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## CONFERENCE REPORT - EU RESPONSES TO EXTERNAL CHALLENGES AS SEEN FROM GERMANY, POLAND, NORDIC AND BALTIC COUNTRIES AND THE EU NEIGHBOURHOOD

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On 27 and 28 September 2012, around 40 experts from academia and policy makers met at the Finnish Institute of International Affairs in Helsinki to discuss the European Union (EU)'s responses to external challenges in its Eastern neighbourhood and the Baltic Sea region. The conference was organised by the Finnish Institute of International Affairs (FIIA) and the Institut für Europäische Politik Berlin (IEP), with the support of the Finnish Ministry for Foreign Affairs and the German Federal Foreign Office.

The panels focused on the following aspects:

- the EU's and the Eastern neighbourhood countries' reciprocal perceptions;
- Brussels's bilateral relations with Russia, Ukraine and Belarus;
- the EU's role and absence in the "frozen conflicts" in Transnistria and the Caucasus;
- security challenges and dividing lines in the Baltic Sea region.

The discussion highlighted viewpoints from Germany, Poland, the Nordic and Baltic countries, as well as from some of the Eastern neighbourhood countries.

The key issues that were raised at the beginning of the conference concerned primarily future prospects for the EU's relationship with Russia and Ukraine. It was argued that the EU needs to engage Moscow and Kiev, particularly with a view to creating a Pan-European economic space. This would include the EU internal market, deep and comprehensive free trade agreements (DCFTA) with the countries of the European Neighbourhood Policy (ENP) and a Free Trade Agreement (FTA) between the EU and Russia.

The experts reviewed the current status of the **EU's relationship with the Eastern neighbourhood countries**. Georgia and Moldova are committed to greater integration with the European Union, whereas Armenia and Azerbaijan have different geopolitical objectives.

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Armenia is under strong Russian influence and Azerbaijan has opted for a “multivectoral” policy, favouring privileged relations with different international partners. Ukraine was the most advanced country in the process of approximation to the EU. However, the recent political developments have halted Kiev’s progress. In addition to the authoritarian shift of Ukraine, the EU is confronted with a new repressive wave in Belarus, which has already led Brussels to apply targeted sanctions and an arms embargo to Minsk.

The varying degrees of cooperation between the EU and the Eastern neighbourhood countries highlight how the latter differ from the Central and Eastern European countries that joined the EU between 2004 and 2007. The Eastern Partnership (EaP) countries are post-Soviet states that became independent “by default” in the early 1990s due to the collapse of the central government in Moscow, after centuries of Russian and Soviet domination. In these states, the privatisations of the 1990s resulted in economic and legal failure. Today, EaP countries are the object of **geopolitical rivalry between Russia and the West** and have no EU membership perspective. They have used their undefined position to obtain economic and political benefits from both sides – a behaviour that some panellists dubbed as “neo-Titoism”, as it is reminiscent of Yugoslavia’s stance between East and West during the Cold War. Furthermore, EaP countries have supported each other when the EU criticized one of them, as shown by their refusal to condemn Belarus for human rights violations at the EaP summit in Warsaw in September 2011.

Some experts expressed concerns on the development of the EU’s **Eastern Partnership**. According to them, Brussels’s policy of conditionality is unsuccessful and EaP partners are using their economic resources as an instrument to force the EU to accept undemocratic political systems. The risk exists that the EaP loses momentum and the whole EU Eastern agenda is marginalised. To regain the initiative, the European Union should offer the prospect of greater mobility and show more openness to the citizens of the Eastern neighbourhood. The panellists emphasized that, in most cases, the EU’s values and interests in the region coincide, as democracy is considered functional to promoting stability and economic prosperity.

As regards EU member states’ views on EaP countries, the **German perspective** was the most widely discussed. Ukraine and Azerbaijan are the EaP countries that featured more often in German media in the first half of 2012. In both cases, popular events contributed to draw the media’s attention, most notably the Eurovision song contest in Azerbaijan and the EURO 2012 football championship in Ukraine. The arrests of bloggers and the large-scale

expropriations undertaken by the Azeri government before the song contest raised some concerns in Germany. However, Ukraine was much more prominent in German media, mostly due to the Tymoshenko case. The political nature of Yulia Tymoshenko's trial, her lack of access to medical treatment and Kiev's questionable commitment to human rights were the most widely discussed issues.

In German public debate, the football event and the Tymoshenko case were linked when Chancellor Angela Merkel faced the dilemma of attending the national team's games in Ukraine or boycotting them as a sign of protest against human rights abuses in the country. Some German politicians proposed to freeze the Association Agreement between the EU and Ukraine – a move that was criticized by panellists, as it would lead to Brussels's disengagement from the region. Conference participants advocated an approach combining continued political engagement and pressure on the Ukrainian government for the respect of human rights. Some pointed out that the EU should not sign the Association Agreement until there is genuine progress, otherwise it would send a negative message to countries such as Moldova and Georgia, which have put an effort into improving their human rights record.

Some panellists briefly drew the attention to other EU member states' views on the Eastern neighbourhood. During the last five years, **Poland** attempted to take a leading role in the EU's Eastern policy and became more pragmatic in bilateral relations with EaP countries and Russia. Although security thinking in the three post-Soviet Baltic republics is still dominated by Realpolitik and the fear of Russia, some of them are becoming more pragmatic too. This was highlighted by **Latvia**'s recent economic policy, most notably by the opposition of many Latvian companies to EU sanctions on Belarus.

With regard to the EU's bilateral relations in the neighbourhood, different views emerged concerning **Russia**. Some experts argued that the EU should reduce tensions with Moscow and send a reassuring signal, emphasizing that it does not intend to engage in geopolitical competition. Others argued that Brussels should take a harder stance towards Putin, as he is becoming more unpopular and authoritarian. The "pessimists" claimed that Russia only sees its relations with the West in terms of geopolitical competition, as its leaders are imbued with a Realpolitik mentality. They also drew a negative assessment of the EU's relationship with Russia and emphasized problems in the context of the four EU-Russia Common Spaces, namely Brussels's overreliance on energy supplies from Moscow, disagreements in the security field concerning Syria and Iran and the deterioration of the rule of law in Russia. The

most critical panellists argued that the EU-Russia strategic partnership was designed for a pluralist Russia and cannot continue in the present conditions.

More optimistic panellists emphasized the concept of “*Wandel durch Annäherung*” (change through rapprochement) in relations with Russia, which was the philosophy behind West Germany’s *Ostpolitik* and led to the relaxation of tensions with the Soviet Union in the late 1960s and early 1970s. The advocates of a more cooperative policy with Russia highlighted positive developments, such as Moscow’s WTO accession, the Petersburg dialogue and the implementation of numerous local initiatives that strengthened links between Russia and EU member states. The “optimists” conceded that the Russian judiciary is not independent, but disagreed with the argument that Russia is an authoritarian state.

While views on Russia differed, all panellists voiced similar concerns about the EU’s relations with Belarus and Ukraine. Both countries are holding elections in the fall of 2012 and in both cases the elections are marred by irregularities – albeit on a much greater scale in Belarus. According to some panellists, **Belarus** is becoming a rentier state, increasingly dependent on Russian energy supplies and on Russia-led economic and security organizations. The EU’s decision to include Belarus in the Eastern Partnership had positive effects, as it created genuine interest and civil society engagement in EU projects. However, Brussels should diversify its offer to Byelorussians in order to make the process of approximation to the EU’s model and values more attractive. The offer of material advantages and enhanced mobility within the EU would have a stronger impact on civil society than the mere emphasis on improvements in the human rights situation.

At the moment, the EU’s leverage on Belarus is diminishing due to the attractive power of cheap Russian energy supplies and Moscow’s regional integration projects, which do not entail any conditionality. Simultaneously, the EU’s funds to support civil society initiatives in Belarus have been scaled down – a decision that was criticized by some panellists. However, other participants countered that, paradoxically, Minsk’s membership in the Customs and Eurasian Unions may have positive effects on its relationship with the EU, as it would align the country with Moscow, which is a WTO member and has relatively stable relations with Brussels.

Political developments in Kiev were arguably the most serious drawback for the EU’s policies in the Eastern neighbourhood, not least because **Ukraine** was considered the flagship country of the EaP. The negotiations for the DCFTA between the EU and Ukraine were completed but

the document has not been signed. The investment climate has worsened and the government has been reluctant to implement agreements signed with the EU. The Tymoshenko case has cast serious doubts about the unfairness of the judicial system and the democratic credentials of the country. Nevertheless, Ukrainian conference participants argued that the EU should maintain an intense dialogue with the country, particularly with its increasingly active civil society. Funds should be made conditional to concrete achievements, but Brussels should not interrupt negotiations, as this would accelerate the country's authoritarian shift.

Among the controversies that the EU is confronted with in its Eastern neighbourhood, the **“frozen conflicts”** in Transnistria and the Caucasus (Nagorno-Karabakh, Abkhazia and South Ossetia) are certainly one of the most challenging. At the conference, the debate focused mostly on **Transnistria**, the nearest conflict to the EU's borders. The EU has acquired considerable leverage in the conflict resolution process. It is now part of the 5+2 negotiation format, where it has observer status (but practically the same rights as the other negotiating parties), and it fields a border monitoring mission (EUBAM) at the Moldovan-Ukrainian border, including its Transnistrian section. The EU's concession of autonomous trade preferences to Moldova has led many Transnistrian companies to register with the authorities in Chisinau in order to benefit from the same treatment.

Germany was one of the most active EU countries in the Transnistrian conflict resolution efforts. Berlin's approach involves the intensification of dialogue with Russia on European security issues in exchange for Moscow's support in the resolution of the Transnistrian conflict. The **Meseberg memorandum**, signed by Angela Merkel and Dmitry Medvedev in June 2010, embodies the essence of the German approach.

However, more recently Moscow has put pressure on Moldova to draw the country closer to Russian regional integration structures. The Kremlin also maintains its control over the Transnistrian economy and Tiraspol's security service. The conflict cannot be solved without Russia's cooperation, and Moscow would not accept a solution that envisages EU (let alone NATO) membership for a reunified Moldova. Furthermore, Moldova itself does not have sufficient economic and political power to make an attractive offer to Transnistria. A hasty reunification of the country could endanger Moldova's Europeanization process. The best option is therefore one that envisages a gradual rapprochement of the two entities and paves the way for reunification in the medium term, based on shared economic interests.

Some attention was devoted also to the **Nagorno-Karabakh** conflict. Notwithstanding the EU's limited leverage in the conflict, Brussels could improve its stance in the region by taking a more critical approach towards Azerbaijan. Baku is spending considerable resources on lobbying in European capitals and lures the EU with the offer of fossil fuels. Some panellists went as far as arguing that, due to its overly lenient attitude to Azerbaijan, Brussels is becoming part of the problem in the area, rather than a promoter of solutions. The other two "frozen conflicts", namely the ones in Abkhazia and South Ossetia, were mentioned only briefly as cases where the **EU's bottom-up strategy** has resulted in failure.

This strategy, referring to Brussels' higher activism on the ground (through local projects) rather than with high-level political discussions, engendered a lively debate at the conference. According to some, the EU needs to keep and step up its presence on the field. Others pointed out that Brussels has ignored the de facto states for too long, thereby contributing to make them completely dependent on their patron states (Armenia for Nagorno-Karabakh and Russia in the other three conflicts). Experts agreed that none of the conflicts can be resolved without Russia and that Moscow played a constructive role in the Nagorno-Karabakh conflict resolution process. According to some, Moscow's sudden withdrawal from the negotiation forums would probably cause the economic collapse of the separatist entities, but would not lead to conflict resolution.

In the concluding conference panel, the **security situation in the Baltic Sea region** was discussed. The area has recently witnessed a new wave of security concerns, which have resulted in the partial remilitarization of the area, as shown by Swedish and Finnish defence policies. EU member states in the Baltic region have shown different levels of activeness and concern. The Baltic States have voiced the most serious security concerns, mostly due to their perceptions of Russia. At the other end of the spectrum, Germany has been remarkably inactive, in spite of its considerable security and economic interests in the area. For Berlin, the inclusion of Russia in Baltic security structures is essential. Poland lies somewhere in between and is currently engaged in the quest of a prominent regional role, although it may lack the means to sustain it.

Some panellists argued that regional cooperation in the 1990s prevented the outbreak of conflicts in the Baltic area. However, dividing lines remain (the EU and NATO on one side and Russia on the other) and an overarching security community of all Baltic coastal states has not been created. The EU's strategy for the region focuses primarily on maritime security,

environmental policies and rapid responses to potential cross-border natural and man-made disasters. Nevertheless, a comprehensive EU security strategy for the Baltic Sea is still missing. Some coastal states are uncertain also about NATO's commitment to the defence of the region.

In **Lithuania, Latvia** and **Estonia** the security debate is dominated by deep concerns about Russia and the role that the EU's Common Security and Defence Policy (CSDP) may play. For these countries, NATO is the main security actor and cannot be replaced by the CSDP, which has limited resources and is overstretched in other regional scenarios. The three Baltic republics perceive Russian moves close to their borders – such as military exercises and the possible deployment of Iskander missiles in Kaliningrad – as threats to their security. Bilateral relations with Moscow are further complicated by Tallin's, Riga's and Vilnius's heavy reliance on Russian energy supplies, as well as by the controversies on the different historical and legal interpretation of the Soviet period. Furthermore, the three Baltic republics are concerned with the wording of article 5 of the NATO treaty, which according to them provides only a 'soft' security guarantee.

Some panellists criticized both this overly hostile perception of Russia and the Baltic States' approach to the CSDP. They pointed out that NATO countries also perform military exercises close to Russia's borders and that the deployment of Iskander missiles would take place in response to the creation of anti-ballistic missile defence facilities in Europe that do not foresee cooperation with Moscow. In addition, they argued that the Baltic States are indifferent to the EU's security initiatives in other theatres and are not entirely committed to the CSDP due to its perceived competition with NATO. They claimed that the EU's security initiatives in the Baltic region can be complementary to NATO's. In particular, they could become much more relevant if Washington continues to relocate its military forces to non-European theatres.

The debate about the **Nord Stream pipeline** highlights the differences in EU member states' approaches to Russia and to security in the Baltic Sea region. Some panellists argued that the pipeline is not a security issue and that Russia may have increased its military presence in the area also if Nord Stream had not been built. However, the three post-Soviet Baltic republics perceive the pipeline as part of a deliberate Russian policy to use their energy dependence for political purposes. Thus, while Germany was Russia's main partner in the construction of Nord Stream, the other EU member states in the Baltic region have kept either a more reserved or a vibrantly critical stance to deepening the energy partnership with Moscow.

The two-day seminar drew to an end with some additional recommendations for the EU's policy towards its Eastern neighbourhood. Although participants had divergent opinions on the future development of EU-Russia relations, they all agreed on the proposal that Brussels should remain active in its Eastern neighbourhood and in the "frozen conflicts". **Key recommendations** included the creation of additional economic linkages with EaP countries and the involvement of the highest possible number of EU member states in Brussels's Eastern neighbourhood initiatives. In the security sphere, most participants advocated NATO's continued commitment to the Baltic region and the simultaneous development of complementary CSDP capabilities.

As was noted, the EU is increasingly speaking with one voice. However, differences of opinion and interests among member states inevitably remain. Increased dialogue and further integration are the keys to overcome these divergences and reconcile different positions. The meetings of the German-Nordic-Baltic Forum provide an important opportunity to develop a constructive dialogue. It is thus desirable that the event in Helsinki is followed up by similar initiatives next year, with the participation of representatives from both EU member states and Eastern neighbourhood countries.