

Russian-Lithuanian Relations: An Overview

Aleksandr Avdeev

This past October marked nine years of diplomatic relations between the Russian Federation and the Republic of Lithuania. What are the main results and problems of the period? What is the score as the neighboring countries enter the tenth year? What is the likely impact of the parliamentary elections in Lithuania on the bilateral ties? All these are the most important questions, and the executive authority, legislators, diplomats and political scientists in Russia are now trying to find the answers to them. I think that members of the new government coalition in Lithuania - and not just them alone - have a similar interest. Indeed, a clear idea of the partner's views is the keystone of a productive dialogue, better understanding, and broader cooperation.

Our ties have a long and eventful history. It has examples of the most close relations, fruitful cooperation, economic and cultural fusion, joint struggle against external foes, wars, fierce hostility and inability to understand each other. All that has naturally had an effect on our relations being built today on a new, sovereign basis.

The most important gesture of good neighborliness that gave additional impetus to bilateral relations in the early 90s was the decision by Lithuania's authorities to grant Lithuanian citizenship to all the country's permanent residents who would wish it. This removed one of the thorniest humanitarian and legal issues that still unfortunately lingers in our relations with Latvia and Estonia. On the other hand, the decision helped form a stronger bond between citizens and the Lithuanian state (or Russia, for those who preferred Russian citizenship), paved the way for normal resolution of the problems of national minorities - Russian and Russian-speaking minorities in Lithuania, and the Lithuanian minority in Russia - on a democratic basis and in accordance with European standards.

The policy of good neighborliness and understanding, regard for the partner's interests and concerns has helped us solve over recent years a number of really big problems, including the formidable problem, as far as Russia is concerned, of speedy withdrawal of its troops from Lithuania and make a substantial progress in building a contractual and legal foundation for cooperation between our countries. The bilateral Intergovernmental Commission for trade, economic, scientific, technical, humanitarian and cultural cooperation has played a vigorous role.

Formed in 1996, it is co-chaired by Lithuania's Foreign Minister Algirdas Saudargas and Russia's Minister of Transportation Sergey Frank. Currently in effect there are some 30 interstate and intergovernmental treaties and agreements and more than twenty instruments signed between various departments of both countries. The signing of border treaties between our countries in 1997 was a signal event.

The Russian State Duma is currently ratifying Russian-Lithuanian economic agreements. They can be described as a strategic plan intended to encourage and mutually protect capital investments and avoid double taxation. Putting them into effect will move commercial and economic ties between our countries to a qualitatively new level. Russia is interested in further expanding in every way cooperation between our countries in the sphere of economy. It is ready to consolidate the basis of this cooperation through investments and it hopes there will be no political obstacles along this path.

We attach special significance to cooperation with Lithuania so as the Kaliningrad oblast of the Russian Federation could live and develop normally. The existing mechanisms enable us to sustain partnership in this area on a high level. This includes Russian military transit across the territory of Lithuania, but things that used to satisfy us in the initial stage call for improvement. The inter-governmental agreement on long-term cooperation between Russia's Kaliningrad oblast and regions of the Republic of Lithuania signed in 1999 has been working successfully. A bilateral commission to realize this agreement has been formed and it is functioning successfully. We are confident that cooperation in this area will benefit both Lithuania and Russia. We naturally reject any external interference in the internal development of the Kaliningrad oblast and attempts to influence the solution of questions that lie strictly in the sphere of Russian sovereignty.

Having in mind Kaliningrad and other examples, we are ready to encourage in every way broader contacts between various regions of our countries. Cooperation with Lithuanian partners of the municipal government of Moscow, for example, indicates that there is a virtually inexhaustible potential of such contacts.

Cultural contacts remain the most important factor in shaping a climate of good neighborliness between Russia and Lithuania. At the same time, independent development of our countries has given rise to visa, information, language and other barriers, which do not help these contacts at all. It would be therefore shortsighted to continue to rely in this sphere on practices of former times: they may only satisfy old and middle-aged people. If we wish that Lithuanian and Russian musicians, performing artists, stage and film directors, authors and cultural figures of various styles and schools should continue to be well-known and admired, as they are today in both countries, we should address these matters on a systematic basis. At a minimum this calls for moving from the existing short-term protocols on cultural exchanges over to a sizable intergovernmental treaty the drafting of which has been started, and we hope that the sides would address it earnestly and dynamically.

While on the subject of the main aspects of relations between Russia and Lithuania, I cannot but dwell on those that cause our biggest worry. I have in mind first of all the Law on Recovery of Damages resulting from the occupation by the Union of Soviet Socialist Republics passed by the Lithuanian Seimas (Diet) this past June. The Russian Foreign Ministry opportunely appraised it as an instrument unfriendly toward Russia. Stressing that we could not accept attempts to interpret our shared history in this unilateral and politicized manner, we elucidated the international-law grounds upon which we regarded as unfounded the claims formulated by the Lithuanian parliamentarians. Today I would like to emphasize the main thing: This "initiative" absolutely futile from the practical point of view hinders both the process of ratification by the Russian State Duma of the border treaties between our countries the importance of which has been mentioned above, and the start of preparations for a visit to Russia by Lithuania's President Valdas Adamkus. It is desirable that there should be a clear realization in Lithuania of the fact that attempts to realize the "recovery of damages" law are incompatible with the purposes of good neighborly expansion of Russian-Lithuanian relations.

Let us turn to another problem. Members of the Seimas who initiated the above law cited among other things the preamble of the "greater" Russian-Lithuanian Treaty of 1991. It contains general statement of the parties aimed at building mutual confidence (note that now these statements are being used to fan differences between the two countries). In our view it would benefit the cause of good neighborliness

much more if members of the Lithuanian diet, who are well aware of the Russians' worries over the criminal activities of Chechen separatists and terrorists, should analyze whether the Lithuanian side and members of the Seimas themselves fully comply with the provisions of Article 3 of the Treaty. Let me recall that it contains the obligation of the parties "to stop the formation and activities on their territories of organizations and groups, as well as the activities of individuals who have as their aim forcible abolition of independence, sovereign statehood and territorial integrity of the other High Contracting Party."

We know only too well that internal political factors strongly influence Russian-Lithuanian relations today. But why should this influence be necessarily negative? The Russian executive authority intends to continue to work to have the activities of all state organs of Russia help the shaping of understanding and neighborliness with the country's partners abroad and first of all with its close neighbors.

I admit that Russia closely followed the election campaign in Lithuania and especially the views on the Russian-Lithuanian relations of the principal contenders for the seats in the new Seimas. The statements heard during that period from the leaders of the parties that now comprise the coalition majority in parliament make it possible for us, we think, to hope for the elimination of the irritants that have emerged over recent months and for constructive joint efforts in the future. We expect this course to take on concrete outlines in documents of the Seimas and in activities of the new government.

In addition to their potential of bilateral relations, Russia and Lithuania have a sizable potential for working together in the Baltic region, Europe and internationally. This potential has already found expression in concrete deeds that benefit both countries. This potential is based on similar fundamental foreign-policy interests of the two countries: the desire to form a belt of good neighborliness around the perimeter of their borders and prevent conflicts in the adjacent regions; the desire to be active participants in the fundamental and dynamic changes in today's world, to direct its development along the road of democratization of international relations, priority of law, and the strengthening of the mechanisms of collective solution to the key problems: of the world on the basis of the UN Charter. Russia and, we are confident, Lithuania are well aware of the fact that their affiliation with the Baltic region with its unique historical, geographical, economical, ethnographical and political features provides us with additional possibilities in realizing our countries' national interests. At the same time it commits them not only to consolidating but also to contributing to the fabric of cooperation that has taken ages to form for the benefit of the peoples in this part of Europe.

This is why we attach special significance to deepening mutually advantageous cooperation with Lithuania within the framework of regional organizations such as the Council of the Baltic Sea States and initiatives. A good example of looking for new solutions is the Russian-Lithuanian proposals for the EC "Northern Dimension" action plan - the so-called Nida initiatives covering a broad range of regional projects of importance to both countries, which have already been highly assessed by EC and European Commission members.

We are ready to expand cooperative efforts in our countries' relations with the European Union. Unlike Lithuania that is negotiating its entry into the EC, Russia's relations with this organization are based on a bilateral partnership and cooperation agreement. At the same time we have a problem with having our interests appropriately taken into account as the European Union expands. This expansion will

give rise to new international realities in Europe. It is important that these changes should consolidate European unity and rule out the return to dividing lines on the continent. We expect that our joint efforts with the active participation of EC and European Commission members will result in solutions that would rule out possible losses to bilateral trade and economic cooperation after Lithuania has met the EC admission requirements and standards.

Russia's consistent policy to reduce the role of the factor of force in international relations while simultaneously consolidating strategic and regional security appears to be in line with Lithuania's interests. We are ready to make steep cuts in both the nuclear potential and conventional arms for these purposes provided the fundamental international and bilateral documents that guarantee the maintenance of strategic stability remain preserved and gain added strength. This applies foremost to the ABM Treaty. Aspiring to greater stability and mutual confidence in the Baltic region, Russia has in recent years cut its group of ground forces in its northwest by 40 percent and reduced its naval forces in the Baltic. The statement by Lithuania's President Adamkus in early 1998 on confidence- and security-building measures was seen in Russia as evidence of the correspondence of our approaches and the possibility of a positive evolvement of the Russian-Lithuanian dialogue on these problems. One of the practical results of this dialogue was an understanding reached between Russia and Lithuania on annual conventional weapon verifications in addition to those under the 1999 Vienna accords.

All these things strengthen our conviction that a solution to the Baltic security problem satisfactory to all the sides can be achieved through consistent regional measures aimed at greater mutual confidence and stability. These measures are supposed to, first, be concerned not only with the military-political sphere but also with the economic, social, ecological and humanitarian spheres and suggest answers to new nonmilitary threats and challenges and, second, to be based on a firm democratic and well-balanced system of European security of the 21st century. Our countries already work jointly on such a system within the OSCE framework. It would be generally beneficial to make this cooperation more productive in order to make the maximum use of the unique potentials and advantages of this multi-purpose European organization to strengthen security and cooperation in the Baltic region and in Europe as a whole and remove problems that cause concern among the countries in the region.

We regard the other approach to protecting security of the Baltic states, including Lithuania, based on their incorporation into NATO as profoundly fallacious and introducing in the Baltic region division, mistrust and liable in the final analysis to inevitably result in destabilization. Far from being "NATO-phobes," we are interested in broader partnership with the alliance. Today's NATO political and military tenets, unfortunately, take no account of Russia's security interests and some of them directly contravene these interests. Therefore, never denying in principle any state the right to decide on how to protect their own national security, we at the same time reserve the right to see how it would affect the interests of our security and to draw the appropriate conclusions.

I am confident that statesmen, responsible politicians and, most importantly, the peoples of our countries have learned well what seems to be one of the most important lessons of our common and eventful history: every time a narrow understanding of national goals prevailed in Russia or Lithuania, or an attempt was

made to solve important military-political, economic or other problems to the detriment of the neighbor, the result was opposite to the one hoped for.

Successes, if any, were short-lived while the fundamental interests of the Russian and Lithuanian peoples - good neighborliness and cooperation - suffered and proved hard to remedy.

It is important today not to succumb to political opportunism but to look for answers that measure up to the challenges of the times. Relations between our countries over recent years have created a good potential, which, if properly used, could move the Russian-Lithuanian partnership to a qualitatively new level in the coming century.

Translated by Violeta Stankūnienė

Algirdas Brazauskas

Interstate Cooperation and Balanced Development in the Baltic Sea Region and North West Russia¹

First of all, I would like to thank the initiators and organizers for the invitation to take part at this international conference with such a momentous agenda.

Relations with Russia play an important role in the foreign policy of Lithuania. It is possible to state that these are constructive relations and based on the Agreement signed in 1991. The treaties “On the State Border between Lithuania and Russia” and “On the Delimitation of the Exclusive Economic Zone and Continental Shelf in the Baltic Sea” signed in October 1997 in Moscow ought to be considered as the most important event in the bilateral relations of the current years. Lithuania was the first from the former Republics of the Soviet Union to sign such a treaty. In its relations with Russia, Lithuania has taken a clear and consistent standpoint – to build the cooperation on the principles of good neighborhood, mutual understanding, equality and reciprocal benefit.

The economic, political and cultural integration of Europe must be advantageous to all states of the Baltic Sea region and the Northwest of Russia. The integration into the European Union (EU) must not divide Europe into winners and losers. All the participants of this process are well aware that the satisfaction of their interests and the realization of their plans and ideas first of all require their own commitment, a demonstration of initiative, the ability to predict any possible problems and their consequences, as well as immediate resolution of concrete issues.

For these purposes, in February of this year, Lithuania and Russia worked out and submitted to the European Commission joint proposals for the “North Dimension” initiative which practically cover all spheres of cooperation. One of the most important objectives is the inclusion of the Kaliningrad district into the regional, transport, energy and communications projects as well as the development of the infrastructure of border-crossing points.

Where the references to Kaliningrad district and its military potential were quite harsh during the first years of independent Lithuania, in the later period, when I, as the President of Lithuania, had to shape the foreign relations, the attitude both to the Kaliningrad district and Russia in general underwent a change. Lithuania is interested in the normal course of development of that region. We try to ensure the widest possible involvement of Kaliningrad in the regional cooperation of the countries of the Baltic Sea.

For Lithuania, the Kaliningrad district has lately become a “window of possibilities” which will facilitate the development of cooperation with Russia.

Relations between Lithuania and the Kaliningrad district have become exceptionally dynamic:

– the legal basis and the framework of cooperation, which cover business as well as scientific and cultural projects, have been successfully established;

¹ Speech was made in conference “Interstate Cooperation and Balanced Development in the Baltic Sea Region and North West Russia”, in Moscow, November 21-22, 2000.

– the Council of the Baltic Sea States has expressed its serious interest in the involvement of the Kaliningrad districts as well as other regions of the Northwest Russia, into various forms of regional cooperation;

– representatives of the Kaliningrad district have become interested in the experience of Lithuania in the sphere of the implementation of EU standards.

Concrete cooperation between Lithuania and the Kaliningrad district is expressed in different areas: development of infrastructures of power industry and transport, environmental protection, creation of favorable conditions for investments, security of citizens, etc.

What has already been done?

1. Lithuania has already invested 9 million litas out of the planned 33 million litas investment into the modernization of the international transport route Kaliningrad–Kaunas.

2. The project “Management of the Nemunas basin”, financed by the USA and Sweden, is being successfully developed. A considerable number of modern equipment was presented by the specialists of environmental protection of the Kaliningrad district.

3. The expansion of commercial relationship between the Kaliningrad district and Lithuania is evident. In the period of the first half of 2000, the amount of bilateral trade exceeded the figures of the respective period in 1999 by 15 per cent. This year, Lithuanian businessmen have invested quite considerable funds, which amount to about 78 per cent of all foreign investments into the Kaliningrad district.

4. In the framework of the PHARE program, already this year it was planned to allot two million euros for the purpose of modernizing border crossings, and the funds have already been transferred for this purpose. With the due understanding of the importance of energy supplies to the Kaliningrad district, Lithuania has supported the plans for constructing a supplementary gas main for the Kaliningrad district through its territory. As far as we know, the decision concerning such a construction has already been taken.

The economic cooperation is to some extent impeded by the debts of the enterprises of the Kaliningrad district to the Lithuanian businesses. At the present moment, these debts amount to 25 million USD. The efforts and activities directed at the modernization of border crossings are not always coordinated. Thus, for example, the Kybartai post on the Lithuanian side, which is at the intersection of three directions, has been equipped in accordance with the standards of the EU, while on the side of the Kaliningrad district a relevant activity is still anticipated.

The problems emerging in the area of economic cooperation have been discussed at various meetings and conferences. Thus in July 1998, the problems related to the lack of information, difficulties in establishing joint stock companies, different principles of certification and standardization were discussed in Vilnius. Last year a training course was organized for the businessmen of Lithuania, the Kaliningrad district and Belarus. Attempts are being made to coordinate efforts in combating organized crime, illegal migration and smuggling.

The co-ordination of the realization of concrete projects is vested in the Council for the Cooperation of the Regions of Lithuania and the Kaliningrad District on the basis of the intergovernmental agreement “On the Cooperation of Lithuania and the Kaliningrad District.”

Lithuanian has always been against Kaliningrad district becoming isolated after Lithuania and Poland join the EU. We believe that the Kaliningrad district may become a model of cooperation between the EU and Russia. The same attitude was also expressed by the President of Russia.

Certainly, Lithuania is interested in the demilitarization of the Kaliningrad district and believes that this conforms to the interests of the whole of Europe. We also support the expansion of the autonomy of the region and the idea of developing a Special Economic Zone.

I am convinced that the situation will become more explicit after Russia unambiguously expresses its attitude towards the future of this region.

We do not restrict ourselves only by the development of comprehensive cooperation with the Kaliningrad district.

The issue of increasing the export of electric power from Lithuania to the Northwest regions of Russia also warrants attention. The economic gain is obvious. It is far more advantageous for Russia to export gas than to burn it in its own power stations. Furthermore, it is expedient to buy our cheap electric power produced by Ignalina Nuclear Power Plant, the productive capacity of which is only partly utilized.

It is appropriate to resume the discussion of the issue of supplying the Kaliningrad district with electric power. Lithuania possesses all the necessary resources to do that. Nobody argues that the transmission of electricity thousands of kilometers from the Northern regions to the Kaliningrad district is economically disadvantageous, the more so would be the construction of new power stations there. Certainly, one of the prerequisites continue to be timely payments for the energy supplies.

The potential of Klaipėda Sea Port is increasing. In the nearest future, its capacity will reach 30 million tones of various cargoes a year. As before, the enterprises of the Russian Federation continue to be the main partner. However, pursuant to the decree of the Ministry of Transport of the Russian Federation, the coefficients on the base tariffs for the transportation of cargoes by the Russian railways are being drastically increased in relation to the Baltic Republics and Finland. First of all it concerns the products of ferrous metals which used to be exported in large quantities through Klaipėda Port. Where until October 1, the coefficient on the cargoes of this kind was 1.8, from October 1 it will be 2.2, and from the beginning of 2001, it is expected to rise up to 2.6. This undoubtedly will be the main reason for the decrease in the amount of cargoes transported through Klaipėda. A sharp reduction of the coefficients up to the preferential 0.6–0.7 for various types of cargoes intended for Kaliningrad is unlikely to provide the resolution of the problem related with the handling of increasing Russian exports to the West. We believe that this issue ought to be discussed at the governmental level of our states.

An important event was the signing of the Treaty on the State Border by the Presidents of the Russian Federation and Lithuania in October 1997. However, this Treaty has not yet been ratified by the Russian side.

In emphasizing this issue, I am aware that the reasons for the delay in the ratification of the Treaty are not entirely one-sided. Much depends on the Lithuanian side as well. Some politicians in Lithuania permitted themselves to behave tactlessly with respect to the influential neighbor. In the wake of the parliamentary elections in October

of this year, the situation has changed, and I am confident that the relations between our countries will again become based on trust and mutual respect as they were before.

Another of our Eastern neighbors is Belarus. Diplomatic relations with Belarus as an independent state were established in 1993. Notwithstanding the existence of quite strong economic ties, everything had to be started from the beginning. Belarus is a strategically important state for our transport routes towards the East. Belarus is interested in our Klaipėda port. Therefore, cooperation in the sphere of transport was of utmost importance. Lithuania and Belarus honour the international principles on the inviolability of the existing state borders. Important bilateral documents on good neighborly relations and cooperation as well as the Treaty on the State Border were signed in 1995. Despite some difficulties, which have appeared in the sphere of our cooperation during the last years due to the differences in the political agenda of our states, nevertheless, a constructive dialogue continues, and we find unacceptable the isolation of our neighboring state. The more so, that we are interested in maintaining close economic, energy and transport relations.

Graeme P. Herd, Donald N. MacIver

1. Introduction

The principles, direction and major concerns of Lithuanian foreign and security policy have remained relatively constant since independence but the context of policy development and decision making has changed considerably and is likely to continue to do so.¹ With the disintegration of the Communist regimes of Central and Eastern Europe (CEE) and the breakup of the Soviet Union the cold war political order disappeared unexpectedly quickly between 1989 and 1991. Then some CEE states expected to be in the EU within a decade. In the year 2000, however, it is clear that both the strategic environment and our conception of the nature of security have been transformed. If 'fear and hope' was the dominant leitmotif of the cold war era, it has been largely replaced by one of 'hope and fear'. Although policy makers in CEE still work in the shadow of the Soviet legacy, the experience of the last ten years has provided considerable grounds for hope that their efforts will bear fruit particularly in respect of convergence and integration with Western Europe. However, over the next ten years there may be a need for greater clarity and realism both to maintain the high levels of commitment to this project and to overcome the new obstacles that seem to be emerging.

The Kosovo campaign in 1999, more than any other factor, was instrumental in reshaping the conception of international security for the new century. Issues of humanitarian intervention and human rights have clashed with older ideas of state sovereignty and the primacy of internal, domestic jurisdiction and fixed territorial borders. The post-Cold War tension between rights of self-determination and the obligations of states to uphold their territorial integrity was a major feature of this conflict. It has provided a marker for those seeking to analyze the evolution of international security and is playing a key role in the reshaping of a new European security order.² The Kosovo campaign has brought into sharp focus a series of internal institutional challenges to the EU and NATO that will impact on the creation of an Euro-Atlantic security order.

The Kosovo campaign has also questioned the ability of prospective aspirant EU and NATO states to integrate by refocusing attention on democratic security-building in CEE. Transition policies, their effectiveness, direction and prospects for democratic consolidation or otherwise have all received greater coverage in the minds of policy-makers and publics. The role of regional hegemony to the East and the question of their integration or isolation from the emergent European security order will dominate the European security agenda in this century. These issues are of paramount importance to the effectiveness of CEE foreign and security policy strategies and an exploration of them and the challenges they pose is particularly timely in the month the post war unification of Europe is discussed in Nice.

2. The West and Internal Challenges to the European Security Order

¹ A version of this paper was first delivered by Graeme P. Herd at The Fifteenth Nordic and Third Baltic Sea, Peace Research Conference, *Northern Europe: Transformation, Integration, Conflicts*, December 8-9, 2000, University of Latvia, Riga

² James Gow, 'A Revolution in International Affairs', *Security Dialogue*, Vol. 31, No. 3, September 2000, 293-306,

Throughout the 1990s both the EU and NATO have made new efforts to respond to the challenges of a changing security environment. NATO is no longer the ‘cemetery for elephants’ which some considered it to be at the beginning of the last decade, an evaluation which the Rome 1991 Strategic Concept (SC) did little to dispel. The 1997 NATO Madrid Summit addressed the issue of enlargement, agreeing to the admission of Poland, Hungary and Czech Republic. Mainly because of the objections from certain NATO members (especially the UK and US) admission of the remaining CEE states was delayed. This was particularly difficult for Lithuania, which had been perceived as a front runner, at least amongst the Baltic States. However, the expansion of NATO forged stronger links with CEE states and represented a triumph over internal organizational and external Russian resistance. The prospects of further enlargement were again affirmed at the NATO Washington Summit of April 1999. The Membership Action Plan (MAP) created an ‘open door policy’ to enlargement, buttressed by feedback mechanisms and a review process. The new SC, enabling the Alliance to engage in out-of-area activity, was also unveiled in Washington. During the Kosovo campaign it appeared that NATO policy was being created in a pragmatic and ad hoc manner, often through transatlantic UK-US phone calls. Although smaller NATO member states (which would include Lithuania if it were to accede) were left out of the decision-making loop, the informal and less structured mode of decision-making now in place may advance the cause of enlargement.

In the late 1990s the EU responded rapidly, at least by its previous standards, to the evolving security environment. The Franco-British St. Malo declaration (December 1998) has great significance for the further development of the EU’s Common Foreign and Security Policy (CFSP). At St. Malo what was formally referred to as a European Security and Defense Identity (ESDI) was upgraded to become a European Security and Defense Policy (ESDP).³ The announcement in the December 1999 Helsinki Summit of a series of EU defense initiatives focused attention on the EU’s determination to create a crisis management capability: a Rapid Reaction Force of 60,000 men on 12 month missions capable of deployment at 60 days notice. This force is to be created in order to carry out humanitarian, peacekeeping and peace making duties ‘in and around Europe’. This will allow the EU a full role in security matters in Europe, as it will possess a ‘capacity for autonomous action backed by credible military forces and the means to do so. The EU could thus become a ‘one-stop shop’, offering a wide range of policy options (economic, social, political and military) for the prevention or management of complex emergencies.

The EU has built upon the 1992 Petersburg tasks of ‘search and rescue’, conflict prevention and crisis management and peacekeeping, to integrate peacemaking into its functions. The Yugoslav conflict provided an impetus for institutional and mission adaptation. A realization that EU militaries lack command, control, communication and intelligence (C3I) gathering capability, the deep trauma of Bosnia and the Serb-Croatian war (especially NATO’s arming of the Croatian Grand Offensive against Serbia), have all contributed to the EU’s predisposition to be proactive and decisive in democratic security-building. Although EU states currently provide 75percent of ground forces in Kosovo, at critical periods in the mid 1990s ‘in the heart of Europe’ it was only the United States that could provide any realistic possibility of a *pax Europa*. This humiliation has acted as a spur to the ‘militarization’ of the EU’s Common Foreign and Security Policy (CFSP). Although the ‘pledging process’ that has taken at the Brussels

³ The EU has condoned the confiscation of the word Europe in its use of acronyms, ironically mirroring the image which Milan Kundera’s essay *A Kidnapped West: The Tragedy of Central Europe* evoked, of a kidnapped Central Europe in bondage to the East during the Cold War. See: Iver B. Neumann, ‘European Identity, EU Expansion and the Integration/Exclusion Nexus’, *Alternatives*, Vol. 23, 1998, 379-416.

20 November EU Summit will boost the Rapid Reaction Force; it will not be until 2003 that the EU carries out its first full-scale military exercise. It is only then that the projected force ceases to be paper tiger and analysts and aspirant states will take the idea seriously.⁴

Despite these widespread and deep-seated changes within the existing Euro-Atlantic security architecture, the challenges that loom ahead are perhaps even more serious than those of the previous ten years. These new challenges to dual enlargement emerge from EU and NATO states; they are generated by 'internal' issues' partly connected to concern about a diminished US role in European security. The US welcomed further development of ESDP, with the proviso that US Secretary of State Madeleine Albright's unacceptable 3D's ('decoupling', duplication and discrimination) had first been addressed.⁵ Moreover, Russia is no longer perceived as a global threat to US interests, lower now on its global security agenda than the Middle East or South East Asia.⁶ To understand the new security environment, the origin and nature of these internal challenges must be understood.

The first is whether the publics of EU and NATO states can be persuaded that further enlargement is worth the costs. These costs are economic, political and strategic. The economic cost can be measured in terms of increased euro-dollar tax bills. It is envisaged that Euro-Atlantic security community defense bills currently at around 1.5 percent to 2 percent of GDP will have to be raised to between 3 percent to 4 percent to finance enlargement.⁷ This is where the political cost is crucial. Ten years after the collapse of the Berlin Wall, the peace dividend has still to be delivered to increasingly disheartened taxpayers and it is questionable whether elites have the courage and political will to increase defense spending. It is uncertain how long they can continue to expend resources (energy, talent and expertise) on enlargement before the 'fatigue factor' makes a significant impact. Then there is the strategic cost, whether western elites are prepared to accept the implications of enlargement for their relations with Russia and the East, a critical part of the vision of European security in the twenty-first century.

The second issue is the nature of an enlarged European security community and the problem of managing expansion while maintaining effective decision-making within an enlarged Union. This question is of secondary importance to NATO with its newly acquired more informal decision-making culture. But it is critical to all EU enlargement debates. The parameters of the debate are blurred by splits within the EU over the intergovernmental ('a Europe of nation states') and federal visions of the EU and its entanglement with the question of whether deeper policy integration or a wider enlargement of the EU should have the first priority. As foreign and defense policy represents the *raison d'être* of the classical nation state, the battlegrounds over CEDP may in the future become deeply entrenched. Inter-governmentalists could press for the maintenance of unanimous voting on military cooperation and other policies including the widening of the EU and federalists for Qualified Majority Voting and policy

⁴ Alison J.K. Bailes, 'The EU's Future Role in Defense: Issues for the Baltic Region', *Lithuanian Foreign Policy Review*, 2000/1 (5), 17-28.

⁵ Peter van Ham, 'Europe's New Defense Ambitions: Implications for NATO, the US, and Russia', *The Marshall Center Papers*, No. 1, 2000, 1-40. For an alternative voice, see: Zbigniew Brzezinski, 'Living with a New Europe', *The National Interest*, no. 60, Summer 2000, 17-32.

⁶ Condoleezza Rice, 'Promoting the National Interest', *Foreign Affairs*, vol. 79, no. 1, January/February 2000, as George W. Bush's likely national security adviser, only addressed the issue of 'Europe' in one short paragraph.

⁷ Catherine McArdle Kelleher, Director, Aspen Institute Berlin, Germany. Unpublished presentation at the Concluding Conference of the *Program on European Security*, Center for European Security Studies (CESS), The Netherlands, 7-10 November 2000.

deepening.⁸ The adoption of the CEDP implies consensus over the development of new political and institutional structures and decision-making processes. However these internal EU debates are resolved or managed, it is inevitable that they will contribute towards a slippage in the EU enlargement timetable. Aspirant states such as Lithuania can do little to speed this process and may well slow it down by indicating support one way or another on these complex and overlapping issues.

The third question is whether the European security order can deal with the conceptual difficulties centered on the contested nature of 'security' itself? Although it appears that there has been a closing of the security culture gap in the West in the 1990s (with Austria and Sweden debating joining NATO, Ireland PfP), EU and NATO states have had to redefine the meaning of security as the concept of security drifted apart at the strategic and operational level. The conflicts in Bosnia, Chechnya, and Kosovo have challenged accepted Cold War notions of the causes of insecurity and conflict and highlighted the new sources of insecurity that are likely to dominate the 21st century. They have expanded the civilian non-military impact into security and sharpened debates in national security structures over the necessity of force projection capability as opposed to territorial defense.

However, at the strategic (nuclear) level, conceptually we find ourselves back in the 'graveyard for Cold War elephants', stuck with outdated ideas of offensive and defensive trade-offs (with the associated concepts of deterrence, flexible response and graduated escalation) between superpower blocs and their alliance systems within a Cold War paradigm. It is generally agreed that over the next ten years twelve new nuclear states will emerge. This in itself demands a reassessment of how the European security system is to develop. Here the geo-strategic range attributed to the EU's crisis management capability (4000 km) is puzzling – it is not clear why the EU should possess a rapid reaction response that takes troops to the Gulf, the Baltic States, Sierra Leone and Chad, but not Kinshasa, the Caspian or Central Asia. What is clear for aspirant states like Lithuania is that they are likely to have little or no influence over the nature and direction these debates take in the EU and NATO states.

3.The Challenges of Dual Enlargement in an Era of Transition

Lithuania's claim to lie at the cross roads of Europe has been given greater substance by the geo-strategic, economic and political shift of Europe's center of gravity eastwards, exemplified by the movement of Germany's capital from Bonn to Berlin and the integration of Poland, Czech Republic and Hungary into NATO. Nevertheless, states on the eastern periphery of Europe, like Lithuania, are still in the process of transition and systemic change while also grappling with the challenges of dual accession to NATO and the EU. This creates demands that could overwhelm their complex transition projects. The quality of democratic transition is mainly determined by the length and character of communist dictatorship (70 years in Ukraine, 40 years in Lithuania), the nature of the political system before the communist take-over and the pace of development since then. Prospects for integration into the European security and economic order are thus heavily dependent on the ability of states to advance and consolidate their democratization projects.

Although the Iberian peninsula was integrated into the EU eleven years after the fall of Franco, eleven years after the fall of the Berlin Wall not one former communist state

⁸ For a lively and informed discussion of this issue, see: Jolyon Howorth, 'European Integration and Defence: the Ultimate Challenge?' *Chaillot Papers*, 43 (Paris: Institute for Security Studies of WEU, November 2000), Chapter Three: 'Where is the CESDP leading us?' 83-87. The issue of small states and their security needs is generally recognized as under theorized.

has yet been integrated. The impact of 70 years of Sovietization presents unique challenges to integration and has dramatically lengthened the negotiation process for all Commonwealth of Independent States (CIS) members. Their legal, financial systems and labor legislation were artificially harmonized in the Soviet period. As a result of 'deep' Sovietization, these states face additional steep barriers to integration into the EU. This of course affects the Baltic states more than other CEE countries as they still have considerable transit trade with the former Soviet Union. All them suffered from the effects of the Russian economic collapse of 1998 and have not yet gained from the recovery that began earlier this year.

Moreover, although the EU is attempting to erode barriers and create an extremely secure internal community, it also aims for deeper integration of its members through the institutionalization of intensive multilateralism and the development of sub-national and European-level governance.⁹ As a result, the real danger arises that the former Soviet border could evolve into the economic and bureaucratic equivalent of a new Berlin wall, rather than Vladimir Putin's preferred 'gates into a democratic country'.¹⁰ Moreover, the spillover threats of deep Western recession (an economic earthquake or tsunami?) over the next ten years would have an immediate and detrimental impact on the economic and political stability of eastern Europe. Poland, for example, with 70 percent of her foreign trade now oriented westwards is particularly vulnerable to the combination of economic recession, declining Western economic interest in CEE and the dangers of protectionism. Whether CEE remains a source of cheap labor and a market for secondary products or a fully integrated part of the EU will all depend on border regimes – their location and their nature.

The Schengen agreement, for example, has important consequences for the EU's relationship with the East. Polish-Ukrainian relations are a case in point as 2 million people (shuttle-traders) travel across this border every month. If the Ukrainian economy is strengthened, the role of organized crime diminishes, and unemployment is reduced, then it is highly likely that a semi-transparent border will emerge. However, if prostitution, drug transit and other criminal activity prevail and predominate, then the EU's eastern frontiers will be 'hard' and impermeable. The flow of illegal Chinese migrants to the Russian Federation is estimated to exceed 2 million in 2000 according to the Federal Migration Service - 50,000 of which are calculated to travel on to Europe. Reportedly, there are currently 150,000 illegal migrants in Belarus from Central, South, and South East Asia, waiting to slip westwards.¹¹ Russia's human rights commissioner, Oleg Mironov, reports of a catastrophic rise in the export and trade of Russian citizens in the West, with over 500,000 women, children and young men from the FSU living illegally in Western Europe. They are subjected to sexual abuse and contribute to the trade in human organs, rendering Russia 'a reception, transit and dispatch country for the export of human commodities.'¹² Illegal migration and criminality will have a profound impact on both the ability of former Soviet territories to integrate into 'Fortress Europe' and on the perception in western capitals and public opinion over the desirability of further enlargement.

⁹ William Wallace, 'Europe after the Cold War: interstate order or post-sovereign regional system?' *Review of International Studies*, Vol. 25, December 1999, 201-223.

¹⁰ *Interfax news agency*, Moscow, 29 November 2000. Some analysts warn of the emergence of de facto 'silver' or 'paper curtain' or a cultural divide (where modernity is differently perceived). Such a barrier could also be characterized as the 'digital divide'; the adoption of e-commerce, Internet and mobile phone access linked to third generation (3G) technology is generally slower in the east due to outdated telecommunication infrastructures and financial systems.

¹¹ *ITAR-TASS news agency*, Moscow, 27 July 2000.

¹² *Interfax news agency*, Moscow, 21 July 2000.

The exclusion of Austria from the EU during 2000 resulted in a consequent rise of Euro-skepticism and presents a real danger for Lithuania. In Bulgaria the agricultural and industrial sector has already collapsed in order to meet EU entry requirements whilst Bulgarian borders have been opened to EU states, despite the maintenance of an EU visa regime.¹³ Romania's second round presidential elections run-off (10 December 2000) will be fought between the two extremes of the political spectrum. The electorate chose not to elect the extreme-nationalist neo-authoritarian demagogue, Corneliu Vadim Tudor of the Greater Romanian Party (GRM), who has promised to 'rule the country with a machine gun' and extract 'stadium justice'. They chose instead an ex-president 'reformed communist' populist, Ion Iliescu of the Party of Social Democracy (PDSR) who instigated the 1989 'palace coup' and then undermined systemic change in the 1990s.¹⁴ Vaclav Havel has warned that delayed integration would play into the hands of 'xenophobes, chauvinists and nationalists' and so threaten the regions stability, whilst moving westwards across the Schengen border, right wing populists warn of the perils of an eastern 'immigrant invasion.' Although delayed accession would not necessarily derail democratization projects in CEE, historical experience suggests that the international environment must be generally favorable for the consolidation of transition democratization phases. The Cold War 'threat from the East' could, in this worst case scenario, be replaced by a 'threat from the West' with the failure to 'bridge false fault lines'.

Any delay in enlargement will have a profound impact on the Baltic region, which started the integration process from a position of relative advantage to both the CEE states of SE Europe and the CIS countries. All Baltic states have undergone a dramatic economic strategic reorientation westwards, notably in their increased trade with the EU, which is also their biggest source of investment and new technology. Their combination of low cost labor with a skilled and versatile work force is likely to ensure that this continues and develops. In addition there are some significant regional factors favoring enlargement, including the expectation of extensive synergies with the Scandinavian countries who are also the principal cheerleaders of Baltic accession to the EU.¹⁵ Amongst the Baltic states Estonia is still considered the most prepared for EU membership, but it is still not certain that it will join in the first wave. Moreover, Lithuania and Latvia are catching up. In December 1999 the EU invited them to join the enlargement negotiations and the process of harmonizing legislation and institutional arrangements with the EU has been accelerated. Lithuania has forged new sub-regional relationships of its own, particularly with Denmark, which could provide similar economic benefits to those derived by Estonia from its close relationship with Finland.¹⁶ However, whilst the economic generators of integration are important, Lithuania, like the other Baltic states views the EU even more as a guarantee of security and independence of Russia: 'it is easier talking to the Russians from within the EU than

¹³ As a consequence, the Socialist Party opposition are planning to exploit voter dissatisfaction with the negative impact of reforms in the summer 2001 election by building their campaign around the slogan 'Enough is Enough!' With 17 percent unemployment, average monthly salaries at \$110 and widespread poverty amongst women and minorities, this is likely to prove an effective political platform. Margarita Asenova, 'The Schengen List impacts on Bulgarian elections', *RFE/RL Newslines*, Vol. 4, No. 227, Part III, 22 November 2000.

¹⁴ V.G. Baleanu, 'Romania's November Elections: A Future Return to the Past?' *Conflict Studies Research Center Occasional Brief*, 17 November 2000, No. 80, 1-18.

¹⁵ Klaudijus Maniokas, 'Methodology of the EU enlargement: A Critical Appraisal', *Lithuanian Foreign Policy Review*, 2000/1 (5), 35-60.

¹⁶ Russia was the most important source of Lithuania's imports (28 percent), but only the fourth-largest export partner (6.5 percent share) after Latvia, Germany, and Great Britain. *RFE/RL Baltic States Report* Vol. 1, No. 37, 5 December 2000.

from outside it.’¹⁷ Lithuania itself may not have much influence on the progress of enlargement but it will not miss any opportunity to advance it. The political elites are fully committed to the process and the final goal. They must ensure that this commitment and enthusiasm is sustained amongst their own electorate, which has recently shown signs of emulating its Danish counterpart.

Elites may feel confident that the logic of enlargement is widely accepted across Europe but, the longer its implementation is delayed, the more likely is enthusiasm for it to diminish. In the capital cities, like Vilnius, some citizens may enjoy lifestyles approximate to those in Western Europe, but this is accompanied by growing inequalities between rich and poor, skilled and unskilled, young and old, urban and rural, which could become seriously destabilizing in certain economic conditions. As it is, Poland apart, there is not a single case where a CEE government (or even coalition) has been returned to office. Finally, although there exists a myriad of regional organizations (BSCC, BSEC, CEFTA) they have proved largely cosmetic rather than effective training agents or ‘umbrellas of European security.’ As CEE states have competed for accession to Western institutions, they have turned their backs on each other and regional cooperation has withered as a result, increasing both the pressure to integrate and the exposure of those states that fail.

Notions of market-democratic transition frame the new post-communist security paradigm – successful transition is the key contemporary litmus test of ‘Europeanness’ Thus, CEE states have to overcome many challenges in order to accomplish the transformation from Soviet to post-Soviet society. This conception (transition = security) is reinforced by another – the idea that modernity is based on market-democratic development and represents post-Soviet security and stability, and that conversely ‘Soviet’ was indicative of failed modernization projects and instability. This dichotomy between past and present, instability and stability is proving to be a false one. The transition from communism to capitalism is producing some very mixed results. The ‘transition trap’ and the growth of hybrid models of development – such as ‘oligarchic capitalism’, ‘kleptocracies’, ‘nomenklatura capitalism’ and ‘illiberal democracies’ (characterized by ‘privatized parties’) - inevitably complicates regional attitudes to the new European security order and perceptions within the region. Attempts to reform the welfare state may lead to the emergence of ‘farewell’ or failed states within the region – that is states within which elementary protective functions are beyond the capacity of the state. The underlying cultural norms and constraints embedded within the social fabric of these states may well prove to be ‘capital’ of the wrong kind. These alternative models negate Fukuyama’s contention that ‘liberal democracy and market-orientated economic models are the only viable options for modern societies’.¹⁸

4.The East: Russia, Ukraine and Belarus?

The early 1990s belief that ‘democratic peace’ would spread quickly eastwards has proved optimistic. Ten years into transition, it is clear that other factors are also critical to the quality of democratic security within the region. Russia, Ukraine, and Belarus, Lithuania’s largest neighbors to the East, share the Soviet inheritance of distorted priorities, inept resource management and excessive militarisation of the industrial base. They also share the experience of a troubled transition. The EBRD’s *Transition Report*

¹⁷ Vijai Maheshwari, ‘Elites favor EU but voters worry’, *Financial Times*, 24 October 2000, quoting Raimundas Lopata, Director, *Institute of International Relations and Political Science*, Vilnius University.

¹⁸ ‘Survey: The New Geopolitics’, *The Economist*, July 31 1999, p. 4.

2000, the bank's latest annual survey of economic transition in the former eastern bloc, notes that the CIS (and in particular Central Asia) will need at least a decade of high growth to recover from the economic decline experienced since 1989.¹⁹ Transition has placed a profound stress on their economies and societies, evidenced by a 50percent+ GDP decline during the 1990s and high levels of international indebtedness leading to either a 'humiliating subordination' to the west or the possibility of a 'credit blockade'. For the post-Soviet Slavic Republics, the contemporary specter of 'coercion' through conditionality and 'intimidation' through structural reform ironically mirrors that of CEE dependency on the Soviet Union during the Cold War. Yet, despite their shared past and present, Russia, Ukraine and Belarus have different perspectives on future paths to integration into Euro-Atlantic structures.

At the end of the first decade of post-communist governance, the consolidation of Russia's relationship with an enlarging European security order will prove central to stability in the post-Soviet world. Vladimir Putin has argued that: 'The fundamental principles which unite Europe are also the basis of policy of the Russian Federation. Russia has always been, is and will continue to be a European country in terms of its location, culture and level of economic integration.'²⁰ However, beneath the rhetoric, Russian perceptions of NATO are entirely negative and it remains to be seen whether Russia and the EU will develop a constructive or antagonistic relationship. The EU and the question of EU enlargement has yet to be 'politicized' or 'securitized' within the Russian Federation, but the preconditions are now emergent. Is there an identifiable broad spectrum of long term-shared interests between the EU and Russian Federation underpinned by a high degree of mutual confidence and understanding? Are these prerequisites for cooperation emerging, or will the EU lose Russia to diverging conceptions of European security, allowing the 'strategic partnership' to consist of limited foreign policy co-ordination outside of energy and raw material exports?

Why is it that, ten year after the end of the Cold War, so much uncertainty and so many unanswered questions still dominate the Russian foreign and security policy-making landscape? The answer lies in the inter-linked ambiguity and ambivalence associated with Russia's strategic orientation and the nature of power distribution within the Russian Federation. With Russia straddling the strategic axis from Kaliningrad in the West to Vladivostok in the Far East, a basic tension between the 'European' and 'Eurasian' identity of Russia dominated the formulation and evolution of her political culture. Three quarters of her population and one quarter of her territory lay in 'European Russia', her populations were Christian and the Russian elite adopted European-style court systems and became a European 'Great Power' in the 18th century. As Aleksey Arbatov, Deputy Head of the Duma Defense Committee, stated when asked which US presidential candidate was preferable to Russia: 'The picture is not all straightforward, and not only because there is no black and white answer, who is better and who is worse for us, but also because it is not entirely clear what our priorities are: is it Europe or Asia?'²¹ Perhaps Vladimir Putin has best expressed the ambiguity at the heart of Russia's relationship with Europe: 'Russia's position is unique. It is a Eurasian country but actually, it is more of a European state.'²²

The process of integrating Russia into a new European security order – a project for the 21st century – will largely stand and fall on a number of inter-linked issues that are

¹⁹ Ron Synovitz, 'EBDR Report sees big disparities between CIS and Central Europe', *RFE/RL Newslines*, Vol. 4, No. 222, Part I, 15 November 2000. Ukraine's GDP is 37 percent of 1990 levels and according to the latest World Bank figures is 143 out of 160 (below Syria and Sri Lanka) in its development levels.

²⁰ *Russian Public TV*, Moscow, 29 May 2000.

²¹ *TV6*, Moscow, 8 November 2000.

²² *Interfax news agency*, Moscow, 11 March 2000.

generated by the process of enlargement. Putin appears to be pragmatic and sincere, willing to build a partnership with the EU based on energy exports, consumer goods imports, industrial cooperation and combating international terrorism and organized crime. However, what will be the position of a Russian diaspora should the EU integrate post-Soviet Black and Baltic Sea states? What will be the impact of EU Schengen borders on the broader access of Russian exports (particularly agricultural goods and energy) to EU markets? How will Moscow and Brussels manage the status of Kaliningrad - Putin's so-called 'pilot project' or litmus test of Russian-EU co-operative capacity? Or, at the start of the 'revolution in international affairs', can Moscow and Brussels reach a consensus on the meaning of sovereignty and interdependence? What will be the nature and scope of Russia's participation within Europe's crisis management capability and the other regional defense projects following the EU Helsinki 1999 summit? Will Putin's Russia undertake structural reform, generate an improved investment environment and more effectively fulfill adopted decisions? The threat of large-scale EU sanctions against Russia over its conduct in Chechnya provides one dynamic capable of increasing anti-EU perceptions amongst the elite – only 2 per cent of 1,500 Russian citizens polled in April 2000 'totally trust the European Union'.²³ In the context of Russia's expulsion from the Council of Europe and high levels of anti-NATO attitudes after Kosovo, could general anti-Westernism and a growing isolationism spillover into an anti-EU sentiment?

For post-Yeltsin's Russia, key internal questions remain to be answered, all of them revolving round the central question - how stable is the Russian Federation? At the end of Arbatov's interview, he added a second variable that will influence Russia's relations with the US: 'What are we going to do in our own country? Depending on our own conduct, we will fare better with one candidate or another'.²⁴ The raft of reforms which Putin has proposed since his inauguration and rammed through the *Duma* and Federation Council have highlighted key questions that have yet to receive definitive answers eight years after the adoption of a Federal Treaty. Would Russia 'backslide from democracy to totalitarianism?' Would the federal district representatives usurp powers and interfere in the activities of regional governors? Would the weakening of the regions necessarily make the center stronger? Does such fundamental reform, particularly to the Federation Council, necessitate constitutional change? Or will the reform process stagnate, falling prey to over-lapping competing jurisdictions and so serve as a crude mechanism for checks-and-balances between competing institutions? Will the concentration of federal functions into seven centers lead to the emergence of de facto 'inter-regional capital cities', the inequitable distribution of federal resources, the division of regional leaders into first and second class? Would this in turn lead, ultimately, to the disintegration of the Russian Federation through the creation of powerful, economically and politically integrated inter-regional associations ('quasi-states' or 'quasi-republics'), and so result in the formation of a confederation? Or would the change prove more rhetorical than real, providing a cloak for Putin's efforts to broaden his personal power base and so secure his regime?

Ukraine could argue that it is a net contributor to European security as it has the capability to project security outside its borders. It has rescinded all territorial claims, was a founding member of the BSEC and strategic partnerships with Poland, the US, and has formulated triangular partnerships with Poland and the US, Poland and Canada. It shares economic ties with Romania and Moldova and contributes alongside Hungary, Slovenia and Romania towards an engineering battalion under the SE Stability Pact.

²³ *ITAR-TASS news agency*, Moscow, 13 April 2000.

²⁴ *TV6*, Moscow, 8 November 2000.

Although Ukraine is not a key player in the Balkans and Caucasus, its willingness to participate within the European security order – the underlying principle of integration – is not in doubt.²⁵

However, Ukraine's security landscape is littered with paradoxes and dilemmas. Ukraine seeks to balance a special NATO partnership (rather than full integration) with CIS membership. As President Kuchma stated: 'I would like to single out one such principally important axiom for Ukraine's international policy: our European future is indivisible from a strategic partnership with Russia.'²⁶ To square this particular circle, Ukraine must both implement an effective internal reform program to satisfy the EU and NATO and remain dependent upon the quality of Russia's 'Ukrainian policy' (a policy over which Ukraine has little leverage) and which Russia is determined to shape. As Aleksandr Avdeev, Russia's First Deputy Foreign Minister noted: 'According to our estimates, the scope of Ukraine's cooperation with NATO is double that of military cooperation between Russia and Ukraine. Last year Kiev did not protest against NATO's aggression in the Balkans. It did not freeze cooperation with the Alliance, following our example. Moreover a program of cooperation between Ukraine and NATO for 2000 and 2001 was officially adopted.'²⁷ The strengthening of a strategic partnership with Russia and closer relations with NATO are harder to combine post-Kosovo.

Former US National Security Adviser Zbigniew Brzezinski, imbued with the spirit of post-Cold War *realpolitik*, has stated: 'it cannot be stressed strongly enough that without Ukraine, Russia ceases to be an empire, but with Ukraine suborned and then subordinated, Russia automatically becomes an empire.'²⁸ The further Russia distances itself from the process of integration into Euro-Atlantic security structures, the more Ukraine's chances of strategic reorientation are diminished. The realization that as an isolated Russia is dangerous for European stability and that the inclusion of Ukraine in the European security order but exclusion of Russia would create huge instabilities decreases Ukraine's ability to integrate. However, there exists no other security strategy open to Ukraine than that of expressing a continued commitment to integrate with the West. If Ukraine leaves the CIS (as a founding and participating member) then this will also create instability, as Ukraine is the only state large enough to diminish Russia's influence in this organization, a factor complicated by the fact that its own stability is partially dependent on continued economic cooperation with Russia and access to Russian markets.²⁹ Indeed, arguably even if Ukraine was to be integrated, NATO could not defend Ukraine from an aggressive Russia, despite deep cuts in Russia's armed forces and Russia's acknowledgement that it is incapable of waging a large-scale conventional war until 2010.³⁰

These constraints leave Ukraine in a state of security paralysis. It remains a buffer state caught in a security dilemma: it is unable to push or pull Russia towards greater EU and NATO cooperation and unable itself to integrate into the European security order

²⁵ Borys Tarasyuk, former Minister of Foreign Affairs, Ukraine. Unpublished presentations and discussion at the Concluding Conference of the *Program on European Security*, Center for European Security Studies (CESS), The Netherlands, 7-10 November 2000. See also: James Sherr, 'The Dismissal of Borys Tarasyuk', *Conflict Studies Research Center Occasional Brief*, 6 October 2000, No. 79, 1-6.

²⁶ *Kuryer, U*, Kiev, 22 January 2000, p. 3.

²⁷ *Russia TV Channel*, Moscow, 21 May 2000.

²⁸ Zbigniew Brzezinski, 'The Premature Partnership', *Foreign Affairs*, March-April 1994, vol. 72, no. 2, p. 80.

²⁹ Alexander Rahr, German Association for Foreign Affairs. Unpublished presentations and discussion at the Concluding Conference of the *Program on European Security*, Center for European Security Studies (CESS), The Netherlands, 7-10 November 2000.

³⁰ *Krasnaya Zvezda*, Moscow, 22 November 2000.

without Russia. At the same time it is open to pressure from both the West and Russia. The EU and NATO have throughout the last decade demanded that Ukraine give up nuclear weapons, radicalize its market reforms and close down Chernobyl despite the costs to Ukraine. Yevhen Marchuk, secretary of Ukraine's National Security and Defense Council, has argued, for example, that the closure of Chernobyl on 15 December 2000 and the consequent loss of 1,000 MW output to Ukraine's grid (7percent of its energy production) may cause a serious energy crisis.³¹ These frustrations are exacerbated by attempts by Russia to divert gas pipelines through Ukraine to Belarus and then onto Poland in order to strengthen Ukraine's dependence on Russia. Here collusion between Russia's Gazprom influenced as it is by strategic imperatives and western energy companies, such as Ruhr Gas that respond to commercial considerations, are only opposed by Poland's insistence that the pipeline runs through Ukraine onto Poland. Thus Ukraine's two-vector policy – a constant maneuvering between Russia and the EU - is and will remain Ukraine's only security 'option'.

Belarus as the most Soviet of the former Soviet republics has yet to begin the transition process (all the more striking following the Belgrade Uprising of October 2000), and represents a destabilizing factor in regional security. President Lukashenka, in his opening address to the first session of the new parliament, stated: 'The country's foreign policy priorities coincide objectively with such dynamically developing states as the People's Republic of China, the Republic of India, and the Republic of Cuba, Vietnam, Libya and many others'.³² It is not clear the extent to which this is compatible with Russia's new Foreign Policy Doctrine, and the enlargement of the European security order renders Belarus' continued existence in isolation and confrontation from mainstream European developments untenable. Three likely scenarios emerge: regime collapse followed by systemic change and democratization (the Serbia variant)³³ or 'rogue state status' (the Libyan option) maintained by the export of arms to 'grey markets' abroad coupled to ever-increasing domestic repression. A last option remains – but unification with Putin's Russia remains highly problematic and it appears driven more by a reaction to dual enlargement rather than Russian revanchism. NATO enlargement provides the military strategic rationale for integration; the EU various possible models of integration – confederal, federal, and intergovernmental.³⁴ Moreover, as Russia's security agenda is dominated by conventional military degradation, cash-starvation led unilateral nuclear disarmament, a demographic crisis, the fragility of hydrocarbon GDP dependency,³⁵ and the growth of organized crime – to what extent do these factors allow Russia-Belarus to remain a stable partner within the European security order?

5.Security Paradoxes and Possibilities for the New Century?

³¹ *Den*, Kiev, 11 November 2000, pp. 1-4.

³² *Belarussian Radio First Program*, Minsk, 21 November 2000.

³³ President Lukashenka told the chiefs of the State Security Committee (KGB): 'certain forces in the west' seek to 'apply the Yugoslav scenario to Belarus.' *Belapan news agency*, Minsk, 29 November 2000.

³⁴ Or would Vladimir Putin's preferred model of unification look to Russian based administrative template; Belarus as the de facto eighth Federal District, with Lukashenka as the Presidential Representative?

³⁵ Russian Presidential Adviser Andrey Illarinov noted a 7 percent Russian GDP rise over the last year, but has argued that such economic growth is attributed to external economic factors and is not sustainable. He notes in particular the 38 percent (on average) increase in the price of oil and other raw materials and 14 percent drop in import prices that leaves Russia vulnerable to an economic crisis (projected for August/September 2001). *Kommersant*, Moscow, 30 November 2000.

The prospect of NATO and EU enlargement to integrate CEE states, including the Baltic states, is a process that began immediately after the Cold War ended and developed at an increasingly rapid pace during the 1990s. It represented a strong desire on both sides of the old divide to make Europe whole again. Today the pace has slowed down but the goal remains a priority of statesmen in both east and west Europe. Only if geopolitical factors should delay the process of integration long enough to create a backlash amongst populations on either side can it be seriously threatened. At the start of the new century delayed integration is a real possibility and political leaders can not therefore afford to take too long to resolve the new challenges which have recently emerged.

The question for many Western policy-makers appears to be: 'how to enlarge without enlarging'? For NATO the answer to this revolves round the question of how to soften the concept of Article V. For the EU, the enlargement issue is entangled in the question of governance. EU governance presents a fast evolving mixed system of political governance that may promote new sorts of linkages, mechanisms, and processes to replace enlargement along classical lines. The blurring of the edges and softening of the corners at where ever the border lies implies the creation of a system of 'parallel security partnerships' between allies and non-allies - some form of 'multi-level security governance.' These linkages have yet to be articulated, but present a clear opportunity for small states in the accession process to make their voice heard.

A key litmus test of the viability and integrity of the EU's crisis management capability will be the extent of Russia's involvement. The EU's holistic approach to military and non-military aspects of security – with military and economic sticks and carrots – will stand or fall on the level of Russian participation. Could we see a paradox whereby Russian involvement in EU civil crisis management operations takes place – so consolidating Russia into the European security order - but only when that force is deployed outside of Europe? The possibility of the UN requesting that the EU intervene in Sub-Saharan Africa or Asia is not excluded. Russian Foreign Minister Ivan Ivanov has stated that 'there should be a jointly operated mechanism of taking each other's interests into account, in particular on matters concerning Russia's possible contribution to carrying out EU operations in controlling crises.' As a cosponsor of the peace process in the Middle East, Ivanov noted: 'The very nearness in approaches to this issue on the part of Moscow and Brussels allows us to act more in unison and, if required, collectively on this track.'³⁶

The context within which Lithuanian foreign and security policy is being formulated has become more complex. Will a greater clarity and realism both to maintain the high levels of commitment to this project and to overcome the new obstacles that are emerging stand as the central leitmotif for security in the next decade or rather will a circularity of thinking and paralysis of action? Delayed integration may paradoxically enable Lithuania to maintain its ability to further consolidate its democratization project and so increase its capacity to remain buoyant amidst the rip-tides of EU policy implementation and competitive power politics. It appears that Lithuania is at a crossroads with two visions of future development apparent. By 2010 Lithuania is firmly embedded within EU and NATO structures, a motor of having successfully enacted its own 'Szeged Process' (Hungary's financial and administrative support for opposition forces which helped trigger regime change in Serbia) with Belarus. However, the clear and present danger for Lithuania in the new century is to remain on the park-bench beside Ukraine, like one of Beckett's tramps awaiting their eponymous mentor/master/guru, stuck in a meaningless dialogue with no conclusion.

³⁶ Interfax news agency, Moscow, 25 November 2000.

Pertti Joenniemi, Raimundas Lopata, Vladas Sirutavičius, Ramūnas Vilpišauskas

IMPACT ASSESSMENT OF LITHUANIA'S INTEGRATION INTO THE EU ON RELATIONS BETWEEN LITHUANIA AND KALININGRAD OBLAST OF RUSSIAN FEDERATION

Summary

The study addresses the issues linked to the impact of Lithuania's membership in the European Union (EU) on relations between Lithuania and the Kaliningrad region of Russian Federation. The analysis deals with the three issue areas considered crucial for the harmonious development of the links between Lithuania and the Kaliningrad region, namely, visa policies, transit and trade regimes.

Lithuania's membership in the EU implies adoption of EU policies, i.e. general principles and concrete legal norms governing the movement of people, services and goods inside the Union as well as between the EU and the third countries. Thus, joining the EU will require Lithuania to adopt Schengen *acquis communautaire* and introduce visa regime to the residents of Kaliningrad traveling to or through Lithuania. In the field of transit, Lithuania will join the Community Customs Code, Common transit system and EU transport policy. However, the issues of transit tariffs and quotas applied to Russian transit to/from the Kaliningrad region will remain a matter of bilateral agreements between Lithuania and Russia. Finally, in the field of external trade regime EU accession implies joining the Common Commercial Policy of the Union, namely, aligning import duties, application of commercial protection instruments, becoming part to trade agreements signed between the EU and the thirds countries.

The study discusses in detail the differences between the current visa, transit and trade regime between Lithuania and the Kaliningrad region and the prospective changes in these areas that will result after Lithuania joins the EU. It also assesses the significance of these changes, their likely impact and concrete policy measures, which could extend the benefits of EU membership to the neighboring countries and regions. The different policy solutions and scenarios based on existing frameworks and possible innovative approaches are presented. The study argues that the final outcome of the EU enlargement on Lithuania's (and EU's in general) relations with the Kaliningrad region will depend on how innovatively will EU approach this specific issue and how flexible will Russian Federation be in allowing one of its regions a specific treatment in respect of its relations with the Union. It is argued that the most feasible and beneficial solution for all parties involved is to further develop the idea of the Kaliningrad *oblast* as a pilot region acknowledging the specificity of the region and to give more concrete content to this idea. Concrete proposals in the fields of visa, transit and trade regimes ranging from procedural improvements to the innovative solutions are suggested. The adoption of these suggestions could contribute to the creation of a wider European area of peace, stability and prosperity for all.

1. Introduction

European integration has been about extending a variety of freedoms to participating nations with the underlying political purpose of securing peace and prosperity in Europe. The Treaty of Rome stipulates that the European Community - now the European Union - is about extending these principles in order for them to become cornerstones for politics in Europe at large. With the criteria laid down at the Copenhagen Council (1993) and the Amsterdam Treaty (which

entered into force in 1999) Europeans, including the applicant countries preparing for the EU accession, are expected to abide to a common set of standards and principles.

This implies that the European Union has a considerable impact beyond its own membership. The Union is surrounded by regions, which can be regarded as intermediate spaces between the inside and the outside of the Union. There is a kind of “policy export” which has a considerable impact on actors and regions that are not found within the purview of member or applicant countries.

Kaliningrad – a small Russian exclave wedged between Lithuania, Poland and the Baltic Sea - constitutes one of these regions. It stands out as a site where Russia and the European Union increasingly meet. Policies are established, including the installation of a border regime (encompassing visa, transit and trade regimes) between the acceding countries and the neighboring states that not only reflect but also have a constitutive effect on the relations between these entities. The question posed here pertains to what these policies are, how they function, and what is needed in order for the policy impact to be in line with the basic aspirations of the EU as stipulated in its founding documents.

The *oblast*, i.e. the Kaliningrad region (KR), already deserves consideration because of its being cut off from mainland Russia by foreign states. Travel by land between Kaliningrad, a kind of ‘little Russia’, and the rest of Russia now involves crossing three borders. The *oblast*’s detached position has had – and continues to have – a significant effect that exacerbates various political, economic, security-related and psychological effects, and brings about what has sometimes been called the ‘Kaliningrad Puzzle’.

It is not, however, the extraterritorial situation as such that constitutes the crux of the problem. The various issues are compounded by the fact that Kaliningrad is at the crossroads of Russia and the European Union. It is influenced by the policies of both. EU accession negotiations and the potential future membership of Lithuania and Poland place Kaliningrad in the position of becoming a Russian enclave within the enlarging EU. As such, Russia becomes inevitably involved in EU affairs and likewise, the Union is unavoidably entangled in the relations between the ‘little Russia’ and the ‘big’ one. In such a scenario, Kaliningrad’s position appears to increasingly blur any clear-cut division between the inside and outside of either Russia or the European Union.

This implies that Kaliningrad is the watershed of various modes of thinking concerning the unfolding of political space in the new Europe. In potentially turning into an enclave of the EU, it becomes part of a constituting logic that does not apply with similar force to the rest of Russia. The Union’s effort of pursuing policies based on a variety of freedoms has a considerable impact on how borders regimes are comprehended and are managed. It appears that in order to sort out the issue of what Kaliningrad is really about, and to settle this in a flexible and innovative manner, the parties need to be clear about their approaches as to the construction of political space and borders that to some extent deviate from each other.

Seen from the EU’s perspective, the duality visible in the *oblast*’s position implies that there is not just one Russia but, in a sense, two. Kaliningrad is increasingly seen within the sphere of the policies of the Union, with the ‘big’ mainland Russia at a distance. Kaliningrad displays - in part because of being influenced by the policies pursued by Lithuania and Poland, which are adapting to the rules and regulations of the EU – quite particular characteristics. Its in-between position implies that the *oblast* can neither be completely integrated nor separated off by systemic differences without rather far-reaching changes. The region does not allow itself to be categorized in an ordinary manner. It is not to be addressed in terms of either/or. Issues emerge that transcend the ordinary divisions and lines of demarcation. As a ‘little Russia’, it calls for immediate attention in being far more exposed to the policies of the EU than any other Russian region. By contrast, the ‘big Russia’ forms a case that has a quality of its own. It is less sensitive to the Union’s

policies, and may therefore be tackled differently. And yet it is impossible to deal with the ‘little’ without also sorting out the ‘big’: they are inextricably linked by the principle of sovereignty with Kaliningrad remaining an integral part of Russia. The prevailing view tends to be that Russia itself cannot be admitted to the EU, but at the same time, a small part of Russia is to a considerable and increasing degree, within the sphere of the Union’s policies.

Russia, concerned to high degree with its own security, has traditionally pursued policies that prioritize national sovereignty understood in terms of territorial control and unambiguous borders. Therefore, one may assume that Russia is far more vulnerable to the blurring of crucial lines of demarcation than the EU with its more flexible logic of governance. Russia is thus called on to deal with an increase in its own diversity, as well as to treat the *oblast* explicitly as an entity that can mediate contacts and facilitate linkages between Russia, Europe’s integration processes, and regionalization efforts around the Baltic rim. Should Kaliningrad’s borders should be, it seems, understood as interfaces that mediate and facilitate contacts rather than strict lines of division.

Kaliningrad is also a considerable challenge to the EU. In the first place, the Union does not revolve around issues pertaining to sovereignty and other concerns of a modern type, nevertheless borders seem to have quite an important function in delineating and distinguishing between those who are ‘in’ and ‘out’. This is required, in particular, by the Schengen rules and the underlying binary concept of political space. Even beyond the extension of various freedoms outside of the Union borders appear to have a distinct role to play in the Union’s construction of self-hood. Injecting a EU-related border regime is of importance, but it may also impair what has essentially consisted of cross-border cooperation, endogenous region-building as well as trade and transit regimes. This seems to be the case in terms Kaliningrad’s relations with both Lithuania and Poland. Relations important for the local actors and the border-region more broadly become severed. As part of the Union’s ‘near abroad’, Kaliningrad will gain immediate attention by virtue of being extensively exposed to the policies of the EU. As a consequence, the Union may be obliged to adjust its rules and regulations to some degree: that is, to review what its borders – and thereby what the Union’s essence - are about. With Lithuania and Poland approaching membership, the EU’s policies and border practices will, to a considerable extent, influence the future of the *oblast* and have implications for the relationship between Kaliningrad and the Russian mainland.

A major question posed here is whether Kaliningrad merely constitutes one border among many between the EU and Russia, or if it has some special qualities. In the latter case the argument is that Kaliningrad should also be singled out for special treatment. More generally, what is the probable solution to the Kaliningrad puzzle? What options are open for Kaliningrad to exist simultaneously on the inside and the outside of the Union? Is it a site of conflict or cooperation? Is it at all probable that a genuine dialogue may evolve taking into account the differences between Russian and EU logics and approaches concerning the unfolding of political space? If the role allotted to Kaliningrad is that of bridging – in functional terms and more broadly in the sense of a paradigmatic meeting of minds - what type of EU-Russia relationship is in the cards and what kind of European configuration would emerge as a result of settling the puzzle?

The purpose of this inquiry is to consider the impact of the process of EU enlargement on the border between Lithuania and Kaliningrad. The spheres covered include those of the visa, transit and trade regimes. The study assesses the consequences of the Union’s eastern enlargement with Lithuania being an applicant and on its way of becoming a EU member state. The aim is to explore the current situation within these three spheres in order to assess the opportunities as well as liabilities entailed by enlargement. Focusing on these spheres is expected to provide insights into some essential aspects of the process, although the picture emerging is not a comprehensive one.

Issue areas such as currency questions, the extension of the Euro zone, access by Kaliningrad's fishing fleet to EU ports, and a variety of security-related matters are not addressed here.

The areas analyzed in this study are of considerable significance for the rather small economy of the Kaliningrad *oblast* as well as its neighbors and the political and economic situation in the Baltic Sea region more generally. Despite their obvious importance, these questions have thus far received relatively little scholarly attention. This study aims at remedying this state of affairs and aspires to provide insights into the current situation with respect to the visa, transit and trade regimes between Lithuania and the KR and into changes pertaining to prospective Union enlargement and their implications for the parties involved. Further, it suggests possible policy solutions aimed at maximizing the benefits of EU enlargement. In conclusion, a number of general and more specific policy proposals are presented. In line with the framework chosen, these proposals pertain specifically to a variety of enlargement-related issues in the Lithuania-Kaliningrad context, but may also be seen as having relevance and applicability for Poland as well as in the larger Baltic Sea region.

2. Visa regime

2.1. Background to the Issue

In terms of the KR, the EU has thus far restrained itself to the pursuance of two goals: to get, on the one hand, the advantages of legitimate cross-border travel, contacts and trade with a non-EU neighbor and, on the other hand, the minimization of 'soft' security risks that arise from problems such as crime, illegal immigration, transmission of communicable diseases and environmental pollution. For some time the emphasis seems to have been on the down-grading of borders, but then the Treaty of Amsterdam came into effect in 1999. From the Kaliningrad perspective, this implied that the balance between two contradictory goals had changed in favor of the EU by placing top priority on securing freedom within the Union and protecting the EU itself against various risks emanating from the outside. The Treaty requires all applicant countries to adopt the Schengen *acquis* and aims at having EU member states use a common visa within five years. Russia is listed, in a Council proposal, as one of the countries whose nationals must be in possession of visas when crossing the Union's external borders, i.e. Russia is treated in undifferentiated terms and without singling out Kaliningrad as a special concern whereas the special administrative regions of Hong Kong and Macao are listed among those exempt from the requirement of visas.

The visa policies are part and parcel of overall policies that aim at creating an 'Area of Freedom, Security and Justice' with various regimes dealing with cross-border flows, refugees and asylum-seekers. The objective is to create an area of free movement within the EU by removing controls at the common borders of the participating states, and in compensation, strengthening controls at the external borders. Candidates for membership, such as Lithuania and Poland, are required to adhere to these policies.

In principle, the issuing of visas is about controlling and regulating the free movement of people. This is to say that such policies restrain the liberty to travel. In the context of the EU's enlargement, they are part of an overall constellation in which the Union is not only opening up its borders. The EU is also exporting its border control policies which is controversial because the introduction of such policies will unavoidably complicate cross-border relations – including the installment of the now established Euroregions (Baltika, Saulė and Nemunas in the making) - and in

the worst case, will break socio-economic and political ties between applicants and non-applicants.¹ Cross-border-trade, both official and unofficial, accounts for a substantial part of both Lithuania's and Poland's entire foreign exchange, and this applies even more to Kaliningrad. The implementation of rather strict and uniform visa procedures constitutes a particularly outstanding issue if the border-tightening side of EU policies runs ahead of the travel- and trade-liberalizing side.

The implementation is not a matter of negotiation for the applicants as they are not yet members of the Union. They are expected to abide by the rules, although it is admitted that this is a cumbersome task. The problems of implementation are compounded given the difficulties in discovering the content of the Schengen *acquis*: the Schengen Executive Committee decisions and rules were only formally published in April 1999 immediately prior to the Amsterdam Treaty coming into effect. The allocation of various parts of the Schengen rules across the first (immigration and asylum) and the third (police and judicial cooperation) pillars has also been quite challenging. The legal complexity of the system has been further exacerbated by the British and Irish opt-outs from Schengen, the inclusion of non-members, and the Danish position as a member of Schengen in opposition to the communitarisation of the competences falling under the third pillar. In their study on the EU's border policies, Giuliano Amato and Judy Batt conclude that the Amsterdam Treaty made welcome progress in transferring competences in the field of visas, immigration and asylum to the first pillar. However, in their view the emergent border policy still suffers from the legally convoluted and obscure *acquis*, institutional fragmentation and poor coordination between the three pillars.²

The issue of striking a well-considered and functioning balance between the free, and smooth contacts between and movement of people, on the one hand, and the scaling down of various forms of abuse of the freedom of movement on the other hand, appears particularly acute in the case of Kaliningrad. The *oblast* stands out as a region which was previously free in the sense that there were no state borders or currency obstacles to take into account if going to mainland Russia or the Baltic countries. Even access to Poland was relatively smooth. With the demise of the Soviet Union and the emergence of a great number of new state borders, as well as a hardening of those that have been around for a longer time, Kaliningrad is faced with a qualitatively quite different, and more restricted situation. The imposition of high and unpenetrable barriers would in all probability have quite detrimental effects in terms of stability and would further undermine the prospects of economic as well as social recovery, this clearly calling for rather flexible approaches as to the movement towards a common visa, asylum and immigration policy.

2.2. Special Regimes

Some of the liberties are still there, or have remained in force until recently. Special visa regimes have existed with regard to Lithuania and Poland. Such an arrangement allows residents of Kaliningrad and Lithuania to cross their mutual border on internal passports/ID cards. The visit period is 30 days. Russian citizens residing in Kaliningrad do not require visas for their transit to and back from the KR while traveling by regular direct trains if they do not get off in the territory of Lithuania. According to an agreement, simplified rules of border-crossing apply on the

¹ See Grabbe, Heather, (2000). The Sharp Edges of Europe: Extending Schengen Eastwards. *International Affairs*, 76:3, 519.

² Amato, Giuliano and Batt, Judy, (1999). Final Report of the Reflection Group on the Long Term Implications of EU Enlargement: The Nature of the New Border. The Robert Schuman Center for Advanced Studies and the European University Institute. April.

Russian-Polish border, including Kaliningrad. The border can be crossed on the basis of permits, identity cards and other ID documents and stay is allowed without visa in the localities mentioned in the single-use permit. The duration of the stay is limited to seven days.³ Currently, Russian citizens also need a voucher which shows the name of the traveler and the hotel reservation in Poland.

For Kaliningraders, these arrangements have been quite important in reducing feelings of isolation and in maintaining links to their nearby environment. Shuttle-trade and local tourism have flourished and the prevailing conditions match the attempts to develop institutionalized cross-border cooperation along Kaliningrad's various international borders⁴. While these liberal regimes have allowed for the preservation of at least some freedom of movement, the situation has in general become far more restricted and regulated. Yet, the Treaty of Amsterdam requires EU candidate states such as Lithuania and Poland to join the common policies. As part of EU membership, both are expected to adopt the Schengen *acquis*, which requires that previous treaties providing for the current arrangements be abrogated. Both Lithuania and Poland will eventually have to introduce visas for Russians and harmonize their visa policies with the rest of the Union.

As the Schengen admission process is different from the admission into the EU itself, the candidate countries have a certain flexibility at their disposal. Lithuania has thus declared that it will adopt Schengen once it enters the EU, and Poland has stated that it may introduce visas for Russians during the second half of the year 2001. This may, pending final decisions, imply that the two applicants will apply somewhat different policies as to timing. Access to Lithuania may remain – at least for some time – easier than entering Poland. Lithuania would provide the only remaining visa-free travel route by land between Kaliningrad and mainland Russia. In any case, the final outcome appears to be that both countries will apply more strict policies than the ones in force currently.

Obviously, the Union's abolition of checks at its internal borders and the aspiration for homogeneous policies within the Union entail that the border regime becomes more restrictive for Kaliningrad. Russia will in all probability reply in kind, this implying that Lithuanians and Poles visiting Kaliningrad would also need a visa. The Union's need to ensure a secure external border as it enlarges to include Lithuania and Poland works against the premised goal of refraining from the creation of new dividing lines in the new, post-Cold War Europe. The policies pursued do not contribute to freedom of movement but hamper traveling to and contacts with the EU area, including Lithuania and Poland. In some cases a rather special constraint could occur. If Lithuania introduces a visa requirement, it could be that those Kaliningraders who now go to Vilnius in order to get visas at foreign embassies located there (only Lithuania and Poland have consulates in Kaliningrad with a Schengen-related competence of issuing visas), would first need to acquire a visa for Lithuania in order to be able to travel to Vilnius for the purpose of getting a visa for the country they actually aim at visiting. In other words, Kaliningraders could find themselves behind a double barrier – at least until the Union introduces a common visa for all the member countries.

However, the implications are not only felt in Kaliningrad's external relations. The border regime installed by the EU will have an impact on intra-Russian relations as well. The introduction of a strict visa system will also hamper the traveling of Kaliningraders to their own country if traveling by land. The arrangement is bound to not only impede contacts to the nearby environment and EU countries; it will also restrain intra-Russian contacts. New dividing lines will open between countries and between the 'ins' and the 'outs' of the Union, as well as between

³ See Council of the Baltic States, (1999). Conditions of Travel Across the National Borders of the CBSS Member States: A Survey with Recommendations. 10th of May.

⁴ It should be noted that currently about 3,6 million people cross Lithuanian-KR border every year.

Russia's center and a particular periphery. This is the factor that makes the Kaliningrad case rather special and sensitive. In the context of current policies aimed at introducing freer movement within the Union, Kaliningrad appears to stand out as a case demonstrating that for entities on the fringes or outside of the Union, the price to be paid entails considerable risks and undue costs.

2.3. Possible Solutions

It has been broadly recognized that introducing a strict visa regime in the case of Kaliningrad is particularly problematic⁵. For example, the conclusions from a conference on Kaliningrad, jointly organized by Denmark and the Nordic Council of Ministers in Copenhagen in 1999, included the point that relevant regional and sub-regional organizations and bodies should keep the issue of border crossing and free travel in the Baltic Sea region on their agenda. The Council of Baltic Sea States (CBSS) has, for its part, taken the following stand:

The approach taken by the EU in the Treaty of Amsterdam seems to be an attempt to find solutions to contemporary problems relating to globalization and the migration tendencies. But creating unified rules for the whole EU area will not necessarily solve the problems of individuals who come from third countries and intend to visit an EU country. There might be a risk of a more automatic and less humane handling of visa applications in a large and unified system. Furthermore, the price for abolition of checks at internal borders within the EU, which are partly also CBSS members states' borders, may be that the border regime between EU member states and third countries (i.e. also between some CBSS countries) becomes more restrictive than before. Making travel into the EU area more difficult because of progress within the EU cooperation does not seem to be fair and in harmony with the OSCE commitments.⁶

However, despite increased awareness there is still a lack of constructive and commonly agreed measures that would remedy the situation. Russia has proposed that the current system be kept unchanged, and has also aired ideas about 'a Baltic Schengen'. Authorities from the Kaliningrad city have, for their part, departed from the conclusion that the Schengen rules will be implemented and, as a consequence, have called for visas that would be long-term, low cost and allow for multiple entries. The observation has been made that transit visas could be of some help, although it would require a new definition because the current Schengen Convention does not include in its definition of transit visas the kind needed by Russian citizens aspiring to visit – in the case of Kaliningrad – their own country.⁷ In any case, the fact that the Schengen regulations have a severe impact on freedom of movement within Russia and effects the relations between the center and one Russian region, a situation making the case of Kaliningrad quite unique. Seen from EU's perspective, the impact is an inadvertent one, but it is nonetheless there. As it is an outflow of the EU's eastern enlargement, there are good grounds for claiming that it falls, in the first place, upon the Union to restore unimpeded contacts to the extent possible.

⁵ See, for example, one of the recent studies on the impact of EU enlargement on Kaliningrad oblast produced by the Kaliningrad scholars – Хлопецкий, А. П., Федоров, Г. М., Зверев, Ю. М. Стратегия развития Калининградской области как пилотного региона сотрудничества Российской Федерации и Европейского Союза, Калининград, Август 2000.

⁶ Council of the Baltic States, (2000). Secretariat Report on Visa Requirements in the Baltic Sea Region. 2nd of June.

⁷ Fairlie, Lyndelle (1999). Will the EU use Northern Dimension to solve its Kaliningrad dilemma? Working Papers, no.21. Copenhagen Peace Research Institute.

In order to facilitate the process of granting visas, it would be of considerable help if a joint EU facility could be established in Kaliningrad. Proposals to that effect have been tabled, but so far without results. Both the European Union and the Russian Federation have been reserved vis-à-vis such ideas. The CBSS has, for its part, aired the idea of a consulate of one of its member states being empowered to issue visas on behalf of the other member states. The Council has also argued for measures such as moving consulates closer to borders and extending opening hours, increasing the use of long term multiple entry visas, the construction of more border crossings and the introduction of shorter procedures at the border.⁸ The more innovative ideas include a reduction of the need for strict visa procedures by introducing the establishment of extensive data banks combined with the checking of fingerprints at borders. Such systems could potentially allow the reduction of visas to a mere stamp in the passport of those crossing borders, although they do not offer any quick solution taking into account that the Schengen Information System (SIS) is currently being re-designed and only expected to be ready around 2003.⁹

One opening is found in the notion that the Schengen system is not cut in stone. It is increasingly recognized that the system places undue pressure on the applicant countries and may have excessive consequences in hampering legitimate cross-border contacts. After all, the Treaty of Rome sets the target of “eliminating the barriers that divide Europe” and the aspiring to “an ever closer union among the peoples of Europe.” The EU border policies are seen as fragmentary and inconsistently developed, and it is conceded that the implications for regional development of extending EU border regimes eastwards have so far been little discussed.¹⁰ The issue of visas remains a significant theme in this context. The ‘paper curtain’ of visas and frontier controls will, no doubt, inhibit the economic cooperation and cross-border trade between Kaliningrad and Lithuania. The prospects for the development of the border region becomes undermined and links between societies and people are disrupted. Such unwarranted impacts – leading also to costs for the Union and the applicant countries in particular - need to be flanked by a variety of measures premised on the allowance of Schengen to return increasingly to its original purpose of facilitating free circulation of goods, services and people. The parties should refrain, in the short run, from an overly rigid and extensive adoption of the Schengen *acquis* and - as some complications are unavoidable - supplementary financial aid and political support should be considered in order to bolster their ability to deal with issues resulting from the implementation of the Union’s border policies. Such assistance should to the extent possible also cover Kaliningrad, including support for sub-regional cooperation, as effective border policies require cooperation and reciprocity: borders cannot be managed from one side only. It has to be taken into account that there has to be well-functioning administrative systems capable of implementing complex regulations and monitoring compliance on both sides of the border.

3. Transit regime

3.1. Current situation

The dependency of the KR “from/to mainland” transit via Lithuania has been emphasized in many studies. The importance of this factor became particularly clear during the financial crisis in Russia. For instance, in December 1998, a TACIS report characterized the constellation in this way: “The main feature of the crisis in the Kaliningrad oblast is its qualitative

⁸ CBSS Secretariat Report, 2nd June 1999, *ibid*.

⁹ Information provided in Bort, Edward, *Under the Shadow of Schengen: The Borders of Central and Eastern Europe* (forthcoming towards the end of 2000 in a book edited by Judy Batt, University of Birmingham).

¹⁰ Grabbe, *ibid*, p. 526

difference with the other regions of Russia, with a strong dependence on outside external relations (approximately equally important with mainland Russia and the Baltic region)”¹¹. The situation in the KR has improved after the crisis, although the region’s dependency on transit still prevails. For instance, regional power engineering is totally dependent on imported fuel (mainly from Russia). Structurally, oil and coal account for 80 percent of the fuel imports and their delivery is costly, complicated and dependent upon external political factors. Coal deliveries from Kuzbass, Workuta and Inta (mainly by rail) entail high transportation costs comparable to the price of the delivered coal. At the same time, the share of natural gas - the most eco-friendly power source - remains very low (about 15 percent) compared to the total amount of fuel used for power production¹².

In examining the concrete situation with the Russian transit of goods via Lithuania to/from KR, it is necessary to emphasize that the main flow of transit is going by land transport in which the transit of goods by rail is dominating* :

Table No. 1. Russian transit of goods by land via Lithuania to/from the Kaliningrad Region.

Year	Transit of goods by rail (t)	Transit of goods by road transport (t)
1997	5.530.600	228.300
1998	4.965.200	224.100
1999	5.667.700	359.500
1st half of 2000	1.535.800	222.600

Source: Lithuanian Ministry of Transport.

As mentioned before, regional power engineering is totally dependent on imported fuel from Russia. Table No.2 shows that fuel constitutes the main share of Russia’s transit to/from Kaliningrad via Lithuania.

Table No. 2. Fuel transit to Kaliningrad Region via Lithuania by rail in 1999

Fuel	Tons	percent from general weight of transit (4.654.400 t)
Coal	1.074.300	23
Oil and its products	795.200	17
Coke	671.300	14,5
Total	2.540.800	54,5

Source: Lithuanian Customs Department, Ministry of Finance.

Finally, it should be noted that the transit to/from KR goes mainly via Lithuania (see Table No. 3).

Table No.3. The share of the transit to/from Kaliningrad Region via Lithuania from total transit

¹¹ Samson I. (ed.). Kaliningrad Region: The Diagnosis of a Crisis. - Kaliningrad: Tacis PROMETEE II, 1998. P. 7.

¹² Ibid, p. 157.

* The other kinds of the transit (by sea, transport by it's own run) form insignificant part of the Russians transit to/from KR via Lithuania. It should be noted that the transit of gas, electricity, i.e. transit by stationary transport, is not a subject of the research. Besides it is necessary to emphasize that the used data must be treated only as preliminary.

Year	The share of the transit to/from KR via Lithuania (percent)
1997	12,71
1998	26,74
1999	50,036
1st half of 2000	53,59

Source: Lithuanian Customs Department, Ministry of Finance.

The legal framework of Russian transit via Lithuania is based on bilateral agreements. On July 29, 1991, the “Agreement between the Lithuanian Republic and the Russian Federation on long-duration economic and socio-cultural cooperation in the development of the Kaliningrad Oblast” was signed. The Agreement in accordance with Article 14 (transit of goods without discrimination) of the bilateral “Agreement on the basis for inter-state relations” (July 29, 1991) was foreseen (Articles 1, 8) to guarantee the transit of goods free of custom taxes and to establish a favorable customs regime on the Lithuanian - KR border. The Bilateral “Agreement on trade and economic relations” (November 18, 1993) provided further guarantees for transit free of custom taxes (Article 7) and defines the status of the most favorable nation for transit. The “Agreement on mutual cooperation in customs service” (February 25, 1995) stipulates that transited goods are exempt from the customs clearing (Article 3). Finally, the “Agreement on long-term cooperation between the regions of Lithuania and Kaliningrad Oblast of Russian Federation” (June 26, 1999) confirmed (Article 5, 7) that the transit of goods will take place on a non-discriminatory basis according to the GATT/WTO principles¹³.

However, despite the legal framework providing favorable treatment for Russian goods transited via Lithuania to/from KR, there are two main problems: firstly, border crossing permeability (road/rail) and secondly, the rates of the transit tariffs (rail). The first problem is related to the infrastructure of the border crossing points and the time required for the border crossing. Factors contributing to long crossing times include standing in queues and a mounting of customs’ formalities.

In terms of the problem pertaining tariff rates, it is noteworthy that the cost of the Lithuanian portion of the Moscow - Kaliningrad transportation route, is greater than the Lithuanian section of the Moscow to Klaipėda route¹⁴. Table No.4 illustrates the differences in tariff rates concerning the transit of specific goods (January - August, 2000):

Table No. 4. The differences of tariff rates

Goods	Kaliningrad (USD/tkm)	Klaipeda (USD/tkm)
Oil and it’s products	0,0195	0,0104
Ferrous metals	0,0197	0,0092
Grain and flour	0,0186	0,0096

Source: “Lithuanian Railways”

¹³ Svarbiausios Lietuvos Respublikos tarptautinės sutartys. 1918 - 1995. - Vilnius, 1997. - P. 168 - 182.

¹⁴ It should be noted that Russia which applied 18 % privileges for the Lithuanian freight crossing the Russian territory recently cancelled that practice because Lithuania did not abolish the existing tariff’s rates on Kaliningrad port direction.

Undoubtedly various political and economical circumstances are influencing the size of the tariffs rates. The case illustrates that the Lithuanian authorities exploit the fact that the main flow of the transit of the Russian goods are crossing Lithuania by attempting to direct the transit to the Klaipėda port instead of Kaliningrad port. It is obvious that some interest groups related to port of Klaipėda influence the strengthening of such motivations. In addition, the last changes in the Russian “tariff rates” policy confirm the political and economical dimensions of the transit issue. The Russian side seeks to press the Lithuanians to rebalance the tariffs’ rates by reducing tariffs for the Russian transit goods to KR and increasing corresponding tariffs to Klaipėda. The Russian side is especially trying to promote so-called “Two ‘K’ “ project in that context¹⁵. The idea is to make Kaliningrad and Klaipėda ports not competitors but respectively specialized units.

3. 2. The issues: implications of adopting EU *acquis*

3. 2.1. The framework of the EU - Russia relations and the Kaliningrad Region

It could be stressed again that the Kaliningrad Region is progressively becoming a Russian enclave within the enlarging EU. The neighbors of Kaliningrad - Poland and Lithuania - are preparing for membership in the EU, while the EU treats Russia as part of its “external relations.” Consequently, the EU’s eastern enlargement may harm some forms of regionality in the Baltics and may lead to new divisions in Europe, instead of overcoming the old dividing lines. It means that Kaliningrad is affected not just by the EU’s agreements with Russia but also by the accession negotiations. It is necessary to recognize that the EU acknowledged, at least in principle, the whole scope of problematiques in this respect. However, it has led to the development of two formats in the relations between the EU and Russia.

The first format is represented by the EU’s treatment of Russia as an undifferentiated space. The Partnership and Cooperation (PCA), which came into force in December 1997 aims to encourage political, commercial, economic and cultural cooperation. It has nine sub-committees covering sixteen areas of cooperation. The Common Strategy of the EU on Russia, adopted in June 1999, aims at improving coherence in the efforts of the member states and the EU. It aims to facilitate additional dialogue on economic and foreign policy and an action plan to fight organized crime will be started. Like the PCA, the Common Strategy also presents an extensive menu of cooperation possibilities, which could link the EU and Russia. Both of these agreements have treated Kaliningrad as simply one more Russian border, one that is eligible for the same programs that apply to the rest of Russia.

Specifically on transit question the PCA confirmed that the EU and Russia agree that the principle of freedom of transit is an essential condition in attaining the Objectives of the Agreement. In this context, each Party obliged itself to provide *for freedom of transit* in its territory for goods originating in the customs territory or destined for the customs territory of the other Party (Articles 12, 43, 78). In addition there was mentioned the possibility to conclude specific Agreements with the goal to ensure the interconnection between the transit systems of the Community and Russia.

The second format is represented by the EU’s treatment of Russia as a state with specific regional characteristics. This format is especially evident when taking into account the EU’s Northern Dimension Initiative (NDI), which constitutes the first EU initiative singling out Northwest Russia, including Kaliningrad, as having unique importance for cross-border relations with the EU. The initiative, taken by Finland in 1997 and accepted by the Union, is premised on the

¹⁵ Damauskas Žydrūnas. Nori kontroliuoti tranzitą in Lietuvos Rytas. - Vilnius. - July 31, 2000.

idea that there is a need for special EU policies in Northern Europe. The NDI focuses on the periphery rather than the center and is, by its very nature, premised on crossing borders rather than fortifying them.

This approach was already reflected in the Common Strategy, which anticipated the integration of Russia into a common European economic and social space by supporting the integration of Russia into a wider area of economic cooperation in Europe. It further examines how to create the necessary conditions, in addition to Russia's WTO accession, for the future establishment of a *EU-Russia free trade area*, encouraging Russia to remove obstacles to trade and investment. The removal of such obstacles is envisioned in particular through *the improvement of border crossing procedures and facilities*, and by examining, in accordance with EU rules and procedures, Russian concerns with respect to access to the EU market. This in turn may be promoted by exploring more concretely the scope for cooperation in areas of established Russian expertise as well as the *promotion of regional and cross border cooperation and infrastructure*. Such measures may include: *enhancing cross-border cooperation with neighboring Russian regions including Kaliningrad, especially in view of the EU's enlargement and including in the framework of the Northern Dimension*; *enhancing cooperation and technical assistance in the areas of border management and customs*; *exploring the scope for working towards linking the Russian transportation systems (road and rail) with the trans-European corridors*; and *seeking mutually satisfactory ways to address transport issues*.

Another step consists of the adoption of the EU Action Plan for the NDI. It is stated that barriers to cross-border trade, cooperation and investment have to be removed by upgrading border-crossings, facilitating information exchange and promoting closer cooperation between local authorities. Furthermore, regional mainstream flows of goods and services need to be stimulated by further removing barriers to trade and investment. The necessity of encouraging the linking of networks and assistance on both sides of the border (e.g. border-crossing facilities and training) was recognized. These activities should include the improvement of the efficiency and effectiveness of border controls, *facilitating transit* and in particular *local transit across the borders*.

It is important to note that the EU's Action Plan for the NDI especially emphasizes the development of the region's transport infrastructure and services, as well as the promotion of the development of a multi-modal transport system, including the stimulation of the regional mainstream flows of goods and services by further removing barriers to trade. These include: the development of Trans-European transport networks (TEN) within the EU and the extension of the TENs where appropriate (Article 37) and in accordance with their rules towards the acceding countries with the consideration to exploring the scope of working towards linking the Russian transportation system (road and rail) with the TEN's (Article 39). Special support should be given to the promotion of cross-border business cooperation (Article 75), most appropriately between the Kaliningrad oblast and its neighbors. Action in this area will focus on removing trade barriers through the improvement of *border transit*, the exchange of information and the cooperation of regional and national authorities (Article 76).

Russia, for its part has been stressing the need to avoid the emergence of new dividing lines in Europe. The Medium-term Strategy for Development of Relations between the RF and the EU (2000-2010) clearly emphasized the need: to *combine the search for a diplomatic solution to the problems of normalization of transit through the Baltic and CEE countries by developing the pan-European cooperation infrastructure*; to promote cooperation in working out common transport policy; to introduce efficient transport process technologies on the basis of approximation and harmonization of its legal framework; to simplify border crossing procedures subject to assuring the economic security of Russia and developing the pan-European transport corridors (first of all corridor number 1 and in particular, its laterals to Riga - Kaliningrad - Gdansk, as well as numbers

2 and 9). The problematique of the Kaliningrad oblast was especially stressed as follows: “The KR is to 1) determine the prospects of the optimal economic, energy and transportation specialization of the region in order to ensure its efficient functioning in the new environment; 2) to establish the sound transportation links with the Russian mainland; 3) to pursue a line to the conclusion, if appropriate, of a special agreement with the EU in safeguarding the interests of the KR as an entity of the Russian Federation.”

More generally, at the EU-Russia Summit in October 1999, Kaliningrad was viewed by Russia as a “pilot region” within the framework of Euro-Russian cooperation in the 21st century, although the idea has not been elaborated in any detail.

3.2.2. Changes resulting from the EU *acquis* implementation in the area of transit

The adoption of EU *acquis* in the area of transit implies that Lithuania joins the Community’s (Community Customs Code) / common transit (Convention on a common transit procedure) system, and fulfils the requirements of the common commercial policy and Community *acquis* regarding to transport sector.

In the meantime the EU is conducting a thorough, balanced and realistic reform of the transit system¹⁶. An Action plan for transit in Europe and a new customs policy is being developed¹⁷. The reform of the customs transit systems should ensure their continuation as an instrument to facilitate cross-border goods traffic, as well as a sufficiently secure system of suspending duties in order to continue the prevention of and the fight against fraud. The reform has to proceed, taking due consideration of the views of business interests by means of legislative and uniform operational measures, together with rapid computerization (New Computerized Transit System - NCTS), and the necessary legislative steps and uniform operational measures making for the harmonized application of the relevant provisions by economic operators and customs administrations. These measures will be taken in order of urgency.

The reform of the transit system, however, does not question the other regime under which goods may traverse Community customs territory. A transit operation Community may in fact be effected under the TIR Convention, the ATA Convention, SMGS (rail), etc. The Commission intends, however, to play an active role in current efforts to revise the TIR convention with a view to improving the security of TIR transit operations.

In any case all forms of external transit allow the movement via Community’s territory of non-Community goods on which duties, other charges or commercial policy measures have been suspended. Concerning the simplification of customs procedures it should be noted that the Community has entered a general reservation with regard to Annex E.1 to the Kyoto Convention which sets out the minimal conditions which the transit regimes of its contracting parties have to meet.

The adoption of the Community *acquis* in the sphere of transport involves measures to improve transport safety (the Community *acquis* on maximum authorized limits of weight and

¹⁶ Council Resolution of 21 June 1999 on the reform of the customs transit systems in Official Journal C 193, 09/07/1999. - P. 0001 - 0002.

¹⁷ Resolution of the EC-EFTA Joint Committee on Common Transit of 2 December 1999 on the reform of the common transit system (2000 /C 42 /04); Commission communication to the European Parliament and the Council entitled "Action plan for transit in Europe: A new customs policy" in Official Journal C 176, 10.6.1997; The European Commission and the EC/EFTA Joint Committee adopt the legal bases for the New Computerized Transit System (NCTS). - Brussels, 15 February 1999. IP/99/108; European Commission. Interim report on transit. Annex I (General description of transit regimes in the Community) and Annex II (Analysis of Community legislation on customs transit). - 10/3/00.

dimensions for road vehicles in international traffic, a high technical standard of vehicles complying at least with Euro I standards), TINA requirements, requirements for drivers, approximation of the environmental standards in the sphere of transport, etc. On the other hand, the adoption of Community *acquis* in the sphere of transport implies further promotion of the trans-European networks (TENs) system which intends to help create a cost-effective transport system, planned on a European basis, with special attention to the development of the high-speed rail network.

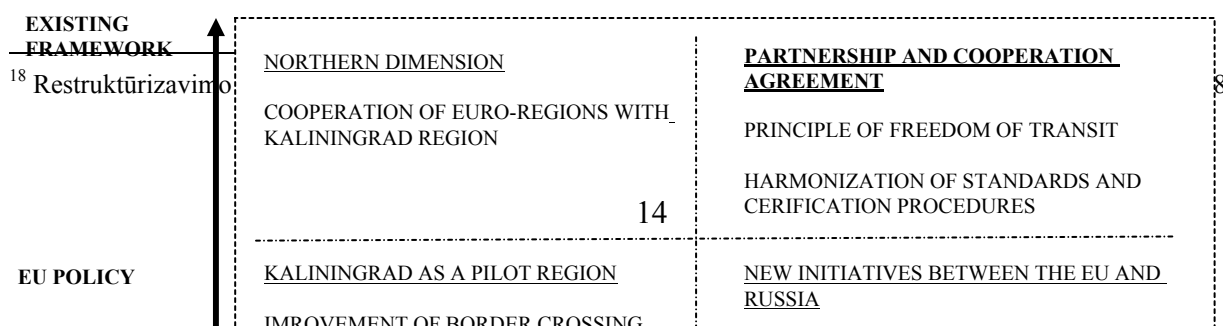
3.2.3. How significant are the changes?

As mentioned above, there are two main problems for the transit of Russia's goods via Lithuania to/from KR: the border crossing permeability (road/rail) and the rates of the transit tariffs (rail). The adoption of EU *acquis* in the sphere of transit will have no impact on the bilateral agreements between Lithuanian and Russian Federation on the Russians transit of goods to/from KR.

The formalities of the customs procedures will remain practically the same. The Lithuanian customs code, drafted with assistance from PHARE and which came into effect on 1 January, 1998, corresponds in fact with the Community Custom Code. The introduction of a new transit system and the plans that the new convention, would initially cover transit and customs declarations using the single administrative document. This could later be extended to all provisions in other **bilateral** and multilateral conventions on simplifying and facilitating trade and the NCTS as a core of reform. In this view, it is possible to conclude that the procedures of border crossing will be less complicated and permeability will increase. It is notable that to some extent this is confirmed by the experience of the Finnish - Russian border crossing: the experience is based on the management of the customs' formalities by electronic data interchange (EDI).

The development of laterals of the TEN's, especially the two spurs of IX transport corridor (Helsinki - Aleksandropol), the IXB (Klaipėda - Vilnius - Minsk - Kiev) and the IXD (Kaišiadorys - Kaunas - Kaliningrad), will provide (if in the end constructed) greater access between Kaliningrad and Klaipėda. Likewise, the logistics of the border crossing points will improve. However, although progress is being made on the development of these corridors, each participating state is responsible for finding the funding for stretches within its own territory. Arguably, Russia is in a weaker position than others in this regard. If Kaliningrad would be unable to upgrade its sections to the same standards as others, it could easily be effectively by-passed - albeit Gdansk would also suffer in such a situation. Thus, although the idea is to increase integration, the actual implementation may further increase Kaliningrad's already considerable isolation. If Kaliningrad (Russia) will be able to elevate its sections to the same standards as others, the logistics of the border crossing points will no doubt improve. It should be noted that new efforts in transit reform foresee the application of NCTS to TIR operations as well.

As to the passing of Russian transit goods to and from Kaliningrad via Lithuania by rail, the question of the rates of the transit tariffs will remain an object of bilateral agreements. It should be noted that the settling of the transit tariffs rates should become more flexible in Lithuania because of the restructuring and privatization of "Lithuanian Railways" in accordance with the EU *acquis* (EU directive No. 91/440)¹⁸. One may assume that such measures will promote conditions of competition among the operators that will result in a decrease in the transit tariffs rates.



3.3. What are the possible scenarios of maximizing the benefits of integration?

There are a few possible scenarios that could be developed in the area of transit. They are dependent on two main factors: 1) how much flexibility is granted to the KR and whether Russian central authorities will further support the idea of a “pilot region”; and 2) how innovative EU policies towards the KR are going to be.

1. **The existing PCA framework** foresees the commitment by both the EU and Russia to ease customs procedures for both freight and passenger traffic. However, there are no practical mechanisms for implementation.
2. **The “New Initiatives between the EU and Russia”** may be seen in a long-term perspective because its implementation depends on the success of the fundamental structural reforms in Russia.
3. **The “Northern Dimension”** scenario is the closest to the current situation. It implies using the existing frameworks of cooperation between the EU and the Russian Federation and focusing on regional cooperation projects, which are currently being developed.
4. **The “Northern Dimension”** scenario could be supplemented by the **“Kaliningrad as a pilot region”** scenario. Despite the fact that the idea of a “pilot region” is still vague, this option implies the provision of more flexibility to the region on the Russian part and innovative policy on the part of the EU. Such developments will open the possibilities for the consideration of the expansion of a new transit system into the KR if *oblast* will be able to meet the corresponding requirements. Given present circumstances, it is a more realistic way to avoid the new dividing lines and isolation of KR.

4. Trade regime

4.1. What are the issues?

One of the factors that will influence future conditions for business and economic growth in the Kaliningrad Region (and the Baltic sea region in general) is the process of Lithuania and Poland's eventual accession into the EU. Due to its geographical position, Kaliningrad would be surrounded by the EU customs union. The accession of Lithuania into the EU will imply the adoption of the EU Common Commercial Policy including the alignment of customs tariffs, commercial protection policies and other measures. This in turn will imply changes in rules regulating the KR's trade with neighboring countries and, consequently, changes in transaction costs. Due to geographical and proximity factors, Lithuania and Poland can be considered to be natural trading partners of the KR; trade regime changes related with EU accession deserve the attention of all interested parties.

As an enclave region of another country – the Russian Federation – and potentially surrounded by the EU, the KR may represent a unique case in the history of the EU and its enlargements. While there have been cases in the history of the EU when some foreign territories were given (usually temporarily) special status in terms of their trade relations with the EU, there is one major difference that differentiates these cases from the KR. When certain territories were granted special trading regime status by the EU they have, as a rule, been linked to acceding EU member states by historical or political ties and therefore aimed at preserving existing trade regimes. For example, this could be said about the overseas Commonwealth territories that were granted association with the EU after the accession of the Great Britain, the Faeroes island which was granted a free trade regime, or Greenland, which was granted association status with the EU due to their links with Denmark. However, in the case of future EU enlargement there seems to be no precedent which could form the basis for a special trade regime between the EU and the KR, particularly as it is not linked by such a trade regime to any acceding neighbor countries, and is itself part of Russia.

The trading status of the KR inside of an enlarged EU is an issue that is receiving increased attention particularly from Russia, the EU and Lithuania. The issue can be dealt with as a part of EU enlargement process or as a part of a strategy focusing on longer-term relations between Russia and the EU. Several factors are important in estimating the likely impact of EU enlargement on the KR and likely policies to deal with this issue.

First, the possible economic impact on trade has to be estimated to identify possible increases in barriers to trade and trade opportunities, their overall significance, and the balance between trade creation and trade diversion. This paper presents preliminary estimates based on trade flows between the KR and Lithuania as well as likely changes in barriers to trade as a result of EU membership.

A second and related question is that of appropriate policies. To extend the benefits of EU enlargement to the KR and Russia in general, the further development of cooperation policies might be necessary. Obviously, the parties involved here are the Russian federation and the EU. The main issues are (1) how much flexibility or specificity is likely to be given by the Russian authorities to the KR in terms of its different status from the general framework of Russia-EU relations - or how centralized the process of developing Russia-EU relations will be; and (2) how much innovation is likely on the part of the EU (and to some extent Russia) in dealing with the KR's trading status. The future trading status of the KR will depend on how these questions are dealt with. The issues are discussed below after a brief presentation of trade figures characterizing trade between Lithuania and KR. The chapter concludes with policy suggestions on extending the benefits of EU enlargement to Russia, and Kaliningrad in particular.

4.2. The current situation: trade and its regulation between Lithuania and Kaliningrad region

Lithuania's accession into the EU is likely to change the legal framework for trade between Lithuania and the Kaliningrad region. From the date of accession, Lithuania will adopt the EU's Common Commercial Policy, which entails among other things the alignment of import customs tariffs, commercial protection instruments and agreements with third countries. The resulting changes are likely to affect Lithuania's trade relations with Russia in general, and Kaliningrad the region in particular. It should be noted that exports from Lithuania are unlikely to be affected given that Russia (including the KR) applies the Most Favorite Nation (MFN) treatment to goods originating in Lithuania as well as to goods originating in the EU. Due to the KR's status of a Special economic zone, it applied special treatment to some of imported goods; nonetheless, no changes in import regulations are likely to arise from EU enlargement.

However, exports from the KR to Lithuania will be directly affected by Lithuania's accession into the EU, as the Lithuanian foreign trade regime will be replaced entirely by the one applied by the EU. The scope of this change will depend on two factors – the quantity of trade flows from the KR to Lithuania, and the differences between current trade regime applied by Lithuania and the one applied by the EU (for example, how different are the import duties applied by Lithuania and the EU to the goods originating from the KR, and whether an increase or decrease in import tariffs is to be expected).

Foreign trade plays important role for the small and open economies of both Lithuania and the KR. However, the relative weight of each other's foreign trade turnover is different. Lithuania is among the main trade partners of the KR while the KR plays only a minor role in Lithuania's foreign trade turnover. In 1997, Lithuania was the second largest market for exports from the KR with a share of 9.4 percent, although this figure declined slightly in recent years and in 1999 equaled 5 percent¹⁹. At the same time, the share of imports from the KR to Lithuania constituted only 0.78 percent of Lithuania's imports and later decreased by several times²⁰.

Table 1. Lithuania's trade with Russia and the Kaliningrad region (preliminary data)

	Exports to:						Imports from:					
	1997		1998		1999		1997		1998		1999	
	Mln. USD	perce nt	Mln. USD	perce nt	Mln. USD	perce nt	Mln. USD	perce nt	Mln. USD	perce nt	Mln. USD	perce nt
Russian Federation	969	21.4	680	15.3	330	9.15	1355	23.8	1782	26.8	1208	21.1
Kaliningrad region	191	4.21	168	3.76	65	1.79	45	0.78	19	0.28	10	0.17
Total	4534	100	4455	100	3611	100	5697	100	6648	100	5725	100

Source: Lithuanian Customs Department

Several tendencies can be observed from these trade figures. First, the trade volumes of Lithuania with both Russia and the KR have recently decreased. This tendency reflects the general trend after the economic crisis in Russia in August 1998, therefore any evaluations have to

¹⁹ Samson, I. (ed.) Kaliningrad region. The diagnosis of a crisis. TACIS Prometee II, Kaliningrad, 1998, p. 86.

²⁰ Data provided by the Lithuanian Customs Department, September 2000; Хлопецкий, А. П., Федоров, Г. М., Зверев, Ю. М., opt. cit. P. 60. It should be noted that there is a large possibility of error in these figures as institutions from Lithuanian and Kaliningrad region provide different numbers for the same periods. For example, according to the Kaliningrad region authorities, the volume of exports from Kaliningrad region to Lithuania in 1997 were 48,8 mln. USD, and imports equaled 196,1 mln. USD. Estimates of trade during the same period provided by Lithuanian authorities are respectively 44,7 mln. USD and 190,9 mln. USD.

take into account this factor. Still, even in 1997, i.e. before the crisis, the share of the KR in Lithuania's imports did not exceed 1 percent of total imports. Therefore, changes related with EU membership will affect very small share of Lithuania's imports. However, trade relations between Lithuania and the KR are characterized by significant asymmetries in trade shares. Lithuania's membership in the EU might affect a relatively higher share of the KR's exports to Lithuania, which in 1999 continued to be their second major export market after Poland.

Second, although relatively speaking, Russia is much more important for Lithuania as a source of imports (particularly imports of mineral products) than of exports, the opposite could be observed for Lithuania's trade with the KR. Exports from Lithuania to KR have continuously exceeded its imports from the region. Therefore, a large share of Lithuania's trade turnover with the KR will not be affected by EU membership.

Third, imports from the KR to Lithuania are much more diversified than Lithuania's imports from Russian Federation. The latter is dominated by mineral products, namely crude oil and natural gas (see Table 2), while imports from Kaliningrad are more diversified and include timber and its articles, paper, metals, wheat, food stuff, fish, etc. (see Table 3).

Table 2. Lithuania's main imports from Russia and conventional import tariff rates, January 1999 – November 1999

CN group, code and title	Million Litas	percent from total imports from Russia	Lithuania's conventional import duty, percent	EU conventional import duty, percent
Total	3507.643	100	-	-
V chapter, 251020 Natural calcium phosphates, natural aluminium calcium phosphates and phosphatic chalk: Ground	205.268	5.85	Free	Free
V chapter, 270900 Petroleum oils and oils obtained from bituminous minerals, crude	1718.193	48.98	Free	Free
V chapter, 271121 Natural gas	494.827	14.11	Free	0.7
VII chapter, 390110 Polyethylene having a specific gravity of less than 0.94	55.726	1.59	Free	8.9
IX chapter, 440710 Coniferous	54.755	1.56	Free	Free
XVI chapter, 840130 Fuel elements (cartridges), non- irradiated (Euratom)	176.775	5.04	Free	3.7

Sources: Lithuanian Department of Statistics, Ministry of Economy, Commission Regulation (EC) No. 2204/1999

Table 2 presents the main Combined Nomenclature groups of products, the imports of which exceed 1 percent share of Lithuania's imports from Russia. Altogether these groups constitute almost 80 percent of Lithuania's total imports from Russia. As the data illustrates, petroleum oils, crude oil and related products constitute almost half of Lithuania's imports from Russia, and for these products neither Lithuania nor the EU apply conventional import duties. For several groups of goods, however, the EU applies import duties. The most important of these is natural gas, although the MNF duty applied by the EU to imports of this product is relatively low.

Increases in import duties and some trade diversion are possible for some chemical products and imports for the Ignalina nuclear power plant.

Table 3 presents the main Combined Nomenclature groups of products, the imports of which exceed 1 percent share of Lithuania's imports from the KR. Two aspects illustrate much higher levels of product differentiation in comparison with Lithuania's imports from Russia. First, as it was noted, there are many more product groups exceeding the share of 1 percent of imports from the KR to Lithuania. Second, the total share of products imported from the KR to Lithuania exceeding 1 percent of imports is only 57.49 percent (as opposed to almost 80 percent in case of Russia), which also illustrates a very differentiated and widely spread structure of imports.

Table 3. Lithuania's main imports from the Kaliningrad region (KR) and conventional import tariff rates, 1999

CN group, code and title	Million Litass	percent from total imports from the KR	Lithuania's conventional import duty, percent	EU conventional import duty, percent
Total	39.847	100	-	-
I chapter, 030250 Cod, excluding livers and roes	1.218	3.06	Free	12
II chapter, 100200 Rye	1.579	3.96	50	93 euro/t
V chapter, 270119 Other coal	1.635	4.10	Free	Free
VI chapter, 310551 Other fertilizers containing nitrates and phosphates	0.423	1.06	Free	6.5
VIII chapter, 410121 Other hides and skins: whole	0.486	1.22	Free	Free
IX chapter, 440320 Coniferous wood	0.603	1.51	Free	Free
IX chapter, 440391 Other: of oak	0.601	1.51	Free	Free
IX chapter, 440710 Coniferous	1.362	3.42	Free	Free
IX chapter, 440791 Other: of oak	0.432	1.08	Free	Free
X chapter, 470421 Chemical wood pulp: coniferous	3.008	7.55	Free	Free
X chapter, 480100 Newsprint	0.531	1.33	Free	1.5
X chapter, 481830 Tablecloths and serviettes	1.058	2.66	Free	4.8
XV chapter, 721012 Flat-rolled products of iron of a thickness of less than 0.5 mm	1.118	2.81	Free	2
XVI chapter, 841430 Compressors used in refrigerating equipment of different power	0.832	2.09	0/10	0/2.2
XVI chapter, 843149 Other parts of machinery	0.460	1.16	Free	Free
XVI chapter, 847720 Extruders	2.201	5.52	Free	1.7

XVI chapter, 850211 Electric generating sets of different outputs	1.152	2.89	Free	0/2.7
XVI chapter, 854411 Winding wire	0.595	1.49	Free	3.7
XVII chapter, 870190 Other tractors	0.503	1.26	Free	0/7
XVII chapter, 880330 Other parts of aeroplanes and helicopters	3.112	7.81	Free	0/2.7

Sources: Lithuanian Customs Department, Ministry of Economy, Commission Regulation (EC) No. 2204/1999

The comparative data illustrates that the impact of EU membership on import customs duties is more diversified. Although imports in most natural resources and unprocessed products (including coal, wood or skins) are not taxed by the EU, the general level of protection on products imported from the KR is likely to increase. The highest increases are likely in cases of imported agricultural and food products. The impact of non-tariff barriers might also be most significant in the cases of some foods, fish, and some other product groups.

In summary, there is a possibility of a slight increase in protection in Lithuania's imports from the KR after joining the EU. However, due to relatively small volumes of trade this increase will not produce significantly negative effects and its impact will depend on concrete product groups with the unlikely imposition of high imports duties. It should be acknowledged that the impact will be relatively more important to the KR than to Lithuania due to formers higher share of trade with the latter.

4.3. Extending the benefits of EU enlargement to the Kaliningrad region: policy solutions

Although no significant negative impact on trade between the Kaliningrad region and Lithuania emerges from the static analysis, joint Russian-EU initiatives aimed at reducing barriers to mutual trade might bring dynamic economic benefits to all parties involved. The main questions that have to be dealt with in this respect are: (1) how much flexibility is granted to the KR, i.e. whether Russian central authorities will further support the idea of a "pilot region", with EU trade relations with the KR being different from their relations with the remaining Russian territory, and (2) how innovative EU policies towards the KR are going to be. To consider and compare possible outcomes, first the current attitudes of the Russian Federation and the EU towards the future status of the KR are presented.

4.3.1. Russia's policy towards the Kaliningrad region

The issue of the Kaliningrad region's status has been part of a generally cautious position by Russian authorities about the potential negative economic consequences of EU enlargement. Concerns about the negative impact of EU enlargement on economy of the KR were expressed in September 1999 and soon after Russia had detailed its position on the issue in the Medium-term Strategy for Development of Relations between the Russian Federation and the EU (2000-2010).

First, this strategy acknowledged that relations between Russia and the EU during the period under review will be based on a Partnership and Cooperation Agreement, without Russia's

accession to or association with the EU as an officially stated objective²¹. It also repeats the aim of the parties to create a Russia-EU free trade zone subject to adequate conditions.

Second, the Strategy devotes considerable attention to “securing Russian interests in an expanded EU”, and to the interests of KR in particular. In this respect, it aims “in contacts with the EU to pay special attention to securing protection, including under international law, of the interests of the KR as an entity of the Russian Federation and of the territorial integrity of Russia.” The Strategy devotes the entire section on transboundary cooperation to the issue of the KR.

Concerning the questions pertaining to trade regimes, the Strategy aims “to pursue a line to the conclusion, if appropriate, of a special agreement with the EU in safeguarding the interests of the KR as an entity of the Russian Federation in the process of the EU expansion as well as to its transformation into a Russia’s pilot region within the framework of the Euro-Russian cooperation in the 21st century.” Importantly, it also address the issue of legal approximation aiming “to pursue a line to its approximation and harmonization with the EU legislation” in the fields of standards and certification.

Thus, the position of Russia concerning the status of the KR has been somewhat unclear. While it has been promoting the idea of a rather vague concept of the “pilot region”, it has repeatedly stated that relations between Russia and the EU have to be developed in the framework of the Partnership and Cooperation Agreement which aims at establishing a free trade area between Russia and the EU. It has been suggested, that “Russia is increasingly prepared to single out Kaliningrad as a rather special case”²². At the same time, the recent tendency towards the centralization of power in Russia questions the future developments concerning the “special status” of the region inside the EU. The resulting position might include a combination of central decision-making structures with special economic arrangements for the KR.

4.3.2. The EU’s policy towards the Kaliningrad region

Differently from Russia, the EU has been treating the Kaliningrad region issue as a part of its external policy towards Russia. The Partnership and Cooperation Agreement (PCA) between the EU and the Russian Federation, which was signed in 1994 and came into force in December 1997, has set the aim of promoting trade and investment and harmonious economic relations between the parties²³. In the area of trade, this agreement - in addition to stabilizing the legal basis for mutual relations - has set the aim of creating the necessary conditions for the future establishment of a free trade area substantially covering all trade in goods between them. In addition to outlining cooperation in a number of areas, the Agreement states the aim to reduce the differences which exist in the fields of metrology, standardization and certification, and the harmonization and simplification of customs procedures, as well as to start negotiating mutual recognition agreements.

The PCA does not address the issue of the KR specifically. The logic of the agreement seems to suggest that the trade regime between the EU and the KR is seen as an outcome of the agreement between the EU and the Russian federation. The specificity of the region was not acknowledged and no intentions for specific policies foreseen.

²¹ Unofficial translation by the Russian MFA of the Medium-term Strategy for Development of Relations between the Russian Federation and the European Union (2000-2010), 26.10.1999, <http://presidency.finland.fi/frame.asp>.

²² Joenniemi, Pertti. Kaliningrad: a pilot region in the Russia/EU relations?, appearing in a book from the Finnish Institute of Foreign Affairs, edited by Ojanen, H., draft, p.15.

²³ The Agreement on partnership and co-operation establishing a partnership between the European Communities and their Member States, of one part, and the Russian Federation, of the other part, Official Journal L 327, 28/11.1997, p. 3-69.

The objectives of the PCA were restated by the EU in the Common Strategy of the European Union on Russia announced by the European Council in June 1999²⁴. The Strategy explicitly linked the establishment of the free trade zone between the EU and Russia with the latter's membership in the World Trade Organization. The adherence to the rule of law and democratic governance by Russian authorities also seem to be a necessary condition for the establishment of the free trade area between the parties.

The Strategy states that the EU attaches "particular importance to regional and local administrations, within their powers. Relations between central, regional and local authorities are an essential factor in the future of the Federation." Although the Strategy talks of "specific initiatives" including those in the areas of harmonizing legislation, the creation of the free trade zone and by examining "Russian concerns with respect to access to the EU market", it does not explicitly address the issue of the KR in this context. The section on regional and cross border cooperation declares the aim of working more effectively with Russia for regional cooperation and "by enhancing cross-border cooperation with neighboring Russian regions (including Kaliningrad), especially in view of the EU's enlargement and including in the framework of the Northern Dimension."

It seems that the EU has been cautious to see what position Russian central authorities will take on the "specificity" of the KR. The Northern Dimension, which addresses issues of cross-border cooperation does not deal directly with trade issues. Therefore, if the removal of obstacles to trade between the EU and the KR is not to be removed by the creation of the free trade agreement between the EU and Russian Federation, there is a need for an innovative initiative based on a new Action plan. However, during the recent Russia-EU Summit in May 2000, the parties reaffirmed their "readiness to discuss, *within the agreed format and framework of existing PCA bodies*, the impact of future EU enlargement on Russia's trade and economic interests and the special issues existing in the KR" [italics added]. The parties also state the joint aim to mobilize the potential that EU enlargement will offer for increasing trade between the enlarging European Union and Russia, and between Russia and candidate countries"²⁵. This wording on special issues related to the KR to be dealt with within the existing framework leaves several options for the potential settlement of the status of the KR (Picture 2). These scenarios are presented below.

Picture 2. Scenarios of maximizing the benefits of integration in the area of trade



other EU regions. Differently from projects in infrastructure, this scenario does not bring additional benefits in the field of trade, which is not included in the list of issues dealt with by the Northern Dimension initiative. However, this framework might be used to facilitate the exchanges between the border regions that might be relatively more affected by the introduction of the EU common customs tariffs.

- (2) **New initiatives between the EU and Russia.** Contrary to the Northern dimension scenario, this initiative implies the most innovation and new policy initiatives in terms of relations between the EU and Russia. However, although such initiatives as the Association Agreement or even closer forms of cooperation and integration seem feasible in the long term, it has been stated by the Russian authorities that Russia does not intend to become associated with or in any other way linked to the EU by at least 2010. Therefore, if a policy solution is to be found before 2010, i.e. at the time of enlargement, which is likely to take place earlier, other options have to be considered.
- (3) **Partnership and Cooperation Agreement.** This option implies using currently existing frameworks by the EU and approaching the issue of trade regime with the KR by liberalizing trade relations with the Russian Federation. As it was mentioned before, the possibility of the free trade area between the EU and Russia is foreseen in the PCA. However, it is closely linked to the accession of Russia into the WTO, even directly dependent on it, and on Russia's internal situation. In addition to the free trade area, issues related to non-tariff barriers need to be addressed in the framework of the PCA, and this is an equally challenging task for both parties.
- (4) **Kaliningrad as a pilot region.** This option implies innovative policy on the part of the EU and giving more content to still vague idea of the pilot region by the Russian central authorities. As it was argued, the KR surrounded by the EU customs union will be the first case in the EU's history, therefore new solutions might be needed to avoid negative trade effects in relation to the KR. From the Russian side, this implies giving more autonomy to the region and agreeing to the different trade regime between the EU and the KR, and the EU and the rest of Russia. Free trade agreements, the alignment of product quality standards and certification procedures or selected liberalization between the EU and the KR are the possible options. Implementing them would bring new challenges such as strict control over the origin of goods.

Judging on the basis of how realistic and how beneficial each scenario is to all parties, the last two scenarios seem to be priority scenarios. While the full implementation of the PCA would bring the biggest economic benefits, its implementation might still be obstructed by practical and political difficulties, which might be avoided if the idea of the pilot region is implemented.

5. Conclusions

The analysis illustrates the changes in the areas of visa, transit and trade relations between Lithuania and the KR resulting from Lithuania's accession into the EU. It has identified a number of policy changes such as: the introduction of visas for KR residents, or the increase in some duties levied on imports from the KR which would increase the level of restrictions for the movement of goods and people from the Kaliningrad *oblast* to neighboring countries and mainland Russia. However, it should be noted that these issues may be dealt with by the parties involved in such a manner as to turn them into dynamic benefits of EU enlargement for the whole Baltic Sea region. These issues and the recommended policy solutions are summarized below, followed by some general observations.

Visa regime. In the context of its Eastern enlargement, the EU is actively exporting its visa, asylum and immigration policies. There is a movement, with considerable determination, towards a common policies albeit such endeavors constitute a rather contentious topic. This is so as increasingly restrictive border policies are inevitably breaking existing socio-economic and political ties across borders between applicants and non-applicants. Various costs – political, economic and human - of exclusion are great, and this appears to be particularly true in the case of Kaliningrad. They seriously hamper the chances of Lithuania and Poland to maintain good relations with an immediate neighboring region and may cause – due to the pivotal role of cross-border contacts for Kaliningrad - destabilizing effects that are of importance also for the EU at large. Hence more coherent visa policies should be defined that are attuned to the needs of a comprehensive neighborhood policy and which allow the applicant countries to make use, in a positive manner, of their good knowledge and experience in dealing with Kaliningrad. The Union should take stock of their long experience of managing rather open borders with a somewhat problematic neighbor.

The EU should also itself seek for an active and differentiated engagement in the border-related issues between Lithuania and Kaliningrad. This is needed for a functioning system to emerge. Lithuania should be encouraged to pursue rather flexible policies - within limits – as to the timing of its implementation the Schengen *acquis* in full. Time-tables for tightening external borders and implementing functioning systems should be reciprocated with binding commitments to loosening the ones in relation to the EU member states. There should also be willingness to consider an easing of the extensive burden of costs of policing and administering the border according to the new requirements, taking into account the special nature of the Union's border in the case of Kaliningrad as the maintenance of existing links also pertains to intra-Russian relations. A more integrated approach, one that helps mitigating the negative consequences of the new policies installed, to the border management appears to be particularly significant in the case of Kaliningrad. This is so as the *oblast* has turned increasingly isolated and needs stability in order not to complicate the broader pattern of relations around the Baltic rim.

The implementation of increasingly strict and uniform visa policies as a form of border-tightening should be in balance with the implementation of various freedoms, including liberalization of traveling and trade. The policy goal of good relations between applicants and their neighbors in order to stabilize their relations should be on level with other concerns such as dealing with threats of cross-border crime and other similar dangers. These aspirations imply, among other things, that the policies pursued should be as transparent as possible and open for public debate. To provide such a debate with sufficient and accurate information, the extending of the EU border regimes eastwards should be studied further. It also appears that the problems of co-ordination and management that have been there should be basically sorted out within the Union itself instead of just pushing the burden – as has sometimes been the case – over to the applicants to handle, thereby complicating the relations between the applicants and their neighbors.

One response to the dilemma of how to maintain good regional relations and close ties with a neighboring area while imposing border policies, including those pertaining to visas, consists of advancing cross-border cooperation. The EU has aimed, since 1989, at encouraging of integration and improving intra-regional relations in order to achieve stability. This aim should be preserved and also taken into account in the context of accession. Lithuania's endeavors to this effect, i.e. reducing socio-economic disparities and knitting populations together so that tensions are undermined, should be supported further both politically and financially.

With the Union's undifferentiated approach to Kaliningrad, the inhabitants of the *oblast* will remain on the EU list of those required to have a visa to enter the EU. Yet it is conceivable that over time a special visa regime covering Kaliningrad has to be negotiated. As to the prevailing conditions, it is important that the flexibility of the Schengen system – visible for

example in the case of the treatment allotted to the special administrative regions of Hong Kong and Macao - is utilized in full. Kaliningrad might be similarly singled out – pending Russia’s approval – as a special visa system. In any case, the visas granted should be low cost if not free. If needed, they should be long-term and allow for a multiple entry. The options offered by a system of transit visas issued to Russian citizens traveling by land between Kaliningrad and mainland Russia should be studied. In order to facilitate the process of granting visas and avoiding the placement of Kaliningraders behind a double visa barrier with the emergence of unified EU visa policies, a EU facility with the power to issue visas should be established in Kaliningrad. The EU countries should coordinate their policies, and one could also think of solutions such as a consulate of one of the EU member states being empowered to issue visas on behalf of the lack of co-ordination within the Union should in any case not be exported to unduly hamper the external relations of regions such as Kaliningrad. Consular practices should be designed to ease the various difficulties that applicants for visas are encountering, and in general the visa policies should be innovative and technologically advanced to provide content to Kaliningrad as an eventual ‘pilot visa region’.

In a nut-shell, a following set of measures and solutions appears to be called for:

- A flexible implementation of the Schengen *acquis* taking into account the nature of Kaliningrad as a Russian exclave and an emerging enclave of the European Union;
- The visas granted should be low-cost and in some cases even free of charge. Long-term and multiple entry visas should be considered whenever possible. The concept of transit visas, not covered by the Schengen system, could offer some help in facilitating the traveling of Russian citizens between Kaliningrad and mainland Russia;
- In order not to place the Kaliningraders behind a double visa barrier and burden them unduly, a joint EU facility empowered to issue visas could be established in Kaliningrad. Another option consists of that in the longer run a consulate of one of the EU member states could be granted with the right of issuing visas on behalf of the other member states;
- On a rather practical note, facilities providing consular services could be located closer to borders, operate with longer opening hours and there should be the introduction of shorter procedures at the border;
- Over time a special visa regime covering Kaliningrad should be negotiated. In the sphere of visa practices, Kaliningrad should be granted a position resembling the one underway within the Union in the case of the special administrative regions of Hong Kong and Macao. As to the technical implementation of such a regime, a variety of solutions may be considered including the option of introducing. This arrangement would go beyond Schengen rules and would ensure visa-free regime, on the one hand, and strict correspondence of ID cards to the EU travel documents, on the other. It would also reduce the possibilities for the counterfeit documents.

Transit regime. In the area of transit, the adoption of the EU *acquis* implies Lithuania’s membership in the Community (Community Customs Code) / common transit (Convention on a common transit procedure) system, and adoption Community *acquis* regarding transport policy. It should be noted that the adoption of the EU *acquis* in the sphere of transit will have no effect on the bilateral agreements between Lithuania and the Russian Federation on the Russian transit of goods to/from the KR:

- The formalities of the customs procedures will remain practically as they are. The Lithuanian customs code is already in line with the Community Custom Code. It is planned to introduce a new transit system and the new convention that would initially cover transit and customs declarations using the single administrative document. It could later be extended to all provisions in other bilateral and multilateral conventions on simplifying and facilitating trade and the NCTS as a core of reform. Therefore it is

possible to conclude that the procedures of border crossing will be less complicated and permeability will increase.

- The development of laterals of the TEN's, especially two spurs of IX transport corridor, i.e. IXB and IXD will provide greater access between Kaliningrad and Klaipėda and will improve the logistics of the border crossing points. This will occur under the condition that the KR (and more broadly, the Russian Federation) is able to upgrade its sections to meet the same standards as others. This implies that initial investments are needed.
- In the case of rail transit from Russia to/from the KR via Lithuania, the question of the rates of the transit tariffs will remain in the sphere of bilateral agreements. It should be noted that the settling of the transit tariffs rates should become more flexible in Lithuania because of the restructuring and privatization of "Lithuanian Railways" in accordance with the EU *acquis*. The measures should create the conditions of increasing competitions among the operators, which should lead to a decrease of the transit tariffs rates.

The benefits of EU enlargement in the area of transit could be extended to the KR by choosing an appropriate transit regime. Several scenarios are possible depending on the degree of innovation on the part of the EU and the degree of flexibility granted to the KR by the Russian Federation. The most beneficial one in terms of permeability and simplicity of procedures are the developments of the "Northern Dimension" and "Kaliningrad - a pilot region" initiatives. Such developments will open the possibilities for the considerations of the expansion of a new transit system to KR if *oblast* is able to meet the corresponding requirements.

Trade regime. Adoption of the EU Common Commercial Policy implies: (1) the alignment of the conventional and autonomous import customs duties; (2) the adoption of EU commercial protection instruments (anti-dumping duties, etc.); (3) the alignment of a preferential trade regime (joining trade agreements signed between the EU and third countries); (4) the harmonization of other external trade policy measures (exports promotion, etc.). Adoption of the EU Common Commercial Policy will have a number of outcomes:

- It will mainly affect Lithuania's imports from the KR;
- The trade share affected will be relatively more significant for the KR than for Lithuania; in case of the latter the share of trade affected would be very small;
- The general effect can be characterized as a slight increase in the level of import duties on imports from the KR (and Russia in general);
- The precise impact of adopting EU customs duties will depend on concrete product groups with natural resources taxed less than food, agricultural and some processed products;
- Lithuania's imports from the KR are much more diversified than imports from Russia; therefore the impact of adopting EU import duties will be more diversified;
- Anti-dumping duties are more likely to affect Lithuania's trade with Russia than with the KR, although the general impact is likely to be insignificant;
- Non-tariff barriers such as products standards are likely to affect some of imports from the KR (food, agricultural products, mechanical and electrical equipment, etc.).
- Lithuania will become part of the EU initiatives and agreements such as the Partnership and Cooperation Agreement with Russia and the Northern Dimension Initiative.

The dynamic benefits of EU enlargement in the area of trade could be extended to the KR by choosing an appropriate trade regime. Several scenarios are possible depending on the degree of innovation on the part of the EU and the degree of autonomy granted to the KR by the

Russian Federation. These scenarios range from the status quo to the eventual association or some form of closer integration between the EU and Russia. The most beneficial one in terms of economic effects is the full implementation of the PCA; the implementation of the Pilot region idea only involving trade liberalization between the EU and the KR is more feasible in the short term but requires more innovation on the part of the EU and Russia.

In conclusion, the main challenge of the upcoming EU enlargement in the context of its relations with the Russian Federation in general, and the Kaliningrad *oblast* in particular, is to agree on an innovative solution pertaining to the status of the KR and acknowledging its specificity. Notably it implies, first of all, Russian authorities giving more substance to still vague concept of the pilot region and, second, the EU agreeing on a special regime in the above discussed areas of the movement of goods, services and people dealing adequately with the special situation of the *oblast*.

However, it should be clearly acknowledged that although the enlargement of the EU will inevitably affect its future members' and thus Union's relations with Russia, in Lithuania's case there is no linkage between these issues and Lithuania's negotiations with the EU and its eventual accession. The changes to Lithuania's visa, transit and trade relations with the Kaliningrad *oblast* result from the adoption of the EU's *acquis* because this is one of the conditions of the membership. Therefore, the main challenge for the EU is to find a balance between respect for the existing *acquis* and special amendments to some of the rules needed to avoid the isolation of the Kaliningrad *oblast* and extend the benefits of integration in Europe. In such a way the main EC/EU aims of "ensuring economic and social progress", and "preserving and strengthening peace and liberty" by "ending the division of the European continent" would be best achieved. As stated by Romano Prodi, President of the European Commission: „All of us – the European Union, the applicant countries, and our neighbors in the wider Europe – must work together towards a common destiny: a wider European area offering peace, stability and prosperity to all. A new European order.”²⁶

²⁶ Investiture speech to the European Parliament, 14 September 1999.

Genady Kretinin

The Russian-Lithuanian Relationship: The Regional Aspect

Already during a whole decade – since the beginning (in 1991) of the new stage in the Lithuanian statehood – Lithuania has been searching for its place in the international environment. In this relation, some Lithuanian politicians, in their assessment of the geopolitical situation, consider that Lithuania as a state is situated between Russia and the West.

Geographically Lithuania borders with Latvia, Belarus, Poland and Russia (in the sense of the Kaliningrad Oblast). From the geographical point of view, it would be unjustifiable to locate Lithuania only between Russia and the West, the more so, that the border of Lithuania with Russia lies in its south-west. However, political realities do not always conform to the requirements of natural sciences. In their essence, Lithuanian politicians are hardly the disciples of symbolism, this fashionable trend in the art of the 20th century, nevertheless, they are employing its underlying principles – “hidden reality” or “multiple allegorization.”

By this way, the acuteness of some of the Lithuanian foreign policy problems seems to become somehow diminished while others, on the contrary, get exaggerated. As an example, we may take the relationships between Lithuania and its immediate neighbors in the Baltic Sea Region and Russia, having in mind the Kaliningrad Oblast as a subject of the Russian Federation. As concerns this Baltic Sea itself, there seem to be no complicated problems, though it is certainly not an axiom, while in relation to Kaliningrad, such problems do exist and they warrant a corresponding attention.

The whole activity of Lithuanian foreign policy is being shaped on the three fundamental principles, proclaimed as far back as the beginning of the 90s, and declared as commensurate: integration into NATO, integration into the EU, and good relations with the neighboring countries. These priorities have remained immutable with the changes of the governments (they occur quite often – two or three times during the term of office of one Seimas). Different political forces come to govern the state but the strategic triad remains invariable. All this enables the authorities of the state to speak about the consensus in the Lithuanian foreign policy which enjoys the support of the inhabitants and the elite of the society.

Quite probably, a statement like that warrants some criticism, as in a democratic society, and Lithuanians seem to believe such a society to exist in their country, there must inevitably emerge political parties, and even their alliances, which would try to influence the public for the sake of revising and deviating from a number of foreign policy prospects proclaimed by the state government. It may be presumed that in Lithuania itself there is some resistance against the course of Lithuania to joining, for example, NATO, judging from, according to the mass media, the obvious concern in this respect on the part of the leader of the Conservative Party, a member of Seimas Vytautas Landsbergis.

This article, however, discusses how Lithuania, on the basis of the declared principles, builds its relations with Russia precisely in the Baltic Sea Region and, not without due foundation, expects reciprocity on the part of Russia.

As it is evident from the practice of the last decade, Lithuania has been developing its foreign policy in the Baltic Sea Region while in principle experiencing a good neighborly attitude from Russia. It is just enough to remember that Russia was the first to recognize the sovereignty of Lithuania, and Lithuania was the first state with which Russia established an agreement-based relationship. Good neighborly relations with Russia were beneficial for Lithuania in the sense that this as if somehow let it “play for time” for the sake of strengthening its international situation. It is necessary to say that Lithuania itself made a number of steps, which to a great extent assisted the spirit of good neighborliness. An example of such an action was the adoption of the “zero option” in establishing citizenship for the inhabitants of Lithuania.

Nevertheless, it is necessary to say that not everything is so placid in the relations between these two countries. Yes, Russia is disposed negatively towards the process of NATO expansion to the East, and in this aspect any profitable Russian–Lithuanian cooperation in the framework of one of the principles of the Lithuanian triad, namely – joining NATO – could never be expected. Nevertheless, Russia does not place it on the crest of the matter, as it is always possible to concentrate on the two remaining principles.

At the same time, according to the attitude of a number of Russian analysts, some actions of the Lithuanian politicians are to a great extent corporate, often liable to be influenced by personalities, and not always for the benefit of good neighborliness. An example is the law on the compensation of damages caused by the co-called “Soviet occupation of Lithuania,” which was passed by the Seimas on June 13, 2000, or the statement of one of the vice-speakers of the former Seimas that about a half of the personnel in the Russian embassy in Vilnius were engaged in espionage activities against Lithuania.

It is obvious that in such circumstances, the level of good neighborliness in the relations between Russia and Lithuania would be subject to certain fluctuations. Though, as it could be inferred from the statements both of Lithuanian and Russian politicians, neither of the parties would ever wish any stagnation of this level, not to mention its decrease. On June 12, 2000, President of Lithuania Valdas Adamkus, when congratulating his counterpart Vladimir Putin on the occasion of the Day of the Adoption of the Declaration on the State Sovereignty of Russia, expressed hope that “the Lithuanian– Russian relationship will further develop in the spirit of good neighborliness, mutual understanding, and cooperation of partners.”

The Russian side has also expressed a direct interest in the development of such relations. To a great extent the Kaliningrad Oblast is exactly this guinea pig on which the bilateral relations are built and their strength tested.

Naturally, this does not mean that the bilateral relationship depends exclusively on the attitude of Lithuania towards Kaliningrad. This would be a simplified approach. Kaliningrad represents only one of the numerous facets of the complicated inter-governmental relations which, naturally, could not be ignored. The district, on the contrary, presents a possibility of intensifying the development of good neighborliness. That is perfectly understood by both parties.

The problem of territorial isolation of the region from the “main” Russia was already identified in 1991 when an agreement between the governments of the Republic of Lithuania and the then RSFSR on economic, social and cultural cooperation in the

development of the Kaliningrad Oblast was signed. The importance of this Agreement is emphasized by the fact that in the general registry of the Russian-Lithuanian agreements, it is listed under number 2!

The objective necessity on the part of Russia to establish strong ties with its western region required from the two states to form a more comprehensive legal basis, and in the first half of the 90s, there was signed a considerable number of inter-governmental and inter-institutional agreements where, in one aspect or another, the issues of the interrelation between the Kaliningrad Oblast of the Russian Federation and the Republic of Lithuania were reflected. It is possible to mention in this connection the Agreement on Trade and Economic Relations which provided for the most-nation-nation treatment; the 1992-1993 inter-institutional agreements on transport; provisional inter-governmental agreement on interstate travel of the nationals of both states; and the 1995 agreement on the crossing points on the Russian–Lithuanian border. And finally, the 1999 inter-governmental Agreement for the Long-Term Cooperation between the Kaliningrad Oblast of the Russian Federation and Regions of Lithuania ought to be regarded as a fundamental document of today on the relations of the neighbors. One of the steps in the practical realizations of this Agreement was the meeting in Vilnius on June 13-14, 2000 of the Lithuanian–Russian Council on the Long-Term Cooperation between Regional and Local Authorities of the Republic of Lithuania and the Kaliningrad Oblast.

It is necessary to note that such agreements are in conformity with the two principles of the Lithuanian foreign policy triad. The course of Lithuania to join NATO is left on one side. It might seem that the NATO-related issue is an exclusively inter-governmental matter and in has only indirect relevance to the problems of the relationship between the Kaliningrad Oblast and regions of Lithuania. Unlike the EU accession or the principles of good neighborliness, which directly affect the sphere of activity of the inhabitants on both sides of the border. But this is only the impression one can get at the first sight.

The periodic references in the mass media, mostly on the initiative of Lithuanian politicians, to the “problem of the Kaliningrad Oblast,” its demilitarization, are associated by the people of Kaliningrad with the expected entry of Lithuania into NATO. The extreme expression of such associations is the dilemma about the future development of the district: whether to strive for economic prosperity or turn it into a Russian outpost in the West.

Most obviously, the solution here might be in the co-ordination of the positions of both parties, which might be defined in the following way: Lithuania has the right to choose membership in any international organization, including NATO; Russia considers that its interests in the Baltic region must be respected by good neighbors.

Far more advanced and possessing a definite content is the relationship of Lithuania and Russia in the Baltic region in relation to the EU. It may possibly be determined by particular economic traditions which took shape during the half of a century period when Lithuania and Russia both were parts of one state. This is especially evident in the relations of the regions and institutions of Lithuania with Kaliningrad.

Until 1992, the economic complex of the Oblast used to get from Lithuania up to 10.5 percent from the total volume of various products, materials and resources. In the beginning of the 90s, most of the economic ties were broken. Lithuania, as well as other

republics of the former Soviet Union, started taking exceptional interest in the West. However, the economic reality revealed a need for a diverse market. Most of the economic traditions were restored, already on a new foundation. And quite expeditiously too. According to some data, in the period of 1994-1996, the Lithuanian trade turnover with the Kaliningrad Oblast of the Russian Federation increased by more than four times. Kaliningrad started importing approximately a third of Lithuanian products from the total trade turnover.

It is necessary to note here that one of the essential factors which facilitated such intensive development of the commercial-economic ties, was the introduction of a visa-free regime for the travels of the citizens of both Lithuania and Kaliningrad.

Turning back to geography and taking a look at the map, it is possible to see that Lithuania directly borders with Russia only in the region of the Kaliningrad Oblast. Most probably, it is mainly due to this circumstance that the Russian-Lithuanian relations to a great extent have a Kaliningrad-related content. There are the quite well developed economic relations, regional political contacts and a shared desire of both states to employ the factor of Kaliningrad for the further intensification of cooperation. Former Vice-minister for Foreign Affairs of Lithuania Vygaudas Ušackas, who was coordinating on the Lithuanian side the issues of cooperation with Kaliningrad, already in 1998 observed: "Our partner number one in Russia is the Kaliningrad Oblast. The relations with it is a question of stability."

There is no doubt that Lithuania will endeavor to develop good neighborly relations with Russia. They are, actually, of vital importance for it. There is no coincidence that Lithuanian politicians, commenting on the present difficult economic situation in Lithuania, relate it with the consequences of the economic crisis in Russia in August 1998. At the same time, Lithuanians understand that by absolute indices they have never played any particular role for Russia and, most probably, never will, for quite objective reasons. In the political sense – yes, but not in the economic. That is why Lithuania prefers to "bite off" only as much as it is able to "chew" and, disregarding the quite frequently re-occurring unfavorable circumstances, is trying to follow the course of cooperation it has chosen.

In this respect, namely the commercial-economic relations are the most informative. Until the 1998 crisis, the bulk of Lithuanian exports went to Russia. In 1999 it decreased – by 70 percent to Russia and by more than a half to CIS. Though, according to the information presented by Lithuanian experts, trade relations with Kaliningrad have a tendency to grow: in 1998 its volume constituted 150 million USD, in 1999 – about 200 million, which in total is comparable to the scope of Kaliningrad's cooperation with Poland, though the capacities of Lithuania and Poland for such a cooperation are, naturally, different.

The Russian side is perfectly aware that there is a high degree of probability in the aim taken by Lithuania to join the EU being realized. But all this is still future, albeit not so distant. Such mutual understanding finds its expression in concrete forms of cooperation.

Thus Lithuania, in the process of establishing itself in the West European structures, is still trying to retain its markets in the East and, if possible, to expand them. Russia is co-operating. As an illustration, there is the construction in Kaliningrad of the Lithuanian meat-processing factory "Klaipėdos Maistas." There have not yet been any

precedents of implementing such a project with the construction of a factory involved. It is, first of all, the most substantial Lithuanian investment into the district's economy amounting to 5 million USD, and, secondly – it only took about 15 months to construct the factory with the productive capacity of 30 thousand cans of meat and 5 tons of sausages in one shift.

In general, the situation with the Lithuanian investments into the economy of the Kaliningrad Oblast is shaping quite agreeably. Thus in 1999, as compared to 1998, they increased by six times and constituted 4.7 million USD. In addition to the aforementioned “Klaipėdos Maistas,” there have been opened a branch of Šiauliai confectionery mill, workshops for the assembly of television sets and a number of other enterprises. Actively engaged there are Lithuanian construction workers and road builders.

Nevertheless, the greatest importance from the part of Lithuania is attached namely to political cooperation. In general, it is possible to compare its policy towards Kaliningrad with the policy of Poland towards Lithuania. Lithuania is trying (besides, quite convincingly!) to play in regard to the region a role of a “locomotive” which will pull Kaliningrad to the “station” named “EU.”

Such patronage may be based on two purposes. On the one hand, it enhances Lithuania's potential to become a regional leader in the south-eastern Baltic region, on the other, reinforces its chances to appear before the European Union as a state which, even though experiencing certain difficulties in politics and economy, is already “mature” enough to “play” as an equal member in the pan-European “orchestra.”

Quite illustrative in this sense is the more active involvement of Kaliningrad into the Northern Dimension Initiative. The author of this project was Finland and its initiative was mainly directed towards the north-east of Europe (for Russia – towards its north-west). The Kaliningrad prospects were hardly discernible in this Finnish Initiative.

Under these circumstances, Lithuanians made an attempt – and not without success either! – at playing an individual role in one of the European regions. For some time there was a search for an appropriate form to be given to this, the Lithuanian initiative. One thing was obvious: the implementation of this initiative would be directed towards Kaliningrad. That was predetermined by the whole logic of Lithuanian-Russian relations.

For example, as it has already been mentioned, since the very beginning of the new stage of Lithuanian statehood, Lithuania and Russia have had definite, agreed on commitments in regard to the Kaliningrad Oblast. In 1999 Lithuania increased the level of its consular presence in Kaliningrad by transforming its Consulate into the Consulate General; in the Lithuanian Ministry of Foreign Affairs there is an office of Ambassador for Special Missions who exclusively deals with Kaliningrad-related issues; in the period of the last two or three years, due to the efforts of Lithuania, there have been organized a number of scientific and specialized conferences, seminars and meetings on different levels to deal with the problems of Kaliningrad.

According to the opinion of the former Lithuanian Consul General in Kaliningrad Jonas Voronavičius, all this activity was in conformity with the strategy worked out in Lithuania – to lead Kaliningrad to a new stage of relationship with Lithuania, which in the near future will probably become a member of the EU.

Such commitments of Lithuania took their expression in the concrete and efficient activity of the President of the Committee of Senior Officials of the Council of the Baltic

Sea States Dalius Čekuolis during the Lithuanian presidency in that organization. Taking advantage of his right as the President to choose the venue, Mr. Čekuolis selected Kaliningrad for the meeting of his Committee. On February 17-18, 1999, such meeting took place, with the issue of the bilateral relations between Lithuania and the Kaliningrad Oblast high on the agenda.

Later Lithuania took a very serious attitude towards the proposals arising from the EU Common Strategy for Russia, which was adopted in the summit in Cologne in June 1999, and from the analogous Russian “Strategy,” the text of which was submitted by Vladimir Putin at the summit in Helsinki in October of the same year.

A special attention of Lithuanians, whose attitudes were expressed by the above-mentioned Vygaudas Ušackas, was drawn to one of the parts of the Russian text – Part 8. Trans-border cooperation. Point 8.2., was about “introducing a substantial content to the Northern Dimension Initiative in the development of cooperation,” while Point 8.3 emphasized that it was necessary “to work towards the conclusion, if necessary, of a special agreement with the European Union for ensuring the protection of the interests of the Kaliningrad Oblast, as a subject of the Russian Federation, in the process of the European Union enlargement, likewise towards a possibility of transforming it into a “pilot” Russian region in the cooperation between Russia and the European Union in the 21st century.”

Taking advantage of the fact that it takes a long time to implement any agreement with the EU, Lithuania showed initiative in the frameworks of both this Strategy and the Northern Initiative.

In February 2000, Vice-minister for Foreign Affairs of the Russian Federation Ivan Ivanov was working in Kaliningrad. On February 9, he left for Nida for a meeting with his Lithuanian counterpart Vygaudas Ušackas. During this meeting, there were co-ordinated joint proposals to the European Union in the sphere of trade, investments, transport and energy sector, environment protection, education, health care, combating crime, strengthening border control and cross-border cooperation. These proposals were given the name of the “Nida Initiative” and sent to the representatives of Russia and Lithuania in Brussels to be included into the Northern Dimension Action Plan under preparation.

Then there followed some supplementary actions on the part of Lithuania. Thus, for example, during his visit to Kaliningrad in March 2000, Vygaudas Ušackas presented information on the highlights and priorities, Nida Initiative included, not only to the local politicians but he also met with the public of Kaliningrad at the State University.

It is worth mentioning that the Vice-minister was quite cautious about his statements and did not insist on unconditional integration of Kaliningrad into European structures, though he had no doubts whatever in such prospect, and did his best to emphasize the specific role of Lithuania in this aspect: “People themselves will determine the specifics and scope of integration. We do not wish you to feel independent [from Russia].” For Lithuanians, he implied, as always it was important to co-operate namely with Russia.

Such active efforts of Lithuanians in regard to Kaliningrad resulted in the Russian – Lithuanian relations reaching a clearly more advanced level of development. Nevertheless, it is necessary to have in mind that the political component of good neighborliness simply tones down those problems which still persist in the Russian–

Lithuanian relations. It is possible to attribute here frequent cases of discrimination of the Russian-speaking population and the Russian language (Russians account for more than 8 percent of the inhabitants in Lithuania). According to some media reports, that is especially pronounced in the places where the Russian-speaking population is the densest (e.g. Vilnius, with up to 50 percent of the total Russian population in Lithuania and Klaipėda, where this percent amounts to 40).

In Vilnius there are Cultural Centers for Polish, Jewish and other peoples. However, the problem of opening a Russian Cultural Center is still awaiting its resolution. An illustrative example here might be the establishing in Kaliningrad in April 2000 of the Regional National-Cultural Autonomy for the Lithuanians in the Kaliningrad Oblast (total number of Lithuanians residing in the district amounts only to 2 percent of the total number of inhabitants).

Among other problems which obstruct the good neighborly relations, there could be mentioned the problem of transit to the Kaliningrad Oblast through the territory of Lithuania, consisting both of persons and cargoes, including military ones (at present it is regulated by the so-called provisional agreement); Lithuanian politicians often issue statements concerning a revision of the Potsdam Treaty of 1945, and question the legitimacy of Kaliningrad's belonging to Russia, in support of Chechen separatism. These and some other negative aspects in the Russian–Lithuanian relations cast a distinct shadow on the good neighborliness Lithuania is advocating. There is no doubt that this circumstance also affects the formation of its image as one of the leaders in the Baltic region.

Relations with Russia continue to be one of the cornerstones of the regional policy of Lithuania. At the same time, according to some experts, even the aspirations of Lithuania for NATO and the EU membership, supported by most of the countries in Europe, cannot prevent Russia from realizing its interests in the Baltic region. A considerable part of the Russian interests (political, economic and cultural) are expressed through the Kaliningrad Oblast, which borders with Lithuania. Consequently, Kaliningrad will further remain one of those principle points of intersection in the Russian–Lithuanian relations.

The government of Lithuania is fully aware of that and will strive to develop relations and contacts with Kaliningrad. Russia is likewise interested in such a policy. In the eventuality of a successful localization of separate negative moments which surface in Lithuanian politics, such as the exaggeration of the historic particularities of Kaliningrad, their elevation with the possibly resultant development of separatist tendencies in some parts of the region, likewise periodic activation of “Minor-Lithuanian” (from the term “Lithuania Minor”) sentiments, the development of Lithuania's relations and contacts with Kaliningrad might be employed for the strengthening of the Russian–Lithuanian relationship, disregarding even the unequivocal character of Lithuanian aspirations concerning NATO and the EU.

Vytautas Landsbergis

The Russian Riddle and Lithuanian Reality

When eleven years ago, in January 1990, Sajūdis called on the people of Vilnius to extend a respectful welcome to Mikhail Gorbachev, leader of the **neighboring country**, it was not only the guest and his environment who expressed unconcealed annoyance. The local Communist establishment, although more and more often speaking out in favor of independence of action, was unprepared for such terminological radicalism yet either. A different country, well, maybe, **although not exactly** – such, most probably, was the line of thinking and perception, because there also existed an opposition to Sajūdis (then and for a long time after) with monotonously often repeated words: “why do we need to sever the ties so rudely”, how is it possible “to cut them off completely”, how shall we live “in separation” and so on.

Ten years after, Russia is a different state indeed, even though it promised to “stay while leaving” and in certain respects has accomplished this idea successfully. Either it has partially stayed or it is returning via the economy and energy policy, i.e. “to continue to be present” (*prisutstvovat*) politically. The Lithuanian public, and thereby, the future of the country is currently confronted with another version of the old issue: is Russia **one** of the foreign states, or is it the main, **the most important** country? Political forces in Lithuania, connected to the past, naturally follow the arguments appearing in front of their eyes: Eastern markets (the source of welfare, despite the lesson of 1998), traditional contacts (“the Kremlin corridors”), the omnipotent geopolitics (we cannot escape it), maybe some profit, and the hopes of staying in local power (“*na mestach*”) longer and with a stronger sense of protection. To those who are less strongly connected and who have freed even their sub-consciousness of the syndrome of a Russian periphery and have no wish to be Russia’s governors (ruling representatives of its interests), Russia is one of the great powers of the world, among whose intersecting interests and desirable influences the new pro-independence activists will have to maneuver.

Such is **the Russian dilemma in front of Lithuania**, to which the pro-independent activists of the last decade may still respond by reminding of certain things: **what** Russia, **which** Russia are we talking about?

As before, the answer to this question lies in **the Lithuanian dilemma in front of Russia**. Are we, or are we not a **different** state for Russia altogether and forever, or is it just **temporary**?

The phrases which occasionally slip from the tongues of contemporary Russian politicians (abundant quotations can be provided) have not so far given much ground for optimism. We are a “lost territory” to them (the losses should be regained), and our freedom is no source of joy for our neighbor (Russia has suffered “humiliation” as a result and, strangely enough, such terms and such concept have infiltrated even Western politicians, therefore – no more “humiliation”!).

Such is the reality for Lithuania and the core of mutual relations.

Still, let us not forget the mass demonstrations in Moscow and Leningrad speaking out for the freedom of Lithuania (“hands off!”), Boris Yeltsin’s words addressed in January, 1991 to Mikhail Gorbachev (“bring this disgrace /bezobrazije/ to an end), and, finally, an opinion poll carried out only a couple of years ago to find out the attitude of all Russian citizens on Lithuania’s membership in NATO (over 70 percent said, “it is a matter for

Lithuania itself to decide”). Therefore, although lately the stench of chauvinism there has been getting stronger, it should not be forgotten that the ruling elite does not account for the entire country.

The Russian riddle – it is not just the possibility of aggressiveness of the “newcomers”, which is being demonstrated, and the potential threat of that country, the scourge of which, displayed alongside with a piece of cake, can secure various concessions from the West. (Why not from Lithuania, too?) The Russian intelligentsia maintain quite sufficient understanding and good will towards Lithuania; there is also the wish to change, simply to be Europeans.

Somebody is going to say right here – was it then worth for Lithuanians to provoke the Russian irritation by bringing up the issue of compensation for damage brought by the occupation? Russians themselves fell victims to their own executioners...

In that case, I will have to go back to the beginning of the article - we are a different state! “**Own**” executioners and an attack against **another** country – these are different things, and the responsibility is different, international in this latter case. When someone is trying to negate their responsibility on behalf of a foreign state, they at the same time insist that we have been and that we are **not** a different state. Would anyone in Lithuania today dare agree with this stance?

No, there is the victim and the responsible party or, at least, its successor. And in such a case, after we have agreed about the **victims**, a friendly and constructive talk is possible: brothers Russians, you are in need, thus, let us not discuss only the money and the issue of payment today. Go ahead and promise to compensate for the deposits of our people’s rouble savings until 1990, and the International Monetary Fund will not criticize us for paying out the compensations by ourselves (as much as we can in the time being), until an enriched Russia starts giving it back in time. We will boost our economy also with the help of foreign investment. Then we can see it double and triple (as in Poland and the Czech Republic in one year’s time), to get new jobs and salaries with this new capital, after you permit the West to accept us into NATO! (It could be an informal talk, because formally nobody recognizes the veto right for Russia.) Conclude a long-term crude oil sale contract with our refinery, and we will all benefit, and Lithuania can then wait for the billions of compensation. Ordinary people understand simple talk in a simple way; this also is the key to a diplomat’s mind, and from my experience I recall that it used to be fruitful.

At this point, we should take it into notice once again that the psychological “Russian riddle” should not be the source of our fear, as it can be solved with openness and constructiveness. Then one is able to stand firm, without surrendering and without getting angry. It indeed is very important to maintain the natural links among nations and professional groups, to keep old friendships, to provide correct information, and, instead of developing superficial, not to speak of some fear-ridden and ingratiating, relations, pursue good, normal and humane relations. “The people’s diplomacy” that used to be so fruitful 10-12 years ago, becomes relevant and indispensable today. It brings the high diplomacy closer to the ground, and we can see the future better.

Some day, hopefully soon, the squabble: who is "for" Russia and who is "against" it should be done with. We are **against** the bad past, thus being **for** freedom from it. We prefer future Lithuania and future Russia.

Vladimir Lukin

European Security: A Year after Istanbul and Future Prospects

On November 19, 2000 was the first anniversary from the day when the Heads of States and Governments of the OSCE participating countries gathered in Istanbul and put their signatures under the Charter for European Security. The purpose of this Charter was to draw experience from the lessons of the last decade of the 20th century and to forecast the main trends in the evolution of the prospective international relations in Europe.

Three stages

The Charter of Istanbul was preceded by two fundamental documents, both of which in one way or another reflected the changing European realities of their times.

A quarter of a century ago – in 1975, the Helsinki Final Act, which was the starting point for the pan-European process, was a response to the situation which had developed in result to the global nuclear balance achieved between the East and the West. While in the “Third World” military conflicts of limited and local character were still possible, in Europe, divided then by the “Iron Curtain” into hostile military blocks, any attempts at using power at a large scale threatened to commit the mankind to a collective suicide. Thus the decision of the European states, as well as the USA and Canada, to jointly formulate the rules for their conduct on the continent. The basic of them were the inviolability of frontiers, non-use of power, non-interference into internal affairs, economic, cultural and humanitarian cooperation, wide contacts between peoples. The common aim was obvious: to prevent Europe from turning once more into a detonator of a world catastrophe, where it, as it had already happened twice in the 20th century, found itself to be the principal field of battle as well as its main victim.

Of course, the final goals pursued by the 35 participants of the first Summit on Security and Cooperation in Europe were far from unanimous. The administration of the USSR was trying to reinforce its advantageous post-war territorial and political *status quo*, while the leaders of the Western states, on the contrary, were trying to secure the possibility of its revision. Thus the interest of the Soviet side essentially in the first “basket” of the Final Act – principles of international relations, especially the inviolability of frontiers, while that of the West – in the third, dealing with humanitarian problems and contacts between peoples. Nevertheless, both sides agreed that the whole complex of the problems, inherited by Europe from the Second World War, had to be resolved by exclusively political means.

This basic concord successfully withstood the test of the final outbreak of the Cold War at the end of the 70s and the beginning of the 80s which was provoked by a whole series of events both in Europe and beyond – the deployment both by the USSR and the USA of new middle-range missiles, by the military conflicts in Central America and Africa, events in Poland, the entry of the Soviet Army into Afghanistan, etc. To a considerable extent, the pan-European process was still able to continue even in the circumstances of severe confrontation between the East and the West, and the historical transformations, which radically changed the outlook of the world by the beginning of the 90s – the fall of the Berlin Wall, unification of Germany, collapse of the communist

regimes in the countries of Central and Eastern Europe – went through peacefully. The bloodstained tragedy, the breakdown of the former Yugoslavia, remained to be an exception. Even more, it was just in the Warsaw Pact member countries that political transformations went through comparatively fluently, while in Yugoslavia and Albania the situation turned to be different.

The Charter of Paris for a New Europe, signed by the participating countries of the pan-European process in 1990, relegated to the past a period of 40 years of confrontation on the continent, marked by permanent mutual distrust and the quest for security on the track of arms race. With the purpose of terminating this race, the Treaty on Conventional Armed Forces in Europe (CFE) was signed in Vienna.

Unlike the Helsinki Final Act, which was built on the principle of the coexistence of different, even more importantly – opposing social systems, the Charter of Paris was based on the priority of universal human values over ideological, social or national. It looked like finally Europe had found the way to create a single space “from the Atlantic to the Ural Mountains” or even up to Vladivostok, with all the states honoring the same for all fundamental principles – those of social market economy, democratic plurality, human rights, and where the relations between states were built upon equality, respect for lawful interests of each other, solidarity against the menacing challenges of the third millennium and, the most important – on equal for all security.

There was some progress actually achieved in this direction. With the abolition of the Council for Mutual Economic Assistance (CMEA), the Warsaw Pact Organization, and, finally, with the collapse of the USSR, there began the creation of new relationships between the countries of Central and Eastern Europe, and later between the states of the post-Soviet area and the Western Euro-Atlantic structures which had emerged in the era of the Cold War. The countries of Central and Eastern Europe embarked on integrating into NATO and the European Union, while Russia and other members of the Commonwealth of Independent States (CIS) – on entering into bilateral agreements with them. Thus Russia in 1994 signed in Corfu the Agreement on Partnership and Cooperation (APC) with the European Union and in 1997 in Madrid – the Fundamental Act on the Relationship between the Russian Federation and NATO. In 1996 Russia joined the Council of Europe – the oldest pan-European structure, committed to ensuring that its members complied with human rights and fundamental liberties.

In parallel, there went the construction of the institutional structure of the OSCE intended to facilitate the fulfillment of the goals set before this pan-European organization.

Nevertheless, by the end of the 90s it was increasingly becoming obvious that the operating efficiency of the OSCE was far from satisfactory. The documents adopted by it often turned to have been just good intentions, and the cumbersome bureaucratic machine was working futilely, frequently duplicating other organizations. In the sphere of economic cooperation, a decisive role was played by the European Union, in the human rights arena – by the Council of Europe. The function of the principal peacekeeping instrument, committed to preventing and resolving politico-military conflicts, was increasingly being assumed by NATO with its integrated structure under rigid control from the USA. The pan-European process started to halt, and it definitely needed some invigorating stimulus to enable it to face the challenges of the 21st century.

This necessity became especially evident with the expansion of NATO on behalf of the countries of Central and Eastern Europe, which gave rise to the most profound, since the end of the Cold War, crisis of trust between the East and the West of the continent. Russia, weakened by structural difficulties of the transitional period, regarded such expansion as a potential threat to its security. This crisis became even deeper during the Kosovo conflict, when NATO, lead by the USA, for the first time since 1945 used military force in Europe against a sovereign state – a member of the OSCE.

The Kosovo conflict gave birth to far-reaching consequences by stimulating a substantial evolution in the approaches of its participants to security, both of their own and that of the European continent as a whole.

Following NATO, Russia adjusted its military doctrine by abandoning its former commitment not to be first to use nuclear weapons in the event of direct threat to its vital interests, first of all, to its territorial integrity. Under its insistence, the 1990 Conventional Armed Forces in Europe Treaty was adapted to the qualitatively modified strategic situation, conditioned by the disintegration of the Warsaw Pact Organization and NATO expansion, especially in relation to flank rules (*Ed. note – by Article V, CFE Treaty*).

The development of the persistent tension in the Caucasus sub-region into the second Chechen war was to some extent an echo of Kosovo. Disregarding the attitude to the Milosevic regime, the prospects of finding oneself, like the Socialist Federal Republic of Yugoslavia, facing a disintegration of the state brought about by the pressure of inside separatist forces supported by outside military power, spoke louder than words. Mostly for this reason, contrary to the first, extremely unpopular Chechen war (1994-1996), this time the majority of the population supported the “antiterrorist operation” in Chechnya. The hypersensitive reaction of the West to the excessive, according to their view, use of force by the Russian military not only against separatist bandits but also against civilians, negatively affected the image of the state on the outside, nevertheless, was met with little response in Russia. The greatest part of the Russian public saw in that not so much the concern of the West over human rights, but rather further attempts at geopolitical isolation of Russia and cynical interests in the oil recourses in the Caucasus.

In its turn, the United States, which had tested and illustratively demonstrated in the Balkans the effectiveness of its satellites-linked-to-computers military equipment, embarked on increasing its military expenditure which had been significantly reduced after the end of the Cold War. From 2000, in the course of three years, it is expected to increase by 112 billion dollars, which constitutes 60 percent of the current annual military spendings of the European members of NATO taken together. The US Congress approved a program for creating a national anti-missile defense system which undermines the 1972 Soviet-American Treaty on Anti-Missile Defense – the foundation for global strategic stability and the cornerstone in the process of strategic arms limitation.

Finally, the countries of the Western Europe – members of the EU, concerned about their lagging behind the transatlantic ally in terms of high-tech warfare, which will onwards determine the outcome of local conflicts – the principal military treat of the 21st century – have accelerated the forging of the Common Foreign Policy and Security Policy committed to becoming the basis for the European “defense identity.”

All these facts could not fail to affect the prospects of continuing the pan-European process. By the end of the 90s, it became obvious that the “new world order from Vancouver to Vladivostok”, which was referred to by then the US Secretary of State

James Baker in 1989 in Berlin in paraphrasing the famous formula by de Gaulle, failed to come true. And again, as it had already happened in the course of preparing the Helsinki Final Act and the Charter of Paris, Europe was confronted with an alternative: either to move forward to common guarantees of a more reliable security and effective cooperation on the continent, or to retreat back to the dividing lines and confrontation which was characteristic of the Cold War. The answer to this question had to be presented by the Charter for European Security adopted by the OSCE summit in Istanbul.

Difficult compromise

The author of the present article was a witness of the difficult, sometimes even strained atmosphere of the Istanbul summit. In the foreground there was the heated polemics around Kosovo and Chechnya. Sensitive issues also included the peacekeeping missions of Russia in the post-Soviet area – in the Caucasus, Middle Asia, the Transdnier area. Thus, there is no surprise that under these circumstances the final document of the Istanbul summit contains a number of ambiguous, sometimes contradicting formulations which may be arbitrarily interpreted by the parties.

For example, the reaffirmed inherent right of each and every participating State to be free to choose or change its security arrangements, including treaties of alliances, is interpreted by the West as the renunciation on the part of Russia of its principled objection to the expansion of NATO further east. Russia, however, is able with equal conviction to refer to the phrase that the participants will not strengthen their security at the expense of the security of other States, which, from the point of view of Russia, might exactly be the implication of the expansion process of the Alliance, especially into the post-Soviet area.

Equally ambivalent seems the provision which establishes that within the OSCE, no State, group of States or organization can have any pre-eminent responsibility for maintaining peace and stability in the OSCE area or can consider any part of the OSCE area as its sphere of influence. The West finds in this provision an indirect denunciation of the thesis about exclusive interests of Russia in the area of the former USSR and, consequently, its particular responsibility for maintaining peace and security there. Russia, in its turn, finds it curbing the “NATO-centric” tendencies, the attempts to turn the North Atlantic Alliance into the principal instrument for carrying out peacekeeping operations in Europe which, furthermore, would, in conformity with the new strategic concept of the Alliance, reserve itself the right to take unilateral decisions related to them. The reaffirmation made by participants of the Charter of the primary responsibility of the United Nations Security Council for the maintenance of international peace and security and its crucial role in contributing to security and stability in the region, of the rights and obligations of the OSCE members under the UN Charter, including their commitment on the issue of non-use of force or the threat of force, peaceful resolution of disputes, also supports this attitude of Russia. The problem of the peacekeeping role of the OSCE *per se* gave rise in this context to lengthy arguments: Russia was doing its utmost to expand it by adding a truly pan-European character, while the NATO countries were trying to maximally narrow it by concentrating essentially on the conflicts in the post-communist states of the former USSR and the Balkans.

Finally, there was confirmed the right of the OSCE, on a case-by-case basis and by consensus to decide to play a role in peacekeeping in Europe. The OSCE will be given the leading role exclusively in those cases when the participating States judge it to be the most effective organization, capable of performing peacekeeping actions with the support of separate States or their organizations. It might be possible to present here many more examples of this kind of ambiguous provisions intended to find a common denominator between different, sometimes opposing attitudes of dozens of Heads of States and Governments.

However in total, the texts signed in Istanbul are undoubtedly a significant step forward. Their main advantage is the consensus on the part of the participants in relation to the character of threats and challenges which confront Europe on the threshold of the 21st century. They include, above all, violations of democracy, of human rights and fundamental liberties, including the freedom of thought, conscience, religion or belief, manifestations of intolerance, aggressive nationalism, racism, chauvinism, xenophobia and antisemitism. These sometimes are expressed in such extreme forms as torture, ethnic cleansing, discrimination of national minorities and women, international terrorism and extremism with the application of violence. Among the principal common threats there are rightfully mentioned widespread corruption, organized crime and drug trafficking.

It was acknowledged that serious consequences to the European security could be also caused by economic problems, environmental degradation and a widening gap between the levels of development and welfare in various parts of the continent.

The most important accomplishment is that the Charter of Istanbul, following the Charter of Paris, is based on the concept of indivisible security in Europe: it acknowledges that the security of every single participating country is inseparable from the security of others, while all its dimensions – human, economic, politico-military – ought to be regarded as a whole. The commitments adhered to by the participating States in the framework of the Charter are no longer considered to be exceptionally an internal matter of any individual country – all of them are accountable to their citizens and responsible to each other for their implementation of those commitments.

In order to prevent those commitments from becoming, as it had already repeatedly happened in the past, merely good intentions, the participants of the Istanbul summit gave added attention to providing the use of instruments. Alongside with ordinary missions of assistance in organizing and monitoring of elections to ensure their democratic character, in helping to create conditions for negotiations that could facilitate the peaceful settlement of conflicts and the execution of peacekeeping missions, the Charter of Istanbul provides for qualitatively new forms of OSCE operational activity.

The 25-year-long experience of the activity of the amorphous, often ineffective institutions of the OSCE convinced the participants of the Istanbul summit that it was not expedient to further increase their number or scope. Instead of proliferating new costly bureaucratic structures, the low efficiency of which had for a long time been receiving much substantiated criticism, the emphasis was now given to a flexible framework for coordinating the activity of other regional organizations. Precisely that was the purpose of the Platform for Co-operative Security adopted alongside with the Charter. Its goal is “to strengthen the mutually reinforcing nature of the relationship between those organizations and institutions concerned with the promotion of comprehensive security within the OSCE area.”

In principle, this aim had already been set in the Common Concept for the Development of Cooperation between Mutually Reinforcing European Institutions, approved at the 1997 Ministerial Council of the OSCE meeting in Copenhagen, though never implemented. Duplication of tasks, shifting of responsibilities, struggle for leadership, resulted in various European organizations more often conflicting than assisting each other.

After long discussions, which preceded the Istanbul summit, experts agreed that it would be counterproductive to create in advance a hierarchy of organizations or a permanent division of labor among them. Instead, a pragmatic formulation about general efforts at developing and maintaining political and operational coherence among all the various bodies dealing with security was included into the Platform. The issue of the OSCE amidst these organizations was resolved by a compromise: “Recognizing the key integrating role that the OSCE can play, we offer the OSCE, when appropriate, as a flexible coordinating framework to foster cooperation, through which various organizations can reinforce each other drawing on their particular strengths.”

The documents adopted in Istanbul emphasize the importance of sub-regional cooperation as an element of enhancing security in the region as a whole. The Pact on the stability for south-eastern Europe, adopted under the auspices of OSCE in the aftermath of the crisis in Kosovo, may serve as concrete example of this kind of cooperation.

Russia is entitled to become, with the resolution of its particular difficulties and problems, not so much an object but a subject in jointly regulating all these most complicated sub-regional – pan-European problems.

What’s next?

The developments in Europe and in the rest of the world after the Istanbul agreements reaffirmed the reasonableness of the re-assessment of the pan-European process priorities made in the course of the OSCE summit. An increasingly important role there is being played by the interaction between various international organizations, facilitating a complex approach to the problems of European security and cooperation.

A notable stimulus there was also the parliamentary and presidential elections in Russia. The continuity of the main directions in the foreign policy course of the country, which have been formed during the last years, is, in particular, reflected in the revised Conception of the Foreign Policy of the Russian Federation, the novelty of which is expressed in greater pragmatism, economic sense, the priority of national goals.

The most important part in the Conception is devoted to Europe: “Relations with the European countries are traditionally top priority directions in the foreign policy of Russia. The principal aim of the Russian foreign policy in relation to Europe is to create a stable and democratic system of pan-European security and cooperation.” In this aspect, emphasis is given to the interest in a further balanced development of the multifunctional character of the OSCE and the utmost employment of the regulative potential accumulated in the course of its quarter of a century of existence. Russia is determined to vigorously oppose any narrowing of the OSCE functions, in particular the attempts at focusing its activity exclusively on the post-Soviet area and the Balkans.

The realization of this kind of attitude has proved to be far from simple. The atmosphere during the current session of the OSCE Parliamentary Assembly in Bucharest

(June 2000) was quite strained, in particular, when the discussion focused upon the Chechen war or the Russian peacekeeping missions in the post-Soviet area. The same issues likewise impaired the relations of Russia with the Parliamentary Assembly of the Council of Europe in Strasbourg, where the Russian delegation failed to deal with the situation effectively and was denied the right to vote.

Nevertheless, the basic underlying principle of comprehensive approach in the Charter for European Security, implying a flexible employment of the potentials of various international organizations, as well as effective bilateral contacts of the new Russian President with the leaders of both the major CIS countries and the countries of Eastern, Central and Western Europe (Ukraine, Belarus, Moldova, Poland, Italy, Spain, Germany, Great Britain) enabled them to avoid the “freezing” of Russia’s European activity. In particular, the dialogue Russia – NATO, which had been frozen as a result of the Kosovo crisis, was again re-opened.

Still, the new Russian administration rightfully regards the European Union but not NATO as its main interlocutor. The relations with the former are defined by the Conception of the Foreign Policy of the Russian Federation as having the key importance for both parties: “The Russian Federation views the EU as one of its most important political and economic partners and will seek to develop with it a profound, stable and long-lasting cooperation, devoid of any vacillations depending on the political situation.”

The exceptional attention Moscow is paying to the European Union is determined not only by the fact that it has long become the principal direction in the development of Russia’s external economic relations (the EU states account for approximately 37 percent of the overall Russian foreign trade). By the end of the first decade of the 21st century, the process of European integration, which at present involves 25 countries, is expected to include most of the states of the continent – the list of potential candidates to join it consists of 13 countries. This will undoubtedly have a crucial impact on Russian interests.

The process of integration is paralleled, albeit unevenly, by its intensification – the transition to a single currency, institutional reform, extending the supra-national responsibilities of the Union institutions, gradual, albeit difficult, formation of the common foreign policy and security policy, “defense identity.” As a result, the European Union acquires all three international dimensions – human, economic and politico-military (The Council of Europe confines itself only with the first, while the North-Atlantic Alliance – with the last). Naturally, all this significantly enhances the role of the EU in the international arena. In these circumstances there arises the obvious question about delimiting the areas of competence of the EU and OSCE. The Charter of Istanbul answers this question by suggesting to employ in the relations with other organizations, different by their constitution and assignment in Europe, the “principle of subsidiarity”: all organizations and institutions are expected to work within their sphere of competence, avoiding duplication and creating a flexible framework for cooperation of the various mutually reinforcing efforts.

Precisely such principles determines the relationship between Russia and the EU. Alongside with the Agreement for Partnership and Cooperation of June 24, 1994, which, it is necessary to acknowledge, has not yet acquired its full effect, the dynamics of the relationship is defined by two new important instruments – “Collective Strategy of the European Union in Relation to Russia”, approved in the EU summit in Cologne on June 4, 1999, and the “Strategy for the Development of the Relations of the Russian

Federation with the European Union for a Medium-Term Prospect (2000-2010).” The first was officially presented to the Russian side at the “triple” meeting Russia –EU consisting of its current, former and future presidents, the second was presented at the summit Russian Federation – EU in Helsinki on October 22 of the same year by Vladimir Putin, who at that time was the Head of the Government of the Russian Federation.

In comparing these two documents, it is easy to notice the coincidence or closeness of their principal provisions, which considerably facilitated the preparation of the Charter of Istanbul for European Security. It is first of all applicable to the definition given by the participating States of the principal task which confronts them on the threshold of the 21st century. In the Collective Strategy of the EU it is defined as “maintaining European stability, assisting global security and the quest for responses to the common challenges on the continent through enhancing the cooperation with Russia.” In its turn, the Russian “Strategy of Development” focuses on the “formation and strengthening of the partnership between Russia and the European Union on pan-European and global issues as well as prevention and resolution of local conflicts in Europe by means of joint efforts and relying upon the international law and non-use of power.”

The achievement of this goal must be assisted by the consolidation of democracy, rule of law and the state institutions of Russia, by its integration into the common economic and social area, and the cooperation for enhancing stability and security in Europe and beyond. This will necessarily involve a wide range of problems – creation of a pan-European economic and legal infrastructure to form the basis for increasing the scope of trade and investments, environmental protection, likewise combating organized crime, money laundering, tax evading, illegal capital export, violation of customs regulations, money counterfeiting, trafficking in human beings and drugs, and illegal immigration.

A basically new direction in the cooperation between the EU and the Russian Federation is the project of joint initiatives in foreign policy, the co-ordination of positions in international organizations, the prospects for Russian participation in the Petersberg (peacekeeping) WEU missions of conflict prevention and crisis management, including the framework of the OSCE and UN. The Russian side is prepared to go further forward in this area by proposing the EU a military-technological cooperation, taking in regard the prospect of creating the European “defense identity”, to conclude agreements for activity in the area of law enforcement.

The implementation of these strategic initiatives will certainly require considerable time and effort on the part of both parties. A proclamation of the very best intentions does not necessarily preclude disagreements and even crises. In particular, at the end of 1999, the relations between Russia and the EU, as well as with other international organizations – OSCE, NATO, the Council of Europe were notably clouded by the second Chechen war. In the course of the session of the Council of Ministers and the summit of the European Union in Helsinki, there were adopted resolutions which acknowledged the right of Russia to self-defense, combat against terrorism and to the preservation of territorial integrity, but sharply denounced the violation of human rights which occurred in the process of the conflict. Some of the programs in the framework of the cooperation between the EU and the Russian Federation, in particular TASIC, were temporarily frozen. (At present they have been re-opened).

Nevertheless, these disparities failed to become insurmountable stumbling blocks for the continuation of the dialogue. On May 29, 2000, a current summit meeting of the European Union and Russia – the first after the new President of Russia officially took his office – was convened in Moscow.

The final Joint Statement presented a favorable assessment of the intensification of cooperation between the Russian Federation and the EU on the issues of non-proliferation and disarmament, on the projects for assistance in the destruction of chemical weapons, likewise on the transportation, storage and utilization of plutonium. The expediency of exploiting the ample possibilities presented by the Stability Pact for South-Eastern Europe in developing comprehensive regional cooperation, the strengthening of stability and statehood of the countries of Transcaucasia – Armenia, Azerbaijan and Georgia was also emphasized.

A particular role is assigned there to the problem of institutional balance in the relations of the European Union both with Russia and the USA, which is an OBSC member and a full and equal participant of the pan-European process.

It is illustrative that almost immediately after the trip of the EU leaders' delegation to Moscow, the fourteenth EU–USA summit with the participation of President B. Clinton convened in Lisbon on May 31, 2000. In the center of the negotiations there were the problems of the new economics, European security, relations with Russia, stabilization in the Balkans, transformation of the UN, and the situations in Africa and the Middle East. The coincidence of the greatest part of this agenda with the talks during the EU-RF meeting is obvious. Like the Russian delegation, the representatives of the American administration emphasized that the European Union was a “vitally important strategic partner of the USA.” In relation to Russia, the Final Statement emphasizes that both parties would like it to show “more solidarity and compatibility of action with unified Europe.”

In the same vein is also expressed the attitude of Russia towards the place of the USA in the system of pan-European security. Moscow considers that it ought to be ensured by “the efforts of Europeans themselves without isolating the USA or NATO but likewise without their monopoly on the continent.” In suggesting to expand and enhance the structures of the permanent dialogue between the RF and EU by means of annual meetings in the framework which would include the Head of the Government of the Russian Federation, the President of the European Union Commission, the Chairmen of the Houses of the Federal Meeting of the RF, and the President of the European Parliament, Moscow is supporting Finland's proposal to convene a trilateral summit of Russia, the European Union and the USA. Its essence is to ensure the continuation of the dialogue between each of the two corners of this triangle, the RF and EU, the EU and the USA, the USA and the RF, thus proceeding, not at the expense of a third party, but with mutually reinforcing effect.

A similar architecture of European security, where bilateral cooperation and interrelations between various international organizations (UN, OSCE, EU, WEU, NATO, CE, CIS, etc.) are in concord and compliment each other, could not only maintain stability on the continent but likewise serve as an example for other regions of the heterogeneous world of the 21st century.

For the implementation of this truly historical, and important for global civilization, regional project in the sphere of security and cooperation, it is necessary to realize in the concrete political practice three crucially important conditions.

First, the European Union has to present more clearly defined fundamental parameters of what is meant under the prospect of “European identity” in the sphere of foreign policy and security. It is necessary, in particular, to overcome the Cold War complex of perceiving the USA in the capacity of an “inside factor” for Europe, with Russia as an “outside factor.” This complex presents a dead-end not only for Russia but even more for the prospects of the “European identity” itself.

Second, the USA must overcome its quite deeply ingrained complex of the “eternal unipolarity” of the world lead by Washington, the rejection of genuinely collective efforts for the enhancement of security, which starts with collective decisions on the most crucial issues. The framework: “USA decides, everyone complies”, has already caused serious problems not only in its relations with Russia but with Europe as well. Russia is far from interested in their further deterioration. On the contrary, Russia is interested in practical expressions of collective efforts and is demonstrating that both in the Balkans and in its attitude to the problem of anti-missile defense.

Third, Russia will be able to become a worthy and equal participant of the European security “triangle” only in the eventuality of its practical demonstration that the European priority for Russia is not just a concept but also its real political orientation. This is first of all related to the internal political orientation: democracy in Russia must become the leading reality, and fundamental European values, not just a slogan (even though constitutional) but practice. In the sphere of foreign policy, Russia is no less entitled to a “Russian identity” than Europe and the USA, but within the framework of a collectively worked out strategy of common security of the “triangle” for a long-term strategic perspective. Like the USA, which has not only its European policy but likewise Asian, Latin American, and other interests, and Europe, its African and Middle Eastern ones, Russia was, is and will be involved in all the issues of interest to it. But the level of priority and co-ordination must naturally be based on complete reciprocity, precisely and unambiguously defined and realized in the framework of a pan-European project of collective tripartite security. Such a course is one of the principal prerequisites for the existence both of Russia and Europe in the world of the 21st century.

The Charter of Istanbul and the logic of the subsequent events open definite possibilities for the progress in this particular direction. Will we manage to take advantage of that or are we bound to lose this historic chance?

Gediminas Miškinis

Economic and Commercial Relations Between Lithuania and Russia

1. The development of economic and commercial relationship between Lithuania and Russia

The Republic of Lithuania pays great attention to the development of economic and commercial relationships with all potential economic partners. At present Lithuania maintains commercial and economic relations with 161 countries of the world. Special emphasis is given to the development of close and mutually beneficial economic ties with our neighboring countries.

Though Lithuanian political and economic priorities are to urge the integration of the country's economy into the world economy and, first of all, into that of the European Union, nevertheless, Lithuania retains continued interest in comprehensive economic and commercial cooperation with its great Eastern neighbor – the Russian Federation. Trade relations between Lithuania and Russia have always been developed on the basis of long-lived traditions and the experience of bilateral cooperation practically in all spheres of the economy.

Until quite recently, the foreign trade partners of Lithuania were mostly the neighboring countries from the East. In the period of 1991-1993, trade with these countries constituted as much as two thirds of the total Lithuanian foreign trade. Later the correlation of trade relations between the East and the West gradually became more balanced. Already in 1996, the annual trade turnover with the countries of West and Central Europe comprised the bulk of the Lithuanian foreign trade and in 1998 reached 65 percent of the total.

After the restoration of the Lithuanian independence, the initial guidelines for the economic cooperation between the Republic of Lithuania and the Russian Federation were established in the Lithuanian–Russian Treaty on the Foundations of Inter-State Relations signed by the Heads of the States of the Republic of Lithuania and the Russian Federation in Moscow on July 29, 1991. On the basis of the provisions of this first Treaty of its kind, economic cooperation between Lithuania and Russia was developed further.

For the purpose of creating the basis for commercial and economic cooperation by means of new, equal and mutually beneficial principles, the Agreement of the Government of the Republic of Lithuania and the Government of the Russian Federation on Trade and Economic Relations was signed on November 18, 1993. By this Agreement, both countries accorded to each other the most-favored-nation status in their trading. This reciprocal status in trade between Lithuania and Russia is still in force.

The analysis of the current situation in bilateral trade between Lithuania and Russia has revealed that, notwithstanding recent fundamental changes in the economies of both Lithuania and Russia, which in their turn had a significant influence on the structure and trends of the Lithuanian foreign trade balance, Russia, nevertheless, until recent years traditionally headed the list of Lithuanian foreign trade partners.

According to the data presented by the Department of Statistics of the Republic of Lithuania, the total foreign trade turnover in January-September 2000 was 27 154 million litas (6 789 million USD), where the export of commodities accounted for 11 392 million litas (2 848 million USD) and import – 15 763 million litas (3 941 million USD).

The share of Russia in the total turnover made up 19 percent (5 155.3 million litas or 1 289 million USD), exports – 6.5 percent (743 million litas or 186 million USD), imports – 28 percent (4 413 million litas or 1 103 million USD).

During the last years (1997-2000), Lithuanian exports to Russia, which used to have the tendency towards increasing annually, fell from 24.5 to 6.5 percent, though the imports rose from 25 to 28 percent. Russia takes the top position among the Lithuanian foreign trade partners according to the volume of import.

Until the start of the 1998 financial and economic crisis in Asia, and especially in Russia, bilateral trade between Lithuania and Russia was developing rather dynamically, though some tendencies to a decrease in commodity turnover had also been observed. That was conditioned by the processes both in Lithuania and Russia of economic restructuring and the reorientation of foreign trade towards the conditions of a market economy.

The share of Russia in Lithuanian exports and imports
(percent)

1997		1998		1999		2000 January-September	
Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
24.5	25.3	16.5	21.2	7.0	20.1	6.5	28.0

Changes in the volume of exports and imports with Russia
(percent)

1999 as compared to 1998		January-September, 2000 as compared to January-September, 1999	
Exports	Imports	Exports	Imports
-65.6	-20.9	23.8	52.3

In 1997 the trade turnover between Lithuania and Russia amounted to almost 25 percent of the total Lithuanian foreign trade turnover. In 1997 the share of Russia in Lithuanian export made up 24.5 percent, where the share of import exceeded export and amounted to 25.3 percent.

In the second half of 1998, however, with the start of the crisis in Russia, exports to Russia fell up to 16.5 percent and import – to 21.2 percent and the bilateral trade turnover both of Lithuania and Russia decreased to 19 percent. Especially notable plunge in the foreign trade occurred in 1999, where the total commodity turnover with Russia decreased even by 35.6 percent and constituted 15 percent of the total foreign trade turnover, and the volume of exports fell even by 65.5 percent, i.e. decreased by 2.9 times, the import went down by 20.9 percent.

The main reason for that was the devaluation of the rouble in Russia. At the end of 1999, the exchange rate of the latter fell from 6 to 27 roubles for 1 USD, i.e. by 4.5 times. For Lithuanian exporters that meant the loss of their traditional markets, because with the Currency Board system operating in the country, the exchange rate of the litas remained stable.

The decrease by almost three times in the exports of Lithuanian products to Russia (where in 1998 the export to Russia constituted 16.5 percent of the total export volume, in 1999 it was 7 percent) negatively affected the total volume of Lithuanian exports, which was a strong factor in the slow-down in the growth rate of the gross domestic product (GDP). In 1999 Lithuanian exports, in comparison to 1998, decreased by 19 percent and the GDP fell by 4.1 percent.

The greatest impact on the total decrease of exports was produced by the fall in the exports of petroleum products, the main part of which consisted of the export to Russia, and the decline in electric energy exports. In 1999, as compared to 1998, the export of the above-mentioned commodities decreased by 37.6 percent, which amounted to over one third of the value of the total decrease in commodity exports.

The export of vehicles slumped as much as 72.1 percent (19.5 percent of the total commodity export decrease), export of foodstuffs – by 27.8 percent (20.3 percent of the total export decrease).

In the export of transport services, the decline in the volume of transit carriages to Russia and other CIS countries (in the period of 1999, the export of transport services decreased by 8 percent and made up 36.6 percent of the total service export decrease) was the main reason which determined the decline in the total export of services in 1999.

The crisis in Russia also conditioned the disruptions of the export of construction services to that country which in the period of 1999 fell as much as 55.6 percent and amounted to 1.7 percent of the total decrease in the value of service exports. With the loss of the Eastern markets, Lithuanian construction enterprises were forced to reduce their production output.

With the disruption of Lithuanian exports to Russia and other CIS countries, Lithuanian producers started a vigorous search for openings to the Western markets. Lithuania made an attempt at re-orienting its exports to the markets of the EU countries. In the first quarter of 1999, there came a breakthrough in the structure of Lithuanian exports, with the export to the EU countries exceeding the 50 percent limit. However, now this amount has slightly decreased (for the first three quarters of 2000 it makes up 47.8 percent).

Nevertheless, the Russian economy is recovering after the crisis and there has lately been observed a rapid growth in its economy – in the period of the first three quarters of 2000, the growth of GDP amounted to 7.3 percent, industrial output increased by as much as 9.7 percent and, what is especially important, the economic growth is based on the strengthening of the internal market and internal demand; the increase in investments (the rate of increase is 17.5 percent) exceeds the growth rates of the GDP and the rate of increase in industrial output; the situation in the spheres of the incomes of population and consumption has also improved – during this period, the real wages increased by 23.6 percent and inflation in the third quarter of 2000 was only 4.1 percent.

The rapid development of the Russian economy favorably affected also the volume of Lithuanian exports and imports. In the period of the first half of 2000, exports to Russia and the CIS markets recovered and increased by 29.7 percent, as compared to the corresponding period of the previous year.

The export of petroleum products increased by as much as 55 percent and accounted for 35.9 percent of the total increase in the value of Lithuanian commodity exports. There was also a considerable increase in the export of vehicles – by 72.2 percent, the bulk of

which was made up by the re-export of cars to the markets of Russia and the CIS countries.

Recovered export to the Russian markets was the main factor which conditioned a considerable increase in the total volume of Lithuanian exports during the first half of 2000 – by 26.1 percent, compared to the same period in 1999, the imports increased by 10.3 percent.

In the period of January-September 2000, as compared to the same period in 1999, there was an increase in the volume of the commodities both exported to Russia and imported from there: exports – by 23.8 percent, imports – by 52.3 percent.

In the period of January-September 2000, exports to the CIS countries constituted 16.1 percent of the total Lithuanian exports, while imports from the CIS – 32.2 percent of total Lithuanian imports. During January-September of that year, as compared to the same period in 1999, export to the CIS countries increased by 13.4 percent and imports from the CIS increased by 43.6 percent.

Russia takes the fourth place according to the amount of exported commodities after Latvia, Germany and United Kingdom, and ranks first according to the volume of imports.

In the period of the first nine months of 2000, 742.5 million litas worth of commodities were exported to Russia, where the export of processed goods accounted for 66.2 million litas (8.9 percent) and export from customs warehouses – 170.7 million litas (23 percent). At least 4 412.8 million litas worth of commodities were imported from Russia to Lithuania, where 369.9 million litas (8.4 percent) accounted for the import to customs warehouses. The trade balance remains negative – 3 670.3 million litas. In September 2000, as compared to August of the same year, exports to Russia increased by 9.3 percent and imports rose by 10.5 percent.

In the Russian markets, notwithstanding the constantly increasing competition on the part of other countries, Lithuanian goods traditionally enjoy great demand, especially meat, dairy products and other foodstuffs, textiles and textile articles, quality furniture which is cheaper than that imported from western countries, refrigerators, likewise articles of wood, chemical products, electrical and electronic equipment, household appliances and other products.

The main import items from Russia include energy resources (oil, gas, nuclear fuel) as well as metals, machinery, mechanical equipment, chemical raw materials and other industrial-technical production.

The inflation in Russia and the rouble exchange rate has at present been stabilized. The revival of the purchasing capacity of the Russian inhabitants and a stronger rouble will be the principal determinants for the opening of export routes to that country. However, the improvement of trading conditions with Russia will apply not only to Lithuanian exporters but to the business from other countries as well, therefore, the competition for the Russian markets will in the nearest future become quite strong.

2. Principal trends for the development of commercial relations between Lithuania and Russia

For Lithuania it is economically beneficial to develop its foreign trade both in the Western and Eastern directions. Lithuania is further prepared to continue trading on

mutually acceptable terms, the country is interested in the energy resources of Russia, ferrous and non-ferrous metals, industrial-technical equipment and other products. The economic interests of Lithuania impel it not only to preserve, but also to expand and ultimately strengthen the country's position in Russian markets. Lithuanian businessmen are quite well acquainted with the particularities of the Russian market, the trading traditions of both partners and the mentality of the Russian people, there is also no language barrier. We hope that the economic interests of Russia are similar in this aspect. The priorities in the economic cooperation between Lithuania and Russia are the following:

- Development of bilateral trade;
- Regional cooperation (joint conferences, exhibitions, consignment warehouses and terminals, tourism, etc.);
- Development of economic relations with the Kaliningrad district;
- Cooperation with Russia in information exchange and marketing research in the CIS countries with the aim of encouraging Lithuanian commodity exports.

Both countries, as before, have recently been taking active measures for the development of bilateral trade.

As early as 1997, by mutual agreement, the Lithuanian-Russian Governmental Commission for Bilateral Commercial and Economic, Scientific, Technological and Cultural Cooperation was formed on the inter-governmental level. On the Lithuanian side, the Commission is headed by the Minister for Foreign Affairs and the Russian Commission is headed by the Minister for Transport. The Commission comprises ten working groups for dealing with commercial, financial, transport or any other important issues. The Commission and its working groups regularly hold their joint sessions, meetings and round tables in turn both in Vilnius and Moscow, where the most important issues of bilateral cooperation are discussed, with ensuing decisions taken and recommendation passed.

The working groups on Trade and Economic Cooperation and on Transport Problems have to handle the greatest workload and the most complicated issues and are under the responsibility of relevant Ministries (in Lithuania, the Ministry of Economics, in Russia, the Ministry of Commerce), therefore the Ministers of both countries find these issues very important and give them their utmost attention.

The role of these Ministries became particularly evident in preparing important inter-governmental agreements which were signed by the Prime Ministers of both countries on June 29, 1999 in Moscow. These documents include agreements on: the avoidance of double taxation; promotion and mutual protection of investments; long-term cooperation with the Kaliningrad district; cooperation in fisheries and other areas.

It is especially important that this meeting of the Prime Ministers resulted in signing the painstakingly prepared Joint Statement on the Measures Directed towards the Liberalization of Trade between Lithuania and Russia. This Joint Statement received acclaim from both Lithuanian and Russian businessmen as enabling to open the way for further liberalization of trade and to diminish the existing restrictions. It is hoped that both countries, as well as all institutions related to the bilateral trade and business structures, will take all the necessary steps in their everyday activities to ensure that the

ideas and principles enshrined in this Joint Statement become instrumental for the further development of close cooperation between the two countries.

With the complicated economic processes taking place in Russia, and taking into consideration the constant changes in the federal structures and governance of that country, Lithuania increasingly pays attention to the development of regional cooperation. This orientation also possesses quite serious future potential as the administrations of major Russian regions are increasingly obtaining greater independence in deciding a considerable part of the issues related to commercial and economic cooperation.

Lithuania orients itself towards the conclusion of inter-regional agreements, first of all with the major Russian cities and industrial centers where Lithuanian businesses still retain or have formed commercial relations and contacts. At present Lithuanian ministries, counties and towns have already signed cooperation agreements with fourteen major Russian cities and regions. One should note the agreements with St.Petersburg, Karelia, Chuvashia, Tatarstan, the districts of Yaroslavl, Archangelsk, Moscow and other regions. The development of economic cooperation with Russia might be favorably complemented by the expansion of the network of joint companies. On December 1, 2000, there were 1073 enterprises registered in Lithuania with the participation of capital from Russia, among them – 839 joint enterprises and 234 enterprises of Russian capital. However, the capital investments there are more than modest – a mere 16.2 million USD, or 1.3 percent of total foreign capital investments in Lithuania. According to the amount of capital investments, Russia ranks 15 out of 112 countries which have invested their capital into the economy of Lithuania.

Lithuania has submitted a proposal for such cooperation to be implemented within the “triangle” system, that is, institutions of the Republic of Lithuania, the Federal administration of Russia, and regional administrations. This system is quite inclusive and acceptable to all participants of the commercial-economic process. This system was discussed at the Bilateral Working Group on Trade and Economic Cooperation of the Inter-governmental Commission and appeared to be mutually agreeable.

In practice this system operates in the following way: an authorized institution of the Republic of Lithuania (most often, the Ministry of Economics) or the administration of a county (town) signs an Agreement for Trade and Economic Cooperation with the relevant region of the Russian Federation. The administration of the Russian region, together with the relevant institutions of the Russian federal administration (usually the Ministry of Commerce of the Russian Federation), analyze the main aspects of such an Agreement and its conformity to the provisions of the legislation of the Russian Federation. In its turn, the conformity of such agreements to the legislation and economic interests of both countries is also discussed at the meetings of the Working Group on Trade and Economic Cooperation.

The institutions of the administrations of both countries encourage and support the signing and realization of such regional agreements and, whenever necessary, also render assistance in resolving the problems which arise in the course of implementing such agreements. For example:

- in organizing exhibitions, fairs, conferences;

- in providing, within the quotas possessed by the regions in question, access to the pipeline mains for commodity transportation or permission for unobstructed crossing of the borders of their customs territories;
- in providing certain securities for the agreements concluded by the entities of their states, etc.

Particular attention is paid to the issues of the economic, commercial and cultural cooperation with the neighboring Russian region – the Kaliningrad Oblast. Intergovernmental agreements between the Republic of Lithuania and the Russian Federation on long-term cooperation with the Kaliningrad Oblast have been prepared and updated.

The agreement with the Kaliningrad Oblast is likely to have great future prospects because the Russian Government has provided the Oblast with the status of a Special Economic Zone, therefore, with the creation of corresponding conditions and the relevant model which conforms to the GATT requirements, Lithuanian commodities, especially agricultural products and foodstuffs surplus, could more easily and without greater restrictions, reach other regions of Russia as well.

The Kaliningrad district views Lithuania as one of its major partners in commercial and economic cooperation.

The proportion of Lithuanian commodity exports to Kaliningrad constitutes 27.3 percent of the total Lithuanian export to the Russian Federation, though, the import from Kaliningrad accounts for only 1.5 percent.

Taking account of the complicated rules for the determination of the origin of goods which function in the territory of Russia, Lithuanian producers have lately become increasingly active in establishing joint enterprises in the Kaliningrad district.

There are at present 304 joint enterprises of Lithuanian and Russian capital registered in the Kaliningrad Oblast, sixteen branches of Lithuanian enterprises and seven representations of Lithuanian firms. According to the number of joint enterprises in the Kaliningrad district, Lithuania ranks second (after Poland). In 1998 alone, in the Kaliningrad district 56 new joint enterprises of Lithuania and the Kaliningrad district were registered, and in the first quarter of 2000, 16 more enterprises with the participation of Lithuanian capital.

There should be mentioned several major investment projects of this kind. They are: the confectionery manufactory of Šiauliai Chocolate Factory “Naujoji Rūta” in Sovetsk; investments of the joint stock company “Klaipėdos Maistas” in the construction of sausage and tinned food manufactory in the Kaliningrad district; the television assembly shop in Kaliningrad for the Šiauliai “Taurus” enterprise; a workshop for the production of furniture “Rambynas” in Neman; the battery assembly shop in Gvardeisk; the paper recycling factory in Zelinogradsk, etc.

For the purpose of fostering further growth of the Lithuanian economy and encouraging exports, the search for new markets and their research, which is important in political, economic and social aspects, acquire great significance. Nevertheless, Lithuanian export markets, especially those in Russia and in separate CIS countries, are not observed systematically, and there is also a lack of special market research, analysis and prognostic evaluations, nor is there an institution which could deal with the following issues:

- To enhance the position of Lithuanian products in the markets of Russia and other CIS countries, it would be necessary to observe, analyze and predict the changes in these markets, to form close cooperation with the representatives of the businesses in these countries. That might be one of the cardinal solutions for the sake of increasing Lithuanian exports to the markets of Russia and other CIS countries and supporting the development of commercial relations between both countries.
- Traditionally existing contacts between Lithuania and Russia, the absence of any language barriers and the understanding of the mentality could be used as a solid foundation in assisting the EU to better comprehend these markets and, at the same time, could create for Lithuania a certain niche of an intermediary between the East and the West.
- Regular market research in Russia and other CIS countries might also be used for the development of Lithuanian business by employing the provided information, consultative assistance and recommendations on the existing situation in the Eastern markets and their prospects. It might be expedient to establish in Lithuania a research center for the analysis of the markets of Russia and other CIS countries. Such a center, providing there is a relevant assistance, could be established under the currently functioning Lithuanian Economic Institute.

Thus, Lithuania is actively involved in pursuing constructive cooperation on the level of the State and business structures. Lithuania believes that it will bring tangible results in the efforts of both countries to overcome the effects of the slump in the bilateral trade of Lithuania and Russia which was brought about by the crisis.

It is necessary to emphasize in this context that positive tendencies have lately been observed in the trade dynamics of both countries, which may be expected to continue developing in the future. These tendencies give reason to hope that the negative effects of the Russian crisis on the economy of Lithuania will continue to recede and, in the future, commercial and economic relations will develop dynamically for the mutual benefit of both countries.

Arkady Moshes

RUSSIA-LITHUANIA: PRESERVING INTERACTION

In the second half of the 1990s, when the earlier indiscreet Russian Baltic policy distinctively split into three individual relationships, Lithuania was implicitly allotted the role of a “better guy.” compared to Latvia and Estonia, in Russian public opinion and, apparently, in the official approaches. This was a maximum result for a relationship, burdened by historical memories, including very fresh ones, relating to the fact that Lithuania was the first in the USSR openly challenge Moscow during the independence struggle, as well as the highly destabilizing issue of NATO enlargement.

Formal recognition of this new view of Lithuania took place at the moment of President Brazauskas’ visit to Moscow in the fall of 1997, when the two countries signed the border treaty which, although still waiting for ratification, remains until now the exception among Russian Baltic relationships. At the moment of signing, this document clearly indicated the will of political leadership of both sides to promote bilateral stability not only *de facto* but also *de jure*.

Since that time, sustainable interaction has prevailed in the bilateral relations, notwithstanding noticeable political opposition to this in both states and residual respective claims to Klaipėda and Kaliningrad by nationalists. High-level contacts between Moscow and Vilnius have been upheld (again an exception vis-à-vis Riga and Tallinn). During the visit of the Lithuanian Prime Minister Paksas to Moscow in June 1999, his Russian counterpart Stepashin was quoted as admitting that Russian-Lithuanian relations were “more advanced than those with other Baltic countries.”¹ One year earlier, the then Russian Foreign Minister Primakov said in Vilnius that, aside from the issue of NATO enlargement, where approaches of the two countries were “absolutely different.” there were no problems in the Russian-Lithuanian relations.² The culminating point of bilateral interaction has been the “Nida Initiative.” launched in February 2000 – a joint project of border cooperation to be included into the Northern Dimension Action Plan, which was an unprecedented step in many respects.

Three major factors seem to have provided the background for what has been achieved in the bilateral relations. The first one, critically important, is well-known. This is the so-called “zero option” which guaranteed Lithuanian citizenship to all people who were residents of the country when it regained independence. Absence of the major stumbling bloc, which the depriving a large part of the population of political rights would have constituted as it did in Russian-Latvian and Russian-Estonian relations (and which is totally different from concrete problems of integrating non-titular ethnic population into emerging societies) certainly facilitated interaction between Moscow and Vilnius, although, admittedly, this factor was practically recognized by the former somewhat belatedly.

Second, Russia and Lithuania, each in its own way, face the problem of Kaliningrad. The need to deal with the issue enhances the significance of the whole bilateral relationship. In spite of the fact that prioritization can be positive or negative, depending on the matter (in Russia, Lithuania as an economic partner for the *oblast* may be assessed differently from the military transit problem, while Kaliningrad was

¹ Nezavisimaya Gazeta, 30 June 1999.

² Nezavisimaya Gazeta, 16 June 1998.

and, in fact, is still seen by many in Lithuania not as an economic opportunity, but as a military challenge), the prevention of uneven economic development in the area is believed to be in the interest of Vilnius as well as in the interest of Moscow.

Also, the impact of Kaliningrad helps to balance an obvious asymmetry, namely, that Russia is a more important counterpart for Lithuania than vice versa. A reverse asymmetry emerges, this time making Kaliningrad more dependant on trade with its Lithuanian neighbors.

The third factor, largely connected with and resulting from the Kaliningrad issue, but having autonomous dynamics and impact on the bilateral relations, is the cross-border movement of people. In the second half of the 1990s Lithuania was the absolute leader among non-CIS countries most frequently visited by Russians (over 1.1 million entries annually in 1997-1999). Respectively, regarding the number of visits to Russia by citizens of non-CIS states, Lithuania in recent years was also among the top three (about 800 thousand entries annually in the same years).³ These flows of people, their business and personal contacts, provide a good illustration concerning the point about a “security community.”

In addition, a balanced approach of both Lithuanian presidents towards relations with Russia should be mentioned among the factors that influenced the situation positively. The most recent example of the efforts to prevent steps, potentially able to destabilize these relations, is the refusal of President Adamkus in June 2000 to sign the legislation which demands that Russia compensate the damage to Lithuania allegedly incurred during the Soviet period (see below).

Currently, however, one can witness the emergence or strengthening of several trends which can impede further progress in bilateral relations. Largely these do not fall into a category of risks, but nevertheless, where possible, they should be fully taken into account in order to neutralize or overcome the effects.

First of all, it is becoming clear enough that the two countries failed to establish a solid ground for sustainable economic cooperation which, theoretically, should be the driving force of interaction between Russia and individual Baltic states. It is highly unlikely that critically important economic interests will prevail in the bilateral agenda any time soon. On the contrary, economic cooperation is de-intensifying and no reversal of this trend is on the horizon.

In this context, the case of the privatization of the Mažeikiai refinery in 1999 is of crucial importance. As is known, control over the refinery (and, for this matter, over the oil terminal in Būtingė) was given by Lithuanian authorities to a US company “Williams International” while the bid of the Russian oil giant “LUKoil” was rejected without consideration despite the role of “LUKoil” in the oil supply of Lithuania.

It was far too easy to forecast that “Williams” which did not have oil-extracting capacities of its own, would encounter problems in supplying the refinery with crude oil. Indeed, Mažeikiai ended the year with considerable losses while the whole affair brought about detrimental effects for the Lithuanian economy as a whole. Also, Mažeikiai was constructed and designed to work with the Russian oil of *Urals* standard and the use of other oil standards would most likely entail additional costs.

The decision, therefore, was taken on non-economic grounds. The final argument was clearly geopolitical. “Victory” of a Western company over a Russian one was interpreted as intended to symbolize that Lithuania was successfully “going West.” Whether such a demonstration was really necessary, can be debated –

³ Rossya v tsifrah. Goskomstat, Moscow. 1998, p. 111-112; 1999, p. 142-143; 2000, p. 136-137.

Lithuania's principal choice hardly needed further proof. In what concerns relations with Russia, however, the evident prevalence of political motivation over the economic one will have a fundamental, and maybe, long-term negative impact, going beyond the details of future commercial ties between Russian oil suppliers and "Williams."

As for economic relations in general, they decreased as a result of both the Russian economic crisis of 1998 and the process of the reorientation of the Lithuanian economy towards the West. While in 1998 Russia was Lithuania's leading trade partner (16.5 percent of country's exports and 21.2 percent of imports), in 1999 it held only a third position (7 percent and 20.1 percent respectively).⁴ Even though overall trade indicators can stabilize or slightly grow due to high world energy prices, which constitute a lion's share of Russian exports, it is hard to find ways to increase Lithuanian exports to Russia.

Newly-built or modernized Lithuanian transit capabilities (the ports of Klaipėda and Būtingė) are theoretically considered as one of these, at least as far as exports of services are concerned. Recently, an agreement was signed between the Russian oil company "Yukos" and "Mažeikiai Nafta." according to which the former would use Būtingė terminal for exports of 4 million tons of oil annually for 5 years⁵. However, hopes for a growing role of Lithuanian transit in the Russian oil export will not necessarily materialize. The competition in the Baltic transit market is already tough for Lithuania (taking into account the fact that objectively the Latvian port of Ventspils is in a more advantageous position for several reasons), and it will be even tougher after Russia's own export infrastructure in the Finnish Gulf becomes operational (this may take place as early as the fall of 2001).

The closure of the Ignalina nuclear power plant will add to the shrinking economic cooperation between Russia and Lithuania. In a broader sense, the need to produce energy in Kaliningrad weakens ties of interdependence and somewhat draws the attention of Moscow away from Lithuania.

The above-described situation in the economic sphere raises particular concerns as long as at the moment the whole bilateral agenda faces the risk of a return towards a counterproductive and over-politicized dispute challenging the positive background of current relations. This risk has become real due to the adoption of the law on compensation adopted by the Lithuanian parliament in June 2000, claiming that Russia should cover what are considered to be economic losses of Lithuania in 1940-1991. Speaker Landsbergis, the main proponent of the law, initially estimated the amount of compensation due to be paid as 276 billion USD.⁶

Needless to say, such claims are unrealistic. Any negotiations on this matter would require Moscow to recognize the fact of occupation, which is absolutely out of question for a number of reasons. Lithuania has very little leverage that it could use to exert pressure on Russia (outside the area of transit tariffs, but in that case Russian countermeasures would hit the Lithuanian economy probably harder than vice versa). Also, precedents established by Latvian and Estonian territorial claims to Russia rather demonstrated the futility of these actions: both countries had to withdraw their claims. Furthermore, engagement in such a dispute with Russia, if it receives a high profile, would hardly facilitate the task of Lithuania's accession to European institutions.

⁴ Lithuanian official data. <http://www.std.lt>.

⁵ Vremya Novostei, 11 September 2000.

⁶ Vremya Novostei, 19 May 2000.

The only result which this legislation can bring about is to re-trigger an emotional and predominantly mutually unfriendly debate of the early 1990s, ranging from general issues of interpretation of the Soviet period in Lithuanian history to very specific cases of property rights (for example, the embassy buildings in Paris and Rome). This debate will eventually worsen the perception of Lithuania in Russia⁷ which will not serve the interests of bilateral cooperation. Thus far, public opinion has largely ignored the issue due to its non-implementation in practical policy. Hopefully, this pattern will be continued by post-election Lithuania. However, if Vilnius really tries to make it a negotiation item, as the legislation requires, negative resonance in Russia and, consequently, deterioration of bilateral relations will become unavoidable.

Finally, special attention should be paid to the fact that in short-term perspective, outside international factors will not influence Russian-Lithuanian relations positively. Rather they will add concerns to the bilateral agenda.

Lithuania's as well as the other Baltic states' strivings to join NATO in the shortest term possible is irreconcilable with Russia's wish to prevent this from happening. This antagonism has been largely debated in recent years and, therefore, does not need an elaborate comment. The only thing which needs to be emphasized again is that after the NATO war against Yugoslavia, Moscow will have to view the expansion of the Alliance through the prism of its implications for Russia's military security. In its report, the Russian non-governmental Council on Foreign and Security Policy, while generally advocating further improvement of relations between Russia and the Baltic states, on this particular matter stated that there is "no doubt that in case of quick NATO enlargement to include the Baltic states, Russia will consider this factor as an increase of the direct military threat."⁸

In order to neutralize this threat, Russia will have to undertake a number of measures, which will inevitably directly concern the security of Lithuania, a front-line state. Although at the moment these measures can be discussed only hypothetically, clearly enough, they would include enhancing Russian-Belarusian defense cooperation and building-up Kaliningrad defenses (analytically, re-deployment of tactical nuclear weapons cannot be excluded under certain circumstances).

Even if the Baltic enlargement could be carried out by Moscow and Brussels in a compromise manner, which does not seem to be likely, with regard to Russian-Lithuanian relations it would revitalize a hard and conflict-prone question of military transit to Kaliningrad. Moreover, a clear-cut deal between Russia and NATO on this issue would have to be made one of the core components of the compromise. Taking into account that several years ago an idea was aired in Moscow to demand the West Berlin-type of corridor for Kaliningrad in case the enlargement takes place, one should expect tough negotiations, maybe in the trilateral format, in a highly sensitive atmosphere in Russian and Lithuanian politics, with an unpredictable finale.

Unfortunately, the EU enlargement does not facilitate the bilateral agenda either. Of course, there is nothing destabilizing in this process and, on the contrary, in certain areas it may even stimulate cooperation. At the same time, however, all Russia's general concerns with regard to enlargement will be particularly visible in

⁷ An editorial in an influential newspaper wrote that "by adopting the law on compensation... Lithuania got equal to other Baltic states regarding the level of anti-Russian contents in its policy". See V. Sokolov. Moscow Should Claim Compensations from Vilnius. *Nezavisimaya Gazeta*, 28 June, 2000.

⁸ *Rossya i Pribaltika* (2). *Nezavisimaya Gazeta*, 23 September 1999.

the Lithuanian case due to its relation to Kaliningrad. The introduction of new standards and regulations as well as EU trade preferences to developing countries will further impede Russian exports, those from the *oblast* first and foremost, deepening an emerging geoeconomic divide. A restrictive Schengen visa regime, especially if Russia reciprocates, will seriously limit the freedom of movement and diminish the intensity of people-to-people and business-to-business exchanges which are one of the factors promoting stability. Kaliningrad residents would need visas even to visit the rest of Russia by land, which means nearly total isolation (due to economic constraints these people have no money to fly to mainland Russia).

So far, the EU has been refusing to acknowledge responsibility for the matter, which is largely a by-product of enlargement. On the one hand, treating the Kaliningrad problem in its new form as a bilateral issue and stressing that Russia's concerns should not interfere in the negotiations with candidate countries. On the other hand, the EU restricted the applicants, in this case Lithuania, and tightened and deprived them of maneuvering space (of a non-Schengen option in particular). While Moscow often receives just criticism for its wish to deal directly with Brussels and neglect the capitals of small states, in this case it would be mostly ungrounded since the latter were left with little autonomy in what concerns managing their entry into the EU.

The development of Russian-Lithuanian relations in a stable and cooperative manner to a large extent depends on whether Moscow, Vilnius and their partners will successfully approach the present-day agenda, which, as it was shown above, includes a number of rising problems. Several recommendations seem to be appropriate.

The two sides should prevent the relations from focusing on domestically popular, but totally impractical, heavily politicized issues, which can only provoke the return towards fruitless debates of the early 1990s and enhance lingering, mutually negative perceptions. Instead, it is worthwhile to continue working, building upon already accumulated experience on a pragmatic agenda ranging from economic and environmental matters to (at least soft) security.

The decrease of economic cooperation is not in the interest of both countries, although Russia, except for Kaliningrad, has much broader alternative options for its main exports to and transit through Lithuania, than vice versa. Realization of this fact requires the business(es), Lithuanian business first, to lobby against further erosion of economic ties, should such erosion be a result of political factors.

Russia and Lithuania, each for its own reasons, are not interested in a potential isolation of Kaliningrad by a new economic and visa "fence." Therefore, together with their Baltic Sea partners they should promote the recognition by the EU of the special status of the area and, correspondingly, of the border between Lithuania and Kaliningrad (ideally, of the border between Kaliningrad and Poland as well) for a certain period of time.

Hopefully, the Russian-Lithuanian relationship will succeed in avoiding the pitfalls which have been indicated, as previously accumulated potential for interaction provides grounds for cautious optimism. However, further progress cannot be taken for granted, but requires in current circumstances a good deal of political will, energy and skills on both sides.

Vladimir Nikitin

Kaliningrad Chance: Realization of the Pilot Region Concept

I am grateful for the presented possibility to share my thoughts about the Kaliningrad Oblast of the Russian Federation and its future with the readers of the *Lithuanian Foreign Policy Review*. And not only because I was, by the will of the people, elected member of the Kaliningrad Oblast Duma in November last year for the third time. It is first of all because I personally am a citizen of Russia for whom it is extremely important to answer the following question: how will the Kaliningrad Oblast, this unique particle thereof with the territory of 15 100 square kilometers and 950 000 inhabitants, live in the future? This problem becomes especially urgent against the background of the reforms in Russia and the processes developing around Kaliningrad in the Baltic Sea Region.

Kaliningrad Oblast: beginning of the new century

Nobody doubts that Kaliningrad has to face serious problems. I do not think that it is necessary to start looking for culprits in this situation. This is the easiest way. A far more serious and, obviously, the most rational way is to make an objective assessment of the real situation. Such analysis alone may help the authorities of the district to define the directions of their efforts, to determine the priorities, and so on.

Unquestionably, the general critical state of the economy in Russia, and high inflation rate in the aftermath of the financial crisis of 1998, could not fail to affect Kaliningrad. In the district, concretely, it was followed by significant changes in the structure of economy. The areas that suffered most were military and fishing industries, i.e. those spheres which formed the foundation of economic activity. Oil extraction and amber mining (the Kaliningrad Oblast possesses 90 percent of the world amber resources) have become the most essential industries today; a significant part is being played by food industry and furniture producing sector. Car production has turned into a prospective branch of the economy. According to the data of the Russian Center of the Standard of Living, the purchasing capacity of the inhabitants of Kaliningrad is evaluated as one of the lowest in the whole of the Russian Federation. Average wages for the period from 1996 to 2000 fell to 32 USD per month. Agriculture is still in a state of crisis. The so-called quota policy, pursued by previous executives, turned out to cut both ways. And finally, it cannot be overlooked that 50 percent of GDP of the Kaliningrad Oblast is created by the shadow economy.

There is still a high level of hidden unemployment in the district, the issues of the maintenance of pensioners and the military are being resolved slowly, administration is imperfect, there are occurrences of corruption, the risk to be infected with SPEED remains dangerously high, organized crime and drug trafficking, regrettably, have not yet been eliminated. By January 31, 2001, the Law on the Special Zone in the Kaliningrad Oblast had been functioning for five years. However, the activity of the administration of the governor Leonid Gorbenko in fact brought it to naught.

Knowing the potential of the Kaliningrad Oblast, the question arises, why this potential has failed to be employed? The geographical situation of the district, the ice-free

port of Kaliningrad, comparatively well-developed transport infrastructure, possibilities for the development of tourism, skilled and cheap labor force (about 460 000 working population), etc. All this speaks for the advantages the rational utilization of which could ensure the welfare of the district.

However, I am convinced that not enough effort has been made to neutralize the negative and to develop the positive factors.

Double periphery or pilot region?

The negative aspects mentioned above enable us to characterize the Kaliningrad Oblast as a periphery of Russia. Frankly speaking, this term could easily be applied to most of the Russian regions. The problem is in the increasing awareness of what it means to be a Russian enclave in the Baltic Sea Region, and, in general, in the context of the whole of Europe.

The neighboring states, first of all Lithuania and Poland, have not only surpassed us in the indicators of social-economic life, but they are also increasing this gulf. Having in mind that these two states are quite successfully engaged in the negotiations with the European Union, and will in the near future become its members, the Kaliningrad Oblast actually faces the danger of becoming a “double periphery.” Alongside with being the Kaliningrad enclave in the Baltic region, the region will inevitable turn into a Russian enclave in the closed pan-European area.

Development tendencies in Europe are such that Kaliningrad has more prospects to find itself at the side of the road rather than on the intersection of trans-European foreign trade flows and transport communications. It likewise can hardly aspire to be a Eurasian trade bridge (Russian export flows tend to the ports of the Baltic countries, while those of Kaliningrad account for only 3.69 percent, in 1999, of the total cargo turnover of all ports of the Baltic Sea, including Russian ones).

The case of the Kaliningrad Oblast finding itself in the situation of a “double periphery” is dangerous not only for Russia but also for Europe. First, the Kaliningrad Oblast disrupts the single pan-European area. Second, the current development lag of Kaliningrad compared to neighboring countries, and the prospects of the inevitable deepening of this gap in the course of the intensifying European integration, may become a factor of destabilization in the Baltic region (by means of transmitting social ailments, by the threat of ecological catastrophes, etc.), which is regarded by Brussels as a threat to European security. It is necessary to note, however, that there are plenty of similar “fractures” along the potential frontiers of the EU (Albania, Bulgaria, Romania).

It is perfectly obvious that neither federal nor regional authorities can accept such a state of affairs, aware that the status of “double periphery” fails to meet the expectations of the inhabitants and even threatens the national interests of Russia in its western region. Finally, it can negatively affect the whole region of the Baltic Sea, as the constantly increasing gulf between the district and the neighboring states, without a change in the situation, may become a destabilizing factor. A dilemma is emerging: either a district development formula is found which meets the expectations of the inhabitants and the real processes, or the tendencies for backwardness will increase, with all the relevant consequences.

Could there be any doubts concerning which of the directions should be chosen by the new administration of the Kaliningrad Oblast? Considering the national interests of Russia and the hopes of the residents of the district, I believe that at present there remain no alternatives to the concept under consideration of Kaliningrad as a pilot region and its implementation.

A general outline of this conception is presented in the “Strategy for the Development of the Relations of the Russian Federation with the European Union for the Period of 2000-2010.” It states the following: “[It is necessary to] take into consideration the specific geographical and economic situation of the Kaliningrad Oblast, to ensure the necessary external conditions for its subsistence and development as an inalienable part of the Russian Federation and as an active participant in the transport and regional cooperation; to determine the prospective optimal specialization of the district in the sphere of economy, energy and transport which will provide for its effective functioning under new circumstances and to ensure its sustained transport communication with the mainland Russia. [It is necessary] to work for the conclusion, if necessary, of a special agreement with the EU for the protection of the interests of the Kaliningrad Oblast as a subject of the Russian Federation in the process of the EU enlargement, and for turning it, under due circumstances, into a “pilot region” in the cooperation between Russia and the EU in the 21st century.”

Thus the scenario of the “pilot region” implies a model of a positive development of the district as an alternative to the negative scenario of the “double periphery.” The advantage of the “pilot region” are that it does not leave Russia alone to face the problem of the increasing lag of the Kaliningrad Oblast behind the more rapidly developing neighbors, but regards this particular problem as a historical challenge, which at the same time faces both Russia and Europe, by raising a question of sharing responsibilities for the fate of the region and by combining their efforts for its development.

From the technological point of view, the Kaliningrad Oblast is an attractive object of cooperation between Russia and the EU not only in the aspect of its advantageous situation, but likewise in respect of its completely established framework of border and customs controls.

Economically, the combination of Kaliningrad-related efforts both of Russia and the EU may be based on their objective mutual interest in not just preventing a deterioration of the social-economic situation in Kaliningrad but even in its significant improvement in the course of the EU expansion by means of including the Kaliningrad industries in the transnational infrastructure, developing the internal market, developing the newly emerging industries, adapting and transferring into the Kaliningrad Oblast the achievements of developed countries.

Considering the legal aspect, such interrelation may be based on special agreements between parties. Its substance must be not only simply protection of the interests of the Kaliningrad Oblast as an integral part of the Russian Federation (as it is written in the Strategy for the EU), but a project of strategic partnership between the RF and EU for the development of the Kaliningrad Oblast as a “pilot” Russian region, having in mind a demonstration of reciprocal efforts in pursuing one of the topical directions (other directions are: the safety of the EU in the energy sphere in the cooperation with the Russian Thermal Electric Power Complex, creation of a multipolar world, and the assimilation of vast national markets).

The existence of the above-mentioned project could place Russia in the position of a beneficiary in respect to the advantages offered by EU expansion, and transform Kaliningrad into the first object of a real, rather than nominal, strategic partnership of the RF and EU. It may also have a positive influence on the analysis on the federal level of the issue of Kaliningrad development, adjusted with regard to the EU expansion, and stimulate the adoption on the federal level of a clear concept of the region's development. A concept which could, in the future, enable us to avoid confrontation between the interests of the social-economic development of the district and the federal legislation (as, regrettably, was the case in January this year when, as a result of the decision taken by State Customs Committee of Russia, the economic life of the district was almost paralyzed and social tension mounted).

There is no secret that international opinion is quite often fed with rumors about the alleged militarization of the district. It is obvious that the aforementioned agreement for Strategic Partnership might not only dispel similar doubts, but would likewise create a guarantee against a militaristic development scenario for the Kaliningrad Oblast.

Nevertheless, the problem is in convincing the EU authorities about the necessity of forging jointly with Russia a strategic project on Kaliningrad and allotting additional financial means for its development. Here it is possible to forecast certain difficulties related with insufficient awareness of the seriousness of the consequences inherent in the Kaliningrad situation.

First, nobody has ever precisely calculated the costs of the rupture of the single pan-European area. Some might deem that they could easily be neglected. The poverty of the Kaliningrad Oblast is presumed to be an internal problem of Russia. Second, how exactly has the decline in the welfare of the Kaliningrad Oblast threatened Europe -- by ecological catastrophes, epidemics, social upheavals? But the EU has already been allotting funds for these purposes in the framework of the TACIS program. Third, there is no sense in expanding the assistance, as in Russia in general, and in Kaliningrad in particular, it is ineffectively utilized. This is evident in the current experience of the development in Kaliningrad of projects within the TACIS program for the total amount of 25 million euros. Besides, the EU already incurs great expenses in preparing the accession of the former socialist countries. Fourth, the EU possesses traditional institutional mechanisms for providing assistance. What is the point then in forging some joint strategic project of Russia and the EU?

Notwithstanding the logic inherent in the above arguments, I am convinced that they only state the problem without offering any solutions. The problem of misunderstanding the scope of the Kaliningrad challenge to Europe may be resolved only on the basis of a comprehensive expert analysis. In addition, there is no need to paint the picture around Kaliningrad in exclusively dark colors by emphasizing only the threat it emanates. Far more convincing and farsighted is the position of strategic partnership between the RF and EU in relation to Kaliningrad based on the emphasis and reinforcement of those positive issues which may be imbued by the parties into the very idea of the development of the Kaliningrad Oblast as a pilot region.

The pilot principle may encompass both the format of the development of the Kaliningrad Oblast itself and the format of the partnership interrelations between Russia and the EU in relation to this development. On the one hand, it enables to try out on the Kaliningrad territory the institutes, mechanisms and rules of the market game, which are

new for Russia but commonplace for Europe, to strive for genuine institutional compatibility of Russia with Europe. As a consequence, the Kaliningrad economy may become both more liberalized and more controlled in the sense of the level of its financial transparency. On the other hand, the pilot principle may bring more confidence and openness into the relations between the RF and EU. It enables us to transform the program of technical assistance to Russia into a program of technical partnership (where Russian and European experts work hand in hand), and the Federal Target Program for the development of the Special Economic Zone into a partnership program with Russia in the project for the development of the Kaliningrad Oblast as a pilot region.

A particular role must be attributed to the humanitarian factor. A technocratic approach to the problem of a pilot region will lead to the ideology of turning the “iron curtain” into a “velvet” one. At the present time, the widest perspectives are opening for the humanitarian cooperation (the compatibility of the European and Russian educational models, joint development of cultural-historic heritage of the region, establishment of modern humanitarian educational institutions in Kaliningrad, etc.). It is necessary to concentrate attention on the issues of the unification of European and regional legislation, the creation of a single system thereof, as well as the establishment of a civic democratic education system for young people.

The factor of openness, trust and fair play – this is a powerful political resource which surpasses by its attractiveness any foreign policy arguments built on the emphasis of negative aspects and threats.

Cooperation with the Republic of Lithuania – a model for regional cooperation.

Openness, transparency and mutual trust – these are the basic elements without which the realization of the pilot region cannot be envisaged. It is obvious that these elements ought to dominate in all spheres: pan-European, regional, and in the area of bilateral relations. In this context, the issue of the interrelation between the Kaliningrad Oblast of the Russian Federation and the Republic of Lithuania, a successful aspirant for the membership in the European Union, should not be overlooked. Here is a kind of interrelation which might serve as an example for a model of cooperation.

It is necessary to note that Lithuania was one of the first states which adequately understood the problem of the Kaliningrad Oblast, and the first of foreign countries to propose a most rational principle of cooperation – the one of transforming problems into advantages.

Until now, there has been a visa-free regime functioning between Lithuania and Kaliningrad. Major commodity flows and trade go through the territory of Lithuania. Lithuania supplies Kaliningrad with electric energy. The share of Lithuania in the general structure of investments into the Oblast comprises one of the essential components. A joint association of businessmen has been established. Cooperation in other spheres is also expanding: in the humanities, medicine, environment protection, etc.

There is no doubt that mostly the principles of friendship, neighborly cooperation and equal rights enshrined in the 1991 Treaty on Russian- Lithuanian inter-state relations have been used for the foundation of all this cooperation. Besides, this Treaty included a separate article on the mutual interest in a successful social-economic development of the Kaliningrad Oblast, there was also concluded a separate agreement for cooperation in the

economic and social-cultural development of the Kaliningrad Oblast of the Russian Federation.

Today it is necessary to give one more new impetus to the process, namely, to coordinate in practice the concept for the development of the Kaliningrad Oblast as a pilot region with the regional policy of the European Union – the Northern Dimension Initiative. As one of the steps in this direction, there is the Nida Initiative, which provides for specific projects intended to bring the Kaliningrad Oblast closer to the neighboring regions and to strengthen cross-border cooperation. We are aware that the Nida Initiative in essence exceeds the scope of bilateral cooperation and becomes a part of European cooperation.

When new projects are being forged, the task is to imbue them with such a content which would adequately conform to the concept of a pilot region.

If you want to get anywhere, you simply have to get going.

Vladimir Pozdorovkin

Problems of Basic Subsistence and Development of the Kaliningrad Oblast of the Russian Federation in the Context of the European Union Expansion Eastwards

The Kaliningrad Oblast is a unique and integral part of the Russian Federation due to the historical circumstances of its entry into the territory of Russia and its status as a Russian enclave, separated from its “mainland” territory and surrounded by foreign territories, a situation created as a consequence of the Soviet Union’s collapse in 1991. The geostrategic importance of the Kaliningrad Oblast for the interests of Russia, as well as the influence of the Kaliningrad factor on the development of the situation both in the Baltic region and beyond, explains the profound and consistent interest in everything that is related to this Russian enclave. The purpose of the present article is to make an attempt at analyzing the extraordinary situation which is developing around the Kaliningrad Oblast in relation to the European Union’s expansion to the east as far as its borders, to determine the possible consequences of this process for Kaliningrad in the sphere of its basic subsistence and development, and to express some personal assessments.

Talking about the new situation which is developing today around Kaliningrad, it is necessary to emphasize that it is an object of particular attention and concern not only for Russia but for the European Union as well, likewise for the countries of the Baltic region, and first of all for Lithuania and Poland. Brussels, Vilnius and Warsaw, highlighting the unprecedented character of the development of the situation, acknowledge the necessity of cooperating with Moscow in an attempt to find mutually acceptable solutions.

During international discussions, first of all those on the non-governmental level concerning the problem of Kaliningrad in the context of the European Union’s expansion, three attitudes dominate:

- the expansion of the European Union may lead to the aggravation of the situation around the Kaliningrad Oblast and, as a consequence, to the worsening of the external conditions for its basic subsistence and development;
- the Kaliningrad Oblast is more likely to benefit than to lose from the expansion of the European Union, as its neighborhood with the EU will have favorable influence on the socio-economic situation of the district;
- the issue of the problems of the Kaliningrad Oblast, as related to the eastward expansion of the European Union, is not a problem in itself, as the existing precedent of the Russian–EU proximity along the Russian–Finnish border is proof of the possibility of a conflict-free development of the situation.

The latter attitude is not exactly correct as, contrary to the Kaliningrad Oblast, the Russian territories which border with Finland are not an enclave, which means that it would hardly be appropriate to apply their conditions, practice and experience of direct proximity with the European Union automatically and completely in regard to Kaliningrad.

What concerns the previous two attitudes, the truth as always, most probably lies somewhere in the middle and the parties concerned have to make a joint effort to find it.

Before undertaking the analysis of what consequences might be in store for the Kaliningrad Oblast in the sphere of its basic subsistence and development in the

aftermath of the European Union expansion in the Baltic region, it is important to make an attempt at defining the term “basic subsistence” as applied to Kaliningrad. The author maintains that this term implies a complex of systems and measures intended to ensure the subsistence of the Kaliningrad Oblast, as an integral part of the Russian Federation, in the circumstances of its geographical isolation from the rest of the territory of Russia, finding itself encircled by the area of the European Union, and still experiencing a lack of resources.

On the basis on this definition, it is possible to draw an obvious conclusion that the crucial role in the basic subsistence and development of the Kaliningrad Oblast is played by reliable transport links and telecommunication ties with “Great Russia”, sustained supply of energy, gas, other deficient raw materials and products; free movement on a legal basis of the inhabitants of the Kaliningrad Oblast outside it borders; guarantees for the cross-border and inter-regional cooperation with foreign partners in commercial, economic, scientific, technological, cultural and humanitarian areas. The above has already been confirmed by existing experience.

For the first time Kaliningrad had to face the problem of its basic subsistence and development after the collapse of the USSR in 1991. It then in reality experienced the dependence of its situation, as an enclave territory, on the influence of external factors. The situation was as follows: the administrative border between the Russian Federation and the Republic of Lithuania in relation to Kaliningrad became the state border between Russia and Lithuania with all the corresponding measures of control; Lithuania, with Russia reciprocating, introduced the visa regime; the territory and the air space of Lithuania acquired the status of a transit zone for Russian carriers; the inhabitants of Kaliningrad started experiencing a threatening sense of being separated from “Great Russia” and also isolated from neighboring Lithuania and Poland.

This resulted in an urgent necessity on the part of Russia to create favorable external conditions for Kaliningrad, which also conformed to the interests of the states of the Baltic region which were against building up tension in the region. The relevant capitals responded with due understanding to the ambiguous situation which was developing around the Russian enclave and, in cooperation with the Russian administration, active measures were taken to resolve the emerging problems.

Thus, starting from the 1990s, joint efforts resulted in the formation of a solid legal framework to regulate the Kaliningrad-related Russian-Lithuanian relationship in various spheres on the basis of good neighborliness and mutual benefit; to launch the mechanisms for the realization of bilateral agreements on Kaliningrad with Belarus, Denmark, Lithuania and Poland; to give an impetus to the development of regional and cross-border relations of the Kaliningrad Oblast with the partners from Belarus, Lithuania, Poland, Germany, Denmark and Sweden by employing, *inter alia*, such forms of cooperation as Euroregions, e.g. “Baltica” and “Saulė.” For the permanent residents of the Kaliningrad Oblast, likewise for the citizens of Lithuania, a reciprocal visa-free regime was retained; agreements were reached on unimpeded transit transport, as well as on the communications between the Kaliningrad Oblast and other entities of the Russian Federation by means of gas mains, electric power transmission lines and telecommunication links through the territory of Lithuania; cross-border trade became more active; contacts between people grew stronger.

Thus, it is possible to state that in general, due to collective and co-coordinated timely measures, it was possible to create more or less normal conditions for the basic subsistence of the Kaliningrad Oblast, as an integral part of the Russian Federation, to preclude its isolation from the rest of the territory of Russia, and to preserve the atmosphere of good will and mutually beneficial cooperation in the Baltic region.

What new challenges and trials are emerging before the Kaliningrad Oblast today in relation with the planned expansion of the European Union to the East?

It is obvious that the situation around the Kaliningrad Oblast of the Russian Federation will undergo a fundamental change as a result of the entrance of Lithuania and Poland into the European Union. The essence of these changes is envisaged as follows:

1) The Kaliningrad Oblast along its whole overland perimeter will find itself completely engulfed by a single territorial, customs and legal area of the European Union. Consequently, the state borders of Lithuania and Poland along the Kaliningrad land will be transformed into the external borders of the European Union, where a more rigid border control might be established instead of the currently functioning liberal regime. It is, at any rate, the sense of Article 1(5) of Title I of the Treaty of Amsterdam.

2) The co-ordination and solution of the Kaliningrad-related issues in the Russian-Lithuanian and Russian-Polish relations will become more complicated. Pursuant to Article 1(5) of Title I of the Treaty of Amsterdam, the European Union will try “to assert its identity on the international scene, in particular through the implementation of a common foreign and security policy.” In practice it may mean that Moscow will have to resolve the above-mentioned issues in relation to Kaliningrad by dealing not so much directly with Vilnius or Warsaw, but with Brussels instead. At present this work is being carried out by Russia, Lithuania and Poland in the framework of direct and operative dialogue with due regard to mutual interests, namely, the way it is expected to be done between neighboring states.

3) The Kaliningrad Oblast will be faced with the necessity to change the technologies of economic partnership with Lithuania and Poland, both of which are in the process of gradual transition to the standards, regulations and to commercial-political regime of the European Union and are striving to harmonize the mode of conduct with the EU countries.

4) In the situation around the Kaliningrad Oblast, there will emerge an additional factor, the appearance of the politico-military component in the activity of the European Union determined by the formation within the EU of European policy in the sphere of security and defense. It is expected that there will arise political and military structures in the EU capable of ensuring the planning and strategic management of military and non-military operations, including crisis management;

5) It may happen that the Kaliningrad Oblast will be suddenly and depressingly left behind Lithuania and Poland in respect to its social and economic state and the living standards of its residents. Pursuant to Article 5 of Title I of the Treaty of Amsterdam, the European Union has pledged to promote economic and social progress and a high level of employment, and to achieve balanced and sustainable development of the nations within the EU area. Lithuania and Poland, as countries-candidates to join the European Union, have already received from the Union the appropriate financing for these purposes.

The analysis of the situation which is shaping around the Kaliningrad Oblast convinces us that the expansion of the European Union in the Baltic region might result

in the appearance of problems of basic subsistence and development for this Russian enclave. We would like to highlight some of them, which seem to be the most essential and sensitive.

First problem: border control.

The Kaliningrad Oblast is engaged in the regional and cross-border cooperation with counties of Lithuania and provinces of Poland, and participates in the activity of two Euroregions “Baltica” and “Saulė.” This type of partnership is able to develop mostly thanks to the functioning of a simplified form of control on the Russian-Lithuanian and Russia-Polish borders. This situation conforms to the interests of both the inhabitants of the Russian enclave and the residents of Lithuanian and Polish frontier regions.

In this relation, the prospects of reinforced control on the future borders of the European Union with the Kaliningrad Oblast of the Russian Federation are regarded by the residents of Kaliningrad with serious apprehension as actually threatening to worsen the conditions for the cross-border cooperation with the neighboring states.

Some disturbing tendencies have already become apparent. Thus, for example, Warsaw, referring to EU regulations, in January 1999 unilaterally introduced restrictions on the amount of currency in the possession of foreigners crossing the Polish border. Some time later, a similar procedure was likewise introduced by the Lithuanian side. This considerably obstructed the movement of the residents of Kaliningrad to Lithuania and Poland.

Second problem: the visa regime.

Both Vilnius and Warsaw make it clear that, pursuant to EU regulations, they will be obliged to introduce a visa regime for Kaliningrad. Such measures *per se* already restrain the freedom of the movement across the Russian-Lithuanian and Russian-Polish borders. Besides, the procedure of applying for the visas and getting them, as well as obtaining the relevant invitations as a necessary prerequisite for the visa applications, entails spending much time and money, which will inevitably serve as a further obstacle for international movement. There is another important side to this issue as well, as it was justly highlighted by a representative of Kaliningrad in his address at the international seminar “Our Neighbor Russia – a Great Empire” (Travemünde, 10-12 September 1999, organized by the Baltic Academy, Germany): “The matter is not just in the benefits of a visa-free regime for an ordinary person. The essence is in the rights of a person, which should not be infringed. In all countries today there exists such a practice that nobody cares to explain why the visa has been refused, thus making it impossible for a person to apply to the court. Many people acknowledge this injustice, but there has been very little improvement.”

It is likewise interesting to note that residents from Lithuanian and Polish frontier regions with Kaliningrad, in their conversations with the people from Kaliningrad, also expressed their preference for the visa-free regime for their travels. Some states of the Baltic region are in favor of applying an exemption from the regulations of the EU in regard to the Kaliningrad Oblast – to refrain from introducing there a visa regime or, if such was introduced anyway, to enforce it in a “milder” form. Since the 1980s, residents of Russian Chukotka have been traveling to Alaska in the USA, much in the way people from Kaliningrad are going to Lithuania and Russia now, with locally registered Russian passports. Furthermore, the residents of Chukotka are entitled to stay on the

American side up to three months, unlike the residents of Kaliningrad, who may stay in Lithuania for thirty days.

It might be said that the strengthening of border controls and the introduction of the visa regime for the Kaliningrad Oblast in the context of the EU enlargement is to some extent contrary to the idea and practice of the processes of integration in Europe, committed to facilitating contacts between peoples. That is especially important for such a most advanced form of cross-border cooperation as Euroregions.

Third problem: transit.

The transit transport between the Kaliningrad Oblast and other entities of the Russian Federation are executed in two directions: Lithuania-Belarus and Lithuania-Latvia, which means that the Lithuanian link has key importance in this sphere. According to the statistical data for 1999, out of the total volume of transit through the territory of Lithuania, the Russian transit accounted for about 70 percent of the railway transport and over 40 percent of the motor vehicle transport. The major part is taken by the transit transport of Kaliningrad. The Russian-Lithuanian legal agreement currently in force and the existing bilateral practice in the sphere of transit transport basically ensure the necessary conditions for the Russian transport communications through the territory of Lithuania. Until recently, the transport carriers of Kaliningrad likewise did not experience any great problems in their transit crossings through the territory of Poland.

At the same time, there is a cause for some concern on the part of Russia that, due to the transition of Lithuania and Poland to the standards, requirements and regulations of the EU in the sphere of transport and transport communications, the requirements applicable to the motor-vehicles executing the Russian transit to and from Kaliningrad might become more rigid.

Quite illustrative in this aspect were the actions of the Polish administration, information about which appeared in the Kaliningrad mass media. From January 5, 1998, Polish officials started requiring special border crossing permits for freight vehicles of gross weight over 1.5 tons and control forms for irregular passenger transport (until then vehicles with the carrying capacity of up to 3.5 tons, as well as passenger transport vehicles designed for the transport of up to 8 persons, did not require any special permits to cross the border). As a result, already in that very same January, an 80-85 percent decrease in the transport crossing the Russian-Polish border was observed. From February 10, 1998, the permit regime became even more rigid, which resulted in additional material and time wasted in preparing the necessary documents required for all vehicle types when crossing the border. Kaliningrad transport communications were likewise dealt a blow in July 2000 when the Polish side unilaterally, and without previous notification, introduced the limitation on the quantity of fuel up to 200 liters in the built-in fuel tanks of freight vehicles, without having worked out the relevant procedures for removing and accounting for the fuel excess. All this provoked a strongly negative response on the part of the inhabitants of Kaliningrad. There should be no flawed novelties of this kind on the border. It is necessary to inform people in sufficient time about any new developments in the rules for border crossing, as in this case motor vehicles, as well as to gauge any possible consequences thereof for the parties concerned. This will enable us not only to avoid any retaliatory measures but will likewise give the inhabitants of Kaliningrad ample time to make adjustments to the new situation.

Besides, it is necessary to emphasize that the element of transport plays an important role in the economy of Kaliningrad as a budget-forming branch, and any obstacles in crossing the border of Lithuania or Poland, including those unrelated to tariffs, are likely to have a negative impact on the positions of the Kaliningrad carriers in the region.

Fourth problem: *energy supplies.*

Eighty percent of the energy demand of the Kaliningrad Oblast is satisfied by the supply from Russia which is executed by transit through the territory of Lithuania. Transit by itself does not present any problems. Questions might arise in connection with the possible withdrawal by the Lithuanian energy producers from the system of parallel work with the Russian energy producers. The transition of the Lithuanian energy grid to the European standards will result in the Oblast being disconnected from the system of the Russian joint stock company, "The Single Energy System of Russia." Such prospects compel the parties concerned to prepare, on an international level, the assessment of all the possible options which might ensure sustained energy supplies to Kaliningrad. At present, among other plans, a project to construct a second line of gas mains from Russia to the Kaliningrad Oblast through the territory of Lithuania is being considered, which will enable us to launch a second thermal electric power station in Kaliningrad. Lithuania seems to have no objections against the construction of a second Russian transit gas pipeline through its territory.

Fifth problem: *the asymmetrical character of development.*

Considerable concern on the part of Russia is caused by the prospects of a rapid increase in the gap between the social-economic level of the Kaliningrad Oblast on the one side and Lithuania and Poland on the other. The European Union is rendering assistance to the candidate states in the process of their accession to the EU by means of such programs as PHARE, SAPARD, ISPA. In the framework of all these three programs, Poland is expected to receive about one billion euros and Lithuania, about 130 million euros, while at the same time, the Kaliningrad Oblast, in the framework of TACIS, the only program available for it, since 1994 has received 12-15 million USD (from the interview of Vice-Governor of the Kaliningrad Oblast V.M. Romanovsky to the newspaper "Kaliningradskaya pravda" of April 29, 2000). The financial and other assistance to Lithuania and Poland, intended on improving their social-economic situation and living standards, will be likewise continued after they join the European Union.

If the significant lag of the Kaliningrad Oblast behind Lithuania and Poland in the development of the social-economic situation and in the living standards of their inhabitants were to persist, this might cause illegal migration of the work force, smuggling, drug trafficking, and other negative consequences.

Sixth problem: *standards and certification.*

The essence of this problem is that at present there are no difficulties for the export of commodities from Kaliningrad Oblast to Lithuania or Poland on account of standardization and certification, as these countries are still using the CMEA system. Nevertheless, after Lithuania and Poland join the EU, the Kaliningrad exporters will already be obliged to comply with the standards and certification procedures of the European Union. The internal harmony of trade relations within the EU, achieved by means of common regulatory procedures and compliance with unified industrial

standards, might turn into a powerful non-tariff barrier against import from outside, in particular that from Kaliningrad Oblast with its modest level of technological development.

It might be possible to continue with the list of problems the Kaliningrad Oblast has to face in relation with the European Union enlargement, however, the scope of the present works does not permit that. Nevertheless, I would like to mention that a list of Russian concerns in relation to Kaliningrad was submitted by Moscow to the European Commission in September 1999. There can be no doubt that it is first of all the task and obligation of Russia itself to ensure the basic subsistence and prosperity of the Kaliningrad Oblast. Nevertheless, it is also obvious that the best possible resolutions to the problems of Kaliningrad can be only found by means of correspondent interaction with the international community. The Russian Federation is pursuing that in the following three directions:

1. The dialogue of Russia and the EU

The possibility for sharing opinions about the Kaliningrad problem is provided by the Agreement on Partnership and Cooperation between the Russian Federation on the one side and the European Communities and their member-countries on the other. Article 102 of the Agreement, in particular, stipulates a provision of consultations along appropriate channels on the requests of any of the Parties on the issues related to the interpretation or implementation of the said Agreement, or any other important aspects of the relationship between the Parties.

In the interests of the basic subsistence and sustained development of the Kaliningrad Oblast, the Russian Federation has officially proposed to the Commission of the European Communities to start consultations within the framework of the institutions and mechanisms of the aforesaid Agreement. Such consultations may be expected to start soon. As it was noted, in the Strategy for the Development of the Relationship between the Russian Federation and the European Union for a Medium-Term Prospect (the years 2000-2100), it would be in the interests of Russia to conclude a special agreement with the EU on Kaliningrad.

Particular hopes in the work on the problems of Kaliningrad are founded on the realization of the Northern Dimension concept in the politics of the EU. Thus, a joint Russian-Lithuanian list of projects, oriented *inter alia* towards the Kaliningrad Oblast (known as the “Nida Initiative”), was officially submitted to the European Commission on February 10, 2000 for their prospective realization in the framework of the EU Northern Dimension Initiative.

2. Bilateral cooperation of Russia with Lithuania and Poland.

The framework of bilateral cooperation of Russia with Lithuania and Poland, as candidates for joining the European Union, is very important in resolving the problems related to the basic subsistence of the Kaliningrad Oblast in the context of the EU expansion eastwards. The main emphasis is given to the improvement of the legal basis which regulates bilateral relations involving Kaliningrad, and to the development of the cross-border partnership ties. The latest achievements in this area include the signing in

June 1999 of the Russian-Lithuanian inter-governmental Agreement for the Long-Term Cooperation between Regions of Lithuania and the Kaliningrad Oblast and the creation of the working mechanism for its realization, the Russian-Lithuanian Council for Long-Term Cooperation.

The foreign policy efforts of Moscow, Vilnius and Warsaw have enabled the parties to resolve most of the issues for the benefit of the normalization of the situation around the Kaliningrad Oblast. Nevertheless, as already mentioned, the conclusion of relevant agreements on the Russian enclave is increasingly shifting from the sphere of the dialogue Moscow-Vilnius and Moscow-Warsaw to the level of the dialogue Moscow-Brussels.

3. Regional cooperation.

The administration of Russia encourages cooperation of the Russian Federation with foreign partners on the regional level. The Kaliningrad Oblast actively pursues this type of relationship. Kaliningrad has signed agreements with a number of Lithuanian counties, Polish provinces, Belarusian Oblasts, the Danish Bornholm county. The municipal structures of Kaliningrad participate in the activity of the Euroregions “Baltica” (together with Danes, Latvians, Lithuanians, Poles and Swedes) and “Saulė” (together with Latvians and Lithuanians).

A considerable positive potential inherent in regional cooperation, especially in such forms as the Euroregions, may be effectively realized by the Kaliningrad Oblast in the interests of its basic subsistence. The proof of the obvious desirability of such partnerships is in the support extended by the European Union, the Council of Europe and the Council of Ministers of the Baltic Sea States, including their financial, material and intellectual assistance, rendered for this purpose within the framework of various programs.

In assessing the situation around the Kaliningrad Oblast and the prospects for its development, it is essential to take into account a rather important circumstance, namely: one of the principal guarantees for preserving stability and calm in the Baltic region still remains the due consideration given to the Kaliningrad factor, while, on the contrary, the disregard for the Kaliningrad factor may give rise to tension in this part of Europe. Moreover, there is no doubt that, with respect to the expansion of the EU presence in the Baltic area, the influence of the Kaliningrad factor will increase. In turn, the welfare of this Russian enclave will also be to a great extent determined by the existence of a stable and neighborly atmosphere in the Baltic region.

In this relation, it is worth referring to Graeme Herd, author of a research work “Competing for Kaliningrad”¹ who states that today Kaliningrad is acquiring even more important strategic weight, as this small enclave is “on the front line between the EU keen to enlarge and the Russian Federation struggling to understand and manage its transformation.” In his work, Herd also offers a prediction: “As with Kosovo in the Balkans, Kaliningrad will be a touchstone for the new European security order in the region. Its fate is inextricably linked to regional stability.”

¹ Graeme Herd, “Competing for Kaliningrad: Europe and Russia”, *The World Today*, 12 (55), 1999, p.7-9.

It is certainly possible to take various attitudes to this prophesy of Greame Herd, though there can be no doubt as to the truth of his words about the interrelation between the fate of Kaliningrad and the stability in the Baltic region.

Taking into account the multifaceted character of the affect produced by the European Union enlargement on the situation around the Kaliningrad Oblast, paying attention to the role and importance of the Kaliningrad factor in the Baltic region and beyond, and for the purpose of strengthening peace, stability and good neighborly relations in this part of Europe, it is essential, in the course of processes related with the enlargement of the European Union, to maintain the balance of the interests of all the parties concerned. As a guaranty that mutually acceptable resolutions to the Kaliningrad issues will be found, joint attempts at drawing maximum benefit out of the advantages of the European Union's eastward expansion should be attempted. At the same time preventing the emergence of, or eliminating or compensating any negative consequences for the Kaliningrad Oblast of the Russian Federation, is also seen in the Strategy for the Development of Relationship between the Russian Federation and the European Union for a Medium-Term Prospect (2000-2100).

Prospects for Economic Relations between Lithuania and Russia

Kazimiera Prunskienė

Foreign trade

During the first eight years of independent Lithuania, Russia was our first foreign trade partner. Russia's share of Lithuanian imports and exports is presented in the diagram. Since the middle of 1998, there has been a significant slump in the foreign trade with Russia, especially in exports, nevertheless, Russia still retains the first place in the total volume of Lithuanian imports. In the general foreign trade turnover, Russia accounts for 15 percent, i.e. it ranks second after Germany (18 percent).

In the course of two years, exports to Russia decreased by 3.5 times: from 21 percent in 1997 to 6.5 percent in 1999. In 2000 trade with Russia became slightly more active, though only in the sphere of imports, which during the last years made up 27 percent from the total commodity import to Lithuania. The exports, meanwhile, amount only to 7 percent. This is lower than the export to Latvia (15 percent), Germany (15 percent) and the United Kingdom (7 percent). The significant decrease in exports to Russia produced a negative effect on the total exports of Lithuania and increased the foreign trade deficit which, according to preliminary data, amounted to about 6 billion litas in 2000.

The difficulties with the exports to Russia were also conditioned by the fall of the rouble exchange rate against the dollar. In this respect, the pegging of the Lithuanian currency – litas – to the USD is not a favorable factor in the development of exports to Russia and especially to the euro-zone countries.

Due to the unreliability of payments during the period of crisis in Russia, a considerable number of Lithuanian enterprises lost their assets or the possibility to export, which brought about their temporary withdrawal from the markets of Russia and the CIS. In 2000 there was the beginning of a renewed interest in these markets.

In the commodity structure of imports, there mineral products dominate (72 percent), including energy resources. The imports from Russia also include plastics and articles thereof, raw hides and skins, leather, wood and articles of wood, metals, machinery and mechanical appliances.

Within the export structure, the main groups of commodities include: live animals and animal products (12 percent), vegetable products (8.5 percent), mineral and chemical products, textile articles (8 percent), machinery and mechanical appliances (17 percent), transport vehicles, etc. The import from Russia to Lithuania exceeds the volume of export by several times, which is explained by the import of energy resources (oil, gas) by pipelines that produce an advantage over other imports.

The trade between Lithuania and Russia is based on the Agreement on Trade and Economic Relations signed in Vilnius on November 18, 1993. By this Agreement the countries accorded each other the most-favored-nation treatment. In practice, the import-export conditions, especially in the sphere of customs policy, still fail to satisfy the businessmen of both countries and require essential revision. Import tariffs on Lithuanian commodities, which amount to as much as 30 percent and significantly exceed customs tariffs on the import of the same good from the EU countries to Russia, make the Lithuanian goods less competitive from the point of view of prices. This encourages

commercial enterprises from the EU countries to buy products (e.g. meat, milk powder, etc.) in Lithuania and sell them at a profit in Russia.

During the period when the Conservative Party was in power, the representatives of the Governments of both countries, who co-operate in the framework of the bilateral Commission for Commercial and Economic, Scientific and Technological, Humanitarian and Cultural Cooperation, regrettably, failed to achieve any fundamental accomplishments. A contrary effect on the strengthening of economic and political relations was made in the autumn of 2000 by the Law on the Recovery of Damages Caused by the USSR Occupation passed before the elections to the Seimas. This obstructed the progress of the relationship, especially the ratification of the Treaty between the Republic of Lithuania and the Russian Federation on the State Border.

After the elections to the Seimas, in the beginning of December 2000, a joint delegation of Lithuanian Seimas members, representatives from the Ministry of Economics and businessmen visited Russia (I was the head of the Seimas delegation) and, together with Russian colleagues, succeeded in defining the issues to be resolved, especially those in the field of economics.

It is believed that the Russian Duma will finally ratify the Treaty on the State Border in its spring session of 2001. At the same time it is necessary to seek the ratification of the agreements on the avoidance of double taxation on income and capital, the prevention of fiscal violations and on the encouragement and reciprocal protection of investments. That might have a fundamental impetus on the investment agility of the partners, implementation of joint projects and mutual confidence which plays a crucial role in the development of economic relationship.

In February 2001, a new meeting is to be conveyed in Vilnius for the purpose of continuing the commenced dialogue. The new Seimas and its political majority are trying to achieve greater balance between the process of integration into the EU and a more active cooperation with Russia, which ought to bring profitable results.

Transit

Transit is one of the most important areas of cooperation between the two countries. Cargoes flowing through Klaipėda to Moscow and back account for nearly half of the total volume of the cargoes carried through this port (which is equal to nearly 16 million tons/year). A decrease in the amount of cargoes, as a consequence of the economic crisis in Russia, made a significant impact on the load of the Lithuanian transport system. In 2000 the volume of carriage started growing again, including that in the railway transport where it increased by about 8 percent.

The competition between the ports of Kaliningrad and Klaipėda in the area of transit resulted in the introduction from the part of both Lithuania and Russia notable differentiation in the tariffs on the cargo carried by railways. Lithuania is applying increased tariffs on the cargoes going in the Kaliningrad direction, while Russia reciprocates on the Klaipėda route. The difference in the latter is more than twofold. The protectionism in respect of national ports interferes with the adoption of solutions conforming to the market principles and artificially channels the flow of cargoes towards a port which is, in this particular case, not the most advantageous in all respects (geography, quality of service, length of transportation). Ultimately, it is business and this

particular region of the Baltic Sea as a whole which are losing out. Therefore, the harmonization of the tariffs on transportation between both countries has lately become the major problem in the sphere of transit, which ought to be resolved at the governmental level on the basis of political good will and mutual understanding. The new context of political relations ought to expedite the resolution of this issue at the beginning of 2001.

The Kaliningrad Oblast is a distinctive feature in the context of the relationships between Lithuania and Russia. Lithuania is linked with this district by neighborly relations, also by far more active economic and cultural cooperation in the Baltic region than with the rest of Russia. A visa-free regime is still applied between the Kaliningrad Oblast and Lithuania, which facilitates free movement of goods and persons. Lithuanian businessmen rank third (after Germany and Poland) among the partners of the Kaliningrad Oblast according to their activities in trade and investments. Lithuania maintains a favorable attitude towards the integration of the Kaliningrad Oblast into the Baltic Sea Region and its participation in the positive processes of European integration.

The energy sector

This has always been the key sector in the economic relations between Lithuania and Russia:

First, the energy resources, including oil and gas, which dominate Lithuanian exports and the specifics of the power system shaped during the Soviet period (the great productive capacity of power stations, their connecting infrastructure, the possibility for cheaper transportation by oil and gas mains, etc.) determine the importance and continuity of relationship in the energy sector. The import of oil, the more so that of gas, from other countries is less efficient from the economic point of view in comparison with the import of these resources from Russia.

The Mažeikiai oil refinery “Mažeikių Nafta”, with an annual processing capacity of 13 million tons, was built for the requirements of the region based on the supply of crude oil from Russia. After the sale of a third of the shares of this refinery to the company Williams International and the subsequent acquisition by the latter of the functions of administration and commercial operation, it became difficult to secure agreements with Russian companies on long-term, sustained and sufficient supplies of crude oil. During the last years, “Mažeikių Nafta” has been working at less than half of its producing capacity with the resultant hundreds of millions dollars annual loss, which has to be compensated at the expense of Lithuania. Therefore, the most rational solution might be to invite Russian companies to purchase part of “Mažeikių Nafta” shares and agree with them on a long-term supply of crude oil. “Mažeikių Nafta” is the most modern enterprise of this kind on the scale of the former Soviet Republics, therefore, there is no shortage of markets for its production both in the countries of Eastern Europe and elsewhere.

The privatization of the gas sector of the economy introduces a new aspect in the dialogue for partnership with Russia in this area. Russian natural gas is used as raw material for producing fertilizers and for technological needs of the national economy as well as for domestic needs of consumers. Besides, it is the principal fuel for the Lithuanian thermal electricity plants which at present generate up to 20 percent of the

total electricity supply. The main producer of electric power (80 percent) is the Ignalina Nuclear Power Plant. Nevertheless, the co-ordination with the EU of the dates for the closure of its blocks and the prospects in 10-15 years to move over to the domination of thermal energy supply in Lithuania (though I do not consider it rational), lend added importance to the import of gas. Moreover, Lithuania might become a gas transit country, provided the project of the gas main to Poland was implemented on the basis of the agreement between the states.

The capacities of the Lithuanian energy sector enable it to satisfy domestic demand for electric energy, supply it to the Kaliningrad district, Belarus as well as export it to the West. An object of cooperation between countries might be the construction of an electric energy supply bridge from Lithuania to Poland. Regretfully, however, the realization of this project is repeatedly being postponed due to the constantly interrupted dialogue between potential investors.

The energy sector is such an area where it is hardly possible to implement any projects of larger scale without inter-state agreements on the governmental level and the relevant support of the governments involved. This is especially true for countries in the process of transition.

Tourism

During the last decades of the Soviet period, Lithuania used to be a favorite destination for tourism and recreation for the inhabitants of Russia and other Soviet Republics. The towns of Lithuania, as centers of European culture, its seaside resorts (Palanga, Nida, etc.), thousands of lakes abundantly scattered amidst lovely pine woods, comparatively good infrastructure of transport and other services invariably attracted Lithuanian neighbors from the East. This attraction has not died off, as well as the fondness for Lithuanian products, especially food. Nevertheless, there exist some obstacles which could be removed by the following three factors:

- The economic and social growth of Russia with the resultant increase in the purchasing capacity and greater mobility of its citizens;
- The development of the Lithuanian tourism sector and its competitiveness (this is being implemented quite fast);
- The sustained stability in good neighborly relations between the two countries, the increase in the political, cultural and economic cooperation, inter-governmental agreements on rational and favorable visa regimes for the entrance of the citizens of one country into the other (from Russia to Lithuania and vice versa).

Lithuanians, with the exception of a part of the younger generation, speak Russian well, understand the Russian mentality, and are able to find a mutually acceptable way of communication and create an atmosphere of confidence and friendliness. Lithuania has the fewest problems with national minorities of the three Baltic countries.

I regard tourism from Russia as one of the most promising areas of cooperation between Lithuania and Russia. The most urgent problem that needs to be resolved is the simplification of the visa regime by means of a compromise between the commitments to the EU and the interests in developing tourism with Russia and other CIS countries.

Investments

At present the outside investment activity of both countries is still restricted by the lack of investment capital. In the middle of 2000, the share of Russian investors (118 in total) accounted only for 0.5 percent of direct foreign investments in Lithuania. The stated capital of joint ventures with the Russian Federation comprised only 1.4 billion litas, with Russia accounting for only 43.3 million litas or 1.3 percent. Among Lithuanian enterprises which have received the largest Russian investments one should mention the joint stock company “Alytaus pieninė”(“Alytus Dairy”) (3 million USD), the business center “Baltija-Ritm” of the joint stock company “Russian Research and Technologies” (3 million USD), and the joint company “Silmega” (0.3 million USD).

The investments of Lithuanian entities in Russia amount to about 6 million USD. This constitutes almost a third of the total volume of Lithuanian investments abroad. It is possible to predict that the growth in the financial and investment capacity of the Lithuanian business will in future enable us to significantly increase investments abroad. It is believed that Russia will further remain the most important country for Lithuanian investments and capital export.

The increase in mutual investments is one of the most distinctive criteria of the maturity of economic cooperation, which, due to the difficulties in the economic development of the countries in question, is still not able to play a leading role.

What Happened in Lithuania in 1940?

Alfred Erich Senn

On June 9, 2000, the Russian Foreign Ministry, reacting to a bill under discussion in the Lithuanian Seimas (parliament), declared that the Soviet Union had not seized Lithuania by force in 1940. The ministry insisted that in June 1940 Soviet troops entered Lithuania by agreement with the Lithuanian government and that this agreement had been “received within the framework of international law as functioning at that time.” Moreover, the decision of Soviet leaders, in August 1940, “to accept Lithuania as a member of the Soviet Union” came in response to the request of “the highest governmental organs of the Baltic states.” It was therefore improper “to qualify the entrance of Lithuania into membership in the USSR as the result of the unilateral action of the latter.” Most Lithuanians disagree.

Leaving aside the controversies surrounding the Seimas’s consideration of Lithuanian claims against the Soviet Union, and thereby against Russia, it would seem desirable to examine the Russian statement concerning the events of 1940 as a separate topic. History always runs the risk of becoming a tool of politicians and diplomats, who, like lawyers, often look to the past to document the positions that they want to take today. Discussion, of course, can follow a variety of paths: emphasizing the Soviet motivation for action in 1940, the details of the Soviet move into Lithuania, or the Lithuanians’ reaction to the movement and their subsequent behavior. Since the Russian Foreign Ministry’s declaration provided the impetus for this essay, let us use that declaration as the basis for response.

The relevant part of the Russian declaration reads as follows (in the interest of offering the most accurate translation, alternative translations of certain Russian words have been provided):

The introduction of the forces of the USSR in 1940 was carried out with the agreement of the supreme leadership of this country, an agreement which was received/obtained within the framework of international law as practiced at the time. The authoritative/competent functions in the Soviet period here were carried out by the national organs of authority. The decision of the USSR Supreme Soviet of August 3, 1940 concerning the acceptance of Lithuania into the make-up of the Soviet Union was preceded by corresponding requests of the highest representative organs of the Baltic states.

In this way, it is unjust/illegal to qualify the entrance of Lithuania into the make-up of the USSR as the result of unilateral actions of the latter.

These four sentences constitute the outline for this essay.

– **1. “The introduction of the forces of the USSR in 1940 was carried out with the agreement of the supreme leadership of this country, an agreement which was received/obtained (*polucheno*) within the framework of international law as practiced at the times.”**

The key word here is “agreement” (*soglashenie*) – how was it “obtained” or “received”? Can the arrangement whereby, on June 15, 1940, Lithuania acquiesced to Soviet demands, be called an “agreement”? The Lithuanian government did not ask the Soviet Union to send troops. The Soviet Union presented Lithuania with a set of three demands that had to be accepted within 10 hours: the arrest of two Lithuanian security officials, the installation of a new government

favorable and acceptable to the Soviet Union, and the acceptance of Soviet military units in the major centers of Lithuania. Should the Lithuanians not agree to these terms, the troops would march in anyway. Lithuanians call this an “ultimatum.”¹

At this time, the Soviet Union was a de facto ally of the German Reich as a result of the Molotov-Ribbentrop pact of August 1939; these two powers together dominated Eastern Europe. In secret protocols to the agreement of August and a subsequent agreement of September 1939, Germany recognized Lithuania as lying for the most part within the Soviet sphere of influence. (In January 1941 the Soviet Union bought Germany’s remaining claim to southwestern Lithuania for some USD 7,000,000.) In explaining the move into Lithuania, the Soviet press at the time announced that the Lithuanian government was too pro-British and that it did not believe strongly enough in the lasting nature of German-Soviet friendship.

As for the “framework of international law,” the period of 1938-1940 was undoubtedly a time of ultimata and violence. A commentary in *Nezavisimaya gazeta* (August 3, 2000) spoke of Eastern Europe’s living at this time by “the law of the jungle.” Germany and the Soviet Union had divided Poland in 1939, and now German troops had just occupied Paris. Lithuania had already faced several ultimata: In 1938 Poland had demanded the opening of diplomatic relations, In March 1939 Germany had demanded the cession of the Memelland (Klaipėda), and in October 1939 the Soviet Union had demanded the right to station troops in Lithuania. Lithuania had yielded to all three ultimata; none of them, however, had led to the collapse of the Lithuanian government. But to assert that the Soviet Union acted within the “framework of international law” as it functioned in Eastern Europe in the spring of 1940 is not to set a very high moral standard.

Soviet views of international law, moreover, were in a state of flux, although in earlier years, governmental officials had made bold declarations on questions of aggression. In 1933 Soviet People’s Commissar of Foreign Affairs Maksim Litvinov proposed to define the intrusion of military forces “onto the territory of another state” as “aggression” and he called for rejecting any effort to justify such action by referring to “the internal condition of any state.” Fifteen years before that, the new Soviet government, in its Decree on Peace, declared, “If any nation whatsoever... does not have the right by free vote, with the troops of the annexing or generally the more powerful nation being completely withdrawn, to decide without any pressure the question of the forms of the political existence of this nation, then its incorporation is an annexation, i.e., by means of seizure and coercion.”² (*Ed. note: It should be noted that, according to the information presented in the Russian media, the Moscow statement "received within the framework of international law as functioning at that time" is understood in the sense that the international law of that time allegedly did not forbid the threat of the use of force.*

Where such interpretation could have really existed, it would be associated exclusively with the Nazi attempts at the Nuremberg Process to justify the 1938 Austrian Anschluss as legitimate, as it was executed without any “spill of blood”. The Court then found that, “such matters, even if true are really immaterial, for the facts plainly prove that the methods employed to achieve the object were those of an aggressor. The ultimate factor was the armed might of Germany ready to be used if any resistance was encountered”. (See more in: Trial of the Major War Criminals, 22 International Military Tribunal, 435. - 1948).

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Besides, as far back as in 1938, the USSR representative at the League of Nations, commenting on similar methods, observed: "It must be clear that the League of Nations has no intention of changing its attitude, whether to the direct seizures and annexations of other people's territory, or to those cases where such annexations are camouflaged by the setting up of puppet "national" governments, allegedly independent, but in reality serving merely as a screen for, and an agency of, the foreign invader" (See.: League of Nations. OJ 340. - 1938).).

In Josef Stalin's Soviet Union, views of the rights of national self-determination and of the powers of international law soon became more conditional. In 1935 E. B. Pashukanis, a noted Soviet jurist, still accepted the existence of a system of international law with custom and treaty as its sources, but by 1938 his critics were denouncing him as having cast doubt on the distinctiveness of Soviet law. Andrey Vyshinsky, who at this time emerged as an authoritative voice in Soviet legal thought, later told the United Nations, "Law in general is nothing but an instrument of politics."³

Faced with the Soviet ultimatum of June 15, 1940 – Soviet troops were poised to march and the Lithuanians had the choice of accepting them or resisting – the Lithuanian government yielded. In the fall of 1939, Finland had opposed a more moderate Soviet ultimatum; as a result it had to pay a high price in the "Winter War" of 1939-1940 – but then it had preserved its independence. (In 1938-1939, on the other hand, Austria and Czechoslovakia did not resist Nazi Germany.) On June 15, before announcing the ultimatum, *Lietuvos aidas* (the newspaper of Lithuania's ruling party), spoke of Lithuania's good fortune in having such a noble neighbor as the Soviet Union. Nevertheless, "agreement" is too strong a word to stand alone in describing the Lithuanian acquiescence to the coming of Soviet troops; there was no negotiation on the terms. "Surrender" is more accurate.

And the "supreme leadership" of Lithuania did surrender. In accordance with the terms of the ultimatum, the Lithuanian authorities proposed a new prime minister (the Soviet Union rejected the nomination and installed its own choice) and called upon the Lithuanian people to receive the Soviet forces without resistance. The authoritarian president of Lithuania, Antanas Smetona, fled the country. One possible sign of dissent came in the publication of a proclamation that the Soviets had come to maintain Lithuania's peace and security: At the end of the text in *Lietuvos aidas*, the official information agency's name "ELTA" (Lithuanian Telegraph Agency) was printed upside down.

In sum, the Soviet Union, declaring that its troops were in any case moving into Lithuania, forced changes in the Lithuanian government. There was obviously no negotiated "agreement." In 1988-1989, the Soviet Foreign Ministry long denied the existence of secret protocols to the Molotov-Ribbentrop pact on the grounds that it could find no such text. The Russian Foreign Ministry's own publication of major documents in Soviet foreign policy during 1940 does not include any relevant documents concerning an "agreement" on the move into Lithuania.⁴ Once in Kaunas, Soviet officials then directed further developments in Lithuania.

– 2 "The authoritative/competent (*vlastnye*) functions in the Soviet period here were carried out by the national organs of authority (*vlasti*)."

The thrust of this statement is unclear. Why would "the national organs of authority" in the Soviet Union not be carrying out state policy? The statement, however, does not specify the

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“constitutional” authorities of the Soviet Union, and perhaps there lies the explanation – *gde sobaka zaryta*.. This sentence invites a more careful look at the functioning of the Soviet system as a guide for understanding the events of 1940.

The impetus for transforming Lithuania in 1940 lay on the Soviet side. Without the coming of the Soviet armed forces, there would probably have been no major changes in Lithuania. There is no evidence that the Soviet troops themselves initiated any particular policies, although they of course facilitated all pro-Soviet demonstrations. We must look elsewhere for the engine of action, and this was Vladimir Dekanozov, the USSR Deputy People’s Commissar of Foreign Affairs, who came to Kaunas by special airplane flight on June 15 – but where did his authority come from?

As already noted, however, Soviet and Russian foreign ministry officials have released no documentation as to his activity. The available documentation on relations between the Lithuanian and the Soviet governments has a curious gap for the period of June 15 to August 3. In their day, Soviet historical authorities chose to end the fourth volume of the basic documentary collection “Sources for the History of the Lithuanian SSR” with the arrival of Soviet troops and the formation of a new government. When the Soviet Foreign Ministry, a decade ago, published a book of diplomatic reports on Moscow’s relations with Lithuania in 1939-1940,⁵ the material ended with the movement of Soviet troops into Lithuania; the volume ignored the subsequent events when Dekanozov was in Kaunas personally directing the course of events. We may conclude that the events in Lithuania were more significant now to other Soviet institutions, and this would mean first of all the Communist Party.

The Soviet state is best understood as having been a “party-state.”. Lenin had created a new type of administration according to which the Communist Party constituted the sovereign authority, higher than the constitutionally defined governmental administration. The governmental administration, Lenin and his successors argued, was “an instrument” (*orudie*) of the class struggle, and it was the task of the party to wield that instrument. Speaking to the VIII Party Congress in 1919, Lenin, while advocating “democratic centralism,” put his emphasis on the principle of a centralized party leadership: “The Communist party can fulfill its obligation only if it will be organized in the most centralized way, if iron discipline rules it... and if its party center constitutes the highest authoritative organ with wide powers.”⁶

The “authoritative” organ of Soviet power accordingly was not in the government but in the party. In 1940, to be sure, the Soviet constitution did not reflect any such power structure. The 1936 (Stalin) constitution declared, “The highest organ of state power in the U.S.S.R. is the Supreme Soviet of the U.S.S.R.” Article 126 of the constitution declared that the party united “the most active and politically most conscious citizens in the ranks of the working class and other sections of the population.” The earlier constitutions of the Soviet state (1918, 1924) did not even mention the Communist Party. Article VI of the Brezhnev Constitution of 1977 finally declared that the party was “the leading and guiding force of Soviet society and the nucleus of its political system.”

Nominally, the sovereign institution of the party was the Party Congress, but since there was no such congress between 1939 and 1952, power obviously lay higher in the party structure, specifically in the Politburo and of course in Stalin’s hands. Memoirs of former Soviet leaders after the fall of the Soviet order make this hierarchy clear. Both Vladimir Kriuchkov, head of the

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Soviet KGB in 1988-1990, and Egor Ligachev, a prominent party leader of the 1980s, called the Politburo “the highest political organ of the country.” Nikolai Ryzhkov, another leading figure in the party in the late 1980s, considered it almost a demotion when, as a member of the Politburo, he was called upon to take the post of Prime Minister of the USSR.⁷ The party executive was historically the supreme authority in the Soviet Union.

The party-state structure embodied Lenin’s conception of a new type of political-social order. When Lenin professed disinterest in becoming the Chairman of the first Council of People’s Commissars, he was expressing not modesty but rather his fundamental idea that the party was superior to the formal government. Government was an instrument to carry out the will of the party. Stalin came to power in the Soviet Union not through the governmental structure but through his control of the party. Mikhail Gorbachev’s failed experiment in reforming the Soviet system into a “state ruled by law” (*pravovoe gosudarstvo*) meant the thought – never seriously carried out in his time – of subordinating the party to the constitutional order.⁸

The relationship of the government and the party can be understood in a simple diagram, a smaller triangle (or pyramid) within a larger one. The smaller one represents the constitutional order, the larger represents the party. The elaborate, sophisticated structure of the party gave it unprecedented means of controlling the society. A modified version of this diagram could include Lithuania after 1940 as a smaller, overlapping triangle, reproducing the power relationships of the Soviet state. The head of the Lithuanian Communist Party, who occupied a position in the overall pyramid equal to that of a party oblast committee first secretary, ruled over the constitutional structure in Lithuania just as the head of the A-UCP(b) ruled over the Soviet constitutional structure.

*****insert diagrams *****

Vladimir Dekanozov, as Stalin’s viceroy, brought this party-state system to Lithuania in the summer of 1940, and he used the Lithuanian government as his instrument for Sovietizing the country. With him came specialists for Soviet administration and for Soviet security organs. He installed himself in the Soviet embassy, and he imposed on Lithuania the Soviet party-state structure in which the traditional governmental forms were of only secondary importance. Lithuania became a part of the Stalinist Soviet party-state, administered within the A-UCP (b) structure long before it was formally incorporated into the governmental structure of the U.S.S.R.

3. “The decision of the USSR Supreme Soviet of August 3, 1940 concerning the acceptance of Lithuania into the make-up of the Soviet Union was preceded by corresponding requests of the highest representative organs of the Baltic states.”

The Russian statement draws no connection between “the supreme leadership” of Lithuania mentioned in the first sentence and the “highest representative organs of the Baltic states” in this sentence. Barely seven weeks after the movement of Soviet troops into Lithuania, the USSR Supreme Soviet accepted Lithuania as the fourteenth republic of the Union of Soviet Socialist Republics. In their time, Soviet historians argued that Lithuania, Latvia, and Estonia underwent simultaneous “socialist revolutions” in the summer of 1940; they argued that the presence of Soviet troops only allowed Lithuanians to decide their own destiny. In fact, the

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military established the controlling presence that allowed Dekanozov to fulfill his function as representative of the A-UCP(b). The process creating the Lithuanian Soviet Socialist Republic was Dekanozov's work.

After his arrival in Kaunas on June 15, Dekanozov restructured the Lithuanian government, naming Justas Paleckis, a Lithuanian leftist who was not yet a member of the Communist Party, as Prime Minister. Paleckis had trouble at first understanding where his call to power had come from: "When, who and how is the new government of Lithuania forming?" he later asked. "Early in the morning of June 17," he continued, "they invited me to a meeting on the formation of a new government... When my name was raised, this was a complete surprise. But since this was a decision of the Central Committee of the Communist Party of Lithuania, I had to throw all doubts aside and begin work."⁹

In August 1940, still confused, Paleckis asked Stalin personally about the institutional power structure in Lithuania. Stalin, smiling, explained: "Naturally the situation is complicated for the time being, but this is understandable in the present transitional moment. When you establish real Soviet rule, everything will fall into place. You will have an organ, the Biuro of the Central Committee, into which come all the basic leading comrades. There you will discuss all basic questions. The *polpred* [the Soviet diplomatic representative - aes] had to serve for a while as the plenipotentiary of the Central Committee of the A-UCP (b) and the central government, and he will help in the organization of Soviet rule." Eventually Paleckis understood: "Having become a member of the Biuro of the CC, which decided all questions of principle, I understood the significance of this basic leading and unified center about which Stalin spoke during our conversations in the Kremlin."¹⁰

Aided by specialists sent in from Moscow, Dekanozov worked through the Lithuanian Communist Party (LCP), while the cabinet of ministers, headed by Paleckis, served an administrative function. Dekanozov and Paleckis brought a number of non-Communists into the first "People's government," but in historical retrospect it seems clear that they constituted window dressing for the Soviet takeover. For his part, Dekanozov pushed his program carefully, concentrating first of all on denouncing the Smetona regime in Lithuania, then promising to respect private property, assuring Lithuanians that agriculture would not be collectivized, and restraining any discussion of the possibility of joining the Soviet Union until mid-July.

The leading Lithuanian in the new order was Antanas Sniečkus, who in June emerged from a Lithuanian prison to become secretary of the Lithuanian Communist Party. He entered the government as merely a deputy minister of the interior, nominally a lesser post than, say, Paleckis's, but from that position he headed the new security police, modeled after the Soviet NKGB. As party secretary he issued Dekanozov's orders in the party's name. In the semi-feudal structure of the Leninist-Stalinist system, Sniečkus came to serve as something like Duke of Lithuania until his death in 1974.¹¹

The first key moves of the Paleckis government included the release of all imprisoned Communists, the legalization of the Communist Party, and then an order for all old political groups and societies to reregister. The LCP tolerated no organized legal opposition as it created new social organizations and directed the reorganization and then suppression of the press. As Paleckis recorded in his memoirs, "The purge of the state apparatus and the government from

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reactionary elements proceeded quickly.”¹² On July 6 Dekanozov’s government announced that on July 14 there would be elections for a new parliament, a People’s Seimas. Time was short, but the LCP announced the formation of the Union of the Toiling People of Lithuania that offered a slate of candidates, including some ten non-Communists, with just one person designated for every seat in the new parliament. On July 11 and 12, the Soviet authorities reduced the possible points of opposition by arresting leading figures of the old regime and deporting some of them to the interior of the Soviet Union – this although Lithuania was still formally an independent state.¹³

When election day came, official returns reported that 95.5 percent of the population had voted, with over 99 percent of them supporting the official slate. Anna Louise Strong, an American radical who was in Lithuania through the month of July, approvingly called this “a figure unheard of Lithuania, unbelievable in any election in the capitalist democracies.”¹⁴ The contemporary Soviet Lithuanian press, however, reported even more “unbelievable” results: On July 16, *Darbo Lietuva*, which now replaced *Lietuvos aidas* as well as other newspapers, enthusiastically declared, “There are many places where up to 138 percent of those having the right to vote cast their ballots.” Such reports would seem to make all official statistics meaningless and hardly worth discussing.

The voting done, the LCP organized mass meetings to call for the incorporation of Lithuania into the Soviet Union. The government made clear that it would provide the country with a new constitution, and as *Darbo Lietuva* put it on July 17, “Without Soviet power, creating a more beautiful life is unimaginable.” The theme now was to “continue the work of Vincas Kapsukas,” the Lithuanian communist who, at Moscow’s orders, had proclaimed the establishment of a “workers’ and peasants’ government” in Lithuania in 1918. (Ironically, in the latter 1920s, Soviet historians criticized him for his lack of understanding for Lithuanian national aspirations.) The process went ahead quickly: The People’s Seimas met on July 21 and in one day voted to rename the state the Lithuanian Soviet Socialist Republic and to request incorporation into the USSR.¹⁵ A delegation of dignitaries solemnly traveled to Moscow to deliver this petition, and on August 3, the Supreme Soviet of the USSR granted the request, accepting Lithuania as the fourteenth constituent republic in the union.

Even before the USSR Supreme Soviet formally incorporated Lithuania into the U.S.S.R., Soviet officials treated Lithuania as their own. The deportations of July were mentioned above. On July 24, the Politburo approved plans for nationalization of banks and industry in the Baltic. On August 1, Viacheslav Molotov, chairman of the Council of People’s Commissars and USSR People’s Commissar of Foreign Affairs, declared that the Baltic region properly belonged to the Soviet Union. The U.S.S.R., he proudly announced, in the last year had added territory with 23,000,000 inhabitants - this all, he insisted, “peacefully.” (He obviously had to ignore the Winter War with Finland.) “Nineteen-twentieths of this population,” he added, “earlier made up part of the USSR, but the imperialist powers of the West tore it by force from the USSR in a moment of its military weakness.”¹⁶

In presenting his delegation’s petition to the USSR Supreme Soviet, Paleckis, speaking in Lithuanian, displayed his new understanding of the Soviet order. “Long live,” he cried out,

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“Stalinist friendship of peoples,” “the liberated people of the Lithuanian Soviet Socialist Republic,” “The great Union of Soviet Socialist Republics,” “The government of the USSR and its leader Viacheslav Mikhailovich Molotov,” “The All-Union Communist Party (bolsheviks),” and “the wise leader, the inspiration of the struggle and victories of laboring humanity, our friend and liberator– the great Stalin!” Stalin’s name, according to *Pravda* of August 4, evoked “a storm of applause, a loud ovation in honor of Comrade Stalin, all rise. Calls of ‘hurrah’.” A few days later, at a Kremlin reception, Paleckis formally gave thanks to both the “Bolshevik Party and the Soviet government.”¹⁷

Molotov’s proud statement of August 1, emphasizing what he considered the Soviet Union’s right to expand its western frontier from Finland to Moldavia, of course bolsters arguments that the Soviet move into Lithuania was not motivated by any vague “revolutionary” fervor, that instead the Soviet leadership was observing its own imperatives of geopolitics at a chaotic moment in European history. Molotov’s “Great Power” conception of territorial rights, moreover, reflected the underlying principles of the Molotov-Ribbentrop pact that had provided for the division of East Central Europe between Nazi Germany and Soviet Russia.

It remains yet, however, to define the relationship between the three major characteristics of this period: the presence of Soviet troops in Lithuania, Dekanozov’s activity, and the social upheaval that Soviet historians called a “socialist revolution.” Apart from Soviet motives for moving into the Baltic in 1940, did the population there really want to join the Soviet Union?

Anna Louise Strong had no doubts about Lithuania’s “socialist revolution,” that the leadership of the new order fully embodied the will of the people. The leaders, she insisted, “are widely known as patriots and greeted with great satisfaction,” and the entire process “was all highly constitutional” and “imposingly correct.” She herself saw almost no signs of resistance among the Lithuanians. Although she heard that some “old ones” disapproved of the new order, she claimed to have heard seventy-year old women speaking of “our father Stalin.” When questioned about the deportations of former Lithuanian officials, which she did not mention in her book, she reportedly pointed out that the Soviet government no longer executed its opponents but rather simply moved them, thereby contributing to a healthy mixing of nationalities throughout the entire Soviet realm. According to an admittedly unfriendly commentator, she exclaimed, “A people who have received the protection of the great Stalin cannot conceive of greater joy.”¹⁸

Leading members of the Lithuanian Communist Party guided Strong, who spoke no Lithuanian, but some other members of the new elite were not so sure of where events were leading them. Helena Korsakienė, a veteran radical whose husband became a leading Soviet Lithuanian intellectual, suggested that people outside Kaunas had little understanding of what was happening: “New people had come to power of whom they knew little.... They felt completely lost. Each, it would seem, was immersed in his own concerns. They wondered, what winds will yet blow, and in what direction?”¹⁹ Strong’s optimistic assessment of popular moods stands open to challenge.

Strong’s account repeatedly spoke of Lithuanian Communist leaders’ surprise at how easily the transformation of Lithuanian public life took place. The question therefore arises: Did Soviet officials from the start actually intend to incorporate Lithuania? Could local enthusiasts have in fact initiated the move - perhaps in an atmosphere akin to the forced collectivization of

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1929-1930 in the Soviet Union before Stalin called out “Dizzy with success”? This in fact seems highly doubtful. The simultaneous, coordinated paths that Estonia, Latvia, and Lithuania all traversed in these seven weeks - the so-called “simultaneous” socialist revolutions -- were too well organized; Soviet authorities in any case distrusted mass spontaneity.²⁰

The guiding hand in this process was Dekanozov’s. He used the Lithuanian government, and the Lithuanian Communist Party, as his “instruments” to carry out the will of the Soviet party leadership. Throughout the process, Soviet propagandists insisted there was only one acceptable path for the country, and all were obliged to follow it. They concentrated on creating an image of mass support, and they called for determined measures against those who somehow opposed the new order and wanted to “sabotage” the elections of July 14. *Lietuvos aidas* of July 12, now already Sovietized, solemnly declared, “Whoever does not vote for the Seimas is voting for the enemies of the people.” The next day it added, “No expression of gratitude to the Soviet Union can be too great.” The Lithuanian Communist Party and the Lithuanian government served as instruments for executing the will of the A-UCP(b).

By the time the new Soviet state structure in Lithuania had been formalized, Dekanozov had long since left Lithuania. He had returned to Moscow, his job completed, when the People’s Seimas voted to ask for membership in the USSR. In barely more than a month, he had reorganized the Lithuanian state, set the social and economic development on Lithuania onto a new course, and had contributed to the enlargement of the Soviet state. From November 1940 until the German invasion of 1941, he served as the Soviet diplomatic representative in Berlin. In December 1953 Stalin’s successors in Moscow had him executed in their purge of Lavrenty Beriya’s supporters in the Soviet system.

– 4, “In this way, it is unjust/illegal (*nepravomerno*) to qualify the entrance of Lithuania into the make-up of the USSR as the result of unilateral actions of the latter.”

The four sentences together suggest that since the Soviet troops did not have to fight their way into Lithuania, there can be no talk of “unilateral actions.” But on the other hand, the sequence of thought suggests that one should consider it natural, even *zakonomerno*, that when Soviet troops entered the land a Soviet republic should follow. Such logic should bolster the arguments of those Eastern Europeans who opposed allowing Soviet troops cross their lands even in the course of the Munich crisis in 1938. There is no evidence whatsoever to indicate that the Lithuanians knowingly invited Soviet troops and Communist Party representatives into the country with the aim of becoming a part of the Soviet Union. Whatever the reception of Soviet troops was in June – and there were people who welcomed them – Dekanozov’s program had lain concealed. And to say, as Anna Louise Strong reportedly did, that Lithuanians welcomed the opportunity to become Stalin’s children defies any independent sense of logic.

Did Lithuanians, nevertheless, in any way help the Soviet Union to incorporate Lithuania into the USSR? Yes, there were Lithuanians who participated in the process and helped. Was the incorporation a process in which the majority of Lithuanians had any significant voice or even any chance to express opposition? No, it was not. The election results of July 14-15, with their “overfulfillment” of whatever voting plan Dekanozov and his helpers had prepared, simply appear ludicrous. Soviet officials were clearly in charge of the process, supervising it, and determining the outcome; apart from producing documents to please the believers, they were not concerned with facing independent historical consideration.

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Was the incorporation of the three Baltic states in the interest of the Soviet Union? In his speech of August 1, Molotov put the strengthening of the Soviet Union in first place, but considering how quickly the Soviets fled Lithuania, the annexation of this region contributed little to Soviet defense against the German invasion of June 1941. One must remember that in 1940 it was not a matter of *either* Soviet *or* German troops in the Baltic-Soviet troops were already there as a result of the so-called “mutual assistance” pacts of 1939. On the other hand, in the tumultuous years of 1989 and 1990, more than one observer in Moscow expressed the thought that if Lithuania, Latvia, and Estonia were not part of the contemporary Soviet Union, there would be much less strife and controversy arising from Mikhail Gorbachev’s political, social, and economic experimentation. In these terms, it could be argued that Stalin’s annexation of the three Baltic republics was in fact a first step in the eventual dissolution of the Union.²¹

The Russian declaration of June 9, 2000, was not unexpected. A Russian diplomat in Riga had made just such an assertion at a meeting of the Latvian Historical Commission in July 1999. Maxim Litvinov declared that the first army to cross a frontier was guilty of aggression. At the peace negotiations with the Germans at Brest-Litovsk in 1918, the Soviet delegation bitterly opposed assertions that the Lithuanians, then living under German occupation, had expressed their will to separate from Russia: “Our position is that such a declaration can de facto serve as an expression of the national will only if it proceeds from a free vote in the areas in question on condition of the complete absence of all foreign troops.”[21] If an apologist for Soviet actions in 1940 would claim that these statements have no relevance because the troops were Soviet, the answer might come back in Vyshinsky’s words: “Law in general is but an instrument of politics.” And to this we could add Mikhail Pokrovsky’s statement that history is politics projected onto the past – all too often Pokrovsky’s statement looks true.

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RUSSIAN-LITHUANIAN RELATIONS: WILL THE SUCCESS STORY LAST?

Dmitri Trenin

By most accounts, Russian-Lithuanian relations have fared pretty well over the last decade. Lithuania was granted formal independence two weeks after the Moscow putsch of August 1991, and this independence has since never been questioned. Since that time, no Russian integrationist plan has included Lithuania. Russian military forces were withdrawn from the country in 1993, a year before they left Latvia and Estonia, or Germany, for that matter.

While Russia was generous, Lithuania was forthcoming. It deemed it wise to grant citizenship rights at independence to all its permanent residents, which included the Russian diaspora. It did not claim Kaliningrad but, instead, engaged the Russian enclave in a network of mutually beneficial contacts. Vilnius and Moscow were able to resolve the border issue in a treaty signed in 1997, and also a much thornier problem of the Russian military transit to and from Kaliningrad across the Lithuanian territory.

In general terms, the relations are not close (Vilnius prioritizes its ties with the West), but they are good. Russia does not find many reasons to publicly chastise Vilnius, as it does with respect to Tallinn and especially Riga. Day-to-day relations between ethnic Russians and the titular population are conflict-free. The absence of discrimination is met by the lack of irredentism.

Few empires, including those in Europe, have departed so gracefully. However, this situation may not last forever. The new Russian foreign policy concept talks about “good prospects” for relations with the Baltic States, and first of all Lithuania.¹ However, there are new challenges on the horizon which can be easily seen. Unless those Russians and the Lithuanians who are genuinely concerned with their bilateral relationship work constructively to respond to the coming changes in the environment, the second decade of modern Russo-Lithuanian relations may be considerably less successful than the first one.

Basically, there are two principle challenges which must be addressed. Neither is new, but both have moved close enough to start influencing the relationship directly. One is NATO expansion, and the other one, the enlargement of the European Union.

THE NATO DILEMMA

On NATO, there is already noticeable agitation in the runup to the next round of the alliance enlargement which could be decided in 2002. Among the candidates for membership, Lithuania presents a seemingly strong case. First, having secured the center of new Europe (Poland, the Czech Republic, Hungary), it now makes sense to shore up the flanks (i.e., the Baltic and the Balkans). Second, Lithuania has made substantial progress in economic transition, democratization, and the building of new armed forces. Third, it shares a border with NATO member Poland and does not border on mainland Russia. Fourth, it does not have conflicts with its neighbors, and is rather integrated

¹ The Foreign Policy Concept of the Russian Federation, adopted on July 10, 2000. Source: “Rossiyskaya Gazeta,” July 11, 2000.

internally, with the minorities enjoying equal rights. Moreover, a package solution that includes Lithuania (but not necessarily Latvia and Estonia) would nevertheless send a political signal to Moscow, effectively placing the whole Baltic region under the Alliance's umbrella.²

At this time, Moscow appears confused. On the one hand, it continues to stick to the notion that NATO enlargement is a threat to Russian national security, and that the bloc's expansion across the former Soviet border would constitute a grave political provocation. If anything, skepticism with regard to NATO, which emerged as a byproduct of enlargement Phase I, grew into thinly-veiled hostility towards it in the wake of the Kosovo crisis. Suffice it to compare the 1997 and 2000 versions of Russia's national security policy blueprint, or the 1993 and 2000 editions of the military doctrine and the foreign policy concept.

On the other hand, the Russian government has realized by now that it has no real veto power on NATO's decisions. If the alliance had gone to war over Moscow's adamant objections, it could admit a member without first clearing its candidacy with Russia. The horror list of Russian counter-measures has consistently failed to impress the West who considers Russia's policies to be much more rational and its leaders much more cautious than their own pronouncements lead one to believe. Thus, when asked: "What will you do if a Baltic state is invited to join NATO?" Russian officials can only reply that they will take adequate measures. But what is "adequate?"

It would appear tempting to call the Russians' bluff again. After all, as recent history shows, Germany was reunited in NATO, the Central Europeans joined NATO, and Yugoslavia was bombed by NATO - all despite Moscow's protests. Make hay, one might say, while Russia is weak. It will be too late when she recovers and demands to be taken into account in a big way.

This view is firmly rooted in historical experience, but it assumes that the future will be essentially like the past, only the dividing lines will be drawn differently. This assumption *per se* may be intellectually correct or not; what is important, is that it helps to inform the future by offering the models of the past. True, Russia's reaction against NATO enlargement did not hurt NATO very much, and did not put a Zhirinovskiy in the Kremlin, but it pushed the center ground of the Russian political elite very much in the anti-Western, anti-American direction. For many in Moscow, NATO now stands not only for a past adversary, but also for the prime source of threat today. As a result, in terms of Europe's security, one is appreciably worse off than back in 1991 when the USSR collapsed and Lithuania became independent, raising hopes of a Europe "one and free."

As to Moscow's preference, it would be for Lithuania to stay outside of NATO or, at least, for the decision to take her in to be deferred indefinitely. This Russian view betrays the same logic of dividing lines and exhibits the geopolitical baggage of buffer states and zones of influence. In the recent past, Russia's harsh reaction against the membership bid of the Central Europeans did contribute to the latter's swift and smooth admission to NATO. Moscow's dark warnings and thinly veiled threats backfired against her, bringing back the image of a bully, only this time deprived of its teeth. Should Russia use the same tactic again, it is sure to lose. Its argument about a red line running along the former Soviet border is not particularly convincing. From a different point of view, a failure by

² Darius K. Mereckis. Lithuania as a NATO Partner. *Lithuanian Foreign Policy Review*, 1999, 4, p.37-50

Lithuania to win invitation to NATO in the second group of new members after so much effort (e.g., international Vilnius conferences of NATO hopefuls) could lead to frustration among at least part of its elite.

To avoid frustration (in case Lithuania is not invited in 2002) and crisis (in case it is), both Vilnius and Moscow need to broaden their focus and work to discard some traditional notions. Lithuania's security presently rests on several pillars, including the U.S. political commitments, NATO's proximity (via Poland), what can be termed candidate membership in the European Union, and last, but not least, its treaty with Russia. It is inconceivable in the present-day European environment that the country would again be threatened with outside military pressure, not to speak of aggression. Of course, the situation may change for the worse (no contingency planner is short on scenarios), but this deterioration is not inevitable. Moreover, this risky backward-leading road can be effectively barred. The way to do it is for Lithuania to think European, not merely Western. Europe's (and in particular, Lithuania's) security can only be achieved through integrating Russia into a security community with the rest of Europe, and the United States. This is the true security guarantee.

Of course, the bulk of that task will be the responsibility of the United States, its leading European allies, and of course (in the first place) Russia itself. Still, there are important things that smaller Central European and Baltic countries can do. In fact, their contribution is not only unique, but indispensable. Russia will only be accepted as a European country (rather than a power in Europe) after it has fully normalized relations with the countries which it historically dominated or even absorbed. Such normalization is no easy thing for any ex-empire, but it is a prerequisite for acceptance. Not only former empires require acceptance: a democratic policy, a decent treatment of minorities and non-aggressive behavior toward neighbors have all become the required qualifications for passing a Europeanness test, but fallen hegemonies are watched with particular scrutiny, especially in their relations with the former satellites, provinces, etc.

This is where Lithuania comes in. It has built a generally good relationship with Russia, and commands a measure of respect, which it can now put to good use. Occasionally, Vilnius may make a misstep, of course. For instance, public pressure on Moscow to pay indemnities for Soviet occupation has been counter-productive. It strengthens the hand of those in Russia who make a political career of post-imperial arrogance and xenophobia. Passivity, however, is no option. Psychologically, it may make sense to wait until the bigger partner takes a step first (and in fact it did, but this happened to be a flop, as the Russian 1997 offer of security guarantees), but in practice the smaller one can well engage its behemoth neighbor. Lithuanians may be still afraid of Russia, but the Russians are no less afraid of seeing NATO in the Baltic. Both fears are equally unfounded in the present circumstances, but both are firmly rooted in history - and the people's psyche.

It would do a lot of good to increase mutual transparency. One avenue leads toward an ongoing dialogue on security issues among private citizens wielding enough influence in their respective countries. Another one is through exchanges at the level of security and defense officials and military officers. Bilateral contacts can be supplemented by multilateral ones, to include Poland, Belarus, Scandinavian and Baltic countries. Multilateral context is especially beneficial for joint military exercises, e.g. BALTOPS. In the wake of the *Kursk* disaster, search and rescue operations have achieved new prominence. The Russians and the Lithuanians must learn the habits of daily cooperation

in security-related fields.

Military security in the traditional sense, however, has de facto ceased to be a relevant concern in the Baltic Sea area. Other aspects of security have come to the fore, and they need cross-border interaction. Russia and Lithuania need to expand and intensify cooperation among their police forces and legal agencies to fight international crime which thrives upon the lack of close coordination between the two countries' law-enforcement establishments.

This opening to Russia will not make the NATO enlargement issue go away. Nevertheless, it could help avoid a concentration on the old and largely irrelevant security agenda (overland aggression, internal destabilization, foreign occupation, and the like) and would constitute an investment into the future. Looking into the future, Lithuanians will appreciate that their best external security guarantee is a democratic Russia moving ever closer to Europe's economic, political and security institutions.

Of course, there is only so much that can be achieved between Lithuania and Russia. To seriously improve the situation in Europe as a whole, it is Russia and NATO who must overhaul their relationship, consolidate the common ground which has been there despite all the problems, sort out the issues that separate them, and start to narrow their differences, making the 1997 Founding Act work. This is not a mission impossible, over the medium and long term: in principle, the West and Russia are ripe for a beginning to gradually demilitarize their relations. In carrying out this tremendous task, the role of the European Union and its ties to Russia can hardly be underestimated.

THE EU ENLARGEMENT

In 1999, Lithuania was added to the list of official candidates for membership in the European Union, which was undoubtedly a major victory for its government. It is not clear when the membership will actually come – probably not too soon, and not automatically – but one can assume that it is more likely to happen within a decade or so. This has important implications for Lithuania's neighbors which will not join the Union, namely Russia and Belarus.

Moscow has too long treated the European Union as the lesser evil, or even as a benign organization - in comparison to NATO. What it liked about the EU were not the things that the EU had - the level of knowledge about the Union and especially the understanding of how it worked were never too high - but rather the things that the EU lacked, namely, the American presence and an integrated military organization. Officially, Russia pronounced EU enlargement "organic", in contrast to NATO's which was branded dangerous and destabilizing.

Still, the closer the prospect that some of the neighboring countries would actually join the EU, the more concerned Moscow became. It had to discover that whereas NATO was geared to contingencies, the EU operated on a routine day-to-day basis. The terms of trade would undergo substantial change, as would movements of people across the new EU boundaries. Speaking of the dividing lines in Europe, the true barriers were likely to be erected between those who belonged to the Union, and those left outside of it. The prospect of a Schengen curtain added poignancy to that bleak view.

Not only Russia will lose from an abrupt tightening of economic contacts with the neighbors. Lithuania will suffer no less. While after the 1998 Russian financial collapse

her exposure to the Russian market has shrunk, it remains an important market, especially in view of the agricultural policies of the European Union. Reducing Lithuania's exposure to the Russian market, while a sensible policy for the period of crisis, would be a preposterous notion if taken as a general proposition. In fact, it is cross-dependencies which cement the relations between countries, and it makes not only economic but also political sense, e.g., for Russia to see the Lithuanians value the Russian transit, and for the Lithuanians to welcome Russian private investment in their country.

With the prospect of EU enlargement in mind, it makes perfect sense for Lithuania, the Union and Russia to enter into consultations about the effects of the enlargement on the trade and economic contacts between Lithuania and Russia, and the ways of dealing with these effects. It would not be in anyone's interest to arrive at a situation in which the EU-Russia boundary becomes a wide moat hampering economic intercourse between neighbors, and confining Russia to the margins of a new Europe. Thus, in-depth negotiations, largely on the nitty-gritty of commerce, are a must.

If anything, the position of Kaliningrad as an enclave wedged between Lithuania and Poland, must concentrate the minds of Moscow officials on the need to think ahead and prepare for the eventual encirclement of the Oblast by the EU territory. So far, the federal authorities have been mainly concerned with the region drifting away, and its links with the Federation becoming loose. However, keeping Kaliningrad Russian, but allowing it to become a black hole of the Baltic region is not an attractive prospect. Russia will need to develop a view of Kaliningrad as a forward position inside the future EU, and integrate this into a general approach toward the European Union. Faced with the new reality along its western frontier, Russia will have to face the choice of either withdrawing into hopeless isolation, or of moving closer to its neighbors in a novel way - not through Russifying them, but through Europeanizing itself. It is not too easy to tell which will be her choice. There is no doubt however about which would be the best one.

Lithuania's relations with Russia are laden with the heavy baggage of the past which it would be better to put to one side and examine from the ethical and historical, rather than just the political point of view, as is the case today. The Molotov-Ribbentrop pact is a shameful document which deserves full and unconditional repudiation, but the theme of the 50-year-long Soviet occupation can hardly win many Russian hearts and minds for Lithuania, and thus its effect on the relationship at this time can only be negative. The past should not be allowed to obscure the problems of today and the prospects for the future. Identifying the existing and coming problems and addressing them in a constructive manner is the best way to ensure that the relative success of Russian-Lithuanian relations can be consolidated and translated into a blossoming and mutually satisfying relationship in a future wider Europe.

Vygaudas Ušackas

Lithuania and Russia: Knowing the Past, Building Genuine Partnership for the Future

The retrospective of bilateral relations until recent years.

Lithuania and Russia are neighboring countries related by a long and manifold, sometime even painful, history. In the 13-15th centuries, the rule of the Grand Dukes of Lithuania extended over vast territories of East Slavic (former Kievan Rus) lands, which were also claimed by the Grand Principality of Moscow, then still in the vassalage of Mongol-Tartar khans, but, from the 14th century, already gathering strength. When, at the end of the 15th century, Moscow freed itself from the reign of the Tartar khans and became the Russian State, it started expanding its territories in all directions. From the middle of the 16th century, Russia was also seeking access to the Baltic Sea by trying to conquer the Grand Duchy of Lithuania, and first all the former Livonian (now Latvia and Estonia) lands, then under its protection. Faced with a deadly threat to the very existence of their state, Lithuanian rulers in 1569 agreed to unite with Poland to form one dual state which managed to remain on the international arena for more than 200 years (until 1795). Nevertheless, at the beginning of the 18th century, Russia, ruled by Peter I (the Great), managed “to cut a window to Europe” by conquering a part of the East Baltic region, then already under Swedish rule – from Riga to Wyborg. At the end of the 18th century, Russia, together with Prussia and Austria, divided the lands of the Polish-Lithuanian state. At first a greater part, then the remaining part, of Lithuania, together with central Poland, fell under the rule of Russian tsars, where it remained until the First World War (in 1915 almost the whole ethnic Lithuania was occupied by Germany).

During the period of Russian domination, despite the Russification policy pursued by the Tsars, a modern Lithuanian nation, or at least its nucleus, emerged on the basis of ethno-linguistic nationalism, which nourished the hope of re-establishing an independent state in the lands of ethnic Lithuania. At the end of the First World War there emerged a comparatively favorable international situation for the realization of these hopes: Germany lost the War, but its army for some time (until the middle of 1919) remained in Lithuania; Russia underwent a civil war after the autumn of 1917, when Lenin’s Bolsheviks who, *inter alia*, pursued the idea of exporting world revolution, overthrew the legitimate government and were trying to gain power. The Bolsheviks won, and at the end of 1922, transformed the remaining part of the former Russian empire that was under their control into the Soviet Union (USSR). Lithuania, which in 1918 proclaimed its independence after several years of armed and diplomatic struggle, managed, not without losses and suffering, to establish itself within the international community and gain recognition. Nevertheless, in the summer of 1940, Lithuania, as well as the two other Baltic states, were treacherously occupied by the Soviet Union and then annexed. Their status of occupation did no change after the Second World War. During those decades when Lithuania was a Soviet republic against its will, it suffered tremendous losses. In the post-war period, thousands of its people died in resistance against the brutal totalitarian Soviet regime, or fell victims to the repressions. Only in 1990, Lithuania

declared in a democratic way the restoration of state independence, and after almost a year and a half of dramatic, albeit non-violent struggle, attained international recognition. There began the restoration of a democratic state, based on the rule of law and a free market economy, as well as the re-establishment of relations with foreign states, including Russia, founded on universally accepted principles of international law.

The success of its liberation and the restoration of statehood Lithuanians can proudly attribute to their maturity. On the other hand, we are also grateful to the international community, democratic Russia included, for its role, which was particularly important during the crucial periods of 1990-1991. It is hard to underestimate the importance of Boris Yeltsin, then head of the Russian Federation, who urged Russian soldiers at the start of the January 1991 events, not to use force against liberty-seeking nations, also the Lithuanian-Russian Treaty on the Foundations of Inter-State Relations signed on July 29 of the same year by the heads of Russia and Lithuania, Boris Yeltsin and Vytautas Landsbergis. By that treaty, the Russian Federation and the Republic of Lithuania recognized each other and agreed "to build their inter-state relations on the principles of friendship, good neighborliness, equality and mutual benefit, and according to universally recognized norms of international law." This treaty also emphasized the necessity of eliminating the consequences of the 1940 annexation, which infringed upon the sovereignty of Lithuania, likewise, the right of the parties to be free in their choice of membership in economic, political or collective security organizations.

Similarly as the factor of democratic Russia was important for the international recognition of independent Lithuania in 1991, the process of the Lithuanian liberation from the USSR also influenced, among other factors, the resolve of democratic Russia to declare its sovereignty in 1990. This gave birth to the joint dictum of Russian democrats and Lithuanians, that "without a free Russia there can be no free Lithuania, likewise without a free Lithuania there can be no free Russia."

On September 1, 1993, after complicated and multiple, but finally successful, negotiations, Vilnius and Moscow agreed on, and the latter dully fulfilled by the set time, the withdrawal from Lithuania of all the military formations of the former Soviet Army. This not only helped implement the international principle that a foreign army may be present in another country only with the latter's consent, but also to realize the desire to eliminate an extremely dangerous center of instability in the territory of the Republic of Lithuania. However, the issue of indemnities for the damage incurred by Lithuania is still open, and the parties ought to resolve it on the basis of law, consistent with the purpose of reinforcing mutual confidence in the future.

In turn, in January 1995, Lithuania agreed with Russia on the procedure of military transit to and from Kaliningrad through the territory of the Republic of Lithuania. In the course of negotiations with Russia on military transit, Lithuania made a thorough analysis of the pertinent experience of other states and applied it for the regulation of military cargo transport in Lithuania. The annually renewed regulations on the military cargo transport for Russia are likewise applied in respect to the military transit of other foreign countries.

It is hardly possible to fully reveal the development of relations between Lithuania and Russia without acknowledging the tremendously detrimental effect on the economy and political life, let alone the tragic fates of the people, of both countries that was caused by the implementation of communist principles.

Russia from 1917, and the Lithuanian people, against their will, from 1940, were victims of the tragic experiment of sovietization, where personal and social freedom was trampled, where individual responsibility and initiative were suppressed. It took nine decades to acknowledge that the idea according to which “the whole of society will have to become a single office and a single factory with equality of work and equality of pay,” professed by Lenin, appeared to be impossible and erroneous, while communism, contrary to the belief of its disciples, was not only historically avoidable but is also morally unacceptable.

Meanwhile, after World War II, democratic and peace-loving nations were uniting around the two central integrating axes, NATO and the European Economic Community, for the sake of ensuring economic prosperity and security for their countries by means of military and economic cooperation. The loss of its statehood and market economy forced Lithuania to lag behind the dynamic development of other European countries. At present Lithuania’s GDP is 7-8 times lower than that of Denmark and Finland, the level of economic development of which was similar to Lithuania’s at the time when the latter was deprived of independence.¹

The President of Lithuania Valdas Adamkus emphasized in the 2000 Annual Report that “the present gives us a historic chance to overcome the weight of the Soviet past, obsolete thinking, old habits of behavior, and embark on responsible management of common matters ... – it is a democratic management of life together which ought to be based on personal initiative and responsibility.”²

In its turn, as critically acknowledged by then Prime Minister Vladimir Putin in his article, “Russia at the Turn of the Millennium” at the end of 1999, “Russia is not a state symbolizing top standards of economic and social development now. Its GDP was nearly halved in the 1990s, and its GNP is ten times smaller than in the USA and five times smaller than in China<...> The real incomes of the population have been falling <...> The overall monetary incomes of the population calculated by the UN methods, add up to less than ten percent of the US figure.”³

Vladimir Putin concluded: “the current dramatic economic and social situation in the country is the price we have to pay for the economy we inherited from the Soviet Union<...> We are paying for the Soviet neglect <...> for the absence of competition between producers and industries, which hindered scientific and technological progress and made the Russian economy non-competitive on the world markets.”⁴

Since the restoration of statehood, both countries, even though sometimes by very different means and methods, have nevertheless been pursuing similar internal policy goals – to create prerequisites for the secure economic welfare of their citizens. Lithuania has been guided in its development by the common values of the Euro-Atlantic community: individual freedom, democracy and the rule of law. In modernizing its economy, law and bureaucracy, Lithuania is adopting the European Union’s legislation, while in creating its military force, NATO standards and requirements. Russia, in turn, is combining its traditional Russian values: *patriotizm, derzhavnost, gosudarstvenost i*

¹ Department of Statistics to the Government of the Republic of Lithuania.- Vilnius, 2000. http://www.std.lt/statistika/uzsprek/partn_imp.htm

² 2000 Annual Report of the President of the Republic of Lithuania Valdas Adamkus.- Vilnius, 2000.

³ Vladimir Putin. Russia at the Turn of the Millennium.-Moscow, 1999.

⁴ Ibid.

socialnaja solidarnost (patriotism, sense of empire, statehood and social solidarity) with new values: the right to ownership, freedom of expression, freedom of movement, etc. In Russia, “we can pin hopes for a worthy future only if we prove capable of combining the universal principles of a market economy and democracy with Russian realities.”⁵

A New Stage of Cooperation

In this context, the Lithuanian–Russian bilateral relations were characterized by quite dynamic, though not always non-controversial, development.

We are happy being able to state **today** that there has been created a legal foundation for bilateral relations between Lithuania and Russia: over 30 treaties and agreements in political, economic, legal, military, social, cultural, transport, communication, standardization, environment protection and other spheres have been signed.

Two specific instruments regulate the particularities of the relationship between Lithuania and Kaliningrad: an intergovernmental agreement between the Republic of Lithuania and the Russian Federation for cooperation in the economic and social-cultural development of the Kaliningrad Oblast, and intergovernmental agreement between the Republic of Lithuanian and the Russian Federation for long-term cooperation between regions of the Republic of Lithuania and the Kaliningrad Oblast of the Russian Federation.

The ratification in the Russian Duma of the Treaty between the Republic of Lithuania and the Russian Federation on the State Border and the Agreements on the Avoidance of Double Taxation and on the Promotion of Investments would in principle complete the implementation of the bilateral legal foundation.

On the other hand, between the states there function various institutions facilitating the initiation and co-ordination of relations between the two countries: the Bilateral Commission of the Governments of the Republic of Lithuania and the Russian Federation on Commercial and Economic, Science-Technological and Cultural Cooperation; the Council for Long-Term Cooperation between Regions of Lithuania and the Kaliningrad Oblast of the Russian Federation. Apart from these commissions, consultations and negotiations on specific issues between ministries and separate institutions are taking place.

Relations between countries cannot be measured only by intergovernmental contacts or agreements. The “glue” of versatile cooperation is not institutions but people, the business community, their direct contacts and contracts. Close “people to people” relations and sub-regional cooperation are particularly evident between Kaliningrad and the counties and districts of the Republic of Lithuania. There is a revival of cultural exchanges, though actually, you are still more likely to meet Russian artists in Lithuania than Lithuanians in Russia.

On the other hand, since the independence of Lithuania, a dramatic shift has taken place in the flow of trade from almost 90 percent of trade with Russia in 1990 to 14.7 percent in 1999. A particular decline in the volume of trade between Russia and Lithuania was witnessed after the 1998 financial crisis in Russia. Although, due to the dependence on gas and crude oil supplies, the import from Russia to Lithuania has remained almost

⁵ Ibid.

unchanged, and in 2000 constituted 27.6 percent, exports to Russia declined to 6.9 percent.⁶

Notwithstanding these significant changes in Lithuanian trade, it is evident that the Lithuanian business community is keenly awaiting the recovery of Russian markets and demand so as to apply their Russian market skills and contacts for advancing trade and investment in this huge area of potential possibilities. The integration with the EU opens new vistas for the Lithuanian businesses to more comprehensively utilize their know-how of Russian markets.

In the meantime, Lithuanian business has reoriented itself to more stable, predictable and less risky markets of the EU and the US. Lithuania's trade with the European Union now constitutes almost half of total foreign trade. Accordingly, an increase in Lithuanian exports to the United States of America is also noticeable (41 percent export increase in 2000 as compared to 1999). Modernization of the Lithuanian economy, membership in the WTO, and negotiations under way with the European Union, as well as the opening of the EU markets for Lithuanian goods have contributed to the increased destination of Lithuanian goods to the EU single market.

Foreign direct investment overwhelmingly consists of investments from EU member states and the US – 59.3 percent and 14.78 percent respectively, while FDI from Russia constitutes only 0.5 percent.⁷

Kaliningrad

Lithuanian relations with the only neighboring part of the Russian Federation, the Kaliningrad region, holds a distinct place in Lithuania's overall policy of promoting sub-regional cooperation. Lithuanian business, NGO and government representatives have been actively collaborating with their colleagues in Kaliningrad in their effort to advance mutually beneficial relationship for the manifold reasons of, what I believe to be, common interests.

Following the restoration of Lithuania's independence, Kaliningrad found itself separated geographically from the rest of Russia. Once Lithuania and Poland join the European Union, and Lithuania joins NATO, what used to be considered a "heavy military garrison" might feel encircled and find itself surrounded by, but not taking part in, the European integration process. A significant economic lag behind from the rest of the region also raises potential economic and social risks. This undoubtedly presents a challenge for all concerned: Russia, Lithuania, Poland, the EU and NATO.

If the economic and social situation in Kaliningrad further deteriorates, and solutions for its development are not found, the area may become a "black hole" and a source of instability for the entire Baltic Sea area.

On the other hand, with additional efforts to guide the region towards regional cooperation and European integration, Kaliningrad could become Russia's gate of opportunity for political and economic cooperation with an undivided Europe, thus promoting stability and predictability in the region. Therefore, it is in our interest to

⁶ Department of Statistics to the Government of the Republic of Lithuania.- Vilnius, 2000. http://www.std.lt/statistika/uzsprek/partn_imp.htm

⁷ Ibid (until October 1, 2000).

contribute to a smooth development of the region by engaging it in practical, cooperative projects, regional and cross-border activities, and people to people contacts. It would also help to mitigate the emerging fears of some Russians that the region might become “closed” or “isolated” as a consequence of the EU and NATO enlargement.

During recent years, Lithuania has been deliberately working to make the Kaliningrad region become a “window of opportunity” for wider cooperation between Russia and the expanding EU and NATO. In the last few years, awareness of political, economic and social developments in the Kaliningrad region has grown among its neighbors and the Western countries.

To a large extent, it was achieved due to the increased interest from the business communities of Lithuania and other countries as well as regional initiatives of the CBSS (Council of the Baltic Sea States), EU and US.

Although dynamic economic and trade contacts between Lithuania and Kaliningrad were considerably damaged by the Russian financial crisis in 1998, currently we note a recovery and increased interest of my countrymen to do business in and with Kaliningrad. By and large, it is determined by the belief in the recovery of the Russian Federation, and the suitable location of Kaliningrad as a springboard into a larger Russian market for Lithuanian or jointly produced goods in Kaliningrad. The trend of re-engagement is exemplified by the investments of 5 million USD. The investment by “Klaipėdos Maistas” in Kaliningrad, the opening of an affiliate of the Šiauliai confectionery factory “Naujoji Rūta,” a branch of the telecommunication and information technology company ELSIS, and a great number of small business projects. There are 348 Lithuanian enterprises currently functioning in Kaliningrad.

Understanding the importance of a regional approach to the Baltic Sea area, the European Union and United States of America have both respectively launched their own North European programs aimed at supporting, among other things, greater transparency and practical cooperation with Kaliningrad and other Northwest regions of the Russian Federation.

Under the joint Lithuanian – Russian “Initiative of Nida,”⁸ which is a bilateral contribution on Kaliningrad to the EU’s Northern Dimension Initiative, concrete projects were made available for the interested states and companies to participate in. They cover areas from education and culture to business, investment and military training. Most of the “Nida Initiative” projects were reflected in the EU Northern Dimension Action Plan which was approved in June this year by the heads of states of the EU members in Feira. On the other hand, they became subjects of a joint long-term action program supervised by the Lithuanian - Kaliningrad Cooperation Council.

The underlying importance of the Nida Initiative was that it encouraged other European Countries, apart from the immediate neighbors, Poland and Lithuania, to explore the range of opportunities presented by the growing appreciation in Kaliningrad and Moscow of the benefits of regional cooperation. Consequently, the EU Northern Dimension helps to accumulate resources of the EU member states and the European Commission. During this year alone, several important projects with international support were launched in Kaliningrad: The Eurofaculty, which will teach students in accordance with the EU curriculum, was inaugurated on the 20th of September this year.

⁸ Please, see page **XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX**

With the support of Sweden, Denmark and the European Bank of Development and Reconstruction, the project of 40.7 million USD for “Reconstruction of Water Supply Systems of Kaliningrad and Environmental protection” was launched. TACIS, with the assistance of UK, assigned 250 000 USD for the development of the Kaliningrad transport system.

For its part, the US has been actively engaged through the Northern European Initiative. The US government and private foundations support Lithuanian programs in organizing training activities for Kaliningrad local government officials and businessmen. The US along with Sweden co-sponsor environment protection programs for Kaliningrad officials in Lithuania.

Furthermore, in recognition of the importance of Kaliningrad in the context of EU enlargement and regional cooperation, the European Commission adopted a specific TACIS Cross-Border Cooperation program for Kaliningrad Oblast for the year 2001. We look forward to the forthcoming Swedish EU Presidency in order to further promote cooperation with the Northwest regions of Russia, particularly Kaliningrad, in the context of the Northern Dimension.

This historic angle on the essential bilateral relations is important not only for the memories of the past or for the sake of reminding us of historic wrongs or debts, but to enable us, having drawn on the lessons of history and acknowledging new realities and tendencies, to jointly build stable and mutually beneficial economic, political and cultural relationship based on trust.

On the basis of the brief overview of the history of interstate relations, it is possible to draw the following conclusions:

First, the neighbors, Lithuania and Russia, are related through the experience which testifies to the cultural, economic and political relations that existed during various periods. For Lithuania, the 1940-1990 Soviet occupation which was expressed in mass deportations, the loss of independence and the destruction of the foundations of the market is especially memorable.

Second, in the middle of the 20th century, Lithuania, like Russia, experienced the oppression of the totalitarian-communist regime that was effacing, albeit on a different level and scope, individual initiative, responsibility and daring, which are the driving forces for the progress of a democratic and free society. At the present time, both countries, although by different means and methods, are seeking to create greater economic welfare.

Third, there were periods in history when the interests of Lithuania and Russia coincided. That was the key for the achievements of both countries, taken separately and in their mutual relations, for instance, in 1990-1991 at the time of the restoration of Russian and Lithuanian statehood.

Fourth, the current Lithuanian and Russian experience shows that, in similar fashion, even on sensitive issues, Lithuania and Russia are capable of agreement for the mutual interest of stability and security in a medium and long term perspective. This applies to the arrangement found for military transit, as well as to the overall Lithuanian-Kaliningrad relationship.

Fifth, even though Lithuanian trade has currently been re-oriented towards the EU and US markets, Lithuanian businessmen are interested in the revival of the Russian market and are willing to employ their “know-how” of Russia. It can be done by either

conducting their own business operations directly in Russia or helping to meet the business needs of the West, on the one hand, and Russia, on the other.

New Realities and Challenges

As we shape our future relationship, it is of decisive importance to recognize the new emerging realities, trends and challenges which will have an impact on the building of a genuine relationship between states and peoples.

1. The Impact of Globalization

In his brilliant guide on globalization and its impact on international systems, Thomas L. Friedman wrote: “If the defining anxiety of the Cold War was fear of annihilation by an enemy you knew all too well in a world that was fixed and stable, the defining anxiety in globalization is fear of rapid change from an enemy you can’t see, touch or feel – a sense that your life can be changed at any moment by anonymous economic and technological forces”⁹.

The possibilities of using the Internet or mobile communications eliminates borders between states and provide for free interrelation, information-sharing and performance of mutually beneficial exchange at lower costs. Knowledge-based economic progress will increasingly transform the character of future relations not only between people or market participants, but also between international bodies, including Lithuania and Russia.

On the other hand, the increasing mutual interdependence is also expressed in a negative sense: internal problems of individual states may turn into regional or international ones – organized crime, illegal trade, the flow of refugees. These threats take no heed of borders between states. We have already directly encountered some of them in the context of bilateral Russian – Lithuanian relations.

There is a similar connection in economic relations as well. Economic processes that take place in one country or region reverberate in others. As was mentioned, Lithuania failed to escape the negative consequences of the Russian economic crisis, while the crisis in Asia was also felt beyond that region. Lithuanian exporters still speak with bitterness about the weakness of the euro against dollar.

2. Risks and Threats

From the Lithuanian perspective, non-traditional threats to security and stability at present dominate in the Baltic region: illegal trade and migration, organized crime and corruption, long-term and uneven economic development trends in the neighboring regions, namely Kaliningrad and Belarus.

For our part, we remain in the neighborhood of unpredictable countries where the democratic institutions are either extremely fragile or ineffective, the rule of law is deficient, and where corruption and crime are thriving. The lack of democracy and

⁹ Thomas L. Friedman. *The Lexus and the Olive Tree*. 1999

respect for human rights in Belarus is a source for concern both for its neighbors and international organizations.

3. Promoting Economic Welfare

The world entered the 21st century engulfed by the process of vigorous change. Where until the middle of the previous century, the power of a state to a great extent depended on its size and military potential, in the 21st century it is already possible to assert that the one who possesses the “new economy’s” might shall be the winner within the globalization process. If viewed from a more distant perspective, it becomes clear that in the century of the knowledge economy, the leading states will be those where not only economic but also political elites are both willing and able to evolve and adapt to the tendencies and challenges of globalization. Countries like Ireland and Finland, which successfully managed to adjust to the changes created by the revolution of information technologies, and to find an advantageous niche in the EU and World economy, are at present among the most vibrant and fast growing economies. As a result of such a dramatic shift from the “politics of power” to the “politics of economics,” the creation of the knowledge economy becomes the most important goal for many states of the world and their response to the new economic-political realities. In turn, most of today’s threats and risks inherent in the bilateral or regional context will disappear when, not only is democracy established in the countries of the region, but also with the strengthening of the economy and the improvement of the social situation. We are aware that apart from administrative and preventive measures, the most important prerequisites for the elimination of organized crime, illegal trade, migration across state borders, are the growth of economic welfare not only in Lithuania, but also in our neighboring countries, first of all in Russia’s Kaliningrad Oblast and in Belarus. This is understood not only in Lithuania, which is actively pursuing economic reforms and its modernization, but likewise in Russia, whose concept of national security indicates the centers of internal economic and social instability as the most significant threats to the security of the country.

Bilateral Relations and Euroatlantic Integration

Apart from the existence of political will, the development of an effective bilateral cooperation will necessitate: first, the evaluation of and potential adaptation to new economic and political realities; and, second, respect for each other’s right to freely choose membership (or any other form of cooperation) within organizations able to ensure their security and economic welfare.

In respect to the new economic and political realities, it is necessary to acknowledge that neither the big state Russia nor the small country Lithuania can any longer exist in an isolated economic and cultural environment. Lithuania’s membership in WTO, Russia’s negotiations concerning the WTO membership, the connections of the countries with international financial organizations and individual states, the increasingly intensified relations with the EU (of which Lithuania will soon be a member) with Russia testify to the increasing involvement of the countries in international economic and political cooperation. Due to the intensifying economic and financial interdependence of the

world, not only the economic but also the political development of individual states cease to depend solely on the decisions of their national parliaments or governments, but increasingly on the changes in the global price of oil, fluctuations in the New York Stock Exchange and important economic or financial decisions made in Washington, Frankfurt or Tokyo.

Another newly emerging economic and political reality is the ever growing interest of both Russia and the EU to advance their relationship in accordance with the Partnership and Cooperation agreement, within the Northern Dimension Initiative and beyond. In this respect, particular attention is paid towards greater exploration of possibilities for new energy networks and increased natural gas supplies from Russia to the EU countries. Last year Russia and the EU exchanged Strategies on the relations between the two parties. Recently steps have been undertaken to explore the possibilities of cooperation between the EU and Russia over the Kaliningrad Oblast of the Russian Federation, which after accession of Lithuania and Poland into the EU will become a geographical enclave surrounded by the EU member states, placed to take new opportunities which will be created.

Third, during the latest decade of its independence, Lithuania has already proved that its integration into the EU and NATO is not a substitute for good relations with its neighbors. On the contrary, the integration of our country with the Euro-Atlantic structures facilitates the strengthening of bilateral cooperation. This is illustrated by the body of signed and functioning agreements, bilateral coordinating institutions and cooperation in the economic, cultural and the social spheres. Lithuania's policy towards Kaliningrad serves as a confirmation of this. From the Lithuanian perspective, the continuation of a policy of engagement with Russia's Kaliningrad region is only natural. Furthermore, cooperative relations with other regions of the Russian Federation have also been developing, including trade and cultural visits to and from Moscow, St.Petersburg, Novgorod, Oriol, Yaroslavl, and so on.

As the Kaliningrad region is surrounded by the Euro-Atlantic integration processes, without taking part therein, a greater military transparency and cooperation with the Baltic Fleet would contribute to dispelling still existing fears and concerns. In the light of Lithuanian President Valdas Adamkus' Statement on the Development of the Relations with Russia and the Security and Confidence Building Measures of March 28, 1998, first steps have been undertaken already by extending an invitation to observe military exercises in Lithuania, exchanging additional evaluation visits exceeding quotas set forth in Vienna Document '99 in military confidence and building measures and inviting Russian military and civilian representatives to attend environment training courses in Lithuania. This year countries have also agreed to exchange information on military forces in Lithuania and Kaliningrad region in accordance to the formats used in the CFE Treaty.

On the other hand, energy is the mainspring of economic development. Greater opportunities of cooperation in the energy field, particularly in the context of the development of a more integrated Baltic Sea energy system, have yet to be explored and implemented so as to further increase the sustainable development of Lithuania and the Kaliningrad region. In this respect, common intentions concerning new network infrastructures and energy supplies, such as the construction of a new gas pipe line to

Kaliningrad through the territory of Lithuania, and the agreement on long-term crude oil supplies to “Mažeikių Nafta,” are of particular importance for both countries.

Although Lithuanian integration into the EU and NATO is still receiving a controversial reaction in Russia, it is important to recognize the following significant developments which have recently taken place in this field.

The 1999 December Helsinki Summit invited Lithuania to start membership negotiations with the European Union. The first years of the negotiations have proved to be dynamic and successful. During the year 2000, Lithuania and the EU opened 18 negotiation chapters, provisionally agreeing to close eight of them. Under the proposal of the forthcoming Swedish Presidency, the EU agreed to open all remaining chapters with Lithuania during the first half of 2001. Lithuania is in the process of negotiation with the EU and hopes to finish the talks by 2002. Then join the organization with the first wave of candidates in 2004.

With respect to NATO membership aspirations, Lithuania was recognized by all nineteen NATO member states in the 1999 Washington Summit as a candidate for NATO membership. In May 2000, Vilnius hosted a meeting of the Foreign Ministers of the nine candidate countries for NATO membership. In the written statement issued after the meeting, the Ministers reiterated their commitment to practical and political efforts to further improve the specific qualifications of these countries. They also stated that: “While each country should be considered on its own merits, we believe that the integration of each democracy will be a success for us all, and the integration of all our countries will be a success for Europe and for NATO.”¹⁰ Lithuania is on the top of the list among the other candidate countries for the subsequent positive review for NATO enlargement at the next NATO Summit in 2002.

The NATO enlargement project also enjoys the support of the forthcoming U.S. President George W. Bush who in his letter to the Lithuanian American National Republican Federation wrote in August 11, 2000: “I believe that the enlargement of NATO to include other nations with democratic values, pluralist political systems and free market economies should continue. I also believe that the development of a democratic and stable Russia is in the interest of all Europe, and we do not see Russia as an enemy. But Russia must never be given veto over NATO enlargement.”¹¹

In the light of the above mentioned developments of Lithuanian relations with the EU and NATO, one may conclude that Lithuania’s membership in the EU and NATO, the bedrocks of institutions of nations that share the same values, is a question of “when” rather than “whether.” Lithuania anticipates concluding negotiations with the EU in 2002 and to join the EU in 2004. Lithuania also works to insure the positive review of the enlargement of NATO in 2002 with the view to be invited to join the Alliance the same year.

Lithuania is striving for membership in the EU and NATO, but not at the expense of its relations with the neighboring Russian Federation. On the contrary, in shaping this new geopolitical reality, we are keen to further intensify our relations with our very important neighbor. As the President of Lithuania, Valdas Adamkus, noted: “The acceptance of

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¹¹ Letter of the U.S. President George W. Bush to the Lithuanian American National Republican Federation, August 11, 2000, Washington DC.

Lithuania into NATO would reinforce stability here in the neighborhood of Russia, as well as favorably contribute to the development of the NATO – Russian partnership.”¹²

The membership in the EU and NATO will provide additional psychological guarantees, affirming Lithuania as a full-fledged partner in her relations with Russia, a country with which Lithuania has had an uneasy relationship over the centuries. Although memories of the recent occupation are still alive, after becoming a part of the Alliance, and thus gaining the recognition that our nation is an inalienable part of the Western democracies, Lithuania shall further pursue an open and mutually beneficial partnership with Russia, and such a relationship is equally in the interest of Russia itself.

On the other hand, as a member of the EU and NATO, Lithuania will act as an ally to reinforce the efforts of these institutions to project stability and predictability across the borders, especially in promoting cooperative relations with Russia.

Another important outcome of our memberships in the Euroatlantic institutions is that, as a member of the EU and NATO, Lithuania shall advance its relations with Russia in accordance with the EU and NATO policies and existing instruments. Thus in the future, Lithuanian policies *vis-à-vis* Russia will be guided by the Agreement on Partnership and Cooperation between the European Communities and the Russian Federation, and the NATO-Russia Founding Act accordingly. On the other hand, as member of the Euroatlantic institutions, we shall be able to contribute towards the design and implementation of appropriate policies of these institutions *vis-à-vis* Russia.

In these newly emerging geopolitical circumstances, and bearing in mind the experience of bilateral relations between Lithuania and Russia, both countries may contribute towards lasting stability and increased prosperity of their own citizens, as well as the strengthening of a genuine partnership between the East and the West. The prerequisite of this desirable outcome is a commonly shared perception of challenges we face and the appropriate instruments we can apply to respond to them.