relatively high level of mutual trust and confidence that currently exists between Russia and the European Union.⁶² And since the relationship appears to have stabilised at a low level of tension in the aftermath of the Kosovo and Chechen conflicts, a window of opportunity to move towards resolution of the potential areas and issues of conflict has opened. Changes in the policies of both Russia and the EU towards each other are required.

The immediate and negative effects of the Kosovo and Chechen crises on EU-Russian relations have subsided, as the EU has unblocked the TACIS assistance frozen by the Helsinki European Council and as the NATO-Russia dialogue has practically resumed in full. Nevertheless, these crises demonstrated the fragile state of the relationship, the extent to which this fragility is a potential source of instability in Europe, as well as the willingness of both sides to act independently of, and without significant regard to, the positions of their alleged partner. The policy, evidently favoured so far by both sides, of avoiding contentious issues has not proved particularly successful.

⁶² Gower (2000: 91).

Strategic initiatives are required in order to remove some of the numerous outstanding and potentially destabilising issues undermining relations between Western Europe and Russia. The political dialogue could to a larger extent be expanded to include “internal” EU issues, such as enlargement, the development of the common European security and defence policy, and to follow up on compliance with commitments taken through other international organisations such as the OSCE and the Council of Europe.

To strengthen stability and to avoid future conflict, security issues in a wider European context must be met with a number of confidence-building measures. Several key issues with the potential to derail the still relatively friendly relations belong to the “high” politics sphere and are, therefore, like Kosovo and Chechnya, not subjected to the institutionalised dialogue.

Finally, it seems clear that the divergence between the EU and Russia concerning acceptable norms of international behaviour could cause serious friction in the future, in particular after the EU has developed a capability in military crisis management and prepares for its deployment. Although it is of course not known the next place or region where the EU’s military capabilities will be used, it is highly likely to be in the vicinity of Europe, and, therefore, where Russia has national interests. A lack of dialogue with Russia may jeopardise the positive perception with which the EU is regarded by the Russian public today, which is perhaps the greatest asset the EU enjoys in its relations with Russia.⁶³

3.5 A regional approach to enhanced co-operation

Although there is probably a consensus on both sides that a higher priority should be assigned to strengthening EU-Russian relations, the daunting scale of the internal tasks facing both the EU and Russia makes it unlikely that the EU-Russian relationship will be given the attention it arguably deserves. With an increased but still limited attention paid to the relationship, it would nevertheless benefit from a sharper focus on operational objectives.

It has been argued above that the new and potentially contentious issues that are likely to arise as a consequence of the further “deepening” and widening” of the EU warrant enhanced co-operation between the EU and Russia. It has also been argued that the structural asymmetries and fundamental differences between Russia and the EU are too pronounced to lead to a true strategic partnership. A regional approach towards the EU-Russian relationship could alleviate this dilemma.

⁶³ Adomeit et al.(2000: 2).

Although many of the issues referred to above could potentially have significant consequences for the overall relationship, they are essentially of limited geographical scope, largely confined to the area between Russia and the enlarged EU. A regional approach could further facilitate co-operation on these issues by reducing the significance of the structural asymmetries that exist between them. Several regional institutions and mechanisms in which Russia and the EU are perceived to play a more equal role already exist. Finally, focusing joint efforts on particular regions could reduce concerns, both in Europe and beyond, of the consequences that enhanced co-operation between the EU and Russia could have on their respective relationships with other powers and on the international system as a whole.

4. The Northern Dimension: The regional approach in practice

4.1 Why focus on the Northern Dimension?

Several conditions are present in Northern Europe that combine to make a strong argument for enhanced EU-Russian co-operation under the umbrella of the Northern Dimension concept (see Box 1).

Box 1. The Northern Dimension Initiative

The Northern Dimension initiative was launched by Finland's Prime Minister Paavo Lipponen in September 1997. Taking his cue from the Mediterranean dimension (the Barcelona Process), his thesis was that the EU had acquired a Northern Dimension with the accession of Sweden and Finland, and that the EU needed a policy for this region too.

Lipponen emphasised that no new institutional or financial mechanisms were required. The operational aim should be to enhance co-ordination and coherence among the numerous institutions and sources of finance, such as different EU programmes (Interreg, PHARE and TACIS), international financial institutions (World Bank, IMF, EBRD, NIB), regional organisations (CBSS, BEAC, the Arctic Council), member state and non-member state governments. According to Lipponen, a comprehensive Northern Dimension strategy would include all sectors, excluding traditional security policy.

The idea of an EU policy for the Northern Dimension was endorsed by the Luxembourg European Council in December 1997 and an interim report was produced by the European Commission in November 1998. The paper identified six areas (energy, environment/nuclear safety, cross-border co-operation, trade, transport and telecommunications, and health) where the EU could provide *added value*, a concept that emerged as the litmus test of the further promotion of the Northern Dimension concept. The December 1998 Vienna Summit endorsed the report and requested the Council to develop guidelines for the implementation of the Northern Dimension.

The Council adopted these guidelines in May 1999. According to the Council, the expected added value of the Northern Dimension concept was found in the following sectors: infrastructure, including transport, energy and telecommunications, natural resources, environment, nuclear safety, education, research, training, and human resources development, public health and social administration. The June 1999 Cologne European Council supported the Council guidelines, and called on the Ministerial Conference to be arranged during the upcoming Finnish Presidency to draw up an Action Plan for the Northern Dimension.

A first Ministerial Conference was held in November 1999 in Helsinki during the Finnish Presidency, and brought together Foreign Ministers from the EU, from four candidate countries, and from Norway and Russia. According to the conclusions, “the Northern Dimension is aimed at strengthening peace and security of all states in the region”. Because of the war in Chechnya, however, many EU ministers declined to attend out of protest. The conclusions also emphasise the importance of Kaliningrad.

The Action Plan for the Northern Dimension was finalised in May 2000, and endorsed by the European Council at the Feira Summit in June. According to the Action Plan, the “aim is to provide added value through reinforced co-operation and complementarity in EU and Member States” programmes and enhanced collaboration between the countries in Northern Europe”. The priority sectors listed in the Action Plan are more or less the same as those listed in the Council guidelines of May 1999. The Action Plan proposes the following specific actions for the period 2000-03:

Studies, data bases and inventories

- a study on the prospects of the Kaliningrad *oblast*
- feasibility study on rehabilitation of nuclear technical bases
- research on safety of nuclear reactors,
- impact study on global warming in the Barents Sea area
- inventory of energy projects and financing
- establishment of Northern Dimension telecommunications Best Practices Gallery
- assessment of unloading facilities for nuclear submarines in Northwest Russia
- establishment of data base on public health.

Establishment or expansion of organisations and programmes

- development of an Organisation for the Promotion of European Technologies
- creation of a Information Society Information and Monitoring Service
- establishment of a regional pilot scheme on global warming
- Russian participation in EURATOM RTD
- extend EU surveillance network on communicable diseases
- establishment of a new Programme for Enterprise and Entrepreneurship.

Support and grants

- investment support for decommissioning of the Ignalina nuclear power plant in Lithuania
- increase support for SME development
- grants to enhance individual student mobility in the region.

The Swedish Presidency will arrange a second Ministerial Conference on the Northern Dimension in Luxembourg in early April 2001.

Sources: Lipponen (1997), European Commission (1998), European Commission (1999b), European Council (1999c), European Council (1999d), European Council (2000).

a. Common border

The Finnish-Russian border is at present the only common EU-Russian border. Following the next round of enlargement, the EU-Russian border will be extended, but will still exist only in the area covered by the Northern Dimension. Many of the challenges in EU-Russian relations, in particular problems connected with Russia’s transition process, are of a trans-border nature, such as pollution and other environmental problems, which have primarily local effects. For the EU, such problems are of course more pressing in areas close to EU territory such as

Northwest Russia than in Russian regions located farther away. Secondly, several of the issues on the EU-Russian agenda specifically target cross-border co-operation, such as regional co-operation, trade questions and issues relating to the EU's third pillar such as transnational crime and the movement of persons.

b. Strategic sectors

Many of the potentially significant elements of EU-Russian co-operation based on shared interests envisaged in the mutual strategy documents are located in the Northern Dimension area. The “strategic energy partnership”, proposed by the Commission in light of the oil price crisis, would probably entail an increase in investments in energy production and transportation facilities in Northwest Russia, which would have a significant effect on the general economic development in the region. The Russian parts of the planned pan-European infrastructure networks are also mainly located in the areas covered by the Northern Dimension concept.

c. Laboratory for EU-Russian co-operation

It is frequently stated that Northern Europe represents a microcosm of Europe.⁶⁴ By extension, it is argued, Northern Europe could be a laboratory or testing ground for new policies and initiatives. It could further be argued that Northwest Russia to a considerable extent represents a microcosm of Russia. In economic and political terms, Northwest Russia as a whole conforms to the patterns seen in Russia. Furthermore, the enormous differences in the economic and political situation found in the various regions of Russia, ranging from poor, unreformed economies with corrupt and inefficient leadership, to economically thriving and politically stable regions, are mirrored in the Northwest.⁶⁵ Finally, regional organisations in Northern Europe in which both Russia and the EU participate, such as the Council of Baltic Sea States (CBSS) and the Barents Euro-Arctic Council (BEAC), are well developed.

d. The “comparative advantage” of the EU

The absence of conflicts and even significant tension in Northern Europe provide an environment suited for a strong role for the EU, which at least at this stage is arguably better suited to deal with “soft” security issues and prevention of conflicts rather than crisis

⁶⁴ Perry et al. (2000: 3-7).

⁶⁵ See for example the comparison between Pskov and Novgorod *oblasts* in Solanko and Tekoniemi (2000).

management and conflict resolution.⁶⁶ Precisely because few of the issues outstanding in the Northern Dimension area are characterised by the urgency and intensity of conflict seen in other regions close to the EU,⁶⁷ such as the Balkans, it is difficult to elevate them on the EU's agenda. Nevertheless, the potential benefits to be derived from a stronger EU role in the region are considerable.

Northern Europe contains several of the potential points of conflict between Russia and the West, such as Kaliningrad and Belarus. Moreover, the relationships between Russia and the candidates for EU accession are arguably more strained in the Northern Dimension area than elsewhere in Central and Eastern Europe, in particular its relations with some of the Baltic States.

So far, the Northern Dimension, while formally appearing on the agenda, is not so in reality nor in practical political terms. The Action Plan endorsed by the European Council in June 2000 is notably weak on substance and does not contain any significant new initiatives (see Box 2). The main issues of Russian concern, such as the external effects of enlargement, are not addressed by the Plan. The modest operational aims of the Northern Dimension prompted one academic to state that it was "doomed to success".⁶⁸ But even within these modest parameters, the Action Plan does not fulfil the promise of enhanced coherence and coordination among the numerous policy instruments and assistance programmes that was the primary operational goal of the initiative. Furthermore, there has been a growing realisation that part of the problem is caused by EU policy, in particular its approach towards its enlargement.

From the beginning the idea of an EU policy for the Northern Dimension covered almost all political, economic and social sectors, with the notable exception of traditional military-security issues. From official documents one gets the impression that virtually all sectors are priority sectors in the Northern Dimension. But if everything is a priority, in reality there are no priorities. The process of developing a coherent EU policy for the Northern Dimension has suffered from the lack of focus on the strategically significant areas of potential action and co-operation. While all areas of co-operation are important (otherwise, presumably, they would

⁶⁶ The EU's contribution to "soft" security appears to be both acknowledged and valued in Russia; see Gower (2000: 69-70).

⁶⁷ See Jopp et al. (1998) on the security aspects of the Northern Dimension.

⁶⁸ Joenniemi (1999: 4-7).

not be on the agenda!), the issues with the potential of providing new impetus and direction for enhanced EU-Russian co-operation in the Northern Dimension have to be singled out.

By general consent, the most important issues in the Northern Dimension are related to environmental issues, development of energy networks and other infrastructures, and the so-called “Kaliningrad dilemma”.⁶⁹ In addition, but so far ignored in the context of the Northern Dimension, the wider security issues in the region need to be addressed. Combining initiatives covering all these elements could go a long way towards injecting much needed substance into the EU-Russian relationship, by “deepening” the current “low-politics” agenda, and by broadening the EU-Russian political dialogue to include security and other politically sensitive issues. Several initiatives could be envisaged:

- A “strategic energy partnership”, including enhanced general infrastructure support;
- Enhanced environmental co-operation and assistance in Northwest Russia;
- A Kaliningrad pilot project;
- Multiple security and confidence-building measures; and
- Political dialogue concerning Belarus.

4.2 A strategic energy partnership?

The oil price crisis prompted the EU to take a more proactive stance towards energy co-operation with Russia. Commission President Prodi recently called for a “strategic energy partnership” whose main component would be a 20-year oil and gas deal on supplies from Russia to the EU which would double EU energy imports from Russia and provide for infrastructure and technology materiel exports from the EU to Russia. Following the Paris Summit in October 2000, joint working groups have been set up to investigate the potential for enhanced energy co-operation.

The EU is the main receiver of Russia’s energy exports, and Russia is one of the main suppliers of the EU’s energy imports. Over the next decades, the share of Russian energy in European consumption is expected to grow, while an enlarged EU will consume a larger share of Russia’s energy production and exports. The necessary production and transport facilities remain to be fully developed, however, due to the lack of domestically available investment funding in Russia and an inadequate legal framework to attract a substantial number of foreign investors.

⁶⁹ Patten (1999).

The EU and Russia agree that there would be considerable benefits from enhanced energy co-operation. But because of differing views on what such co-operation would entail in practice, the proposed partnership is fraught with problems, both with respect to their overall relationship, and to their relations with other countries and regions. The question of energy supplies provides perhaps the most vivid example of the divergent approaches of the EU and Russia towards their relationship.

The EU's position is that it is not in the business of deciding on energy transport routes and on where oil and gas pipelines and production facilities should be constructed. Such decisions are best made by private companies on the basis of economic cost-benefit analyses. This is in line with its long-term aim of establishing a liberalised energy market, both within the EU and beyond, the latter primarily under the auspices of the Energy Charter. It is foreseen that the market mechanism would in the long run ensure adequate oil and gas production and a greatly expanded network of pipelines. This would enhance the EU's security of supply by increasing the number of possible supply sources and routes, and thus lessen its dependence on a single supplier of energy as well as reduce energy prices through the ensuing competition.

The EU's positive-sum approach stands in sharp contrast to Russia's position, which appears to be primarily determined by geopolitical concerns. The practical aim for Russia is to increase EU investment in the construction of production facilities and pipelines in Russia, without however reducing Russian control over its energy resources. These investments from Europe would be channelled to projects that would reduce Russia's dependence on transit of exports to Europe through third countries such as Ukraine and the Baltic States, and would increase the share of Russian energy in EU imports at the expense of other suppliers.

An energy partnership on Russia's terms⁷⁰ would have considerable geopolitical ramifications, in addition to the impact of increased assistance on the EU budget. First of all, it would greatly increase the EU's dependence on Russia.⁷¹ Energy supplies from the Soviet Union and Russia to Europe have been remarkably reliable in spite of political upheavals in Russia and at times tense political relations.⁷² On the other hand, Russia has shown its willingness to use its role as a major energy supplier coercively to achieve political ends.

⁷⁰ "Russia puts conditions for long-term energy supply deal with EU", *Uniting Europe* (Agence Europe) No. 116, 9 October 2000.

⁷¹ One study foresees that Russia's share of EU gas consumption could increase from approximately one-fourth today to more than half in 2020. See Fortum (1999: 14).

⁷² European Commission (2000a: 22).

Russian gas supplies to other former Soviet republics such as Ukraine and Georgia have frequently been cut off, allegedly in order to extract political and economic concessions.

Secondly, the zero-sum assumptions underlying Russia's position are understood by the other relevant actors, and enhanced EU-Russia energy co-operation is often seen as directed against them. Currently 90% of Russia's energy exports to Europe transits Ukraine, and provides Ukraine with important political leverage vis-à-vis its bigger neighbour. A Russian-inspired partnership with the EU would likely lead to the construction of new pipelines bypassing Ukraine, which would significantly reduce this leverage.

Russia has also called on the EU to drop its support for the Baku-Ceyhan pipeline, which is supported by Turkey and the United States, as an element of the envisaged partnership.⁷³ Supporting Russia's aim of being the principal transit country for energy supplies from the Caspian Sea and Central Asia to Europe would also have an impact on the relationship between the EU and other former Soviet republics, some of whom favour routes by-passing Russia. So while an energy partnership on Russia's terms would undoubtedly strengthen EU-Russia relations, these benefits would have to be weighed against the considerable and quite likely negative consequences of the EU's relations with its other neighbours and partners.

On the other hand, an energy partnership based on the EU's terms runs the danger of being perceived as yet another attempt by the West to impose its own ideas on Russia. The emphasis on market-based solutions would mean that most of the changes and initiatives would be taken by Russia, ranging from improvement of the investment climate through legislative changes to Russia's full adherence to multilateral regimes such as the Energy Charter. Such an asymmetric "strategic energy partnership" could weaken rather than contribute to the aim of strengthening the partnership between Russia and the EU. Furthermore, the EU's approach takes a long-term view which avoids what is perceived by others as the crucial issues in the short- and medium-term, namely the sequencing of construction of production facilities and pipelines, as well as making choices between mutually exclusive alternatives. As a consequence, the perception of the EU as an inconsequential interlocutor will be strengthened, which is the opposite of what is sought by the EU.

⁷³ "Russia puts conditions for long-term energy supply deal with EU", *Uniting Europe* (Agence Europe) No. 116, 9 October 2000.

If the EU wants the proposed strategic energy partnership to move beyond the rhetorical level, an operational strategy or at least a common EU position on external supplies is required. So far, the EU has not played an important role concerning the “when” or “where” of development of its future energy supplies. But because of the size of the EU market, even a “non-policy” has an influence on the decisions of potential suppliers. And in spite of the principle that funding should primarily come from private sources, investment support from the EU performs an important catalytic role in such vast infrastructure projects. So far, the EU has played a modest role, as the main elements of the TACIS programme in the energy sector have been concerned with improving energy efficiency and environmental issues. To the extent that TACIS has dealt with pipeline and production issues and provided investment support, this has taken place under the INOGATE (Interstate Oil and Gas Transport to Europe) programme. Although Russia is included as a “participating country”, it is not a signatory of the 1999 INOGATE Umbrella Agreement, and is not a recipient of (the albeit limited) INOGATE funding. Originally focused on energy transport from the Caucasus and Central Asia, INOGATE has been expanded to South East Europe, and is perceived by many, both in Russia and in the other former Soviet republics, as a tool to reduce the EU’s future dependency on Russian energy supplies.

Since most of the potential sources of Russian energy to be sold to the EU will come from North and Northwest Russia, an eventual agreement on an energy partnership will have a considerable impact in the Northern Dimension area.⁷⁴ While there are quite considerable oil reserves in Northern Russia, the size and strategic significance of the potential gas projects are significantly larger. According to moderate projections on future EU energy demand, the EU will require an additional supply from North and Northwest Russia equivalent to one-third of current gas consumption in the EU.⁷⁵ Other scenarios put European demand almost twice as high, which will dramatically increase demand for Northwest Russian gas.⁷⁶

Although there are numerous planned energy projects of relevance to the Northern Dimension (see Box 2), the Yamal-Europe and the Shtockman Barents Sea projects are the most significant. While cost calculations for these projects are full of uncertainty, depending, among other factors, on projections of Russian domestic demand more than ten years from

⁷⁴ Energy is clearly regarded as a key sector for which the Northern Dimension offers the greatest potential for added value; see European Commission (1999c: 17).

⁷⁵ Approximately 150 billion cubic metres (BCM) or 135 million tonnes oil equivalent (MTOE).

⁷⁶ Fortum (1999).

Box 2. Oil and Gas in the Northern Dimension

Gas

Northern option: Barents Sea (Shtockman). Proven gas reserves in the Barents Sea are 3,700 billion cubic metres (BCM), but total gas reserves have been estimated at 10,000 BCM. By comparison, total annual consumption in the EU is approximately 400 BCM. The largest field is Shtockman, with 2,500 BCM of recoverable reserves. Estimates of potential production capacity vary between 50 and 150 BCM per year. The project, estimated to cost \$25 to 33 billion, includes pipelines from the field via Murmansk to Primorsk, in addition to the development of the offshore fields.

Middle option: Yamal-Europe. The production potential on the Yamal peninsula is estimated to be almost 240 BCM per year and could according to Gazprom reach 155 BCM by 2010. The Yamal-Europe pipeline project, which will consist of seven parallel lines when completed, will run via Belarus and Poland to Germany. The total costs are estimated at \$30-40 billion, including exploitation of new fields as the current ones are depleted. The costs of developing Yamal further are high given the difficult (Arctic) conditions. Gas from further exploitation of the smaller but numerous fields in nearby Timan-Pechora (recoverable reserves: 600 BCM) could also be transported through the Yamal-Europe pipelines.

The EU's *Nordic Gas Grid* project aims at integrating the natural gas networks in the region. According to the July 1997 study, construction start-up is foreseen in 2002 to be completed in 2005-10. In parallel to this, a feasibility study for a North European Gas Pipeline has been carried out on the possible routes for exporting Russian gas and linking eventual pipelines to the Nordic Gas Grid.

An important component is the *North Transgas* project, which is aimed at constructing an underwater pipeline connecting Russia and Germany via Finland, with a capacity of 45 BCM. A feasibility study was completed in mid-1999, and the joint venture decided to continue the project. The pipeline could be in operation by 2008, with total investment estimated at 2.5-5 billion euro, and is intended to transport gas from Timan-Pechora/Yamal, as well as from the Barents Sea.

Oil

Timan-Pechora. The main new oil development projects in Northwest Russia are to further exploit the Timan-Pechora oil fields in Komi and Nenets, where only a fraction of the approximately 200 fields are in production. The Timan-Pechora area is the third most important oil producer in Russia, with recoverable reserves equal to the total of Norwegian reserves in the North Sea. Recoverable oil reserves are estimated to be 1,400 MTOE, although most of the fields are too small to be cost-effective.

The Baltic Pipeline System (BPS) is the largest new Russian export pipeline project outside of the Caspian Sea, with a total cost of \$800 million. In the first stage costing \$460 million and initiated in early 2000, a new port will be built at Primorsk on the Gulf of Finland. A new 240,000 barrels per day (b/d) pipeline will be constructed, going from Primorsk to the refinery at Kirishi in Leningrad *oblast*, to be linked there to the existing pipeline system. In conjunction with the BPS, a new 300,000 b/d terminal is to be built at Batereinskaya Bukhta in Leningrad *oblast*. In the second phase, the pipeline's capacity will be expanded to 600,000 b/d. In addition to the pipelines, three ports are envisaged (at Ust-Luga as well as the two mentioned above).

Latvian export corridor. The Latvian Western Pipeline System is one of the alternatives to the BPS. The project would upgrade the so-called Latvian Export Corridor, with construction of a new pipeline, new terminals in Ventspils in Latvia and railroad access. The low capacity of the existing pipeline is the major physical constraint for increased Russian oil exports through Latvia. The initial stage, costing \$260 million, would consist of a new pipeline that would almost double the current capacity of approximately 400,000 b/d.

Another alternative for transportation of oil from Northern Russia to Europe is the so-called *Northern Gateway Project*. This would link the Timan-Pechora fields with a proposed terminal in the Barents Sea, probably in Pechenga. According to pre-feasibility studies, the proposed terminal could process up to 40 million tonnes of oil per year (800 000 b/d) from 2010, at a total cost of 2 to 2.5 billion euro.

Other projects. There are several other completed or planned projects for pipelines linking up with the major arteries. A gas pipeline from Vokhov in Leningrad *oblast* to Petrozavodsk in Karelia was completed in the mid-1990s. Pipelines linking Arkhangelsk to the gas pipeline network are also planned, such as a pipeline from Murmansk to Arkhangelsk, and another from Yamal to Arkhangelsk. Construction of the latter, planned to be completed in 1995-96, has not yet begun.

Sources: Fortum (1999) and BISNIS (2000).

now, both projects are increasingly regarded as competitive with other projects.⁷⁷ Either one of these projects is perhaps large enough to individually supply the extra consumption in the EU, *if* the modest EU demand projections are borne out and *if* the project is completed in full. If the less modest projections are realised, and with partial development of any one of the two projects, both will need to be developed. The question then becomes one of sequencing and geopolitical considerations.

The Russian government has championed the Yamal option⁷⁸ first of all because it would reduce its dependence on transit through third countries, primarily Ukraine but also the Baltic States. The decision by several European and Russian companies to initiate a feasibility study on a fairly modest extension of the Yamal-Europe pipeline from Poland to Slovakia, coming just after the announcement of the Prodi Plan, was met with consternation in Ukraine. Poland was torn between showing solidarity for its “strategic partner” Ukraine and support for its future EU partners. Poland also protested the fact that it was not consulted on the issue, even though the pipeline would cross Polish territory. The political risks associated with the Yamal pipeline are compounded by the fact that it passes through the territory of Belarus.

Development of the Shtockman field in the Barents Sea was curtailed by the previous State Duma, which refused to approve a production-sharing agreement for the field. However, it appears that the new Government and the new State Duma have taken a different line, and a

⁷⁷ Fortum (1999).

⁷⁸ The Yamal-Europe project is for example the only concrete energy project mentioned in Russia’s EU strategy.

bill allowing a production-sharing agreement for the Shtockman project was signed by President Putin in the spring.⁷⁹

Beyond the two principal gas projects, there are several planned or on-going oil and gas projects in the Northern Dimension. While the significance of oil is less than the large natural gas projects, there are long-term plans to increase the export of oil from Northwest Russia to the EU. The absence of a common EU energy supply policy means that these developments are also guided by Russian interests, which seem primarily determined by medium-term geopolitical considerations rather than economic calculations, in particular the desire to avoid dependence on third countries for transit to the EU market.

A prominent and current example is the decision to go ahead with the development of the Baltic Pipeline System. Most analyses find this project to be too costly and favour the alternative option of improving the transit capacity through Latvia.⁸⁰ However, this would increase Russia's dependence on Latvia for its exports to the EU market. But following EU enlargement and completion of a single European market in energy, the Baltic States will no longer be transit countries but part of an expanded EU energy market. Until now, Russian energy policy in relation to the Baltic States has not taken this into account, and has led to development of less cost-efficient projects. Given the limited amount of investment funding available and the political repercussions causing continued tension in Russian-Baltic relations, this is clearly not in the interest of either Russia or the EU.

But regardless of which projects are developed first, the absence of domestically available investment funding in Russia makes foreign investment a prerequisite. If such funding is not forthcoming, the low level of supply combined with growing demand is likely in the longer-run to raise energy prices in Europe. Although the recent high energy prices have renewed the interest of foreign investors in energy projects in Russia, the legal environment in Russia is still regarded as inadequate. There are signs that the situation might be improving, however. The Production Sharing Agreement Law, which has been criticised as restrictive because it puts a ceiling of 30% on the share of natural resources that can be covered by such agreements that include foreigners, is currently under review. There has also been considerable uncertainty concerning ownership over natural resources, which could be reduced by the planned Land Code. Finally, Russia has not yet ratified the Energy Charter

⁷⁹ Nyberg (2000: 52-53).

⁸⁰ See BISNIS (2000).

Treaty, although it is currently under consideration in the State Duma. Its ratification in Russia would considerably improve the legal security for investors.

Although there are numerous pitfalls of engaging in a “strategic energy partnership” for both sides, the commonality of interests is clearly considerable. Furthermore, the convergence of their respective approaches that appears to have taken place recently could further facilitate substantial co-operation on energy supply. A compromise agreement embracing both approaches could be envisaged.

To prevent the entrenchment of perceptions that INOGATE is a programme aimed at the exclusion of Russia, and to provide balanced and comprehensive assistance for energy developments necessary to ensure the EU’s security of supply, the INOGATE programme could be extended to fully include Russia. It would thus cover the Northern Dimension with its important gas projects, and contribute to economic welfare in Northwest Russia. But extension of INOGATE would primarily be a political signal, as the funding involved is limited. Additional catalytic investments could be injected by allowing the EIB to operate in Russia, perhaps first on a trial basis in limited projects in Northwest Russia. Support should focus on multiple pipeline solutions. In the Northern Dimension area this would entail support for both the Yamal-Europe and Shtockman projects, which could increase security of supply by reducing the political risks and geopolitical ramifications of reliance only on the Yamal-Europe alternative.

The promise of increased assistance could be used to support legislative changes in Russia. Russian ratification of the Energy Charter Treaty would play an important role in improving the investment climate, and could be made a condition for increased assistance from the EU. An extension of the INOGATE programme would furthermore require Russia’s signing of the INOGATE Umbrella Agreement. In addition, the EU should encourage improved domestic legislation in Russia, in particular related to the revision of the Production Sharing Agreements Law and the Land Code.

An agreement on increased assistance from the EU tied to legislative action in Russia could have negative effects on the EU’s relations with other countries, from other former Soviet republics such as Ukraine and in the Caucasus, to Turkey and the United States. To reduce these effects, the EU could re-emphasise its aim of diversity of supply by making sure that any assistance to Russia is additional and not at the expense of other projects, and by continuing its previous support for alternative and cost-efficient routes bypassing Russia.

4.3 EU environmental initiative for Northwest Russia

The attempts by the EU and the international community to alleviate the environmental problems in Northwest Russia have met with little success. The reduction in pollution that has occurred has mainly been the result of a general reduction in economic activity, and not due to improved environmental standards. The serious hazards caused by nuclear installations in Northwest Russia, both civilian and military, have not been removed, and continue to pose great risks to the environment in Northern Europe. Attempts to engage Russia on environmental questions in Northwest Russia have also been hampered by bureaucracy and lack of co-ordination by Russian authorities. The result has too often been that funds pledged by the international community to improve the environment in Northwest Russia remain unused.⁸¹

Several decisions taken by the new government and the State Duma have raised concerns about the new government's strategy towards environmental issues. In May 2000, the government abolished the federal environmental agency, and made environmental issues the responsibility of the ministry in charge of natural resources. A plan to start accepting foreign nuclear waste for storage has been approved by the State Duma. The Central Electoral Commission recently dismissed a petition signed by more than 2.5 million people for a referendum on these issues.⁸²

The main obstacles to improved nuclear safety have been on the Russian side. Concern over national security in parts of the Russian government has prevented a more active participation by the international community in managing the radioactive waste emanating from the redundant nuclear submarines on the Kola Peninsula. On the civilian side, Russian authorities have been less concerned about the safety of the civilian Chernobyl-type nuclear reactors than foreign experts would like them to be. Decommissioning, the ultimate aim of the international community, is not seen as a viable option by Russian authorities. While the cost of decommissioning is an important concern for Russia, the role of nuclear power in the local energy supply and the absence of readily available alternatives sources of energy is the primary reason why the Russian government is opposed to a decommissioning strategy in Northwest Russia.

⁸¹ The Norwegian government granted approximately \$35 million in 1990 to reduce the SO₂ emissions at the metallurgical plant in Pechenga, but 90% of the money remained unused nine years later because of problems on the Russian side, *Dagbladet*, 12 November 1999.

⁸² "Chilled Greens", *The Economist*, 6 January 2001.

Norway and the United States have taken a lead role in managing the military nuclear hazards in Northwest Russia, primarily through the Arctic Military Environmental Co-operation Programme (AMEC). The operational goal is to improve the safety of storage and transportation of spent nuclear fuel from the submarines at Russia's military bases on the Kola Peninsula. While progress has been limited because of Russian concern about security, the *Kursk* accident appears to have prompted a policy change on the Russian side concerning foreigners' access to its military bases. One expression of this is the recently signed Russian-Norwegian Memorandum on enhanced co-operation in rescue operations and early warning of serious accidents. Another example are the negotiations of the MNEPR (Multilateral Nuclear and Environmental Programme in the Russian Federation), which would provide a legal framework for foreign donors of nuclear environmental assistance to Russia, but these appear to have been slowed down by the Russian bureaucracy.

The time is therefore ripe for fresh initiatives on nuclear safety in Northwest Russia. Although the EU has so far taken a back seat on this issue, the Common Strategy opens up disarmament and non-proliferation as legitimate areas of co-operation and has led to a Joint Action establishing a framework for an EU role in such activities in Russia. The programme, which initiated a pilot scheme in Central Russia, could be extended to the Northwest in co-operation with and/or in support of the American-Norwegian efforts. Enhancing the role of the EU concerning the submarine hazard would perhaps be welcome by Russia, as it would reduce the impression that these are efforts led by NATO and the United States.

Although the absence of the EU has been conspicuous concerning the hazards posed by the nuclear submarines, it has contributed considerably to the safety of the nuclear power plants in Northwest Russia. But in contrast to the rhetoric, the amounts spent on nuclear safety through TACIS have been reduced drastically in recent years. While more than 80 million Euro were provided annually in the 1991-98 period, the TACIS nuclear safety programme received only 27 million euro in 1999. And although the EU's ultimate aim is the decommissioning of the nuclear plants, the assistance provided has focused on maintenance of the existing reactors and improving the safety culture in Russia.

The argument that the EU lacks political leverage to induce Russia to decommission the nuclear power plants in Northwest Russia is often heard. Russia is clearly loathe to decommission their nuclear plants in Northwest Russia, and intends to keep them in operation even beyond 2010, the end of their economic lifetime. The decisions to close the Lithuanian

Ignalina plant and Ukraine's Chernobyl plant have met with criticism from the Russian government on grounds that they were based on political motivations, rather than on economic and safety considerations.

However, the EU's significant influence on Ukraine's decision to decommission the Chernobyl plant showed that a more assertive EU policy in this area is possible also towards countries that are not candidates for membership. Furthermore, the negative impact of a more vigorously pursued decommissioning strategy by the EU on employment and energy supply in Northwest Russia could be offset by the increased assistance in energy and other infrastructure projects in Northwest Russia. It could also be possible to set up a donor conference, as was done this year by the international community for the closure of both the Chernobyl plant and for the decommissioning of Lithuania's Ignalina nuclear power plant. At its meeting in Riga in June 2000, the EBRD promised increased focus attention on Russia. In combination with enhanced EU efforts under the aegis of the Northern Dimension, this could create the impetus for a renewed effort to decommission the nuclear facilities in Northwest Russia.

4.4 Kaliningrad: A pilot project for enhanced EU-Russian co-operation

The Kaliningrad region poses particular and peculiar problems for EU-Russian relations. The principal question is how to reconcile on the one hand that Kaliningrad is and will remain Russian sovereign territory and therefore politically outside the EU, with the fact that following the accession of Poland and Lithuania, the region will be an enclave within the EU.

Increased attention and awareness of the "Kaliningrad dilemma" has been one of the most important results of the process of establishing an EU policy for the Northern Dimension.⁸³ One of the few practical (albeit modest) results of the EU's Action Plan for the Northern Dimension was to initiate a Commission study on Kaliningrad on the particular problems it faces in relation to EU enlargement, outlining ideas and options for the parties.⁸⁴ On the Russian side, the medium-term strategy for relations with the EU presented in October 1999, contained a clause on the Kaliningrad region becoming a "pilot region" over which a "special arrangement" between Russia and the EU could be envisaged. This was followed up by a joint Lithuanian-Russian proposal, the so-called Nida initiative in February 2000, for specific collaborative projects for the region.

⁸³ See for example Fairlie (1999), Joenniemi et al. (2000) and Baxendale et al. (2000).

⁸⁴ European Commission (2001a).

Box 3. The Kaliningrad Communication

The Northern Dimension Action Plan endorsed by the Feira European Council requested the Commission. To carry out a study on Kaliningrad as a potential “pilot region” in co-operation with Russia This study was completed in January 2001. Although it is emphasised that the paper does not set out formal Commission proposals, but rather outlines ideas and options, it nonetheless makes several suggestions:

Movement of people

- Initiate EU-Russia-Poland-Lithuania dialogue on the management of border crossings
- Assessment of Community rules in relation to small border traffic, and of special arrangements permitted by the *acquis*
- Examine cost of passports and visas
- Consider opening (common) consulates in Kaliningrad
- Conclusion of readmission agreement between Russia and the EU
- Increase EU assistance for border control.

Economic relations

- An examination of the trade impact of enlargement on Kaliningrad
- Discuss TACIS transport strategy with IFIs, Russia and neighbouring countries
- Initiate TACIS study on energy needs, including study on new gas pipeline projects
- Discuss environmental issues and review fisheries relations.

Other

- Information campaign in Kaliningrad on the functioning of future EU border.

The Communication argues against a special trade regime. Since Kaliningrad is an integral part of Russia, it is difficult for the EU to grant a special status to the region, and Russia in any event is regarded as unlikely to grant Kaliningrad the required autonomy. Secondly, it is argued that enlargement in any case will not overall create unfavourable conditions for trade with Kaliningrad.

The paper regards the establishment of a special development fund for Kaliningrad as unnecessary. Instead it argues that the first priority should be to work with Russian and Kaliningrad authorities to identify priority areas and to help them find the required funding.

Source: European Commission (2001b).

Although Kaliningrad is now on the EU-Russian agenda, the two sides still appear reluctant to initiate the kind of special solutions that the unique circumstances of the region will probably require. This is primarily a reflection of the relative absence of substantial co-operation in the overall relationship between Russia and the EU. EU-Russian co-operation on Kaliningrad has been quite modest and focused on “soft” issues. Such co-operation and support from the EU has often taken place in the context of the Council of Baltic Sea States and through bilateral contacts, for example with the Nordic countries.

To a large extent, the problem of Kaliningrad is an unintended consequence of the EU’s own policies, and the EU has so far not been willing to adjust or change these policies for the sake

of Kaliningrad, which is after all a fairly small region of a non-member state. The problem arises in particular from the EU's "all-or-nothing" approach towards enlargement. According to this approach, candidates for EU membership are required to adopt all EU policies, while no EU policies are to be extended to non-candidates countries. The problems caused by Polish and Lithuanian accession to the Schengen Agreement, the result of which would be to force Kaliningraders to obtain a visa to reach their own country overland, has received the most attention. Trade will also be affected, however, as Poland and Lithuania will adopt EU standards that are currently not required for exports from Kaliningrad. And as new members are connected to EU infrastructure, Kaliningrad will be further disadvantaged relative to its immediate neighbours.

The local government has proven to be an additional obstacle for enhanced co-operation at the regional level. However, recent elections for governor in the *oblast* led to the victory of the former Commander of the Baltic Fleet, who was supported by the Kremlin and who is also regarded positively in the West. The new Governor, Vladimir Yegorov, has stated that he intends to orient the region towards the EU through permanent co-operation.⁸⁵

In addition to providing a framework for the extensive "soft" co-operation already in place, a special EU-Russian agreement on Kaliningrad would need to address the key issues of movements of persons, goods, services and capital, as well as the development of the infrastructure to support these movements. Failing to reach substantial agreement on these issues could exacerbate the economic, social and criminal problems of the region, which are unlikely to be contained within Kaliningrad. The spillover of these problems into the enlarging EU, and the perceived indifference by the EU to take any responsibility for the effects of its own policies, would likely have a negative effect on the overall relationship between the EU and Russia.

a. *Movement of people*

Both Poland and Lithuania will introduce visa requirements for Russian citizens, including Kaliningraders (Poland in 2001 and Lithuania on the date of EU accession).⁸⁶ The possibility of a making Kaliningrad a special visa-free zone within the Schengen area has been suggested, but such an arrangement would not be acceptable to either the EU or the local authorities in Kaliningrad. It is feared that such a scheme would turn Kaliningrad into a

⁸⁵ RFE/RL, *Russian Federation Report*, 22 November 2000.

⁸⁶ European Commission (2001b: 4).

gateway for economic immigrants from Russia and beyond into the EU – an unwelcome prospect for both the local government and the EU authorities. Nevertheless, the introduction of visas will have significant negative effects on the local population on all sides of Kaliningrad's borders, as they now move frequently across these frontiers for trade and "social" purposes. The introduction of visa requirements could be accompanied by "flanking" measures to alleviate these problems.

The availability of visas could be improved significantly by establishing a well staffed "EU consulate" that could reduce the time and effort to get a visa. Currently, few EU countries have consulates in Kaliningrad, and people are required to travel to St. Petersburg or Moscow to obtain a visa. Upgrading of border crossings, as proposed in the Nida initiative, would further facilitate cross-border movements. The possibility of issuing visas at the border, as well as reducing or eliminating visa fees altogether are other possibilities that would facilitate cross-border movements after visa requirements are introduced. The costs of the visas should be kept to a minimum. Additional conditions, such as requiring invitations in order to obtain a visa, could also be kept to a minimum.

Although the Commission study suggests some of these measures, in many cases it will not be possible to implement them by the time Poland introduces visas for Russia later this year. The EU could therefore recommend to Poland that it postpone the introduction of visa requirements for Russia until the after date of accession, as Lithuania and other accession candidates are currently planning to do, and as Poland intends to do vis-à-vis Ukraine.

b. Economic and technical assistance

Kaliningrad is currently only eligible for TACIS assistance, as opposed to the more generous assistance provided for the neighbouring EU accession candidates. Politically, Kaliningrad is in the portfolio of the External Relations Commissioner and not the Enlargement Commissioner, and is covered by the Partnership and Co-operation Agreement with Russia. However, the most relevant assistance for Kaliningrad is of the kind provided by PHARE and other pre-accession programmes, which in contrast to the assistance provided by TACIS, focuses on improving the recipients' ability to operate in the Single Market. The region is currently unprepared for the introduction of EU product and other standards by its neighbours, and assistance from the EU through TACIS is not primarily focused on enhancing the capacity to deal with the Single Market. This could be mitigated either through the extension of PHARE and other pre-accession instruments to include Kaliningrad, as local authorities

have suggested, or the establishment of a special programme for the region, which would focus in particular on the problems arising from enlargement.

Problems concerning the separation between PHARE and TACIS are also evident in other sectors. For example, progress on the parts of Via Baltica that cross Kaliningrad territory has stalled, mainly because of constraints relating to the separation between PHARE and TACIS areas. Another problem for Kaliningrad following the enlargement process is caused by changes in the neighbouring countries' electricity grid. The Baltic countries plan to establish a Baltic electricity network and market by 2001, separate from the Russian network. When Lithuania is disconnected from the Russian grid, Kaliningrad will be disconnected from Lithuania, its primary source of power supply.⁸⁷

It has been suggested that a special EU development fund for Kaliningrad should be established,⁸⁸ but this idea is rejected by the Commission study.⁸⁹ A new assistance programme, administered by the TACIS office established in Kaliningrad in December 2000 and targeted more towards the problems caused by the EU enlargement process, could substantially improve the situation in the region. But the electricity connection issue shows that such a programme might not be enough to deal effectively with the Kaliningrad dilemma. More inclusive measures taking account of Kaliningrad's future status as a region within the EU might be necessary.

c. Economic integration

The Kaliningrad Special Economic Zone (SEZ) was established in 1996. Although local political obstacles have prevented the full implementation of the SEZ, the favourable tax scheme instituted by the SEZ is generally regarded as having contributed to an increase in foreign investment in the region. The new regional leadership has stated its preparedness to implement the SEZ.

There are several policy alternatives to the economic inclusion of Kaliningrad into the EU depending on the degree of integration that is desired politically. Anticipating a free trade agreement between Russia and the EU, one option would be to establish a free trade regime for Kaliningrad. But in addition to the political difficulty of entering into free-trade agreements with non-sovereign entities, it has been argued that Kaliningrad would not benefit

⁸⁷ This is a major concern for local officials, see Gourova (2000: 123).

⁸⁸ Dewar (2000: 259).

⁸⁹ European Commission (2001b: 6-7).

substantially from such an agreement, since its exports are not significantly hampered by EU tariffs.⁹⁰

In March 2000, the Swedish Trade Minister Leif Pagrotsky proposed going further when he raised the possibility of putting Kaliningrad on a “fast-track” towards inclusion in the EU’s internal market.⁹¹ Such a radical idea could also include the monetary regime. Once the euro is fully introduced into circulation and Poland and Lithuania become EU members, the new currency is likely to become increasingly present in the economy of Kaliningrad, beginning with investors and small-scale traders and then more gradually for the whole population of the region. Russian monetary authorities might then come to consider if and to what degree this might be formalised. This is not a pressing issue, however, as the region is far away from fulfilling the economic criteria of inclusion in the internal market, and as long as the assistance provided by the EU is not augmented and directed towards Single Market inclusion.

d. A special agreement?

For the EU, an agreement with Russia on Kaliningrad would be a special exercise in the borderland between its enlargement process and its external relations policies. Apart from the political and practical challenges this poses for co-ordination among the EU institutions, the negative risks of measures aimed at facilitating movements across its border with the EU would require substantial flanking measures. The fear that Kaliningrad could become even more of a magnet for transnational criminals who would regard the region as a gateway into the EU is frequently articulated, both in the EU and in the region itself.⁹²

The Commission argues against a special arrangement for Kaliningrad. By continuing to rely on existing EU policies and instruments, however, the problems of co-ordination and perceived exclusion are likely to persist. Instead of the parallel dialogues envisaged in the Commission study,⁹³ with the EU discussing Kaliningrad with Russia, Poland and Lithuania bilaterally, a special agreement could make multilateral discussions the rule rather than the exception.

⁹⁰ Dewar (2000: 250).

⁹¹ “i kan påverka Rysslands vägval” (We can influence Russia’s path), *Dagens Nyheter*, 28 March 2000.

⁹² “Kaliningrad has become a hub for alcohol smuggling into Europe”, *Russia Today*, 21 January 2000.

⁹³ European Commission (2001b: 8-9).

A substantial EU-Russia agreement on Kaliningrad would require a stronger and significant EU presence in the region. Russia is likely to demand increased assistance to the development of the region in return. Although this is also in the interest of the EU, new conditions for the aid, tied perhaps specifically to regional governance, could be introduced. This would require enhanced co-operation with both local authorities and with the Federal government. If these basic parameters are accepted by both sides, Russia and the EU together could remove the possibility that the “Kaliningrad dilemma” becomes the “Kaliningrad problem”, and instead turn it indeed into a pilot project for enhanced EU-Russia co-operation.

4.5 Confidence- and security-building measures

Although the Commission’s paper on Kaliningrad addresses many of the key topics referred to above, the most divisive ones are omitted. This is primarily a reflection of the EU’s approach to the Northern Dimension, and to relations with Russia in general. Since security in the traditional sense was excluded from the Northern Dimension agenda from the beginning, and therefore went unnoticed by the Action Plan, some of the most important political issues in Northern Europe do not appear on the agenda. In the case of Kaliningrad, the question of military transport between the region and mainland Russia is not addressed. The still militarised state of the region has been highlighted recently through unconfirmed reports of re-stationing of tactical nuclear weapons in the Kaliningrad.⁹⁴

Nevertheless, at the recent EU-Russian summit in October 2000 the two sides agreed in principle to enhance their dialogue and co-operation on security issues,⁹⁵ as also stipulated by their mutual strategy documents. Speculation on where and how such co-operation may take place has focused on Russian participation in crisis management operations led by the EU’s Rapid Reaction Force and on areas such as the Balkans, the Middle East and the Caucasus. But in the area covered by the Northern Dimension, there are several potential conflicts that could have a profound influence on the wider European system. Because most of these issues represent *latent* problems, they are matters of conflict prevention rather than of crisis

⁹⁴ This was first reported in an article in the *Washington Times* in early January, based on interviews with US officials. The report was categorically denied by Russian officials. See “Report of Missile Deployment in Kaliningrad Threatens to Upset East/West Ties”, *Radio Free Europe/ Radio Liberty* feature, 11 January 2001. Some Russian analysts have suggested the stationing of nuclear weapons for years; see Allison (1998: 99).

⁹⁵ *Joint Declaration on Strengthening Dialogue on Co-operation on Political and Security Matters in Europe*, Paris, 31 October 2000.

management, in which the EU arguably possesses considerable strength. The EU could therefore play an important and constructive role concerning all of these issues.

A few issues may be singled out. First, the situation of the Russian minorities in the three Baltic States, in particular in Estonia and Latvia, which remains a contentious issue in relations between Russia and these countries in spite of recent amendments to these countries' language and citizenship laws. Secondly, although there are no outstanding territorial demands or disputes, there is still no agreement on Russia's borders with Latvia or Estonia that is ratified by both sides. Third, the political future of Belarus is uncertain, as the country prepares itself for presidential elections sometime in 2001. Fourth, the highly contentious issue of NATO expansion and in particular the possibility of membership of the Baltic States is likely to move up on the agenda as the pivotal NATO Summit in Prague in 2002 gets closer.

a. Resolving sources of potential conflict

The first Stability Pact of 1993-95 played an important and often underrated role in reducing tensions among Central and East European countries, and led to the resolution of several potential conflicts. But the so-called Baltic Table of the Stability Pact met with less success than did the Central Europe Tables. The Pact, concluded in March 1995, did not include good neighbourly agreements between Russia and Estonia or Latvia,⁹⁶ and border demarcation and treatment of minorities are still a source of friction in the relationship between Russia and the Baltic States. After the initiative to establish this Stability Pact, the EU has not taken an active role on these matters, leaving minority questions to be dealt with by the OSCE and its High Commissioner for Minorities, Max van der Stoep, and border issues to bilateral negotiations between the Baltic States and Russia. The compartmentalisation of responsibilities on these issues dictated by the current structure of the European Commission, with one Commissioner in charge of relations with the Baltic States and another responsible for the relationship with Russia, is another obstacle to greater EU involvement on these issues.

There is still no final agreement between Russia and the three Baltic States on their common borders. Reflecting the overall political relationships, agreement is closest to completion between Russia and Lithuania and farthest away between Latvia and Russia. In the case of Lithuania, the only missing element for the entry into force of the 1997 border agreement is ratification by the Russian State Duma. While Estonia and Russia initialled a border treaty in

⁹⁶ Smith (1999: 160).

March 1999, demarcation of the Russian-Latvian border has only been undertaken on the Latvian side to date, and the 1997 draft border agreement has yet to be approved by Russia. It has been argued that Russia has delayed the signing of border treaties in order to prevent their membership in NATO and the EU.⁹⁷

However, these issues will eventually become a question for EU-Russian bilateral relations. Baltic accession to the EU will give the EU a sizeable ethnic Russian minority, and the Baltic-Russian borders will become the EU's border with Russia. If the current situation remains after the accession of the Baltic States, the EU will find that it lacks an internationally recognised border with its biggest neighbour, and will become the target of criticism from that same neighbour over the EU's treatment of its Russian minority. That the latter could become an issue is made clear by Russia's Medium-Term EU Strategy, in which Russia has reserved the option to refuse to extend PCA coverage to new members that "do not ensure fulfilment of generally recognised norms". For instance, although the recent amendments to Latvia's Language Law were applauded by the OSCE High Commissioner, by the EU and later by the European Commission, Russian criticism persists.

b. Potential confidence-building measures

Although the question of minorities and border agreements are undoubtedly important, the potentially most divisive issue in the area of the Northern Dimension, and arguably also in the wider European context, is the question of NATO membership for the Baltic States. At the Washington Summit in April 1999, NATO postponed the decision on taking on new members until 2002. But as 2002 approaches, the issue is likely to move back to the top of the agenda, and a decision of whether or not to invite one or more of the Baltic States will inevitably arise. Whatever the outcome, it is bound to create strong and negative reactions, and could have a considerable impact on EU-Russia relations.⁹⁸ If NATO's leaders defer enlargement for a second consecutive time, the credibility of the "open door" policy will be in doubt. If NATO does invite other candidates to join, but does not include any of the Baltic States, the impression that Russia has a de facto veto on enlargement will be strengthened. And if the Baltic States are invited to join, the overall relationship between the West and Russia could easily deteriorate to the lowest level seen since the end of the Cold War.

⁹⁷ Alexandrova (1998: 93-94).

⁹⁸ Borko (2000: 71).

Contingency planning for these three alternative scenarios needs to be developed. Although this is formally a question for NATO, since it involves collective defence issues, this is not a good argument for the EU to ignore the issue. The eventual decision taken by NATO in 2002 will have important consequences for the general political climate in Europe, and is therefore a crucial issue for EU-Russian relations and the Northern Dimension. Although EU-Russian relations were somehow detached from the wider relations between Russia and the West in the early post-Cold War period, the crises and conflicts in the last few years have shown that this is unlikely to be the case in the future. In any event, the progress towards a common EU security and defence policy means that defence and security issues will increasingly be on the EU-Russian agenda, and combined with the enlargement process will surely raise the issue of the role of the Baltic States in Europe's security architecture.

The end of the Cold War left Northern Europe with a significant "peace dividend".⁹⁹ The withdrawal of Soviet forces from the Baltic States and the sizeable reductions in force levels in all countries in the region combined with more co-operative political relations, has for the time being and to a large extent removed "hard" security issues from the security agenda in Northern Europe. Concern has shifted to "soft" security issues such as environmental security, transnational crime and poverty, as exemplified by the Northern Dimension initiative. But as 2002 draws near, "hard" security issues are likely to return to the political agenda in Northern Europe. A number of confidence-building measures that could reduce the negative effects of these issues could be envisaged.

The CFE Treaty. Northern Europe remains a "hole" in the most extensive arms control agreement in Europe, the CFE Treaty, as five of the eleven states encompassed by the Northern Dimension are not parties to that agreement.¹⁰⁰ Accession of these states to the CFE Treaty could further improve the security environment in Northern Europe. The five countries have no immediate plans to join. Previously the argument against new signatories to the treaty was that this would require a re-negotiation of the whole treaty, thus opening a Pandora's box. But the newly adjusted treaty is open to accession by new members without triggering new negotiations on the other elements of the treaty. A decision by NATO to enlarge in 2002

⁹⁹ Knudsen (1998: 7-11).

¹⁰⁰ The five are the three NATO applicants Estonia, Latvia and Lithuania, and the two non-aligned states of Finland and Sweden. See Knudsen (1998: 9).

could probably lead to pressure for a new revision of the CFE Treaty,¹⁰¹ which in any case will be reviewed by 2003. Perhaps a more palatable alternative for the countries concerned that could also contribute to transparency and confidence-building in Northern Europe would be for the five to “associate” themselves with the CFE Treaty without actually acceding. For example, one could envisage unilateral declarations, perhaps concerted by the five, on planned force levels. Although the forces of these countries are quite small and the strategic significance of such a move would therefore be modest, the political signals thus sent could contribute to improving the general security climate in the region before NATO makes its decision.

Transparency on military affairs in Northern Europe could be further enhanced through a clarification of Russia’s intention concerning the military aspects of the Union with Belarus. Of particular concern is whether the Union will change Russian force deployments in the region and whether this will entail the stationing of nuclear weapons in Belarus, as President Lukashenko has stated on several occasions. The President of Belarus has also repeatedly stated that there are plans to create a 300,000-strong Belarus-Russian force to be stationed in Belarus. Influential Russian politicians, such as the vice-chairman of the State Duma, have stated that the stationing of such a force could be hastened by Baltic membership of NATO.¹⁰² While the Russian government has denied the existence of such plans, a tangible consequence of the Russian-Belarus Union has been to increase Russia’s military presence in Belarus.

The “Nordic NATO Option”. Another potential confidence-building measure in Northern Europe would be for the Baltic NATO candidates to make use of what could be called the “Nordic NATO option”. Before acceding to NATO in 1949, Denmark and Norway unilaterally declared that foreign troops and nuclear weapons would not be stationed on their territories in peacetime, primarily aimed at assuring the Soviet Union that their motives for joining the Alliance were defensive. The stationing of NATO troops and weapons on the territory of acceding members to NATO has been one of the primary concerns of the Russian military. Some commentators have suggested that such declarations would be a bad idea, as it would call into question the willingness of the Baltic States to take on the responsibilities that

¹⁰¹ This linkage between the CFE Treaty and NATO expansion to the Baltics was recently made by Russian Defence Minister Sergeyev; see *Russia Today*, 5 February 2001 (<http://www.russiatoday.com>).

¹⁰² “Putin imod udvidelse af NATO” (Putin against NATO expansion), <http://www.nyheter.norden.org>, 16 November 2000.

NATO membership entails, and would reduce support for Baltic accession to NATO.¹⁰³ However, the significant budgetary sacrifices all three states are currently undertaking, by doubling or even trebling their defence expenditures in the space of a few years, as well as their extensive participation in peacekeeping operations should refute such arguments. Potential declarations on stationing of troops and weapons should be seen as a contribution to stability rather than as attempts at “free-riding”.

Regional security co-operation: The indivisibility of security in Europe has been a cornerstone of the policy of the smaller North European states. It has been feared that any move towards a regionalisation of security in Northern Europe through the establishment of any sort of mechanism or institution could induce the major Western powers to focus their attention elsewhere and leave the smaller states to fend for themselves against Russia. Russian proposals, such as the offer in 1997 of a Regional Security and Stability Pact providing unilateral Russian security guarantees to the Baltic States, have been categorically rejected.¹⁰⁴ Although the governments in the region continue to emphasise the need to involve the major Western powers in Northern Europe, significant steps towards regional security co-operation have been taken since the end of the Cold War. But such co-operation has primarily consisted of enhanced co-operation among the Nordic countries and support for the inclusion of the Baltic States in Nordic and wider Western security structures, and has not included Russia. In the spring of 1999, however, the Russian Foreign Minister was invited to attend a Nordic-Baltic ministerial meeting (the so-called 5+3 meetings initiated in 1997) for the first time. Russia has also been invited to attend the yearly “Nordic Peace” military exercises, but has so far declined to participate. However, Russia’s Baltic Fleet is scheduled to participate in the NATO Baltops exercise next year.

In early 2000, the Swedish Defence Minister Björn von Sydow proposed the establishment of a Baltic Security Council.¹⁰⁵ This would not involve any sort of security guarantees, as proposed by the Russian government in 1997, and would focus on political and “soft” security co-operation. Marine exercises, ministerial meetings, joint development of routines for crisis management in the region, and cleaning up of environmentally hazardous Soviet-era naval

¹⁰³ Perry et al. (2000: 196).

¹⁰⁴ Allison (1998: 101).

¹⁰⁵ *Dagens Nyheter*, 25 January 2000. The idea of a regional security dialogue was raised by the OSCE Parliamentary Assembly in July 1995. The Ottawa Declaration calls for the establishment of a “Baltic Sea Security Roundtable” under OSCE auspices.

bases were mentioned by the Swedish Defence Minister as possible tasks for such a Baltic Security Council.

According to von Sydow, such a council could be administered by either the Euro-Atlantic Partnership Council (EAPC), the European Union or the Council of Baltic Sea States (CBSS). But although Russia is a member of the EAPC, the central role played by NATO in this entity could make it difficult to ensure full Russian engagement, which would be a key aim of establishing such a mechanism. And as the *Kursk* accident has shown, the problems to be tackled are not limited to the Baltic area, but extend also to the Barents Sea and the Kola Peninsula. The relatively close co-operation on environmental security that has been established between Russia and Norway in Northwest Russia would be an important asset for potentially enhanced regional security co-operation in Northern Europe.

These arguments point in favour of an EU-led mechanism in the framework of the Northern Dimension initiative. The innovative aspects of the Northern Dimension, emphasising contacts between different levels of government provide another argument for such an approach. An appropriate interlocutor on the Russian side can be found in the Presidential envoy to the Northwest District, Viktor Cherkessov, and the recently established Northwest Security Council.¹⁰⁶ This Council for Military Management and the Solution of Emergency Problems is a security co-operation agency bringing together representatives of the armed forces, the Federal Security Service (FSB) and Border Guards in the region.

4.6 Belarus: A neglected regime

Belarus has so far not been included in the Northern Dimension initiative. Although this exclusion can be partly justified on geographical grounds, the primary reason, as in the case of the absence of traditional security issues on the Northern Dimension agenda, is the difficulty it raises for the European Union in its relations with Russia. But since the possibility of a political crisis and ensuing instability in Belarus following the upcoming presidential elections is high, and because this would likely have a significant impact on EU-Russian relations, it is time to put Belarus on the Northern Dimension agenda.

Following the improvement of the political situation in the Balkans in the last year, Belarus is now the only remaining authoritarian regime in Europe. Recent parliamentary elections in Belarus did not fulfil OSCE standards and were widely criticised by international observers,

¹⁰⁶ *RFE/RL, Russian Federation Report*, 1 November 2000.

with the significant exception of the Russians. The elections to the largely ceremonial parliament were boycotted by an increasingly unified opposition, which in 1999 established a Co-ordinating Council for the Democratic Opposition of Belarus.

President Lukashenko currently appears to be in control, although there are signs that his popular support is dwindling.¹⁰⁷ But time is not necessarily on his side, as it allows the opposition to consolidate and make it increasingly able to gather popular and political support. In the presidential elections the Co-ordinating Council intends to field one single candidate to stand against President Lukashenko, and at the end of last year narrowed the field by producing a short-list of three potential candidates. However, the heterogeneous Council, consisting of a plethora of political parties, trade unions and NGOs, recently postponed the discussion of a single candidate,¹⁰⁸ and is perhaps not the biggest challenge for President Lukashenko. Since the signing of the Treaty on Union between Belarus and Russia in December 1999, the third such treaty to be signed, it seems that Russia is increasingly unhappy with the President and it is frequently reported that Russia might support another candidate. A former defence minister recently stated his intention of standing for election, claiming he has significant support from Russia.¹⁰⁹

Another expression of Russian hesitation is the slow progress towards the Union, which President Lukashenko repeatedly complains about. Although a number of the common institutions envisaged in the agreement have been established, elections for a Union legislative body, originally planned for September 2000, appears unlikely to take place until the summer at the earliest. It is uncertain what will happen to the elections for Union President that are supposed to take place in 2002. The most significant step taken so far was the recent decision to introduce a common currency. According to the plan agreed on in December 2000, Belarus will introduce the Russian ruble in 2005 as an intermediary arrangement until a common currency is established in 2008.

Substantial co-operation and integration between Russia and Belarus is most advanced in the security sector, although Lukashenko's more radical ideas mentioned above have not received supported from Russia. However, the integration of the Russian-Belarusian air defences was completed in 1999, and in June of that year, "West 99", the first joint Russian-Belarusian

¹⁰⁷ According to a recent poll, 41.5% of the people are against Lukashenko as President, while only 36.1% support him; (see *RFE/RL Newslines*, 18 December 2000).

¹⁰⁸ *RFE/RL Newslines*, 9 February 2001.

¹⁰⁹ "President of Belarus faces poll challenges", *Financial Times*, 24 January 2001.

military exercise and Russia's largest military exercise in more than a decade was conducted.¹¹⁰

In addition to the uncertainty surrounding Russia's position, the other big question is whether or not the Lukashenko regime will allow free elections and then respect the result without resorting to the use of force. As the Co-ordinating Council is planning to organise widespread protests if the elections are not fair, the possibility of a political crisis is significant.

Such a crisis would be likely to have repercussions on EU-Russia relations. The opposition is adamantly opposed to the Union between Belarus and Russia, which put them at odds with Russia, where there is widespread support for the Union with Belarus. The ultimate aim of the democratic opposition is EU membership. But given the EU's reluctance to even acknowledge the candidate status of other self-proclaimed candidates such as Ukraine, it seems highly unlikely that the EU would support their candidature. Furthermore, following the drastic cut in economic assistance for Belarus decided in late 1997, which limited such assistance to humanitarian aid and democratisation programmes,¹¹¹ the EU has been decidedly cautious towards the country. Any assistance to the opposition from the EU or the West in general is modest and unofficial, usually channelled through NGOs. However, the EU would clearly prefer victory for the democratic opposition rather than four more years with Lukashenko as president.

A not unlikely scenario thus has the EU and Russia supporting (perhaps not overtly) different sides in a domestic conflict in Belarus, in which the opponents aim for integration with either the EU or Russia. In addition to the effect such a crisis could have on the overall political relationship between EU and Russia, other negative repercussions could be envisaged. Energy supplies from Russia to the EU transiting Belarus could conceivably be disrupted. The effects it would have on Russia's relations with the Baltic States, which have supported Belarusian opposition leaders, are difficult to predict. Transit to Kaliningrad from mainland Russia through Belarus could also be affected.

The EU and Russia have a shared interest in avoiding the worst case scenario outlined above. The Work Programme for the Swedish Presidency¹¹² calls on the EU to be prepared for sudden changes in the political situation in Belarus. The enhanced political and security

¹¹⁰ IISS (1999/2000: 105).

¹¹¹ See *Belarus Indicative Programme*.

¹¹² Available at the Swedish Presidency website (<http://www.eu2001.se>).

dialogue heralded at the Paris Summit could be used to do this jointly with Russia. At a minimum, attempts could be made to prevent the expulsion of the OSCE Mission in Minsk for the elections, as President Lukashenko frequently threatens to do. The possibility of augmenting this mission with joint EU-Russia election observers could also be explored.

5. Conclusions: Giving substance to the Northern Dimension

The EU-Russian relationship is faced with a dilemma. On the one hand, both sides agree that the need for a co-operative and stable relationship is high, and is likely to increase further following EU enlargement and the development of a common security and defence policy. On the other hand, the considerable structural asymmetries and normative differences between the EU and Russia are significant obstacles to a real “strategic partnership”. So far, this has limited the scope of substantial and strategic co-operation between Russia and the EU. The different approaches taken by the EU and Russia to the relationship – the former emphasising economic integration and legal harmonisation, the latter focusing on geopolitical considerations – pose further obstacles to enhanced co-operation.

Possible solutions to this dilemma were suggested in section 3 of this paper. The fundamental differences between Russia and the EU should warn the two sides against being too ambitious with respect to their relationship, which is unlikely, in the medium-term at least, to develop into a strategic partnership in any meaningful interpretation of the term. However, a “deepening” and a “widening” of the relationship could be envisaged. There is considerable potential, within the scope of the PCA, for substantial initiatives that could alleviate the real and perceived exclusion of Russia from Europe. Furthermore, there are several unresolved security issues in Europe that could benefit from being dealt with through enhanced EU-Russian co-operation.

But because of the geopolitical ramifications of enhanced strategic co-operation, and the limited resources the two sides are likely to invest in the relationship, a more modest approach with a regional focus is suggested. Such an approach could also be useful in order to deal with the potential sources of tension between the two sides arising from the unresolved relationships between Russia and some of the EU enlargement candidates.

The Northern Dimension initiative stands out as an obvious candidate for such an approach. The potential added value of enhanced co-operation between the EU and Russia is significant in the Northern Dimension, particularly on energy and environmental issues. At the risk of

causing considerable controversy, the EU and Russia should also strengthen co-operation on security issues in the Northern Dimension, and such co-operation should be initiated sooner rather than later, before the enlargement of NATO and the EU. There are several unresolved security issues in Northern Europe that could turn into issues of conflict between Russia and the EU. For example, the EU should play a more proactive role concerning relations between the Baltic States and Russia, and should initiate confidence- and security-building measures in the region. It is essential that a more comprehensive agreement than the one espoused by the Commission is formulated for Kaliningrad. Finally, the potential for a political crisis in Belarus is so high that it should be part of the agenda for the dialogue on political and security issues initiated at the Paris Summit.

A substantiated Northern Dimension could also provide a model for the EU on how to relate to other neighbouring areas. The Barcelona process is one obvious candidate, which indeed provided the inspiration for the Northern Dimension initiative.¹¹³ The Stability Pact for the Balkans is another example, which has also been suggested for the Caucasus.¹¹⁴ Although these models are quite different, they all stand in contrast to the currently dominant “concentric circles” approach.¹¹⁵ The latter is increasingly unsuitable because it creates new dividing lines across Europe, leading to the exclusion of non-candidates for membership such as Russia. A regional approach supplementing the prevailing model could limit the significance of the new dividing lines inevitably emerging as a consequence of enlargement and further EU integration. It could also contribute to a reduction of the gap between rhetoric and reality in EU-Russian relations.

¹¹³ Lipponen (1997).

¹¹⁴ Celac et al. (2000).

¹¹⁵ See Emerson (1999).

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Centre for European Policy Studies
1 Place du Congrès
1000 Brussels, Belgium
Tel: 32(0)2.229.39.11 Fax: 32(0)2.219.41.51
E-mail: info@ceps.be Website: <http://www.ceps.be>