

The Crisis in Ukraine and the Baltic Sea Region

A SPILLOVER OF THE CONFLICT?

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This memo discusses the implications of the current crisis in Russian-Ukrainian relations for the Baltic Sea region (BSR), for many years considered one of the greatest success stories of regional integration in Europe.¹ The Ukraine crisis has seriously challenged regional institutions and practices in which the region's states have invested heavily. Two major questions loom. First, given the profound conflict between Russia and the European Union, can regional institutions play a role in building a united Europe without dividing lines? Second, to what extent is Russia interested and capable of fitting into the regional milieu?

Two Facets of Baltic Sea Regionalism

From the outset, Baltic Sea regionalism was a project conceived in the pursuit of two goals. The first was to provide a foundation for regional cooperation among partners who share a similar normative background and are eager to pool resources for the sake of building a coherent regional society. The key drivers for change in this region-building process were the European Union and the Nordic states, which were instrumental in successfully integrating the three Baltic states of Estonia, Latvia, and Lithuania into European and Euro-Atlantic institutions, as well as in spreading EU-based normative and institutional standards across the region.

The second priority of the BSR was to engage Russia through a number of institutional bridges, including city-to-city partnerships, trans-border "Euroregions," and the Northern Dimension program. The idea was to create a cohesive space for all regional actors to interact, avoiding the creation of East-West divides. The German-

¹ The Baltic Sea region includes the Baltic states of Estonia, Latvia, and Lithuania; the Nordic states include Denmark, Finland, Iceland, Norway, and Sweden; northern Germany; northern Poland; and Russia's northwestern region, including Kaliningrad.

Polish-Russian “trialogue” on Kaliningrad and other issues was a model example of this sort of policy.

Instead of promoting regional networking and plugging in to existing opportunities for interaction, however, Moscow simply transferred various policy issues from discussions at the EU-Russia level to the regional level (such as visa facilitation talks) while trying to impose a political agenda (such as “fighting extremism”). This approach was not conducive to bringing Russia closer to its Baltic Sea neighbors and made Russia’s recent presidency of the Council of Baltic Sea States ineffective.

Moreover, BSR priorities in some areas pose a direct challenge to Russia’s interests. These include the diversification of energy sources, energy efficiency programs, and new energy-saving technologies. As well, the Estonian government dubs Internet access a basic “human right,” in contrast to Russian policymakers who consider social media a battlefield and/or an object of administrative surveillance, regulation, and manipulation. All this raises the question of how eager and capable Russia is to associate with the BSR economically, politically, and in security affairs.

Does Russia Fit In?

In truth, Russia’s comparative backwardness in the Baltic Sea region is evident on a number of economic and financial indicators. The most recent Baltic Development Forum report provides considerable food for thought in this regard:

- In the *Social Progress Index* (prosperity levels, growth, basic human needs, foundations of well-being, opportunity) Russia fares much lower than any other Baltic Sea state.
- Russia’s *Overall Competitiveness Ranking* is far below the BSR average and is closer to that of Vietnam, Serbia, and Ukraine.
- Russia’s position in the *Social Infrastructure* and *Political Institutions* indices, which include rule of law and human development, is far worse than that of the worst performing BSR countries. The same goes for *Corruption Perception*, *Logistic Performance*, and *Educational Performance* indicators.
- In *Perceived Country Capacity to Attract Talent*, Russia features below all of its Baltic Sea neighbors except Latvia, Poland, and Lithuania.
- For the *Innovation Systems Index* (quality of scientific research institutions, university-industry research collaboration, availability of scientists and engineers, utility patents per million population, etc.), only Poland fares worse.
- On most indicators in the *Financial Market Infrastructure Index*, Russia performs the worst of all the Baltic Sea states (except in “ease of access to loans” and “venture capital availability”).
- In *Cost of Doing Business*, Russia is the absolute loser, as it is in the *Administrative Regulations Index*.

- In the *Company Sophistication Index*, Russia is a total BSR outsider.
- Russia ranks highest on *labor mobilization* but lowest on *labor productivity*.
- Russia's composite rank in the *Competition Index* (112) is far lower than that of the worst Baltic Sea state, Poland, which ranks 48. A similar situation applies with regard to its rankings on *Labor Markets*, *Sophistication of Demand*, and *Supporting Industries*, where Russia is far below even the lowest-ranking Baltic economies.

The Ukraine crisis has undoubtedly driven Russia further away from most members of the Baltic Sea regional community. One of the most visible negative spillover effects was the cancellation, at the EU's initiative, of the Council of Baltic Sea States (CBSS) summit that was to be held in June 2014 in Turku, Finland.

Another consequence of the crisis was the rise of hard security concerns among some Baltic Sea states. This has prompted a renewed militarization of the region, a radically different outcome from those expected by the peace research school that was so popular among students of Baltic regionalism at the end of the Cold War. Under the direct influence of the Ukraine crisis, a new debate on NATO membership is underway in neutral Sweden and Finland. By the same token, the three Baltic states have appealed to the United States and NATO for stronger hard security guarantees and greater military protection from a potentially expansionist Russia.

Russia's Political Strategies in the BSR

Against the backdrop of growing conflict between Russia and the EU, Moscow has developed a number of political strategies in the BSR. First, it is eager to draw a line of distinction between "pragmatically cooperative" Finland and Poland and "ideologically unfriendly" Estonia, Latvia, and Lithuania. The Kremlin widely portrays the latter as being under the United States' political sway and funded by the EU, arguments meant to question their independence and ability to make autonomous decisions.

Second, Moscow wishes to use pro-Russian attitudes among corporate business groups in many BSR states to weaken the political forces within the EU that call for tougher sanctions against Russia. Russia is actively utilizing the concept of "cross-border interdependence," which European states cherished for decades as an instrument of integration with neighbors, as an argument for securing its immunity from external pressure and disciplinary measures.

Third, Russia negatively interprets the transformational development of the Baltic states after the 2004 EU accession, arguing that they are heavily subsidized by the EU's budget and face a severe emigration problem. Based on this critical portrayal, Russia wishes to demonstrate the futility of EU policy on eastward enlargement. The failure of the November 2013 Vilnius summit of the Eastern Partnership (a program designed by two Baltic Sea states, Poland and Sweden) is a core element of the Russian Euro-skeptic

discourse, since Moscow thinks that Armenia and Ukraine (under Viktor Yanukovych) openly defied the whole concept of the EU-led neighborhood.

Russia's Economic Policies

In the economic sphere, Russia's top priority is to depoliticize relations by focusing on joint projects in fields like energy, transportation, tourism, and investment. In truth, these "depoliticized" endeavors propose to materially reward Russia's neighbors in exchange for loyalty and collaboration.

Second, Russia seeks to disprove the notion that the Baltic states' experience of Europeanization can be useful to Ukraine and other post-Soviet states. According to the Kremlin, EU membership has been detrimental to the economies of Lithuania, Latvia, and Estonia, which suffer from outward migration, deindustrialization, and financial dependence. The way out of their economic hardship, so the argument goes, is a stronger reorientation to the Russian market.

Third, as a measure of economic retaliation, Russia reserves the right to reroute cargo flows from "unfriendly" countries (like Lithuania). This, however, only serves to demonstrate that Russia's foreign economic policy is dependent on politics, further reducing Moscow's reliability as an economic partner.

Fourth, Russia is keen to question the EU's monopoly on developing regional strategies. Moscow refers to its own strategy of developing Russia's northwestern regions as an alternative to the EU. This is a vulnerable argument, however; while the strategy represents an adaptation of different European concepts of regional development and urban planning, it only covers a specific part of the Russian Federation.

New Elements of Russia's Security Strategy

In the security domain, Russia has several aims. First, it claims that NATO military activity in the BSR provokes Kyiv into taking a more aggressive stance against the rebels fighting in Ukraine's eastern regions.

Second, Russian plans could include the further securitization of Kaliningrad. Russia may use its exclave for fostering a Russian military presence in the BSR instead of developing it as a "pilot region" within the framework of the EU-Russia relationship.

Third, Russia appears to be expanding its intelligence activity in the Baltic states. According to Estonian president Toomas Hendrik Ilves, Estonia has "caught four [Russian] moles in the last five years. That means one of two things. Either we're the only country in the EU with a mole problem, or we're the only country in the EU doing anything about it."

Fourth, Moscow intends to keep the Russian-language issue alive as a tool to help achieve the goal of regaining control over the three Baltic states. Some opinion-makers shaping the mindsets of Russian communities in the Baltic states are increasingly explicit about this. Yuri Zhuravlev, head of an association of Russians in Estonia, claims that revising the status of some Estonian territories that have majority Russian-speaking populations is feasible given the appropriate “political will” (presumably Moscow’s). Andrey Neronsky, director of the Moscow-based Center for Russian Culture in Latvia, has gone even further, asserting that “five hundred rebels would suffice to discontinue Latvian statehood...The Latvian Army is weak and won’t be able to resist.”

It goes without saying that these declarations make the Baltic states feel insecure and threatened. This, in turn, fuels debates between “new” and “old” members of NATO and the EU on the meaning of common European security. Former Latvian foreign and defense minister Artis Pabriks, a member of parliament, recently noted that according to polls, 60 percent of Germans are not ready to boost the modest defense capabilities of the Baltic region. For many in Western Europe, he claimed, the further deepening of the Ukraine crisis would only have financial consequences, “since nobody imagines Putin marching through the Brandenburg Gates.” Yet for the Baltic states, the threat emanating from Russia is existential in nature. This unveils a rift between security perceptions within Europe that Russia could potentially explore.

Dilemmas for the EU and its Member States

Germany is at the center of many of these debates. A key stakeholder in the BSR, Germany sponsors many regional policy fora (such as the Baltic Development Forum and the German Baltic Nordic Forum) which serve as talking shops and laboratories for regional integration efforts and experience-sharing. At the same time, Germany is known to take positions that many in Europe would define as pro-Russian.

This leads to two different approaches toward Russia. The first is an effort to engage Russia within the BSR framework. Organizers of Baltic Sea policy fora are aware of the crisis in communication with Russia. This is something that is partially reflected by a deficit of independent Russian experts who can communicate with European audiences without reproducing the Kremlin’s discourse.

The second is the need to respond to growing demands from the Baltic states to deter and contain Russia, which they accuse of igniting an anti-government rebellion in Ukraine and expect to try and project this experience to other neighboring states. These appeals do not align with Germany’s policy of engaging and involving Russia and implicitly involve the de facto legitimization of Russia’s claim to a sphere of influence.

These conflicting approaches illuminate the challenge of developing a common policy toward Russia and the EU's eastern neighbors. As the 2015 chair of the EU, Latvia will contribute to reshaping EU policy in the east. With three countries – Ukraine, Moldova, and Georgia – having recently signed Association Agreements, the EU now has a chance to revitalize its Eastern Partnership, but it will need to scrupulously monitor the implementation of these agreements. The EU will also need to maintain a “constructive ambiguity” in relation to these three states, all of which seek greater institutional engagement with the EU. At the same time, the EU will need to be prepared to deal with Russia's increased application of punitive measures against its pro-EU neighbors.

Conclusion

The latest developments in the BSR suggest that we should not overrate the capacity of regional institutions to mitigate conflicts that normatively and politically divide neighboring states. It is likely that the institutional forms of Baltic Sea regionalism will develop under the heavy influence of EU-Russian disagreement over core pan-European issues. Also, most Baltic Sea states are likely to pursue individual rather than regionally-coordinated strategies toward Russia.

This corresponds to Moscow's policy of blocking solidarity on Russia-related issues among its European neighbors. Yet conceptually, the Russian approach is feeble. The attempt to split the Baltic Sea states into two categories – “Russia-friendly” and “Russia-unfriendly” – is unsustainable against the backdrop of growing tension between Moscow and Warsaw. The cancellation of the Year of Polish Culture in Russia as a reaction to the Kremlin's policies toward Ukraine and ensuing Russian sanctions against Polish agricultural products illustrate these tensions.

It is also wrong to explain the entire array of anti-Kremlin discourse in Russia's neighboring states as a product of their alleged submission to U.S. hegemony. One should not overstate the level of U.S. interest in engaging on controversial regional issues. Moscow has little chance of finding interlocutors in the BSR who would agree that the security agendas of the Baltic states reflect the interests of Washington and not local concerns about Russian intentions.

Finally, a closer look at the political trajectories of some Baltic Sea states challenges Russia's representation of EU enlargement as a key source of tension between Brussels and Moscow. Finland's EU membership is in no way detrimental to Russia; on the contrary, even according to the Russian Foreign Ministry, Finland is one of Russia's closest economic partners. Estonia, Latvia, and Lithuania may have had a domestic economic price to pay as a result of their EU membership, but their orientation was not detrimental to Russian businesses operating in country; the same goes for Central European states, particularly Hungary, Slovakia, and Bulgaria. All this casts serious doubt on the sensibility of a Russian policy to prevent states like Ukraine and Moldova

from greater association with the EU. The transformative experiences of Russia's western neighbors may yet be conducive to Russia's greater inclusion into a wider Europe and to the reduced significance of regional borders, even if this is something that the Kremlin vehemently denies.

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